


Chapter 10

Income Inequality and Environmental Protection Expenditures Nexus Bootstrap Panel Rolling Window Causality Analysis

Nazlı Keyifli Sentürk

 <https://orcid.org/0009-0008-2649-1625>

İzmir Kâtip Çelebi University, Turkey

Suat Hayri Sentürk

Gumushane University, Turkey & Ege University, Turkey

Birol Karakurt

Karadeniz Technical University, Turkey

ABSTRACT

The relationship between environmental protection expenditures and income inequality is undoubtedly a critical issue in terms of social justice and sustainable development. In societies with high income inequality, environmental protection expenditures are generally lower. This is because low-income individuals tend to have less motivation to develop awareness of environmental issues or to support environmental protection policies. On the other hand, in societies where income is more equitably distributed, environmental protection expenditures tend to increase. A key factor behind this is that a larger segment of society views environmental

DOI: 10.4018/979-8-3373-1310-8.ch010

sustainability as a public good and a necessary component of inclusive economic development, thereby generating collective demand in this direction. In this study, the relationship between income inequality and environmental protection expenditures in eight OECD countries was investigated using the Bootstrap Panel Rolling Window causality test.

INTRODUCTION

Industrialisation and globalisation have accelerated competitiveness. Countries are trying to realise their economic development goals in this environment. Economic growth targets must be sustainable in order to be desirable and at an ideal level. In fact, the wealth that emerges with economic growth should be distributed fairly among countries, regions and income groups, as well as environmental values (Değirmenci, 2020: 43). Undoubtedly, as a result of production or consumption activities, pollution, i.e. environmental pollution, may occur in many areas such as air, soil, water and so on. However, environmental pollution resulting from production and consumption activities may differ according to the level of countries' consideration of environmental values (Ertürk, 1998:106). In fact, if the increasing production and consumption activities increase environmental damage, the wealth created by economic development becomes detrimental to environmental values.

Although environmental problems are not a new phenomenon, there may be many reasons for these problems. Today, environmental problems arise as a result of production, consumption and distribution relations that shape the economic system. So much so that human beings have benefited from nature in order to meet their basic needs, but they have also caused serious damage to the environment with what they left to nature. In other words, both industrialised societies with high pollutant potential, which consume a lot of energy and resources, and the poor, who directly consume and exploit natural resources, can cause many environmental problems (Dağdemir, 2015:26). Governments, businesses and households are therefore responsible for combating pollution. In fact, for an effective fight against environmental pollution, governments need to involve all departments in the fight against environmental pollution with the help of various tools. These instruments include taxation, quotas, prohibitions, and environmentally friendly technologies (Değirmenci and Aydın, 2022:392). Undoubtedly, the efficiency of environmental expenditures, environmental taxes, bans and quotas are important in combating environmental pollution. In short, environmental protection is a very broad concept and covers not only the expenditures made by the state or the taxes collected, but also the rules that the private sector must comply with.

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