

NEOCLASSICAL ECONOMY IN ENVIRONMENTAL PROTECTION

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Abstract

Currently, if speaking about the theoretical background of the environmental policy, most of environmental economists have neoclassical economics in their minds. State regulation of private activities by means of restrictions, commands, taxes and fees is usually seen as the only one way to reach the high quality of the environment. It is believed, that due to market failures market forces are not able to solve the environmental problems. Actually, these are the main arguments for state interventions into the private negotiations about environmental issues. But are these assumptions correct from the methodological point of view? Is the state regulation really the only one way to solve the environmental problems?

In this paper we try to signify the main methodological problems of neoclassical economics and to identify, how to solve environmental problems from the point of view of other economic school of thoughts. The development of theoretical aspects of environmental issues was not fetched up in 60's. and 70's with neoclassical conclusions, but it continued in 80's and 90's with free-market-environmentalism. This theoretical background contains the methodology of Austrian school of thoughts, Public Choice theory and new institutional economics. In the present environmental policy, theoretical conclusions of these school of thoughts are (intentionally) marginalized.

At the end of this paper we discuss the interdependence between environmental degradation and economic growth. Is the economic growth bad or good for environmental protection? To answer this question we follow the modeling approach.

Keywords

environment, effectiveness, externality, methodology

JEL Classification

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