

# Global Environmental Politics

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## Last class: climate change and voters

- The “zero-sum problem” hamstrings cooperation.
  - Compete for finite resources; what someone wins, is another’s loss.
- Establish social contract; compensate losers from transition!
- Needs to consider other (non-)monetary costs.
  - Retraining; costs of mobilization; identity/community, etc.
- Govt. programs need to be credible/incentive compatible!
- Ideology, religion, elite cues from politicians, can be constraining.

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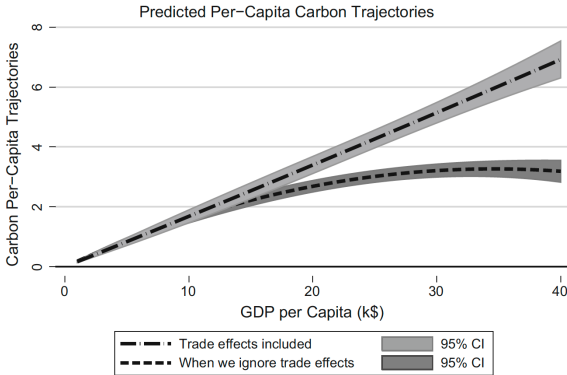
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# Markets' role: Is there an environmental Kuznets curve?

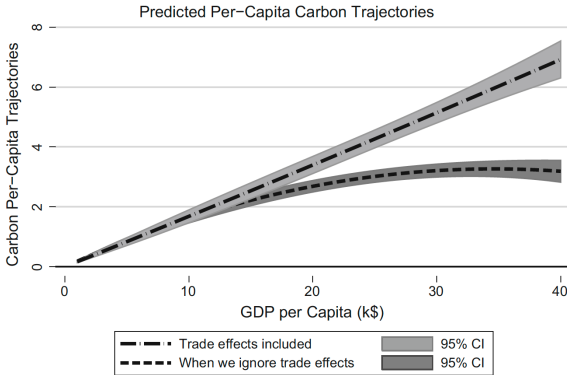


■ Development  $\Rightarrow$   $\uparrow$  Pollution; + development  $\Rightarrow$   $\downarrow$  Pollution.

■ Is the market sufficient for better environmental outcomes?



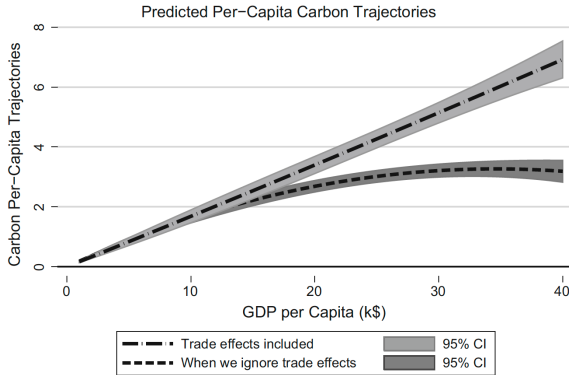
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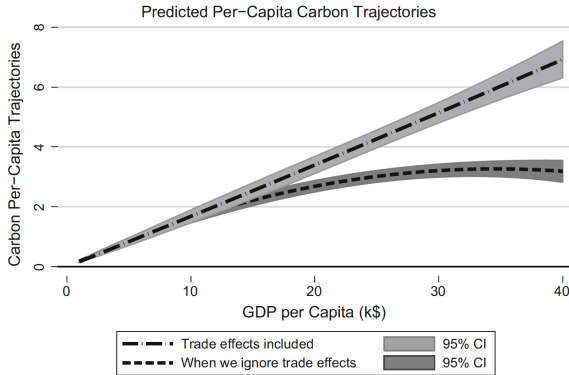


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■ Can “first bests” be attained? What about “second bests”?

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- Development  $\Rightarrow$   $\uparrow$  Pollution; + development  $\Rightarrow$   $\downarrow$  Pollution.
- Is the market sufficient for better environmental outcomes?
- Can “first bests” be attained? What about “second bests”? **Why?**

# Companies and the environment

- Companies affect the environment in myriad ways, for example:
  - Green house gases.
  - Waste management and disposal.
  - Programmed obsolescence.
  - Overexploitation of resources.
  - Destruction of habitats.

# Companies and the environment

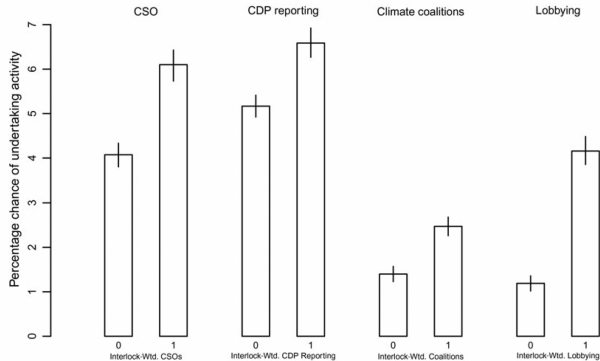
## ■ Companies affect the environment in myriad ways, for example:

- Green house gases.
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## ■ Ways in which companies try addressing this issue:

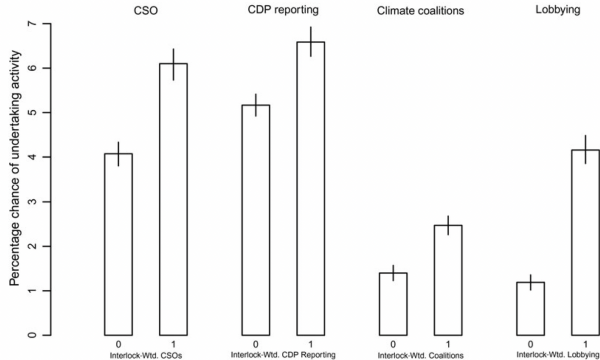
- Green bonds.
- Recycling.
- Using different materials.
- Corporate governance (e.g., ESGs or CRS).
- Consumption of cleaner energy .

# Do firms (generally speaking) care about the environment?



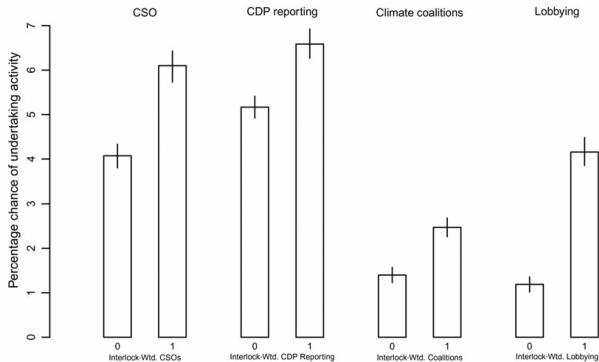
- Firms adopt (ESG or CRS) commitments + evidence of contagion.
- We also observe evidence of pro-climate coalitions + lobbying.
- But why?

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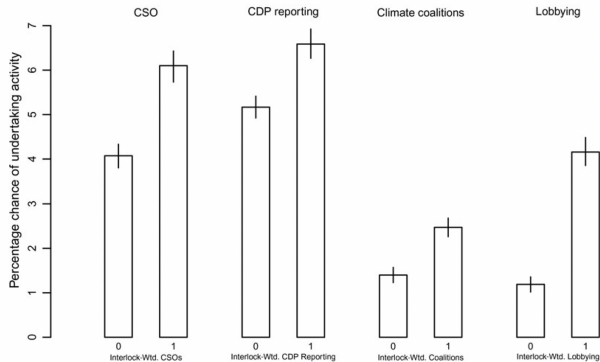
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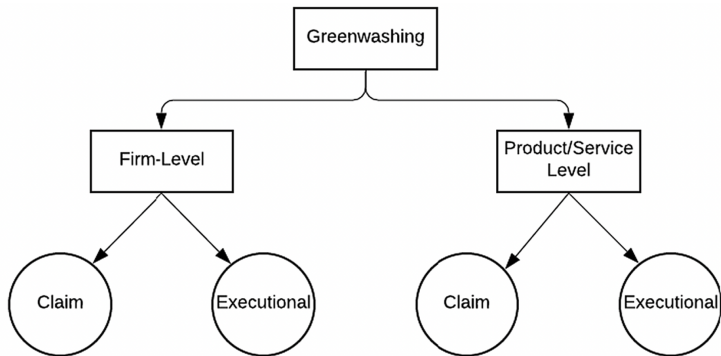


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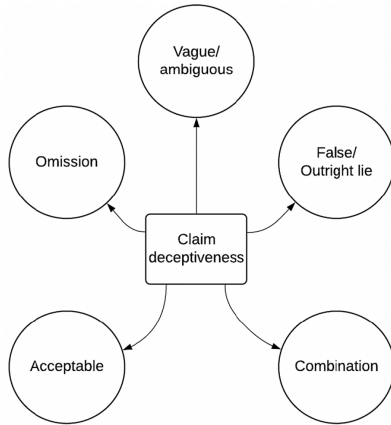
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- We also observe evidence of pro-climate coalitions + lobbying.
- But why?... recall, incentives!

## First issue: greenwashing



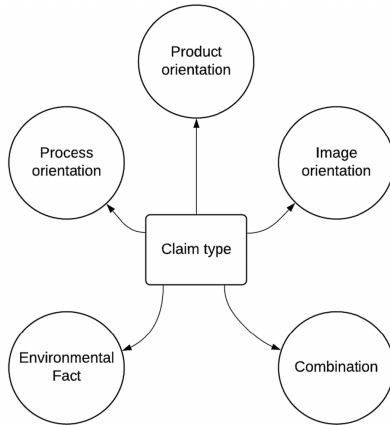
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- Why do companies green wash?

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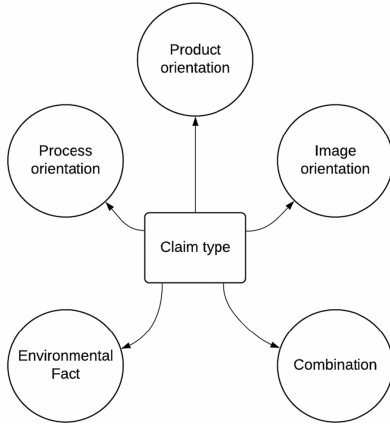
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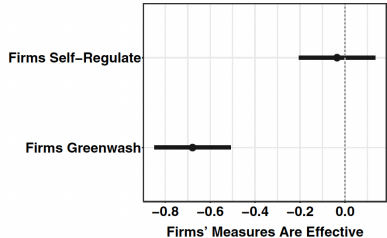
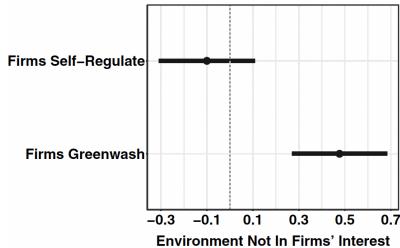
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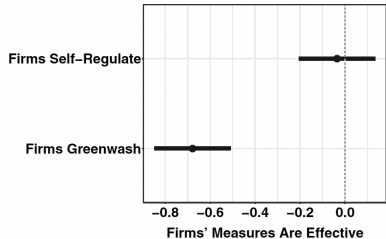
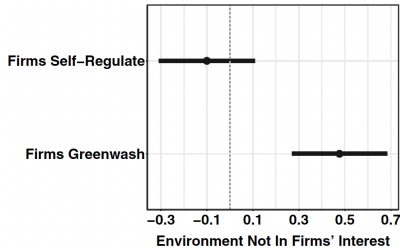
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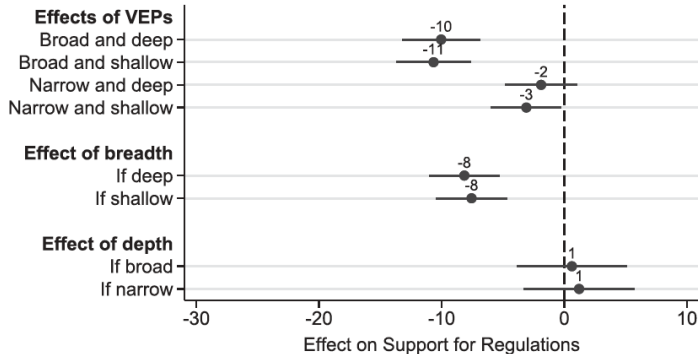
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    - Has fewer substitutes and thus higher price!

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- Why do companies green wash?
- To improve public opinion and capitalize; creates a diversified good.
  - Has fewer substitutes and thus higher price!
- Failing to regulate can undermine support for regulation!
  - Then what is the alternative—changing regulation, but how?

## Second issue: self-regulation to prevent optimal regulation

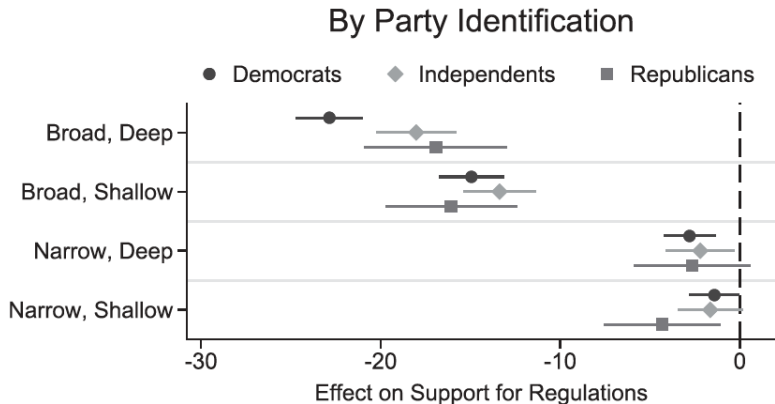


■ Support for early stages regulation can limit further regulation.

■ Firm support may depend on preference alignment.



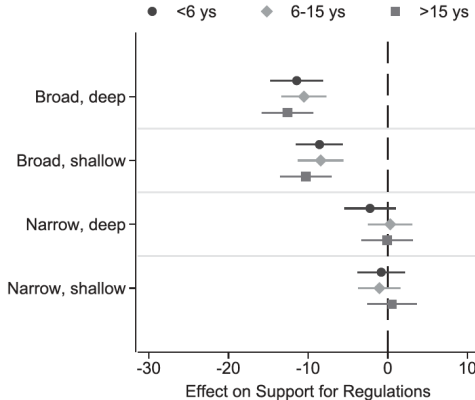
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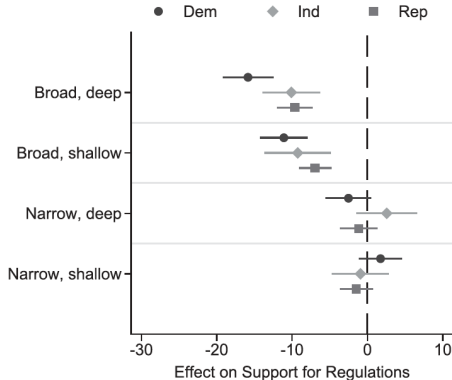
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## Third issue: support if it weakens competition

**Table 4** Attitudes toward the EU cap-and-trade system among European firms, 2009-2013: Disaggregated Results

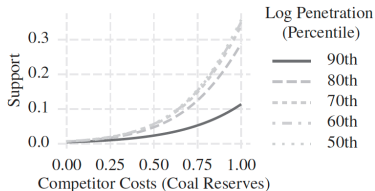
	Factor 1	Factor 2
Firm: high CO <sub>2</sub> emitter	0.589*** (0.101)	0.621** (0.190)
Firm: 0.5 - 1.0 GHG Mt	0.321 (0.224)	0.195 (0.304)
Firm: 1.0 - 5.0 GHG Mt	0.420 (0.249)	0.304 (0.233)
Firm: 5.0 - 10.0 GHG Mt	0.725** (0.305)	0.800*** (0.260)
Firm: > 10 GHG Mt	0.895*** (0.233)	0.786*** (0.222)

■ Bigger firms are more likely to support environmental regulation.

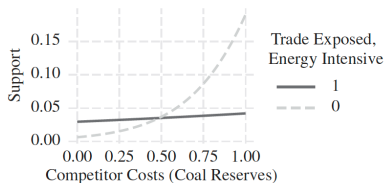
■ Because the relative costs of doing so are low....

■ ...but also because they rise competitors' production costs.

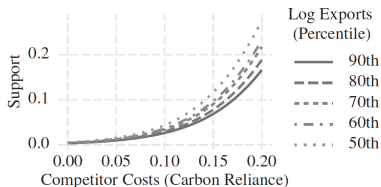
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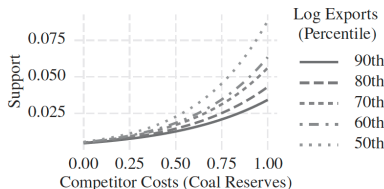
(a)



(b)



(c)



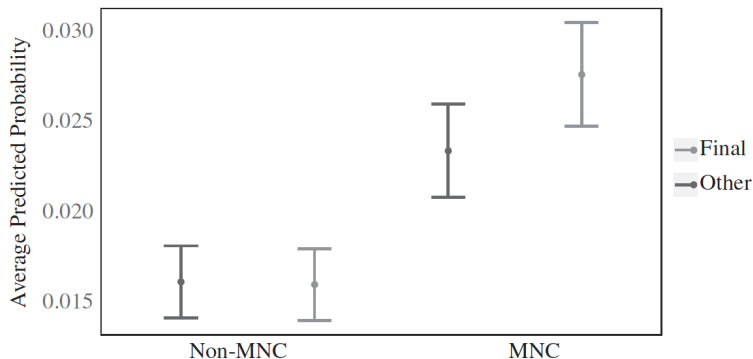
(d)

Notes: Estimated effect of competitor costs, conditional on levels of import penetration with all other variables mean centered.

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*Notes:* Mean predicted probability of lobbying for nonmultinationals versus multinationals as moderated by production stage. The difference in means between multinationals engaged in final goods production

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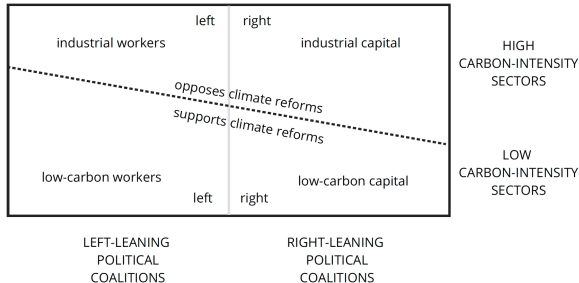
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Notes: Marginal (partial) effects for the average firm in the sample, including 95% confidence intervals. Logistic regression with standard errors clustered by industry. Dependent variable is support for H.R.5424,

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## Third issue: Double representation lowers chances of policy adjustment

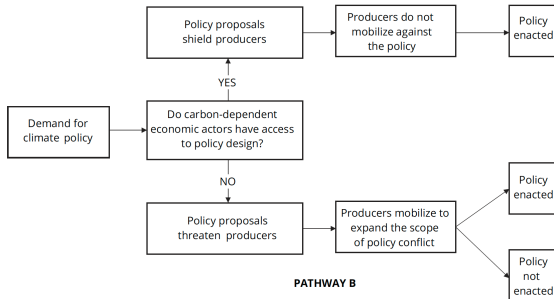


### ■ {Winners v. losers} × { Left v. right }

- Free market + redistributive forces ⇒ deadlock.
- Access policy design ⇒ veto + subsidies.
- No access policy design ⇒ conflict.
- Timing, content and country-level institutions matter.



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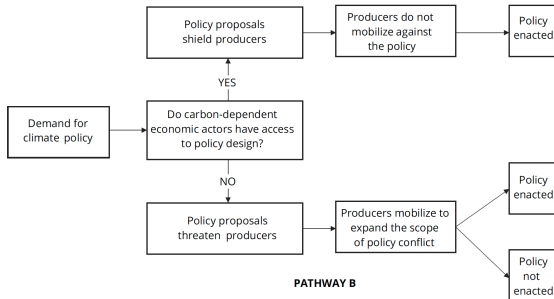
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**TABLE 1. Extreme Proposals (p) and VEPs (v)**

Issue	Extreme proposal (p)	Voluntary environmental program (v)
Plastic packaging	Ban plastic packaging for foods and beverages	[Half or All] companies voluntarily agree that their plastic containers will have at least [30 or 70] % recycled content
GM foods	Ban genetically modified foods	[Half or All] companies voluntarily agree to label all genetically modified foods beginning in the year [2014 or 2020]
Neonic insecticides	Ban neonic insecticides	[Half or All] companies voluntarily agree to train farmers [and not sell neonics to farmers who grow crops that attract bees]
Wind turbines	Ban wind turbines in areas where birds might be at risk	[Half or All] companies voluntarily change location and operation to reduce bird deaths from wind turbines by [25 or 60] %
Bluefin tuna	Ban the sale of bluefin tuna in the United States	[Half or All] companies voluntarily agree not to fish in [20 or 40] % of the waters where bluefin tuna live
Car fuel efficiency	Require that all new cars get at least 60 MPG by 2020	[Half or All] companies voluntarily agree that every new car will get at least [40 or 50] miles per gallon by the year 2020

■ {Winners v. losers}  $\times$  { Left v. right }

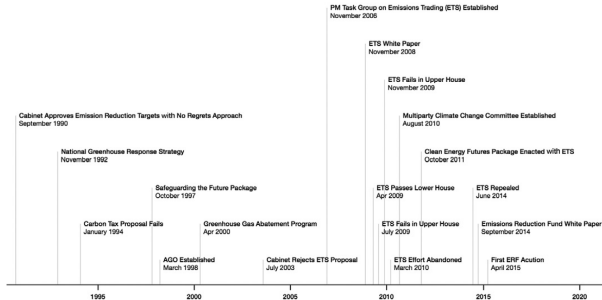
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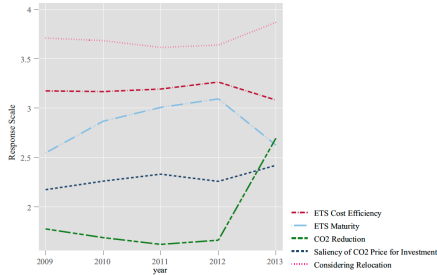


Fig. 1 Average opinions on the EU ETS: time trends across five main survey items. This figure shows the yearly trends of our five survey responses. Values are average responses measured in the original scales

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## Class exercise: Firms incentives to greenwash

- 1 Make groups of 2/3 people.
- 2 Find a case of reported greenwashing; you can use google, make sure is salient enough.
- 3 What type of greenwashing was used? Was it effective?
- 4 Was there consumer backlash when discovered? How?
- 5 Has there been other reports of green washing? Why (hardest question)?
- 6 20 minutes.
  - Feel free to use the Internet.