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## Advantages & Disadvantages of Economic Development

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**Introduction :-** The environment is vital to supporting life and providing inputs for production. Over the last three decades, there has been increasing concern about the effects of economic activity on the environment. In particular, it has been argued that economic growth has caused serious environmental damage and that the current state of the environment will constrain future economic development. The poor of developing countries are often dependent on the natural environment for their livelihood and even their continued existence. Thus, damage to the environment and the relationships between the environment and the economy are often thought to be of more importance to developing than to developed countries. The World Development Report 1992 (World Bank (1992)), shows how selected environmental indicators vary with economic development, as measured by per capita income. This chapter provides an introduction to the economic analysis of the relationships between the environment, development and the economy. First, a simple model is developed that explains the services the environment provides for economic activity and the effects of the economy on the environment. Second, the market-based approach to analysing the interactions of the environment and the economy is examined. This approach emphasizes the goal of the efficient use of the environment and considers market failures to be the main, and perhaps only, cause of market economies' difficulties in allowing for environmental concerns in economic development. Drawing on the material on social cost-benefit analysis in, it is shown how this approach can be used to provide valuations of environmental services and to improve the efficiency of the use of the environment.

Environment and Development  
Economics (EDE) was established 25 years ago to

provide a publication outlet for theoretical and applied scientific papers dealing with issues at the intersection of environmental, resource and development economics, as well as to actively support capacity building in the developing world. In the years since its inception, EDE has published a large number of articles on topics ranging from sustainable development, the environmental Kuznets curve, and green accounting, to trade and environment, poverty and natural resource use, and the economics of ecosystems.

### Advantages of Economic Development :-

1. **Higher average incomes :** Economic development enables consumers to consume more goods and services and enjoy better standards of living. Economic development during the Twentieth Century was a major factor in reducing absolute levels of poverty and enabling a rise in life expectancy.
2. **Increased research and development :** High economic development leads to increased profitability for firms, enabling more spending on research and development. Also, sustained economic development increases confidence and encourages firms to take risks and innovate.
3. **Improved public services :** Higher economic development leads to higher tax revenues and this enables the government can spend more on public services, such as health care and education etc. This can enable higher living standards, such as increased life expectancy, higher rates of literacy and a greater understanding of civic and political issues.
4. **Lower government borrowing :** Economic development creates higher tax revenues, and there is less need to spend money on

benefits such as unemployment benefit. Therefore economic development helps to reduce government borrowing. Economic development also plays a role in reducing debt to GDP ratios.

5. **Lower unemployment** : With higher output and positive economic development firms tend to employ more workers creating more employment.
6. **Money can be spent on protecting the environment** : With higher economic development a society can devote more resources to promoting recycling and the use of renewable resources.
7. **Economic Growth** : The biggest factor for promoting economic development is sustained economic growth. Economic growth in south-east Asia over the past few decades has played a major role in reducing absolute levels of poverty – increasing life expectancy.
8. **Standard of Living** : The advantage of economic development is that people's standard of living will increase. Economic development can reduce poverty because it can increase people's income and this allows them to get essential goods for living. If people have high income, they can consume more luxury goods and stimulate aggregate demand. This encourages firms to produce more and this will then increase the potential output level in the economy. When the income and output rises, the tax revenue will also rise without increases in tax rates. The government then can spend more money to improve the public services, such as education and health care and this will then improve the standard living of people.
9. **Employment Rates** : The other advantage of economic development is that employment rates will rise. When there is economic development, aggregate demand will rise so firms will employ more workers to increase

the level of production and this will create more job opportunity. Firms will feel more confident to increase investment during economic development because of the high rate of return. When investments increase, job opportunity will also increase.

10. **Many choice** : In less developed economies, a large proportion of the population work in agriculture/subsistence farming, economic growth enables a more diverse economy with people able to work in service sector, manufacturing and having a greater choice of lifestyles.

#### Disadvantages of Economic Development & Environment -

1. **Inflation** : The major disadvantage of economic development is the inflation effect. Economic development will cause aggregate demand to increase. If aggregate demand increases faster than the increases in aggregate supply, then there will be an excess demand but a shortage in supply in the economy. Hence, producers will tend to increase the price and this situation is known as inflation. When aggregate demand continues to increase but the economy is already at its full productive potential, over-heating will occur. This will then lead to high inflation with little or no increase in output. In 1980s, the inflation increased by 10% in the UK because of the high economic growth. High level of inflation will decrease people's confidence and this will decrease the number of local and foreign investments. So, it is important for a country to have equilibrium in the aggregate demand and aggregate supply to prevent inflation.
2. **Increased Pollution** : Increased pollution has also been cited as a downside of economic development. Increasing levels of economic development are derived from increasing levels of production from firms. As production and hence economic development increase, the amount of pollution emitted into the atmosphere increases. This is a negative externality, a burden placed on a third party (in this case, the

atmosphere and in turn all inhabitants of planet earth) by the production of goods and services. However, pollution levels can be controlled with the government implementing pollution permits and raising awareness of the impacts of pollution on the environment. Economic development and the environment using various indicators concentration of Urban Air pollution and various contaminants of river basins.

**3. Income inequality :** Economic development often leads to increased inequality because growth benefits the richer most because they own assets and have the best-paid jobs. Equally economic development can reduce relative poverty and inequality. Higher growth tends to enable governments to be able to afford welfare states and offer a minimum level of production.

**4. Climate Change :** The primary culprit is carbon dioxide produced by the burning of fossil fuels. Over the past two centuries CO<sub>2</sub> concentrations in the atmosphere have risen by a third and if fossil fuel consumption continues at present rates then by 2030 CO<sub>2</sub> concentrations will be doubled what they were in pre-industrial times. Some scientists have speculated that global warming could lead to the wiping out of the Amazon rainforest. Vast areas of low-lying land could be inundated as glaciers and ice caps melt and sea levels rise and tropical diseases like malaria could spread to temperate climates.

**5. Desertification :** Desertification is the washing away of the earth's topsoil due to various factors. This is what is now happening in many areas. Nowhere is the problem more acute than in arid, semi-arid and dry sub-humid areas, which cover more than one third of the Earth's surface. In these areas, human activity may stress the ecosystem beyond its tolerance limit, resulting in degradation of the land. By pounding the soil with their hooves, livestock compact the substrate, increase the proportion of fine material, and reduce the percolation rate of the soil, thus encouraging erosion by wind and water. Grazing and the collection of firewood reduces or

eliminates plants that help to bind the soil.

**Conclusion :-** Economic Development is a major field of study, due to the significant impact it has on the society in general as well as the various units that make up the society. This research paper includes the Advantages & Disadvantages of Economic Development and Environment. It is true that Economic Growth by itself does not ensure development, hardly any development can be sustained without economic growth. Therefore in order to catch up with developed nations, developing and emergent countries need to achieve and sustain higher than average economic growth rates. Economic development has many Advantages & Disadvantages however the desirability depends upon many factors such as: the nature of growth, is the growth sustainable? Does it harm the environment? However, rather than trying to stop economic growth, it is better to concentrate on improving the nature of economic development and being aware that many factors determine the desirability of economic development.

Economic growth has polluter impacts on environment at the first phases of development. After passing a threshold, it affects the environmental quality positively indeed. Economic development strategies indicate differences in the different regions of the world because countries have different economic backgrounds and economic structure. Developed countries reached today's development levels by damaging the environment. Developing countries have not yet polluted the environment as developing countries. Natural resources have capabilities of regeneration unless excessive uses are experienced. Yet, severe impacts of economic growth have caused irreversible environmental disasters on fragile ecosystems. The most important discussion is whether economic growth is controlled. How will be resolved finance issues if controlled economic growth is carried out in developing countries. Environmental policies are expensive and depend on some conditions in developing countries. If developed countries use technology

transfer for the benefits of themselves and developing countries by giving up excessive consumer roles, economic growth creates much more positive impacts on environmental quality and natural resources than expect.

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