

The Jevons' Paradox and Its Implications for China and India

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Abstract

Jevons' Paradox hypothesizes that natural resource usage increases despite more efficient technological improvements. Since natural resources are used to produce energy and consumer goods, understanding how more efficient technological improvements affect resource usage is important for policymakers. China and India are of particular interest as they are two of the fastest growing economies, as well as the largest populations in the world. To feed this economic growth and their populations, a substantial amount of resource consumption is necessary. If these two countries exhibit Jevons' Paradox, then, due to scarce resources, the repercussions will be felt worldwide. In this paper, we will examine if the Jevons' Paradox exists for these two quickly developing countries, the reasons for the absence or presence of the paradox, and, lastly, the resulting public policy implications and the applications for sustainable economic development policies. In particular, we will explore whether policies such as carbon taxes can be used to reduce energy consumption and greenhouse gas emissions and the possible effects on economic development.

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