

Studying the Effects of Economic and Financial Development as Well as Institutional Quality on Environmental Destruction in the Upper-Middle Income Countries

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Abstract : The current study explored the effect of economic development, financial development and institutional quality on environmental destruction in upper-middle income countries during the time period of 1999-2011. The dependent variable is logarithm of carbon dioxide emissions that can be considered as an index for destruction or quality of the environment given to its effects on the environment. Financial development and institutional development variables as well as some control variables were considered. In order to study cross-sectional correlation among the countries under study, Pesaran and Friz test was used. Since the results of both tests show cross-sectional correlation in the countries under study, seemingly unrelated regression method was utilized for model estimation. The results disclosed that Kuznets' environmental curve hypothesis is confirmed in upper-middle income countries and also, financial development and institutional quality have a significant effect on environmental quality. The results of this study can be considered by policy makers in countries with different income groups to have access to a growth accompanied by improved environmental quality.

Keywords : economic development, environmental destruction, financial development, institutional development, seemingly unrelated regression

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