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# The future of India's economic growth: the natural resources and energy dimension

R.K. Pachauri \*

*The Energy and Resources Institute, Darbari Seth Block, Habitat Place, Lodhi Road,  
New Delhi 110 003, India*

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## Abstract

The continuation of widespread poverty apart, the biggest danger that India faces is the wanton destruction and degradation of all the country's natural resources and a growing, unsustainable, dependence on the use of hydrocarbon fuels. We are losing ten percent of our GDP as a result of the damage to and degradation of our natural resources. But environmental decision-making has not yet been merged with mainstream economic decision making. In the developed countries, environmental protection followed a path defined by the Environmental Kuznets curve, involving significant increases in income and pollution levels to a point where the trend changed. A developing country like India cannot pursue the same path, and would need to set up a governance structure and policy regime that allow the turning point to take place at substantially lower levels of income. The internalization of social and environmental externalities would ensure that resources are used in a sustainable and responsible manner. In the matter of energy use, for instance, proactive policies—such as stress on renewable sources and the rationalisation of subsidies—are needed to decrease the dependence on unsustainable imports and to create the conditions under which the dispossessed and poor sections of society are able to meet their basic energy needs. Blindly aping the consumerist approach of the developed world, and neglecting the ecological footprint of lifestyles, could prove disastrous for our populous country.

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## 1. Introduction

It took India almost four decades to lift itself out of what the insightful and brilliant economist Raj Krishna referred to as the Hindu rate of growth. It was really

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\* Tel.: +91-11-2468-2121, 2468-2122.

E-mail address: [pachauri@teri.res.in](mailto:pachauri@teri.res.in) (R.K. Pachauri).

in the mid eighties after Prime Minister, Rajiv Gandhi took charge of the Government at the Centre that economic growth reached levels of over 5% per annum. However, towards the end of the decade of the 1980s, the Indian economy sank into a state of stagnation, reaching crisis levels in 1991 just before P.V. Narasimha Rao took over as Prime Minister. His most valuable contribution towards meeting that crisis was to appoint Dr. Manmohan Singh, a distinguished economist and experienced policy maker, as the Finance Minister. What was even more creditable was the fact that Narasimha Rao provided complete backing for the decisions of his Finance Minister, which, in a short period of time started showing favourable results. By the mid 1990s, the Indian economy had developed enormous momentum, and was receiving plaudits and praise from all over the world. Delicensing of industrial expansion and investment decisions, as well as a forward looking policy framework had a major impact on the entire psychology of the nation, creating conditions of growth and confidence in the future, which have become a permanent asset for the Indian economy. However, as we look into the future, there is no place for complacency and perhaps even less room for euphoria.

There are dark clouds which threaten the Indian system of democracy. There is growing and deepening corruption all around, which not only adds to cost and delays in decision making, but also distorts the allocation of resources. The healthy effect that an honest system or structure provides for human activities where any rewards and benefits go only to those who excel through sheer dint of hard work or superior enterprise is now giving way in several cases to supremacy of those who subvert or distort the system to earn some unfair advantage. In some cases corruption and skullduggery appear to pay individuals far more than honest hard work and genuine entrepreneurship. While the picture may not be as bleak as this, the portents defining India's future are certainly clouded by growing and genuine concerns on account of these distortions. The social cost or benefits for wrongdoing and high returns from criminal behaviour within an institutional framework and official decision making are features that cannot be corrected easily. The criminalization of Indian politics and the hijacking of Government and governance at various levels by those who have no respect for the law and are yet responsible for its implementation are a major distortion in the Indian polity today. This, of course, is an issue which needs to engage the thinking and action of social reformers, honest and patriotic leaders, who fortunately still function in fairly significant numbers at various levels, supported by an active and a largely unbiased media, including others who are responsible for forming public opinion. Perhaps these sober and sage elements of society will develop some energy and coordination by which the unhealthy trends evident in the Indian system can be reversed.

But what should really concern decision makers and policy analysts to an even larger extent is the enormous danger that economic progress in India faces as a result of wanton destruction and degradation of natural resources of all kinds and a growing dependence on the use of hydrocarbon fuels that cannot be sustained. The distortion in the Indian economy that degradation and damage in our natural resources wealth creates perhaps imposes a much higher burden and poses a far more serious challenge than any other set of contrary forces that stand in the way

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