

# Contents

<b>1</b>	<b>Introduction</b>	1
1.1	The Emerging Giant	1
1.2	The Problems	2
1.3	What We Do	4

## Part I Macroeconomic Development and the Environment

<b>2</b>	<b>Economic Development and Environment</b>	11
2.1	Introduction	11
2.2	Country Profile	12
2.2.1	Geographical Profile	12
2.2.2	Physiographic Conditions	12
2.2.3	Sociocultural Conditions	13
2.2.4	Indian Polity and Governance	13
2.3	Macroeconomic Growth	14
2.4	Poverty and Regional Disparities	18
2.5	Depletion of Natural Resources and Environmental Degradation	23
2.6	Sustainability of Growth	28
2.7	Conclusions	35
<b>3</b>	<b>Environmental Regulations and Compliance in India</b>	37
3.1	Introduction	37
3.2	Environmental Regulations in India	38
3.2.1	Formal Regulations	40
3.2.2	The Institutional Framework for Environmental Management: A Brief History	41
3.2.3	Environmental Laws	42
3.2.4	Fiscal Instruments for Pollution Control in India	43

3.2.5	Review of Some Recent Studies .....	45
3.2.6	Informal Regulation and People's Participation .....	47
3.3	Current State of India's Environment .....	50
3.3.1	Water Pollution .....	51
3.3.2	Water Pollution from Households .....	52
3.3.3	Water Pollution Loads from Industries .....	52
3.3.4	Water Pollution from Agriculture .....	52
3.3.5	Effects of Water Pollution .....	53
3.3.6	Air Pollution .....	54
3.3.7	Land and Forests .....	55
3.3.8	Valuation of Environmental Degradation in India .....	57
3.4	Causes of Poor Environmental Compliance .....	58
3.5	Concluding Remarks .....	60
Appendix 1: Key Environmental Legislation in India:		
	An Illustrative List .....	61
Appendix 2: Major Polluting Industries .....		62
Appendix 3: Sector-wise Compliance Status of 17 Categories of Highly Pollutions Industries (June 2006) .....		63
<b>4</b>	<b>Intergovernmental Fiscal Transfers and the Environment .....</b>	<b>65</b>
4.1	Introduction .....	65
4.2	Theory of Fiscal Federalism and the Environment .....	67
4.2.1	Decentralization and the Environment .....	67
4.2.2	Designing Fiscal Transfers for Environmental Sustainability .....	69
4.3	Fiscal Federalism and the Environment in India .....	70
4.3.1	Fiscal Federalism in India .....	70
4.3.2	Fiscal Transfers and Provision of Environmental Services in India .....	72
4.4	Fiscal Options for Integration of Environmental Services into Fiscal Transfers .....	75
4.5	Integrating Ecological Indicators into Fiscal Transfers: An Illustration .....	76
4.6	Conclusions .....	80
 <b>Part II Industrial Development and Benefits and Costs of the Environmental Regulations</b>		
<b>5</b>	<b>Total Factor Productivity of Indian Industry .....</b>	<b>85</b>
5.1	Introduction .....	85
5.2	Measurement of Total Factor Productivity .....	87
5.3	Total Factor Productivity of Indian Industry .....	91
5.3.1	Technical Efficiency Estimates .....	93
5.3.2	Total Factor Productivity Estimates .....	94

5.3.3 Innovative States and Convergence .....	101
5.4 Conclusions .....	104
<b>6 Valuing the Benefits of Air Pollution Abatement .....</b>	<b>107</b>
6.1 Introduction .....	107
6.2 Panipat Thermal Power Station .....	109
6.3 Questionnaire and Survey Format .....	110
6.4 Application of Revealed Preference Method .....	112
6.4.1 The Model .....	112
6.4.2 Empirical Estimates of WTP .....	114
6.5 Application of Contingent Valuation Method .....	117
6.5.1 The Model .....	120
6.5.2 Results .....	121
6.6 Comparison Between WTP Obtained from CVM and Mitigation Behavior .....	123
6.7 Conclusions .....	124
<b>7 Environmental Regulation and Production Efficiency .....</b>	<b>127</b>
7.1 Introduction .....	127
7.2 Output Distance Function and Its Econometric Estimation .....	128
7.2.1 Econometric Output Distance Function .....	129
7.2.2 A Model for Determinants of Technical Inefficiency .....	130
7.3 Production Efficiency of Thermal-Power Sector in India .....	131
7.3.1 Data .....	131
7.3.2 Estimation Procedures and Results .....	132
7.3.3 Results .....	133
7.4 Conclusion .....	136
<b>8 Cost of Environmentally Sustainable Industrial Development .....</b>	<b>139</b>
8.1 Introduction .....	139
8.2 Measuring Cost of Sustainable Industrial Development .....	141
8.2.1 Output Distance Function .....	141
8.2.2 Derivation of Shadow Prices of Bad Outputs .....	142
8.2.3 Scale Economies .....	143
8.3 Estimation of Output Distance Function .....	143
8.3.1 Translog Output Distance Function and Data .....	143
8.3.2 Estimation of Output Distance Function: Programming Model .....	145
8.3.3 Stochastic Output Distance Function .....	146
8.4 Estimates of Shadow Prices, Scale Economies, and Technical Efficiency .....	150
8.4.1 Shadow Prices .....	150
8.4.2 Technical Efficiency .....	152
8.4.3 Scale Economies .....	153

8.5 Conclusion .....	154
Appendix: Estimates of Shadow Price of BOD and COD and Technical Efficiency and Economics of Scale .....	155
<b>9 Win-Win Opportunities and Environmental Regulation:</b>	
<b>Test of the Porter Hypothesis</b> .....	157
9.1 Introduction .....	157
9.2 Methodology for Testing Porter Hypothesis .....	159
9.2.1 Output Distance Function Approach .....	160
9.2.2 Econometric Estimation of Distance Functions .....	161
9.2.3 Relationship Between Technical Inefficiency and Environmental Regulation .....	162
9.3 Data and Translog Distance Function .....	162
9.4 Results .....	163
9.5 Conclusion .....	166
<b>10 Industrial Water Demand and Shadow Price</b> .....	167
10.1 Introduction .....	167
10.2 Economic Model .....	169
10.3 Estimation Model .....	172
10.4 Data and Estimation Results .....	173
10.4.1 Shadow Price of Water .....	175
10.4.2 Analysis of Derived Demand for Water .....	176
10.5 Conclusions .....	179
<b>Part III Environmental Productivity, Oil Prices and Induced Innovations</b>	
<b>11 Environmental Productivity and Kuznets Curve</b> .....	185
11.1 Introduction .....	185
11.2 Environmental Policies in India .....	187
11.3 Models .....	188
11.3.1 Measurement of Productivity .....	188
11.3.2 Kuznets Curve Relationship: Environmental Productivity and Income Level .....	191
11.4 Results .....	193
11.4.1 Productivity Analysis .....	193
11.4.2 Market Productivity .....	194
11.4.3 Joint Output Productivity .....	194
11.4.4 Environmental Productivity .....	195
11.4.5 Environmental Kuznets Curve Test .....	196
11.5 Concluding Remarks .....	200
Appendix: TEP of SO <sub>2</sub> of Indian States .....	200

<b>12 A Global Analysis of Environmentally Sensitive Productivity Growth</b>	203
12.1 Introduction	203
12.2 Measuring Environmentally Sensitive Productivity	205
12.2.1 Directional Distance Functions	207
12.2.2 Malmquist-Luenberger Productivity Index	207
12.2.3 Computation of Directional Distance Function	208
12.3 Data and Results	209
12.3.1 Conventional Measurement of Productivity	213
12.3.2 Environmentally Sensitive Measurement of Productivity	215
12.4 Conclusions	218
<b>13 Macroeconomic Effects of Oil Price Shocks</b>	221
13.1 Introduction	221
13.2 Oil Prices-Macroeconomy Relationship	222
13.2.1 Channels Through Which Oil Price Shocks May Affect the Macroeconomy	222
13.2.2 Oil Prices-Macroeconomy Relationship: Empirical Evidences	223
13.3 Oil Price Data	225
13.4 Measurement of Impact of Oil Prices on Macroeconomy	229
13.5 Empirical Results	232
13.5.1 Testing for Significance and Granger-Causality	233
13.5.2 Macroeconomic Impacts of Oil Price Shocks	234
13.6 Concluding Remarks	242
Appendix:	242
<b>14 Energy Prices and Induced Technological Progress</b>	245
14.1 Introduction	245
14.2 Measurement of Technological Change	247
14.3 The Econometric Estimation	251
14.4 Data	253
14.4.1 Long-Term Energy Prices	254
14.5 Results	254
14.5.1 Levels of Inefficiency in the Countries	256
14.5.2 Technological Diffusion and Exogenous and Energy Price Induced Innovations	257
14.6 Summary and Conclusions	261
Appendix: Average Annual Values of Luenberger Productivity Indicators	262

<b>15 The Road Ahead</b> .....	265
15.1 Findings .....	265
15.2 Climate Change Policy .....	270
15.3 What to Do? .....	273
<b>Bibliography</b> .....	275
<b>Index</b> .....	293



<http://www.springer.com/978-0-387-98175-8>

The Economics of Sustainable Development

The Case of India

Kumar, S.; Managi, S.

2009, X, 312 p., Hardcover

ISBN: 978-0-387-98175-8