

## ENVIRONMENTAL INDICATOR : AN ADDITIONAL MEASUREMENT FOR EVALUATING ECONOMIES?

MICHELE TEMPERA

SEPTEMBER 2010

The issue of economic growth has been at the heart of European policy for the last decade or more. It continues to be the focus of attention and resources, especially with the advent of the financial/economic/social crisis that has demolished many of the achievements of the past ten years. In this context the countries of Central and Eastern Europe and the Balkans are trying hard to revive their national economies; those that entered the European Union in 2004 and 2007 have high hopes for the future. A strong point in their favour is the fact that they entered the EU with dynamic economies, many of them setting records in terms of financial statistics. The examples of Romania and Lithuania were symbolic of rapidly modernizing nations with double digit growth rates; these economies are now in complete disarray. When the economic depression is over possibly leaving behind impoverished and disrupted societies, will the quantitative increase in the production of goods be sustainable in the long term? In fact, currently the growth in production is based on the progressively increasing consumption of resources in a world with limited resources.

Therefore, apart from the current difficult situation and its consequences, unrestrained development in this geographical and political area poses some

alarming questions about the long term costs in terms of the environmental balance and natural resources conservation.

The impact of our economic model on nature is sometimes measured as the ecological imprint, which is not at the moment a scientifically accepted tool. This instrument is intended to estimate the sustainability (or in our case unsustainability) of human economic activities in terms of the environment and natural resources availability and conservation. Despite the low popularity of this and other similar measurements, we know that every industry is strictly linked to the consumption of natural resources and the production of waste (in various forms) In the last decade this process, consistently expanding in Central and Eastern Europe and the Balkans, has required more resources and space than the environment can tolerate. These economies are consequently using so-called natural "reserves", resources that can not be replaced in the future.

We can divide the consumption of natural resources into two main categories: the first one is the direct use of resources, consisting of for example deforestation, consumption of soil through urbanization or waste storage, and overfishing. The second category is associated with the indirect consumption of natural elements, such as air or water, and with pollution generated by human economic and social activity. Some examples of the second category are greenhouse gas emissions, water pollution and overuse as a consequence of industrial production, the massive use of chemical agents in farming and biodiversity loss in general. Given the negative effect of the two categories of consumption, we can say that present-day policy trends, which seek to accelerate the pace of quantitative economic growth and the above-mentioned repercussions along with it, is not environment friendly and some countermeasures must be taken to avoid or decelerate the further and potentially fatal deterioration of the environment and life. In Central and Eastern Europe as well as in the Balkans these considerations are more than marginal, for the governments are keen on pushing up growth rates regardless of environmental problems. Environmental regulation in each of these states is extremely permissive and in some cases almost non-existent because of the

lack of enforcement. This situation is surely a propulsive element for the Gross Domestic Product (GDP) in the countries of that area, as well as an enticement for foreign investment, since it significantly reduces production costs by discharging waste management responsibilities onto communities and the pollution reduction burden onto public funds. These conditions also exist in Western Europe, but there the environmental regulations are stricter and better enforced.

To better assess the relationship between environment and growth let us consider the value of nature and its resources, not from a mathematical point of view but in a conceptual framework, with the environment a kind of public "asset" with a linked specific value. While on the one hand it is not possible to attach a determined monetary value to nature and its variety of traits, on the other hand we easily realize the priceless value of nature as a precondition for a good quality of life. Therefore unspoiled and unused natural elements can represent a valuable asset even though they do not produce a measurable or monetary profit. Moreover people also derive benefits from the integrity of the environment, both in terms of human health and happiness. Considering a well preserved environment an economic asset (albeit its value is difficult to estimate exactly) can enable us to count it together with other goods and services that add up to form GDP. In addition, the current rapid and overwhelming degradation of nature strengthens the concept of extremely high value related to a healthy environment. Global warming for example, in some countries and unfortunately in a poorly managed and inefficient way, has given a certain value to intact forests (in the controversial emissions trading market). In moving from a global market to a national one on the one hand, and from greenhouse emissions to a more general approach to the importance of nature as a whole on the other hand, we see that the idea of creating richness from nature preservation is not so distant.

Once we fully understand the importance of a healthy environment and the positive implications of properly conserving it for the economy, society and life in general, we can try to consider its destruction as a relevant loss for the general public. We can also try to convert this loss into a measurable index to

place it alongside other social, economic and financial indicators, such as infant mortality, unemployment and the public deficit. If this principle were accepted, the standard statistics would contain a further element in determining an economy's and a society's quality in a more complete and realistic manner.

At present governments and international agencies still do not count the dissipation of the environment and pollution in any statistic. This shows that the authorities do not consider the environment the main requirement for life but a mere deposit of materials to be consumed by human activities. The repercussions of environmental depletion, though heavily negative, aren't accounted for either. Of course it is difficult to define the exact financial losses deriving from environmental degradation. What's more, this diversified kind of damage made by men to nature can not be confined to the physical sphere. It is even more complicated to include the degradation of nature in the calculation of GDP, of course with the effect of diminishing the growth rate of the latter. A measured index that lowers the GDP growth rate in an inversely proportional way with respect to environmental damage is needed. An environmental indicator included in GDP growth rate measurement mechanisms is necessary and urgent, as the ecological issue is a growing problem for European societies and states. In particular East European and the Balkan countries would benefit from an environmental indicator integrated into GDP, because the need to modernize their own economic structures would be better satisfied if technologies and productive activities were oriented toward abating the size of their ecological footprint. In the context of the fast growing economies of Central and Eastern Europe and the Balkans (apart from the recent global crisis) establishing some kind of environmental indicator is an essential task. In fact, even the industrialized countries are facing more obstacles in enforcing ecological legislation, due to the strong presence of powerful interest groups opposed to that political pattern. The East European industrializing economies, recent EU members, can find a modernizing element in an environmental indicator, build a productive organization able to reduce greenhouse emissions and at the same time preserve nature as the most valuable of assets.

## Informazioni sul copyright

Questo lavoro è pubblicato con licenza Creative Commons ([Attribuzione-Non commerciale-Non opere derivate](#)).

Sei libero di condividere, riprodurre, distribuire e trasmettere questo lavoro, alle seguenti condizioni: devi attribuire la paternità dell'opera, specificando l'autore e la fonte ([Pecob](#) – Portal on Central Eastern and Balkan Europe) in modo tale da non suggerire che essi avallino te o il modo in cui tu usi l'opera; non puoi pubblicare o distribuire quest'opera a scopo di lucro, non puoi alterare o trasformare quest'opera.

Ogni volta che usi o distribuisce quest'opera, devi farlo secondo i termini di questa licenza, che va comunicata con chiarezza. In ogni caso, puoi concordare col titolare dei diritti utilizzi di quest'opera non consentiti da questa licenza. Questa licenza lascia impregiudicati i diritti morali dell'autore.

Puoi trovare maggiori informazioni ed il testo completo della licenza al seguente indirizzo:

<http://creativecommons.org/licenses/by-nc-nd/3.0/deed.it>