

ABSTRACT:

This dissertation provides an empirical analysis of the two important factors that help explain the growth difference across countries. The new econometric techniques are utilized to explore the potential nonlinear growth effect of two factors: financial intermediation and human capital. We also explore the environmental aspect of the income growth: the relationship between income growth and air quality. The findings are conveyed in three essays. One essay looks at the importance of financial intermediation on income growth. Our results show that the effect of the exogenous component of a financial intermediary development index on economic growth depends greatly on the definition and measurement of that index. Another essay investigates the contribution of human capital on income and productivity growth. We find evidence that human capital affect growth nonlinearly, depending on the stage of development of the economy. The final essay concerns the impact of income growth on environmental quality. In time series framework we find that air quality of city of Toronto is not driven by local income growth. But there is evidence that change of air quality Granger cause income growth.