Balancing The Environment And Economy

What is the issue?

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- Low GDP growth is getting to be a serious cause of concern for the economy.
- There are apprehensions that this would have a negative impact on the growth of employment, income and livelihood opportunities.
- However, offering an environment perspective brings out a possible beneficious side to economic slowdown.

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How are economic growth and environment related?

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- Rapid **industrialisation** and urbanisation are inevitable to bring in desired levels of economic development.
- This is also believed to be essential to substantially increase the **per capita income**.
- However, these income-generating activities are sure to have **negative environmental consequences** such as pollution.
- Noticeably, environmental quality is being compromised for the goals of mass employment generation and poverty reduction.
- It is believed that with gradual increase in income levels along with growth in financial and technological capabilities, environmental quality could be restored.
- But the reality is that the continued growth generating activities only increasingly deteriorates the environmental quality.

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What is the economic significance of the environment?

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- The economic significance of the environment is evident with the range of **ecosystem services** that it offers. These include:
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i. provisioning services (food, irrigation, drinking water).
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ii. regulating services (climate regulation, water quality regulation).
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iii. cultural services (recreational and religious services).
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iv. supporting services (nutrient recycling, soil formation).
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- Millions of households and economic activities utilise these ecosystem services for production and consumption.
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- However, despite this high economic value, ecosystem services are **not traded in the markets.**
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- Their **true values are thus not reflected in the economic system.**
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What is the case with India?

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- The above picture explains the shortfall of unrecognised economic significance of the environment.
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- In India, the current method of **GDP calculation treats environmental damage costs as income**(as it is compensated with the income in other sectors such as the industry).
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- This is misleading because it accounts only the environmental damage.

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- The inherent economic potential that is lost due to the environmental damage is unaccounted.
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- Evidently, various studies have estimated the huge environmental damage cost and welfare loss due to the higher level of economic growth maintained in recent years.
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- Notably, these costs and losses are equivalent to around 5-7% of the GDP in various years.
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- This picture is despite the underestimations due to non-availability of data.
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- Because, quantifying the unsystematised ecosystem services for damage assessment is a difficult task.
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- Thus the **economic welfare lost due to the loss of ecosystem services** will be much higher than the current estimations in India.
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What is desired?

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- The low GDP growth is for sure a negative thing in many respects.
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- However, in view of sustainable development, "**low growth**" could also imply a more "**protected environment**".
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- Consequently, the **economic and social benefits that a healthy environment offers** is considerably higher than that of a GDP growth at the cost of the environment.
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- Thus ensuring a quality environment can actually push income growth on a more sustainable and meaningful basis.
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- Given all these, the **challenge of uncertainty in determining environmentally desirable growth rate** cannot be denied.
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- However, maintaining 5-6% growth rate with strict environmental regulation is supposed to be a balanced one.
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- In this line, the government can consider market-based instruments such as

pollution tax and tradable pollution permits as **pollution control measures.**
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- **Environmental accounting and green GDP** for India could be other possible tools.
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Source: The Hindu

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