ENVIRONMENTAL DEGRADATION AND POLITICAL STABILITY: A COMPARATIVE STUDY OF CIVIL AND COMMON LAW DEVELOPING ECONOMIES

Alexandra-Anca PURCEL^{a*}

^{a)} Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Romania and Université Clermont Auvergne, CNRS, IRD, CERDI, Clermont-Ferrand, France

Please cite this article as:

Purcel, A.A., 2020. Environmental degradation and political stability: A comparative study of civil and common law developing economies. *Review of Economic Studies and Research Virgil Madgearu*, 13(1), pp.93-113. doi: 10.24193/RVM.2020.13.54. Article History:

Received: 20 January 2020 Accepted: 7 March 2020

Abstract: Nowadays, environmental degradation and political stability are two of the most well-debated topics in the sphere of macroeconomics, which potentially have significant consequences on the welfare of society. This paper studies the impact of political stability on CO₂ emissions in a comparative framework of civil and common law developing states. The findings based on the panel vector error correction model (PVECM) illustrate essential differences regarding the CO₂ emissions-political stability nexus in our samples. Notably, we reveal a long-run monotonically increasing relationship in French legal origin economies, while a bell-shaped pattern is at work in English legal origin ones. Thus, a closer look at the political stability status in the context of environmental policy, in countries where the future levels of political stability are associated with a reduction in CO₂ emission, may give valuable insights in fighting climate change.

Key words: CO2 emissions; political stability, French legal origin, English legal origin, developing states

JEL Classification: Q28; Q56; O13; P48

© 2020 Alma Mater Publishing House. All rights reserved.

^{*} Corresponding author. *E-mail address:* alexandra.purcel@econ.ubbcluj.ro.

References:

- Bae, J.H., Li, D.D., Rishi, M., 2017. Determinants of CO2 emission for post-Soviet Union independent countries. *Climate Policy*, 17, pp.591-615. 10.1080/14693062.2015.1124751.
- 2. Baltagi, B.H., Feng, Q., Kao, C., 2012. A Lagrange Multiplier test for cross-sectional dependence in a fixed effects panel data model. *Journal of Econometrics*, 170, pp.164-177. 10.1016/j. jeconom.2012.04.004.
- Botero, J.C., Djankov, S., Porta, R.L., Lopez-de-Silanes, F., Shleifer, A., 2004. The Regulation of Labor. *The Quarterly Journal of Economics*, 119, pp.1339-1382. 10.1162/0033553042476215.
- 4. Breusch, T.S., Pagan, A.R., 1980. The Lagrange Multiplier Test and its Applications to Model Specification in Econometrics. *The Review of Economic Studies*, 47, pp.239-253. 10.2307/2297111.
- Chudik, A.K., Mohaddes, Pesaran, M.H., Raissi, M., 2013. Debt, Inflation and Growth: Robust Estimation of Long-Run Effects in Dynamic Panel Data Model. CESifo Working Paper Series 4508, CESifo Group Munich [online] Available at: http://www.dallasfed. org/assets/documents/institute/wpapers/2013/0162.pdf> [Accessed 20.02.2020].
- 6. Cole, M.A., 2007. Corruption, income and the environment: an empirical analysis. *Ecological Economics*, 62, pp.637-647. 10.1016/j. ecolecon.2006.08.003.
- 7. Desai, U., (ed.) 1998. Ecological Policy and Politics in Developing Countries: Growth, Democracy and Environment. Albany: State University of New York Press.
- 8. Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 2003. The new comparative economics. *Journal of Comparative Economics*, 31, pp.595-619. 10.1016/j.jce.2003.08.005.
- 9. Djankov, S., La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 2002. The Regulation of Entry. *The Quarterly Journal of Economics*, 117, pp.1-37. 10.1162/003355302753399436.
- 10. Gani, A., 2012. The relationship between good governance and carbon dioxide emissions: evidence from developing economies. *Journal of Economic Development*, 37, pp.77-93. 10.35866/ caujed.2012.37.1.004.

PURCEL, ENVIRONMENTAL DEGRADATION AND POLITICAL STABILITY...

- Janssens-Maenhout, G., Crippa, M., Guizzardi, D., Muntean, M., Schaaf, E., Olivier, J.G.J., Peters, J.A.H.W., Schure, K.M., 2017. *Fossil CO2 and GHG emissions of all world countries*. [pdf] EUR 28766 EN, Publications Office of the European Union, Luxembourg. Available at: https://edgar.jrc.ec.europa.eu/booklet2017/CO2_ and_GHG_emissions_of_all_world_countries_booklet_online. pdf> [Accessed 07.06.2019].
- 12. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 2008. The Economic Consequences of Legal Origins. *Journal of Economic Literature*, 46, pp.285-332. 10.3386/w13608.
- 13. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 2002. Government Ownership of Banks. *Journal of Finance*, 57, pp.265-301. 10.2139/ ssrn.236434
- 14. Landes, D., 1998. *The wealth and poverty of nations, why some are so rich and some are so poor*. New York: W.W. Norton and Company
- 15. Lazăr, D., Minea, A., Purcel, A.A., 2019. Pollution and economic growth: Evidence from central and eastern European countries. *Energy Economics*, 81, pp.1121-1131. 10.1016/j.eneco.2019.05.
- 16. López, R., Mitra, S., 2000. Corruption, Pollution, and the Kuznets Environment Curve. *Journal of Environmental Economics and Management*, 40, pp.137-150. 10.1006/jeem.1999.1107.
- 17. Mulligan, C.B., Shleifer, A., 2005a. Conscription as Regulation. *American Law and Economics Review*, 7, pp.85-111. 10.1093/aler/ahi009.
- 18. Mulligan, C.B., Shleifer, A., 2005b. The Extent of the Market and the Supply of Regulation. *Quarterly Journal of Economics*, 120, pp.1445-1473. 10.1162/003355305775097579.
- North, D.C., 2000. Summerhill, W., Weingast, B.R., 2000. Order, disorder and economic change: Latin America vs. North America. In: B.B. De Mesquita, and H. Root, eds. 2000. *Governing for Prosperity*. New Haven: Yale University Press. 9, pp.16-58.
- Pesaran, H.M., 2003. A simple panel unit root test in the presence of cross section dependence. [pdf] Cambridge WP in Economics, no. 0346, University of Cambridge. Available at: http://www.econ.cam.ac.uk/research-files/repec/cam/pdf/cwpe0346.pdf> [Accessed 23.06.2019].
- 21. Pesaran, H.M., 2004. *General diagnostic tests for cross section dependence in panels*. [pdf] Discussion Paper No. 1240, The

Institute for the Study of Labor (IZA). Available at: http://ftp.iza. org/dp1240.pdf> [Accessed 23.06.2019].

- 22. Pesaran, H.M., Smith, R., 1995. Estimating long-run relationships from dynamic heterogeneous panels. *Journal of Econometrics*, 68, pp.79-113. 10.1016/0304-4076(94)01644-f.
- 23. Pesaran, H.M., Shin, Y., Smith, R.P., 1999. Pooled mean group estimation of dynamic heterogeneous panels. Journal of the American Statistical Association, 94, pp.621-634. 10.2307/2670182.
- 24. Political Risk Services Group, 2019. *International Country Risk Guide*. [online] Available at: https://www.prsgroup.com/explore-our-products/international-country-risk-guide/> [Accessed 15.06.2019].
- 25. Purcel, A.A., 2019. Does Political Stability Hinder Pollution? Evidence From Developing States. *Economic Research Guardian*, 9(2), pp.75-98.
- 26. Welsch, H., 2004. Corruption, growth, and the environment: a cross-country analysis. *Environment and Development Economics*, 9, pp.663-693. 10.1017/s1355770x04001500.
- 27. Westerlund, J., 2007. Testing for error correction in panel data. *Oxford Bulletin of Economics and Statistics*, 69, pp.709-748.
- 28. Williamson, J.B., Fleming, J.J., 1977. Convergence Theory and the Social Welfare Sector. *Comparative Sociology*, 18, pp.242-253.