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# THE RELATIONSHIP OF THE ENVIRONMENT WITH THE DEVELOPMENT OF THE STATE'S ECONOMY.

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**Abstract:**

Over the past few decades, economic growth has put severe pressure on the environment in the form of increased $CO_2$ emissions, depletion of natural resources and climate change. Studying the relationship between environmental quality and economic development will be useful for policy makers to develop and implement effective policies to achieve the Sustainable Development Goals. The relationship of economic growth with the environment and vice versa is best explained by the Kuznets Ecological curve (EKC), which shows that environmental degradation in the early stages of growth increases, but decreases when the income threshold exceeds the value. This article aims to explain the role of natural resources in supporting economic growth and provides a literary overview of various studies of the ULC hypothesis.

**Keywords:** $CO_2$ emissions, economic growth, environment, Kuznets curve (ULC), environmental degradation, correlation, sustainability

**INTRODUCTION.** According to the World Economic Outlook report [1] for 2020, economic growth is projected at 3.3% in 2020 and 3.4% in 2021, compared with 2.9% in 2019. The increase in economic growth has led to a deterioration in the quality of the environment. According to a report by the International Energy Agency (2018), global production of goods and services doubled from 1990 to 2015.45% of greenhouse gas (GHG) emissions and carbon dioxide equivalent up to 50 gigatons (GT). It is well known that economic growth is crucial for providing greater opportunities to poor people, but it must be carried out using energy-efficient and environmentally sound growth models. In addition, continuous growth is needed to develop more environmentally friendly and adequate technologies to achieve Sustainable Development Goals. There is a close relationship between the environment and sustainability, which is seen as a holistic approach to social well-being without any inconsistencies. One of the main tasks now is to ensure that the development policies pursued for economic growth are conducted in a way that is consistent with environmental sustainability. The problems of environmental degradation and climate change have attracted a lot of attention in recent years, as they affect developed and developing countries, but the world has moved towards a sustainable approach to meeting the needs of production and consumption. But even in this case, the pace of this transition is not fast enough to reduce the scale of environmental problems [2].

However, in 1992, the relationship between environment and development was first discussed in Rio, Brazil, on a common platform known as the "Earth Summit" or the United Nations Conference on Environment and Development (UNCED). The concept of "sustainable development" was presented at this conference, which raised awareness in both developed and developing countries. However, for developing countries, where poverty is the main problem, more attention is being paid to environmental issues, which requires accelerated economic growth. The main goal of politicians, who have been viewed as a tool for sustainable development over the past few decades, is economic growth. A fast-growing economy is always in demand because of favorable socio-economic outcomes; but it also requires a healthy environment.

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Various studies have shown that the relationship between economic development and the environment is complex. All human activities directly or indirectly affect the environment, which is formed and carried out for economic growth in order to meet the needs of the country. In the 1970s and throughout most of the 1980s, the argument that economic growth is linked to the environment was largely determined by the paradigm of material balance. In it, all other things being equal, which means that economic development can contribute to an environmental downturn, and that as long as the financial system is in a physically stable state, it can be environmentally sustainable. The amount of resources used in production for the benefit of people is limited to such an extent that they do not overuse their natural resources and do not lose natural deposits [2].

The natural environment plays two important roles in economic development. First, the environment supplies resources that serve as raw materials for the production of goods and services. The production of goods relies on the movement of natural products (organic and geographical, inexhaustible and inexhaustible) attributed to the development of basic services, and on ecosystem services provided by natural resources. Long-term ecosystem services have divided the services provided by nature into four broad categories:

1. Supply services: products such as clean water, air, food, wood, medicines, biochemicals, etc
. 2. Regulatory services: regulation of natural processes, climate, water purification, erosion, disease control, air quality, etc
. 3. Support services: soil formation, photosynthesis 4. Cultural services: tourism, recreation, spiritual enrichment, intellectual development, etc.

The amount of waste released into the Earth's atmosphere depends on the volume of material production and the development of services resulting from a different kind of presumption carried out by society to eliminate the undesirable effects of products produced within the economic structure. In the literature, such types of services are characterized by the abbreviation capital of by-product management [3]. The term by-product management" refers to solutions for pipeline ends that reduce pollution control and damage caused by physical emissions. The input data can be direct or indirect. Secondly, the natural environment acts as a means of absorbing pollution caused by economic production and use. The models contain harmful pollution of air, water and solid particles dispersed in the environment, which, in addition, are a repository of solid and hazardous waste[4].

At a time when elements of the natural environment really interfere, economic development slows down or may be negative. This happens when access to natural resources is rapidly declining, for example, when water resources, forests and minerals run out, or when nature's ability to absorb or distribute waste and toxins increases and environmental quality decreases. When the quality of the environment deteriorates, it negatively affects economic profitability, leads to a decrease in the effectiveness of various environmental services and some natural resources. It also has an immediate negative impact on the distribution of natural resources and the environment along various paths related to economic development and human well-being. Development may also be limited by policy measures requiring significant investments to reduce pollution, which are cost-effective rather than economically viable and alternative costs [5].

The 1980s marked an important milestone in understanding how economic development is linked to the environment, which defined the link between the two. Environmental issues are included in the planning process with an emphasis on a sustainable approach in the development process. Grossman and Krueger (1991), in their revolutionary efforts to study the likely consequences of the North American Free Trade Agreement (NAFTA), supported the inverse U-shaped relationship of economic growth (calculated by per capita income growth) with certain environmental quality indicators. The correlation is called the ecological "kuznets curve" (EKC) [6].

The connection between the growing environment and the environment has long attracted the attention of researchers and scientists to discussions in different countries, and there is excellent literature on this relationship. Panayiotou (1993), Grossman and Kruger (1993) and Selden and Song (1994) concluded that a positive or negative correlation between economic development and environmental quality cannot be constant throughout the country's development trajectory. It can range from positive to negative at the income level at which the country's population needs and maintains a strong economic base and a healthy natural environment. The quality of the environment can have a positive or negative impact on external factors that can stimulate economic growth, affecting human health. The relationship between energy vectors, economic development and environmental quality has been a controversial issue among policy makers. This means that understanding the dynamic relationship is important for knowledge of current energy and environmental policies and is one of the

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main foundations for the development of reliable economic guidelines with important objectives [7].

The relationship of economic growth to the environment can always remain a matter of debate. Most countries have achieved economic development without taking into account environmental consequences. They are now facing a number of environmental problems, such as air and water pollution, pesticides in food, ultraviolet light penetrating the ozone layer, greenhouse gas emissions causing global warming, and much more. Some of the difficulties in solving the problems of economic growth are the emergence of new pollution problems, the inability to cope with rising global temperatures and an ever-growing population. However, thanks to advances in technology, great strides have been made in providing sanitary conditions; air quality has improved in large cities and human conditions have continued to develop. Economic growth is exacerbated by increased environmental pollution, while environmental degradation, in turn, limits the possibility of further economic growth. With the growth of agricultural production and industrialization, resource depletion and waste generation are accelerating. On the other hand, at higher levels of development, the need for organizational changes in information services, an effective technological approach and improved environmental quality leads to stabilization with a gradual decrease in environmental degradation.

However, the link between economic growth and the environment is often explained using EKC. This postulate establishes relations that are not linear, but relevant for different peoples. The main indicators used to describe changes in environmental conditions have been developed and applied in many countries. High rates of economic development are basically the main and long-term goal of both the Government and the country in developing countries. Rapid economic growth is closely linked to increased production and consumption of goods and services; As a result, this leads to an increase in people's consumption of the maximum amount of goods and income per person. Although evidence supports the existence of EKC relationships for some countries, they cannot be used for all types of environmental damage and for all countries and income levels [8].

**The ULC hypothesis: an explanation of the relationship between the environment and economic growth.** It is known that environmental pollution and the economy have been inextricably linked throughout the history of mankind. However, the relationship between environmental damage and economic improvement is unpredictable and complex. This dependence depends on several factors, such as the size of the economy, the organization of the industry, the origin of innovation, the need to improve the quality of the environment, etc. All these aspects are interrelated. The inappropriate relationship between income quality and per capita income can be determined in a practical and graphical way using advanced economic research tools, and can also be demonstrated by EKK. This theory was based on the idea that income distribution is uneven at different levels of income growth. However, as the level of the economy expands, income distribution becomes more even.

The EKC was first introduced by Kuznets in 1955 to analyze the relationship between per capita income and environmental quality. This suggests that in the early stages of economic development, environmental damage increases or increases at a high rate. However, after a certain threshold of economic growth, the movement tends to change at higher levels of economic development. Grossman and Kruger (1991) were the first to apply the EKC, which led to the feedback of GDP per capita with an indicator of environmental quality. In the early stage of industrialization, pollution in the EKC increases at a faster rate, as people are more interested in work and income than in healthy air and clean water. It is also inefficient for the majority of the population to think about paying for pollution reduction, and environmental policy is correspondingly weak. The balance changes as income increases. Leading industries tend to stay clean, people begin to respect the land, and regulatory organizations gradually become more active. Along the curve, pollution decreases in the middle income range, but then drops to pre-industrial levels in the higher income range. With a relatively low level of GDP per capita, emissions increase with economic development. In the final stage, when economic growth increases along with the expansion of agronomy and the extraction of various resources, the rate of resource depletion begins to exceed the rate of resource recovery, which leads to more hazardous waste. The transition to an information-oriented industry has attracted increased attention to the environment, and the introduction of environmental guidelines, improved methods and high environmental costs will lead to a gradual reduction in environmental degradation at higher levels of development. It is expected that as revenue exceeds the tipping point at EKC, progress in improving environmental quality will begin. Thus, the EKC shows that economic development can be used to solve environmental problems, since economic development is likely consistent with environmental restoration [9].

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**CONCLUSION.** This chapter is devoted to explaining the relationship between economic growth and the environment on a very simple and hypothetical level. He studies the publicly available literature on the available evidence for a link to the growth environment. The relationship between economic development and the environment is regulated by various factors, and meeting the needs for continuous development separates financial development from environmental impacts not only regionally but also globally. As can be seen from the available literature, in addition to the fundamental relationship between economic growth and the environment, there is also a complex, multifaceted and dynamic relationship between monetary progress, the environment and climate change. It has interrelated biological and anthropogenic (financial, political and social) input effects. This chapter will analyze the various studies that have found evidence for the EKC theory. EKC's research reveals a clear link between income and environmental quality. Thus, some air quality indicators, especially pollutants, confirm the EKC check. But even in this case, in existing literary works there is no concept of the level of wages at which natural degradation begins to recover.

In this chapter, we will look at the general study and determine that there is very little explicit evidence of the EKC relationship, that there are important indicators pointing to the same expanding relationship, which may even be an EKC relationship. Most of the entire population is still in the growth curve segment. Economic development based on these relationships causes even greater environmental damage, and even in rich and developed countries, studies of the literature on environmental quality show that it is still in decline. Thus, from an environmental sustainability perspective, we conclude that the relationship between income and the environment is still complex, and that strict environmental regulation and policies are imperative if future economic growth is consistent with sustainable development.

Economic development in all its aspects seems to be an effective way to improve the quality of the environment in developing countries. Since financial development is beneficial to the environment, development-promoting approaches such as trade regulation, financial restructuring and value reform should also be beneficial to nature. Thus, there are general recommendations that there is no need to pay special attention to the environment in relation to regional environmental strategies or global pressure and assistance. Natural assets can be best targeted to achieve rapid financial development through a rapid transition from an environmentally unfavorable phase of development to an environmentally favorable range of the Kuznets curve.

Regarding the evidence found in the literature on the relationship between economic development and environmental quality, several conclusions can be drawn, and several goals need to be developed for future research. We need, first of all, cost-effective models that meet the physical and natural expectations of economic movement with serious criticism between the economic system and the environment. In addition, the study should pay more attention to the differentiating evidence of the prevailing study defining EKC. Thirdly, it can be expected that the evaluation of basic models, instead of weak structural models, recognizes the real mechanism. In addition, the study of degradation can provide more information about which set of interpretations prevails, for example, about innovative development and organizational changes. More effort needs to be made to focus on studying time series that can give a good idea of pollution improvement with precise development periods in each country. Politically strong policy measures are important to ensure economic stability. Finally, when introducing new and advanced technologies, societies should beware of potentially misidentified pollutants and hazardous waste.

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