ABSTRACT

In the climate change context, there has been significant interest, in both academic and policy circles, on the factors influencing carbon emissions. The general premise that there could be a trade-off between economic growth and environmental quality has been studied extensively as part of the literature on Environmental Kuznets Curve (EKC) hypothesis. Taking a cue from the original Kuznets curve analysis exploring the relationship between income and inequality, the present paper aims to understand the influence of income inequality on EKC by conducting a cross-country analysis. The study has been conducted on a panel of 75 countries for the years 1998-2018. Besides income, the impact of other important variables like industrialization, trade openness, and renewable energy consumption has also been considered. Further, the analysis has been carried out for both developed and developing countries to understand any significant differences. The results suggest that while EKC holds for developing countries, it does not for the developed countries. The study argues that income inequality has a significant negative impact on carbon emissions. However, the magnitude of the impact decreases with high levels of economic growth. As expected, renewable energy consumption has a favourable impact on environmental quality, whereas the extent of industrialization has an adverse impact.

Keywords: Carbon emissions; Income; Income inequality; Environmental Kuznets Curve; Renewable energy

JEL Codes: Q54, Q56, O11, O15