

ECONOMIC GROWTH AND THE ENVIRONMENT

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ABSTRACT

The relationship between economic growth and environmental quality, whether positive or negative, is not fixed along a country's development path; indeed it may change sign from positive to negative as a country reaches a level of income at which people demand and afford more efficient infrastructure and a cleaner environment. The implied inverted-U relationship between environmental degradation and economic growth came to be known as the "environmental Kuznets curve," by analogy with the income-inequality relationship postulated by Kuznets. At low levels of development, both the quantity and the intensity of environmental degradation are limited to the impacts of subsistence economic activity on the resource base and to limited quantities of biodegradable wastes. As agriculture and resource extraction intensify and industrialization takes off, both resource depletion and waste generation accelerate. At higher levels of development, structural change towards information-based industries and services, more efficient technologies, and increased demand for environmental quality result in leveling-off and a steady decline of environmental degradation.

Keywords: economic growth, population growth, environmental Kuznets curve