

ECONOMIC FACTORS AND THE ENVIRONMENT

Dr. Gyula Bora

Vice Rector
Karl Marx University of Economics
Hungary

The second half of this century can be characterized by the rapid growth of the world population and the wide expansion of industrialization. Both have been affected by the increasing exploitation of natural and biological resources of the earth. The pollution and degradation of the environment are adverse consequences of development, and cause significant long term changes relating to climate, deforestation, soil erosion and also have genetic implications.

In examining the relation between the phenomena of our century and the discipline of economics, one may evaluate the environment as an economic factor and observe the main theoretical correlations between economic development and environmental pollution. Environmental damage is a form of overdistribution. Since there is no automatic mechanism of the economy to restrict the process of pollution, government intervention becomes a necessity.

Environmental degradation due to economic reasons has been a common factor in the past. Since the early 1960s, international literature has been analysing and discussing causes of environmental pollution. Among them, an important factor was the explosion of the world population which rose from 2.5 billion in 1950 to 5 billion in the late 1980s.

In addition, the relatively high rate of economic growth over a long period of time, has put a heavy burden on the environment and has caused the depletion of natural resources and the rapid growth of pollution. The report of the Brundtland Commission states that economic activity has multiplied to create a \$13 trillion world economy and this could grow up to 20-fold in the coming half century. Industrial production has grown more than 54-fold in the past century. One fifth of this growth has occurred since the 1950s. Such events have put a burden on the biosphere. Economic growth is a very important contributor to environmental degradation.

A shift in the technical development, including economic efficiency, could provide environmental comfort with proper technology in the background. Urbanization led to the deterioration of the living conditions of hundreds of millions, especially in the developing countries. An immeasurable source of environmental pollution is being created by excessive difference in income levels between the developed and less developed nations.

In the market of economics, the main aim of production is to claim profit from the products, and in this process the environment became a secondary factor. The needs are increasing but the resources cannot increase parallel to the needs. The allocation of the resources starts from the needs of the productive sectors programming growth, while non-productive sectors catering for consumption, including the infrastructure and the conservation of restoration of the environment, are relegated to the backdrop. The so-called "left-over" principle means that when the budget or capital is distributed, the priority in the productive sectors is given to industry and army, the rest is distributed to health, education and environmental production.

It will be possible to manage the environmental policy in the future only by different kinds of regulations. Some new methods must be found. In relation to economic prognosis for the next millennium, some world models tried to deal with the modelization of the future of mankind. Such viewpoints are pessimistic rather than optimistic. One problem is that recent trends of 20th century development have been extrapolated to the next century, such as the long integrated factors, changes in technology, new factors and possibilities in technology, and changes in human behavior towards environmental policy of economics and life. This meeting also proves the importance of promoting a change towards the environmental comfort of life and responding to the importance of education in this sphere. What will the future bring? It is possible that in the 1990s the economic growth rate will be very moderate compared to the economic forecastings. If we can believe in economic cycles, long-term economic models and long-term cycles, the first decades of the next century will bring new, much higher increased economies. From the point of view of the future of the environment, it depends on how we can improve the food production of the earth and change the priorities so that instead of spending money "through the windows" for armament, it is spent on environmental comfort technologies.

Any prognosis for the next century may include misinterpretations. Extrapolation of current trends, and viewpoints of world models based on constraints of science and technology, may include limitations of social and economic goals. Preliminary resources of the world economy would require improved environmental regulation policies. Radical changes will be required in relation to the economic approach to environmental problems.

Professor **Gyula Bora** graduated from the Budapest University of Economics. He was a Candidate for Science in Geography, and was sponsored by the Ford Foundation for his postdoctoral fellowship at the University of Chicago. He also studied US environmental policy on a WHO fellowship. Professor Bora works in the Department of Economic Geography at the Budapest University of Economics where he has also held the position of Vice Dean of the Faculty of Commerce and Vice Rector for Scientific and International affairs. His scientific activities include regional studies, industrial plant location, consulting for regional organisation and research on environmental protection model building. He has been involved in several national and international research projects, and has been Acting President of the Hungarian UN Association and President of the Hungarian Geographic Society.