

Dynamic effects of fiscal and monetary policy instruments on environmental pollution in ASEAN

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Abstract

This study aims to re-examine the impacts of monetary and fiscal policy on environmental quality in ASEAN countries from 1990 to 2019. We utilized the panel and time series NARDL approach to explore the long-run and short-run estimates at a regional level and country level. ASEAN regional-wise analysis shows that contractionary monetary policy reduces the CO₂ emissions, while expansionary monetary policy enhances CO₂ emissions in the long run. The long-run coefficient further confirms that expansionary fiscal policy mitigates CO₂ emissions in ASEAN. The impact of expansionary monetary and fiscal policy on CO₂ emissions is positive and significant, while contractionary monetary and fiscal policy have an insignificant impact on CO₂ emissions in the short run. ASEAN country-wise analysis also reported the country-specific estimates for the short and long run. Some policies can redesign in light of these novel findings in ASEAN economies.

Keywords

Monetary policy, Fiscal policy, CO₂ emissions, ASEAN