

## **ENVIRONMENTAL GROWTH AND NATIONAL INCOME: THE TARABA STATE EXPERIENCE**

**By**

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### **ABSTRACT**

*The growing interest in Taraba State environmental issues whose importance has been steadily increasing and the demand for environmental Growth and their mutual relationship with National Income, are closely related. Economic Growth, while increasing the level of national income over time, brings with it concerns about environmental quality. The purpose of this study is to evaluate the relationship between Taraba State Environmental Growth and National income. In this study, the Environmental Kuznets Hypothesis, which assumes a correlation between various indicators of environmental degradation and per capita income in examining the relationship.*

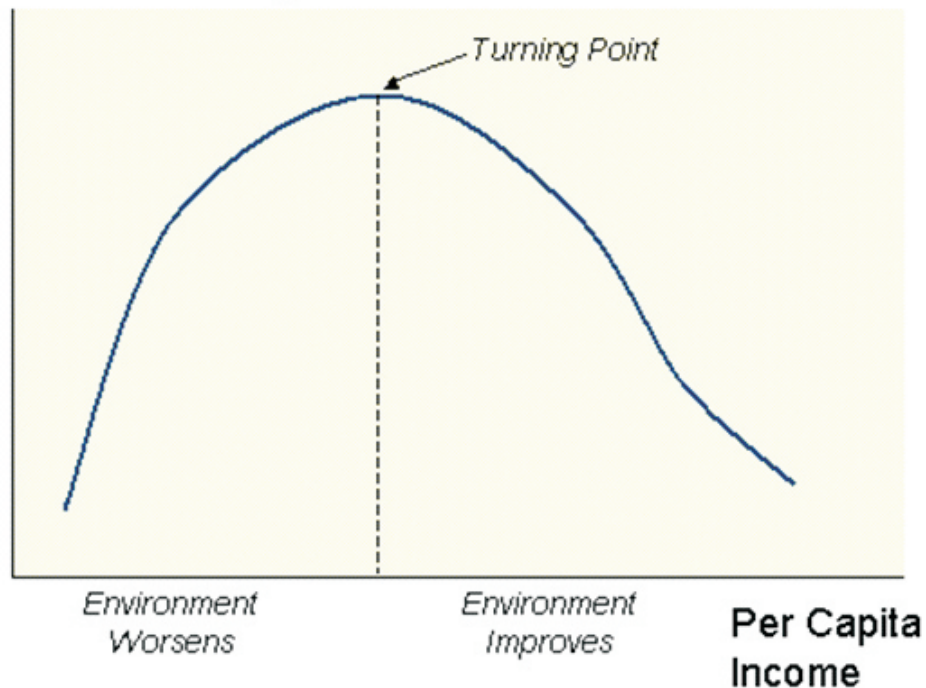
### **INTRODUCTION**

As the interest in global environmental issues rises, the relationship between the demand for environmental quality and economic growth becomes more important. Economic growth, despite an increase in the level of national income over time, brings about concerns about environmental degradation.

Kuznets, in line with the above views, proposed that together with economic growth, income distribution will first deteriorate, but when income keeps rising, injustice in income distribution will decline. This view, known as the Kuznets hypothesis in the economics literature, started to be used to describe the relationship between economic growth and environmental degradation in the 1990s. The view arguing that as economy grows environmental degradation will increase, but after a certain level of growth it will decrease is called the “Environmental Kuznets Curve”. (Figure 1)

## The environmental Kuznets curve

### Environmental Degradation



**Source:** Panayotou, 1993.

The Environmental Kuznets Curve assumes that there is a relationship between various indicators of environmental degradation and income per capita. *In Figure 1*, environmental pollution increases until income level raises the level of Turning Point, but after that level it starts diminishing.

The general proposition that economic growth is good for the environment has been justified by the claim that there exists an empirical relation between per capita income and some measures of environmental quality. It has been observed that as income goes up there is increasing environmental degradation up to a point, after which environmental quality improves. One explanation of this finding is that people in Taraba state cannot afford to emphasize amenities over material well-being.

Consequently, in the earlier stages of economic development, increased pollution is regarded as an acceptable side effect of economic growth. However, when a country has attained a sufficiently high standard of living, people give greater attention to environmental amenities. This leads to environmental legislation, new institutions for the protection of the environment, and so forth. The above argument does not, however, pertain to the

environmental resource basis of material well-being.

### **ENVIRONMENTAL GROWTH AND NATIONAL INCOME**

Environmental Growth and National income is controversial one. It is generally thought that economic growth deteriorates environmental quality. Beckerman (1992), on the contrary, argues that economic growth is the most important means to prevent environmental degradation.

Panayotou (1993) seems to support this view by arguing that the realization of economic growth is a precondition for preventing environmental degradation especially in developing countries. The actual debate here is as follows: if a country follows growth policies, it will reach a sufficiently high level of income.

This way, the country will be strong enough to follow an income-production strategy directed toward preserving and developing the environment. This argument directly conflicts with the pessimistic view of the Club of Rome-global Economic growth will be unsustainable unless a zero growth rate is not adopted as a state strategy. The traditional economic theory proposes that there is a trade-off between economic growth and environmental quality.

Kuznets (1955) informed that income per capita increases as a result of economic growth; however, in the first level of growth income inequality also rises. Furthermore, he argued that rising income inequality, as a result of continuing

economic growth will start diminishing after a certain turning point.

Grossman and Kruger (1991) found that there is an inverted-U type relationship between economic growth and environmental quality. Grossman and Kruger (1991) in their study on urban air pollutants observed that pollution concentration first increased together with income per capita, but later, showed a tendency to decline. Therefore, the shape of the curve is inverted-U type.

According to them, as economic growth continues, intensive and effective economic activities cause environmental pollution at first. Later, due to changing production techniques, more productive economic activities are formed and this situation positively affects the level of environmental quality. This fact was later termed by Panayotou (1993) as the Environmental Kuznets Curve (EKC). In summary, while Taraba state, to increase their economic strength, industrializes by using their natural resources, an increase in their environmental pollution levels is unavoidable.

From earliest beginnings, cities provided opportunities to achieve scale economies through division and specialization of labor, opportunities that are not easily exploited at the rural areas (Meyer, 2000). As urban settlements continue to grow, so the proportion of the world's population living in the towns and

cities is rising. The present world population explosion is accompanied by an urban explosion as more people, in almost every country, flock to the towns (Oyeleye, 2007).

To a large degree, cities are formed because they provide cost advantages to producers and consumers, through what are called agglomeration economies, urbanization economies, which are effects associated with the general growth of concentrated regions (ibid).

The evidence of a positive link between cities (urban areas) and economic development is overwhelming. Available literature accumulated has demonstrated the positive relationship between urban areas (specifically, their share of national populations) and levels of national economic development. Numerous studies have, confirmed the positive relationship between per capita income and urbanization levels (Fay and Opal, 2000; and Polese, 2005).

Other studies have repeatedly demonstrated the disproportionate contribution of urban areas to national income and product (World Bank, 1991). Others again have demonstrated the positive link between productivity and the agglomeration of economic activity in cities (Gleaser, 2000, Krugman, 2000 and Quigley, 2007).

In contrast, Polese (2005) argues that, the relationship between urbanization and economic growth is weak, at least in recent times, and as such does not foster

growth of region's economies.

Generally, cities exercise enormous control over national economies, they provide jobs, access to the best cultural, educational and health facilities and they act as focal point for communication and transports which are necessary conditions for economic development of any nation. Although, they also cluster massive demand for energy, generate large quantities of waste and concentrate pollution as well as social hardship. According to Todaro and Smith (2003), the close association between urbanization and per capital income including other economic development indicators is one of the most obvious and sticking fact of development process.

In a situation whereby, the proportion of region's population living in cities is rising at an alarming rate without proportionate increase in the economic variables of the city, the economic development process will suffer. According to Quigley, (2007), the economic and social crises that have enveloped most of the developing countries are as a result of urban growth without proportional economic development. To Quigley (2007), urbanization on one hand is destructive, while on the other, it is the base for development process of any region. The continuous increase in the proportion of people living in cities over rural areas in the developing countries has resulted to large number of slums and deplorable living in the

cities and in most cases worsens the economic circumstances of urban migrants of developing countries.

The questions are; why is it that, urbanization which is necessary condition for Economic development in Abuja has become an impediment to development process in Taraba State? What explains the relationship between urbanization and economic development in Taraba State?

The relationship between urbanization has long been popular issue of debate in the literature of economic development. Should a Taraba State encourage urbanization as part of economic development strategy? Or is high rate of urbanization just a necessary condition for economic growth? According to Rakodi (2004), cities of developing countries are faced with the challenges of rapid population increase with unaccompanied economic growth. Rural areas in Taraba State are often characterized by the following crises such as lack of economic dynamism, governance failure, severe infrastructure and service deficiencies, inadequate land administration, poverty and social breakdown. However, urban centers continue to grow, despite the severity of these obstacles which makes urbanization to have a weak relationship with economic development of the Taraba State.

In contrast to some views (Rakodi, 2004) concerning the relationship between urbanization and economic development,

Oluwasola (2007) argues that cities are major centers of economic growth and social development, as they generate new ideas and create numerous new and exciting jobs especially through economics of scale and agglomeration, and fostering creative and innovative civic cultures.

Urban areas are centres of innovation from where social, economic and technological ideas are spread. It has long been recognized that urban areas especially Jalingo, in this part of the State is located where a knowledge-based economy grow and consequently they are assuming an even more influential role in the economic, political, informational, and cultural affairs of societies of the State.

#### **IMPLICATION**

Overall, the literature indicates that the economic impacts of environmental policy will depend on the context within which it is applied the nature and severity of the environmental impact being addressed; the policy design chosen; and the sectors it affects. However, environmental policy can be a strong driver of innovation, although the degree to which this confers short-run growth benefits will depend on several factors:

the extent to which the environmental impacts being reduced are reflected in national income; But whilst there is some evidence of near-term trade-offs between environmental regulation and growth (or productivity), these effects have typically been found to be

small or even negligible and in the long-term, the cost of inaction are likely to be far greater than the cost of acting now to ensure the sustainable and efficient use of natural assets.

Efficient policy design is essential to minimize any short-term trade-offs between environmental policy and economic growth.

consider the best mix of instruments to deliver environmental objectives, from pricing the externality to investing in technology and infrastructure and influencing behavior;

provide a clear regulatory framework for businesses and consumers to operate, now and in the future; and

minimize regulatory burdens on the broader economy, in terms of administrative and policy costs.

To the extent that environmental policy incentivizes resource efficiency, innovation and the development of new technologies, it can deliver environmental improvements whilst producing long-term growth benefits and reducing the economic costs of achieving the desired environmental outcome.

### **POSSIBLE SOLUTIONS**

As the economy emerges from recession, attention has shifted to returning the Taraba State to sustain and durable economic growth. In this context, challenges such as averting dangerous climate change and evidence that we may be approaching or exceeding other environmental limits have focused attention on the environment,

specifically in terms of:

ensuring environmental assets are available to improve wellbeing and to facilitate future economic growth; and

managing the risks to growth from adverse environmental events.

The natural environment plays a key role in our economy, as a direct input into production and through the many services it provides. Environmental resources such as minerals and fossil fuels directly facilitate the production of goods and services. The environment provides other services that enable economic activity, such as sequestering carbon, filtering air and water pollution, protecting against flood risk, and soil formation. It is also vital for our wellbeing, providing us with recreational opportunities, improving our health, and much more.

Economic growth, in turn, is important for the prosperity and wellbeing of the economy and its citizens in both advanced economies and in the developing world. It stimulates advances in technology, such as those that will be needed to continue decoupling consumption and production from their environmental impacts. It is also an important factor in enabling other drivers of wellbeing, such as improvements in health, education, and overall quality of life.

### **CONCLUSION**

We conclude that economic development and other policies that promote national income are not substitutes for environmental policy on the

contrary, it may well be desirable that they are accompanied by stricter policy reforms of particular importance is the need for reforms that would improve the signals that are received by resource users. Environmental damages, including loss of ecological resilience, often occur abruptly. They are frequently not reversible. But abrupt changes can seldom be anticipated from systems of signals that are typically received by decision-makers in the Taraba State today. Moreover, the signals that do exist are often not observed, or are wrongly interpreted, or are not part of the incentive structure of societies. This is due to ignorance about the dynamic effects of changes in ecosystem variables (for example, thresholds, buffering capacity, and loss of resilience) and to the presence of institutional impediments, such as lack of well-defined property rights.

Economic growth is not a panacea for environmental quality; indeed, it is not even the main issue. What matters is the content of growth—the composition of inputs (including environmental resources) and outputs (including waste products).

This content is determined by, among other things, the economic institutions within which human activities are conducted. These institutions need to be designed so that they provide the right incentives for protecting the resilience of environmental systems. Such measures will not only promote greater efficiency in the allocation of environmental resources at all

income levels, but they would also assure a sustainable scale of economic activity within the environmental life-support system. Protecting the capacity of environmental systems to sustain welfare is of as much importance to Taraba State.

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