

Environment and Economic Development

Environment

Environment is surrounding consisting of the physical factors of human beings including the land, soil, water, atmosphere, climate, sound, odours, tastes and the biological factors of animals and plants of every descriptions. Thus Environment is all living and non-living things around us.

Development

In simple terms development is transformation or change for the betterment of quality of life on the earth. When it is narrowly focused, it may be confined to economic development or the development of a community, region or a country. Economic development is multi dimensional process involving promoting economic growth, ensuring social justice, preserving cultural values, etc. But it did not have an environmental dimension.

In the late 1960s and early 1970s, a powerful social movement emerged in affluent countries arguing that economic growth caused environmental degradation and could not be sustained forever. One of the most famous of the thousands of studies written on this issue was the book, "The Limits to Growth" published in 1972 by Meadows and a team of scientists, environmentalists, economists and industrialists at the JSA's Massachusetts Institute of Technology. It used a computer model of the world economy to show that the existing population and economic activity growth rates could not continue indefinitely on a planet that had limited resources and limited ability to deal with pollution.

But critics argued that even if notional limits were identifiable, they could be extended through scientific and technological innovation and that economic growth was necessary to finance and motivate such innovation. The focus of early limits to growth writings on the depletion of resources such as oil and minerals, left them particularly open to this criticism and the lack of global shortages in subsequent years served more than anything else to discredit their arguments.

However, the limits to growth advocates also neglected to consider the social implications of no-growth policies and the social imperatives behind economic growth. Economic growth provided increasing living standards for many people in affluent countries, and it was seen to be necessary to provide similar benefits for the

remaining poor in those countries and for the populations of developing nations. Those who argued for limits to growth were accused of being elitist and of emphasising the environment at the expense of the quality of human life. Many did not differentiate between economic growth in affluent countries and economic growth in developing countries. Nor did they recognise that population growth in affluent countries could be far more environmentally damaging than population growth in poorer countries where resource use per person was low.

Sustainable Development

Sustainable development seeks to make the competing goals of economic growth and environmental protection compatible. The limits-to-growth model has been replaced with the sustainable development model, and the 'gloom and doom' scenario has been replaced with 'win-win' solutions. The changed use of the term 'sustainability' in itself indicates the differences between this wave of environmentalism and the earlier one. Earlier environmentalists had used the term to refer to systems in equilibrium: They argued that exponential growth was not sustainable, in the sense that it could not be continued forever because the planet was finite and there were limits to growth. In contrast, sustainable development seeks ways to make economic growth sustainable, mainly through technological change.

In 1982, the British Government began using the term 'sustainability' to refer to sustainable economic expansion rather than the sustainable use of resources. In the mid 1980s the World Commission on Environment and Development popularised the term 'sustainable development' in its Brundtland Report, *Our Common Future* (1987). The Commission defined sustainable development as: 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. In October 1987, the goal of sustainable development was largely accepted by the governments of 100 nations and approved by the UN General Assembly.

The sustainable development involves economic development without the environmental degradation by integrating environment into the economic system in the decision making process to ensure that the future generation will not be deprived of their needs.

Clearly, the natural environment is an important component of the economic system, and without the natural environment, the economic system

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would not be able to function. Hence, we need to treat the natural environment in the same way as we treat labour and capital; that is, as an asset and a resource.

Economists are interested in the environment to the extent that it can ensure a continuous supply of goods and services to meet human wants, and this seems to be the intent of the Brundtland Commission's definition of sustainable development, which makes no specific mention of the environment: 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

Environment is recognised as an integral resource that contributes to sustainable development. This is because the environment is:

1. a source of supply of renewable (e.g. natural forests and fisheries) and non renewable (e.g. land, mineral deposits) resources;
2. a sink absorbing the wastes resulting from production and consumption of commodities (e.g. Sequestration of carbon dioxide by forests); and
3. a source of supply of global support services (e.g. protection by the ozone layer and biodiversity).

When viewed in this way, as a source of inputs and a sink for outputs of the economic system, the environment is not an equal partner. Environmental protection moves to a secondary and indeed supplementary position with respect to economic goals. Sustainability becomes a problem of how to sustain the economic functions of the environment rather than how to sustain the environment.

In theory, economic growth might be achieved without additional impacts on the environment, but this would mean many activities with economic growth potential would have to be foregone, and this will not happen when top priority is given to achieving economic growth. The incorporation of the environment into the

economic system ensures that it will only be protected to the extent necessary to ensure that it is able to continue to supply goods and services to the economic system.

Development activities have led to rapid depletion of renewable and non-renewable resources, harmed the environment's ability to assimilate wastes and damaged global support services. Uncertainty looms whether past development trends can be sustained in the future. Well-known examples of natural resource use trends include: the extent of forest cover in Sri Lanka has decreased from about 84% to 20% of the land area from 1881 to early 1990s. vehicle registration (an indication of urban air pollution) has increased 12 fold from 1970s to 1990s.

Sustainable development has evolved as a comprehensive concept that recognises the trade-offs between economic, social and environmental considerations in development. Social and environmental aspects in

development, judicious decisions that are socially desirable need to be made in the use of resources. This is particularly important when market-based valuation of resources is used to make decisions on development activities. The market underestimates the value of environment and natural resources, leading to decisions that cause overexploitation of these resources.

Sustainable development therefore represents the use of environment for welfare of the present generation without depriving of welfare needs of the future generations, i.e., ensuring intergenerational equity. It recognises the need for balances and trade-offs. When inevitable conflicts arise in particular instances, the environment will only be protected where the economic costs are not perceived to be too high.

Putting a Price on the Environment

Environmental economists argue that environmental degradation has resulted from the failure of the market system to recognise the values

on the environment, for its economic functions and services. It is argued that, because environmental assets are seemingly free or under-priced, they tend to be overused and abused, resulting in environmental damage and since they are not owned by individuals and do not have price tag, there is no incentive for individuals to protect them.

The solution offered is to put a price on the environmental goods and services so that it can be incorporated into the economic system and taken seriously by those who make decisions. Different methods are available for valuing environment, and are beyond the scope of this article. Environmental values will then be integrated into economic decisions, to ensure that environment is protected to achieve sustainable development. Environmental values can be used in making decisions on the viability of development projects, imposing taxes or charges on polluters to discourage damaging environment, etc.