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Neoliberalism and Environmental Decline: The Critical Need to Harmonize Profit with Ecological Well-being

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Abstract

This paper explores how neoliberal economic policies shaped industrial growth in India, but also contributed to widening social inequality and environmental degradation. This study examines how India can balance the economic gains of neoliberal industrialisation with its mission for environmental preservation and social development. Using the qualitative approach, the paper has built its argument based on secondary sources like policy documents, government reports, and corporate CSR disclosures. David Harvey's insights provide an understanding of neoliberalism and its impact on democratic principles of society and on the environment. The research proposes that Corporate Social Responsibility (CSR), mandated by India's Companies Act of 2013, balances the capitalist agenda, maximising the profit share through its activities in areas like renewable energy, afforestation, and community development. The paper argues that achieving sustainable development requires rethinking market priorities by focusing on ethical governance, social inclusion, and ecological responsibility.

Keywords: Neoliberalism, Environmental Degradation, Climate Change CSR.

Introduction

The term Neoliberalism was popularised by a group of social thinkers and economists who were the founding members of the Mont Pelerin Society, formed in 1947, which included Friedrich Hayek, Ludwig von Mises, Milton Friedman, and Karl Popper. "Milton Friedman first used the term 'neoliberalism' in an essay called 'Neo-Liberalism and its Prospects'" (Peters, 2021, p. 2) Hammond & Hammond (2015) note that the Hayek formed the society to revive liberalism in response to the socialism, communism, and Nazism that rocked the world in the wake of the world wars. The members of the group identified themselves as 'liberals' as

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they were committed to the ideals of individual freedom. The term 'neoliberal' reflected the group's alignment with neo-classical economics of the late nineteenth century, which favoured the principle of the free market. The group also aligned itself with the views of Adam Smith, who advocated free trade or *laissez-faire,* which has been described as the maxim of 'buying in the cheapest market and selling in the dearest', a dictum which was based on the belief that freedom from state intervention in economic matters was not only in interest of the individual but also in the larger interest of the nation. "Neoliberal doctrine was therefore deeply opposed to state interventionist theories, such as those of John Maynard Keynes, which rose to prominence in the 1930s in response to the Great Depression" (Harvey, 2005, p. 20).

The core features that define neoliberalism are centred around the 'market', which is seen as the most efficient barometer for allocation of resources. Free functioning of the market is believed to regulate itself and promote economic growth and innovation. It encourages the privatisation of public services like transportation, energy and water for better efficiency and reduction of government expenditure. Minimum government protocols for corporate companies are aimed at facilitating ease of business and discouraging sluggish functioning. Globalisation allows free trade between national and international companies, so that profits can be maximised by utilising the cheapest resources and manpower. The individual is viewed as the main player in the economy, with competition encouraged to enhance efficiency. Social results are perceived as outcomes of individual merit, hence giving rise to individualism.

Although widely adopted for promoting economic growth, neoliberalism has been criticised for deepening social inequality by promoting capitalism and ignoring the welfare of the larger population. It erodes the very foundation of democratic principles by concentrating power in the hands of the capitalist class. Public services and social welfare are ignored, and a deeper chasm is allowed to engulf the lower and middle classes of society. Since natural resources are exploited for maximum profits, the environment and ecology are devalued, making the threat of climate change even more alarming. Wendy Brown (2015) argues that this ideology not only corrupts democracy but that "neoliberal reason, ubiquitous today in statecraft and the workplace, in jurisprudence, education, culture, and a vast range of quotidian activity, is converting the distinctly political character, meaning, and operation of democracy's constituent elements into economic ones" (p. 17).

This study focuses on the impact of neoliberalism on the environment, causing serious health hazards due to climate change. This paper examines how neo-liberalisation has been counterproductive by causing man-made calamities, depleting natural resources, leading to ecological imbalance. It suggests that Corporate Social Responsibility (CSR) initiatives undertaken by major industries help to maintain ecological balance and advance sustainable development.

Neoliberalism

As an economic and political ideology that became popular in the 1970s, it was promoted and widely implemented by Deng Xiaoping in China, Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States. They are regarded as the forerunners who supported its core principles, which include curbing trade union power, deregulating industry, agriculture and resource extraction to handle inflation and economic stagnation. China, the UK and the USA became the epicentres of neo liberal philosophy, which gradually reverberated globally as a political project. Harvey (2005) described Neoliberalism as a political economic theory that proposes that "human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade" (p. 2). The role of the state is to guarantee smooth operations by setting up "military, defence, police, and legal structures and functions required to secure private property rights and to guarantee, by force, if need be, the proper functioning of markets" (ibid.).

Neoliberalism ruled the market forces since the 1970s and became "hegemonic as a mode of discourse. It has … become incorporated into the common-sense way many of us interpret, live in, and understand the world" (ibid. p. 3). It advocates that social welfare is linked with market transactions, and human action is influenced by market forces. Neoliberal policies are primarily concerned with the functioning of free market capitalism, limiting government spending, and encouraging public ownership (Manning,2004). Neoliberalism is also marked by the opening of the domestic market to foreign competition, privatisation and limiting the government's ability to run fiscal deficits and accumulate debt (Ostry, Loungani, & Furceri, 2016, p. 38). As a political project, it aimed to "reestablish the conditions of capital accumulation and restore the power of economic elites" (ibid. p. 19). Peters (2021) notes that it is widely referred to:

> a set of related public policies that was aimed at deregulating capital markets, embracing 'free trade' globalization, and privatization policies responsible for state assets sale, and the commercialization and corporatization of government departments with the overall aim of paring back the state and increasing individual responsibility. These were the public policies developed by conservative and right-wing governments intent on limiting the powers of the state, attacking 'big government' and repealing social welfare provisions (p. 1).

Neoliberal economies clamped a severe check on unions, dismissed social solidarity, withdrew the benefits of the welfare state, promoted privatisation, curtailed taxes, encouraged entrepreneurship, and created ease of business to encourage a strong inflow of foreign investment. It favoured "individualism, private property, personal responsibility, and family values" (ibid. p. 23). In a 2001 PBS interview, Manmohan Singh, the architect of 1991 privatisation in India, mentions the groundbreaking transformation that the revised economic policy offered. He says:

> We got the government off the backs of the people of India, particularly off the backs of India's entrepreneurs. We introduced more competition, both internal competition and external competition. We simplified and rationalized the tax system. We made risk-taking much more attractive... [and] much more profitable. So, we tried to create an environment conducive to the growth of business.

Globally, by the 1990s, such state deregulation led to unprecedented market freedom and centralisation of power with the corporate houses and industrialists. It gradually led to growing social inequality as wealth and power remained vested with the upper class, environmental degradation, erosion of democratic principles, hampered public services for the poor, and finally led to the economic crisis of 2008-2009.

The model of neoliberalism led to growing social inequality as the tax cuts and subsidies offered to the capitalist class increased their margin of profit at the cost of neglecting the lower classes. The International Monetary Fund's (IMF) article, 'Neoliberalism: Oversold?' (2016), examines the consequences of capital account liberalisation and fiscal consolidation and reveals how its implementation led to economic inequality between the capitalist and the working class. Noam Chomsky remarks that neoliberalism erodes democratic participation by prioritising corporate interests over public good, shrinking civic space and weakening public institutions (Lydon, 2017). David Harvey mentions that it was a class project that concentrated power among the elites and marginalised the working class. Privatisation of education, health care and other social welfare programs led to reduced access for the poor to basic facilities, adversely affecting the social welfare outcomes. Excessive reliance on the unregulated market resulted in the economic slowdown, as was witnessed globally in the great economic recession of 2008.

Environmental Degradation and Climate Crisis

Apart from the economic and financial repercussions of neoliberalism, one of its major counterproductive outcomes has been environmental degradation. Natural resources have been commodified and treated as mere assets for gaining a profit share. Unchecked industrialisation and the setting up of factories led to accelerated climate change, causing water and air pollution. According to Fremstad and Paul, the myth of the free market has delayed meaningful climate action for decades and "constrained policies to address climate change" (p. 1).

Environmental devaluation refers to the corrosion of the environment through the exploitation of resources, devastation of ecosystems, and the extermination of wildlife, primarily due to human activity. It is closely linked to climate change and is accelerated by industrialisation, urbanisation, deforestation, pollution, and unsustainable agricultural practices. Since the 1800s, human activity has been the main cause of climate change, which refers to long-term shifts in temperature and weather patterns, caused primarily by the burning of fossil fuels. The use of such fuels generates greenhouse gas emissions, which wrap the Earth like a blanket by trapping heat from the sun and raising temperatures. Climate change is primarily caused by gases like carbon dioxide and methane emitted from vehicles and the burning of coal. Deforestation further exacerbates the problem. Methane is emitted from agricultural and industrial operations (United Nations). Climate change causes unnaturally high temperatures on the planet Earth, leading to the melting of snowcapped mountains and raising the sea level. According to the World Health Organisation, by 2050, climate change is expected to cause over two lakh fifty thousand deaths from "malnutrition, malaria, diarrhoea and heat stress alone" (WHO).

"Climate change must be placed in relation to broader contestation of unequal social and environmental relations, and specifically in relation to the crisis of neoliberalism." (Featherstone, 2013, p. 44). There is a definite correlation between global rising temperatures and industrialisation. It was reported in 2024 that the rate of warming per decade since 1982 has been recorded at 0.20 degrees Celsius, which is three times higher. Global records since 1850 reveal that 2023 was the warmest year. "It was 2.12 °F (1.18 °C) above the 20th-century average of 57.0°F (13.9°C), and it was 2.43 °F (1.35 °C) above the pre-industrial average (1850-1900). The 10 warmest years in the historical record have all occurred in the past decade (2014-2023)" (Lindsey & Dahlman, 2024. The average temperatures have been rising and have been noted to be 2.43 °F above the pre-industrial average. There is well-documented evidence to corroborate that the climate is directly impacted by industrialisation. Lever-Tracy and Pittock (2010) make a very pertinent observation:

> Global warming has long-term cumulative causes in the whole history of modern society and its relations with nature, ignored until their effects became finally manifest. The worst impact on climate comes not from advanced technology but from the burning of fossil fuels by basic industrial production. Coal has been and continues to be the main culprit, seconded by our century-old petrol-burning automobile culture and by the deforestation and cultivation practices of commercial agriculture (p. 1).

Hans (2024) notes that "neoliberalism has commodified the planet's resources and led to companies producing at capacities that far outstretch the earth's limits […] Ecological implications of this have meant that corporations have had free rein to deplete the earth's resources and cause environmental destruction in the name of profit and efficiency". (p. 2) Taylor & Watts (2019) noted that the "seven and a half billion people must pay the price – in the form of a degraded planet – so that a couple of dozen polluting interests can continue to make record profits. It is a great moral failing of our political system that we have allowed this to happen." (para. 10) 'The Guardian' (2019) reported that worldwide, the top twenty companies contributed to 35% of carbon dioxide and methane emissions since 1965.

Environmental Crisis in India

According to the Observer Research Foundation "Hundreds of millions of people in India are continually exposed to toxic air: they inhale, for example, a 24-hour average of up to 25 micrograms/cubic metre of air of the deadly, microscopic pollutant, PM 2.5- far above the World Health Organization's (WHO) limit of 10 micrograms/cubic metre". Prolonged exposure to such toxic air causes "cardiovascular and respiratory diseases, lung and other cancers, strokes, pre-term birth, type-2 diabetes, and other illnesses". India's growth as a global manufacturing centre has created notable economic opportunities but has also led to significant environmental issues. Zhang et al. (2025) note that industrial expansion from initiatives like 'Make in India' has increased carbon emissions, water pollution, and air quality concerns, particularly in areas with weak environmental regulations. Their study highlights the trade-off between economic growth and ecological sustainability, revealing regional disparities in industrial benefits and environmental impacts. The authors emphasise the need for stricter environmental monitoring, investment in green technologies, and alignment with Sustainable Development Goals (SDGS) to ensure that economic progress does not result in lasting ecological harm. In their study, Prasad & Suresh (2023) note that incidents of environmental harm caused by industrial accidents in India rose significantly between 2010 and 2020. These accidents have resulted in air, water, and soil pollution, posing a threat to human health and well-being (p. 1).

Though India is likely to become the fourth-largest economy in the world, there are major instances that show gaps in the country's safety measures in the industrial sector. On December 3, 1984, a leak of a toxic chemical known as methyl isocyanate (MIC) occurred at a Union Carbide pesticide facility in Bhopal. The disaster resulted in thousands of fatalities and left countless others with serious injuries and ongoing health issues. This incident is regarded as the most catastrophic industrial accident in history. Forty years after the disaster, in 2025, about 337 tonnes of hazardous waste were transported from the Union Carbide plant to an incineration facility located about 230 kilometres (143 miles) away, following a court ruling that imposed a four-week deadline for its disposal (BBC). Similarly, a massive fire broke out at the Oil and Natural Gas Corporation Ltd (ONGC) platform in Mumbai in 2005, and a chlorine gas leak took place at Jamshedpur in 2008.

More recent incidents in 2020 include a fire breakout in an underground hydroelectric power plant in Srisailam in Telangana and a gas leak from the LG Polymers plant in Visakhapatnam. These units had not sought environmental clearance for over twenty years, killing several people and sickening hundreds. It was reported in 2023 that 6% of operational industries in India, which is a staggering figure of 440989, ignore safety standards, risking air, water and soil due to the emission of various pollutants (Mohan,2023). Maximum pollution control measures are reported to be ignored by the states of Punjab, Gujarat, Rajasthan, Maharashtra and Jharkhand, causing severe environmental damage.

National Policy Responses and CSR

In India, environmental laws are outlined and enforced by the Ministry of Environment, Forest, and Climate Change, the Central Pollution Control Board, and the State Pollution Control Board. Environmental laws in India include the Environmental (Protection) Act of 1986, the Water (Prevention and Control of Pollution) Act of 1974 and the Air (Prevention and Control of Pollution) Act of 1981. In 2016, India updated its waste management rules, including those for hazardous waste, e-waste, and plastic waste, to align with international standards, especially the EU. The revised laws introduced Extended Producer Responsibility (EPR), placing significant obligations on manufacturers to minimise environmental impact through the course of production at the production units.

CSR serves as a link between economic development and social welfare; it has expanded both in terms of its impact and the breadth of corporate involvement in social development. "India's recent initiative in framing the Corporate Social Responsibility (CSR) mandate in the Companies Act, 2013, for certain Corporations is an effort to formally acknowledge and respect the symbiotic relationship between business and society" (Mitra & Schmidpeter, 2016, p. vii). Ministry of Corporate Affairs (MCA) mandates that under section 135(1) of the Companies Act, 2013 a company with net worth of rupees five hundred crore or more, turnover of rupees one thousand crore or more, or net profit of rupees five crore or more are required to comply with CSR provisions which specifies that 2% of the company's net profit should be invested in initiatives undertaken for a more just and equitable society and for cleaner and sustainable environment. "True CSR fosters innovative entrepreneurial ideas that support sustainable development opportunities. Although the mandate and the associated financial expenditure may seem like an unwanted hindrance to a percentage of companies affected, it aims at providing long-term solutions to pressing challenges" (ibid, p. 6). CSR is guided by the principles of corporate accountability, shared values, and involvement of the companies in initiatives that go beyond philanthropy through responsible business focused on sustainability. According to the Ministry of Corporate Affairs, CSR investments in the three financial years since 2020 are as follows:

Financial Year	No of Companies	Amount Spent Cr	States &UTs	CSR Projects	Development Sectors
2020-21	20840	26210.95Crores	39	39324	14
2021-22	19888	26579.78	40	44425	14
2022-23	24392	29986.92	40	51966	14

(Ministry of Corporate Affairs)

Fourteen key developmental sectors include areas such as education, health, sports, heritage and culture, gender equality and environment protection. Out of the total expenditure on CSR, from 2020 -2023, Rs 1336.6 Cr, Rs. 2908.94Cr and Rs. 2921.38Cr was spent in the sector of environment, animal welfare and conservation of resources. Maharashtra made the largest contribution in this sector in the time span mentioned above. Data of the top five industries' expenditure in this sector for the financial year 2022-2023 is as given below:

Name of the Company	Amount spent on Environmental Sustainability in Crores
ICICI Bank Ltd	179.98
Infosys Ltd.	139.42
Hindustan Zinc Ltd.	125.96
ITC Ltd.	86.99
Wipro	78.58

(Ministry of Corporate Affairs)

The Government of India has instituted a mandatory contribution of 2% of net profit from corporate companies for developmental activities. For example, Tata Steel focuses on sustainable mining and reducing carbon emissions, Hindustan Unilever aims to minimise its carbon footprint through its 'Sustainable Living Plan'. Mahindra & Mahindra promotes sustainable agriculture by reducing the consumption of water. Many organisations invest in community initiatives like waste segregation, recycling programs, and clean-up drives to raise awareness about waste management. Coca-Cola's 'World Without Waste' campaign targets 100% recyclable packaging by 2030, Unilever's 'Clean Future' initiative seeks to eliminate fossil fuel-based chemicals, and Procter & Gamble's 'Ambition 2030' commits to a 50% reduction in its environmental footprint and ensuring all packaging is recyclable or reusable.

Various Regulatory government bodies ensure the transparent functioning of corporate companies. Chief of these bodies include the Reserve Bank of India (RBI) for banking, Securities and Exchange Board of India (SEBI) for stock markets, Telecom Regulatory Authority of India (TRAI) for telecommunications, Ministry of Corporate Affairs (MCA) for corporate governance and National Green Tribunal (NGT) for environmental matters. While privatisation gave a boost to industries and triggered economic growth, these regulatory bodies ensure that there are adequate checks and transparent mechanisms in place that help the nation not to be driven by a capitalist mission alone.

Conclusion

Liberalisation of the economy in 1991 transformed India's economic framework and led to significant industrial advancement and global presence. It is poised to be the fourth-largest world economy, but this growth has also resulted in glaring social inequalities hampering public welfare schemes and depleting the environment. This paper highlights that profit-making quest jeopardises ecological sustainability and weakens democratic institutions. India's policy measures, notably the mandatory Corporate Social Responsibility (CSR) provisions in the Companies Act of 2013, mandate corporate accountability and environmental protection. However, CSR initiatives are not enough on their own. Achieving true sustainable development demands more than mere compliance with regulations or acts of corporate goodwill; it requires a fundamental restructuring with increased focus on public welfare schemes and consciousness to protect the environment. Growth driven by market forces must be realigned to emphasize ethical governance, social equity, and long-term ecological health. Only through such a transformative shift can India and other economies driven by neoliberal ideals realise a future in which economic success does not compromise the environment.

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Bio-note

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