

M.A. Economics, Semester-IV

EC-I (Gr-H): Environmental Economics

Dr. Manoj Prabhakar, Assistant Professor

Department of Economics, Patna University

Email: mprabhakar1980@gmail.com

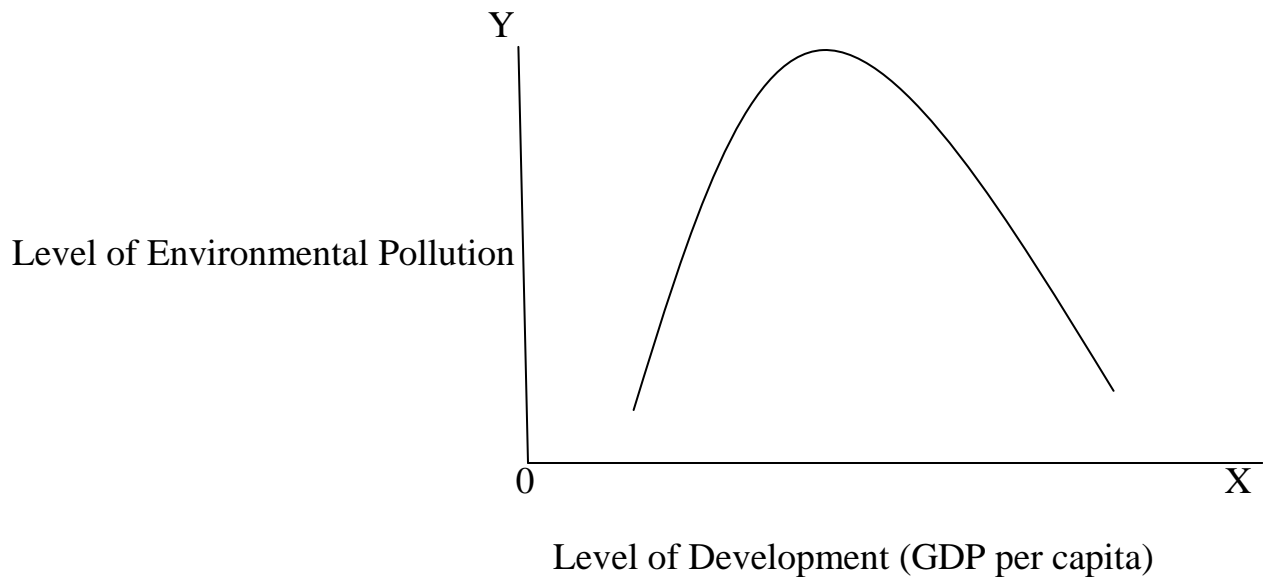
Mob: 9471013475

Kuznet's Theory of Environment:

Environmental degradation is more likely to be a problem associated with economic growth than is a shortage of natural resources. According to the theory, as incomes rise, societies will have both the means and the willingness to pay for environmental protection. Prof. Kuznet tried to analyse the relationship between pollution and economic growth and find as development process grows countries experience first rising and latter falling pollution over the course of development. This was expressed through a curve known as Environmental Kuznet's curve.

The Environmental Kuznet's curve is an **inverted U** or **upside-down U** relationship between the level of economic development and the level of environmental pollution same as the relationship between income inequality and level of development. The logic behind the environmental Kuznet curve is fairly straightforward. At very low level of economic development, countries simply do not engage in enough production to cause significant pollution. As income per capita grows, environmental damage initially grows with it. At a high income level, people are rich enough to care about pollution and take steps to reduce it. In micro economic terms, a clean environment is a luxury good for which people are

willing to spend more as they become wealthier.



Implication of Kuznet's Analysis:

The logic of the Environmental Kuznets curve has implication for rich and poor countries.

First, the curve implies that as countries get richer, they are willing to pay more to get rid of pollution.

Second, the reason that every poor country has low pollution is not that they place a high value on a clean environment. Rather, they have no opportunity to trade off higher pollution for more income. In other words, the cost of pollution, measured in dollars, is lower in a poor country than a rich country.

Suggested Readings:

Todaro, P. Michel and Smith C. Stephen (2012): Economic Development, Pearson Education Ltd.

Weil, N. David (2012): Economic Growth, Pearson Education Inc.