

Is corporatism clean or dirty? Examining the effects of corporatism on climate policy

Jacob Edenhofer

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1 Introduction

In this memo, I will set out my strategy for examining the effects of corporatism on climate policy. Theoretically, I will defend two sets of claims. First, I argue that corporatism is *ceteris paribus* conducive to stringent climate policy when pro-climate public opinion is high, while the reverse holds in countries, where carbon-intensive manufacturing accounts for a large share of GDP or value added. Second, corporatism, I submit, has a tendency to impose a relatively greater share of costs on consumers than producers, especially when the economy is highly open. High electoral competitiveness, however, counteracts this tendency. In the remainder of the memo, I will flesh out these intuitions and discuss my approach to testing them empirically.

2 Literature: Mixed results and two contrasting perspectives

There is a considerable body of work on the link between corporatism and climate policy. The early contributions to the literature were almost entirely empirical, focused on estimating the reduced-form relationship between corporatism and carbon emissions (Scruggs, 1999, 2001, 2003; Jahn, 1998, 2016b). While these cross-country regressions yielded mostly, albeit by no means unambiguously, positive results, two factors cast doubt on the causal nature of this positive correlation – the likely presence of unobserved confounders and the undertheorised link between corporatism and emissions, or, more broadly, the stringency of climate policy.

More recent work, most notably that of Finnegan (2022), has tried to address these two shortcomings, with the focus having shifted from emissions to policy stringency as the dependent variable of interest. First, drawing on the comparative political economy literature on corporatism (Olson, 1982; Landesmann and Vartiainen, 1992; Landesmann, 1992; Iversen, 1999; Iversen et al., 2000; Wallerstein, 2008), this set of works argues that corporatism is conducive to more stringent climate policy because it allows politicians to credibly promise to

compensate the losers from the structural transformation associated with decarbonisation. This follows from the folk-theorem logic of repeated games.¹ That is, concertation in corporatist systems means that capital, labour, and the government interact repeatedly with one another. Therefore, adversely affected segments of the economy can credibly threaten to punish governments for reneging on their promise to compensate them in the 'next round'. Because compensation is more credible, the argument goes (Gronow et al., 2019; Finnegan, 2022), it is easier for governments to impose short-term costs in pursuit of the long-term gains generated by climate policy. Second, the literature has employed more fine-grained and longer-term data as well as more demanding fixed-effects models to provide some empirical support for this argument, though the case for causal identification remains relatively weak. In addition, none of the large-N analyses extend beyond 2009.

OK about credible commitment but not sure where the preferences of different actors come from here.

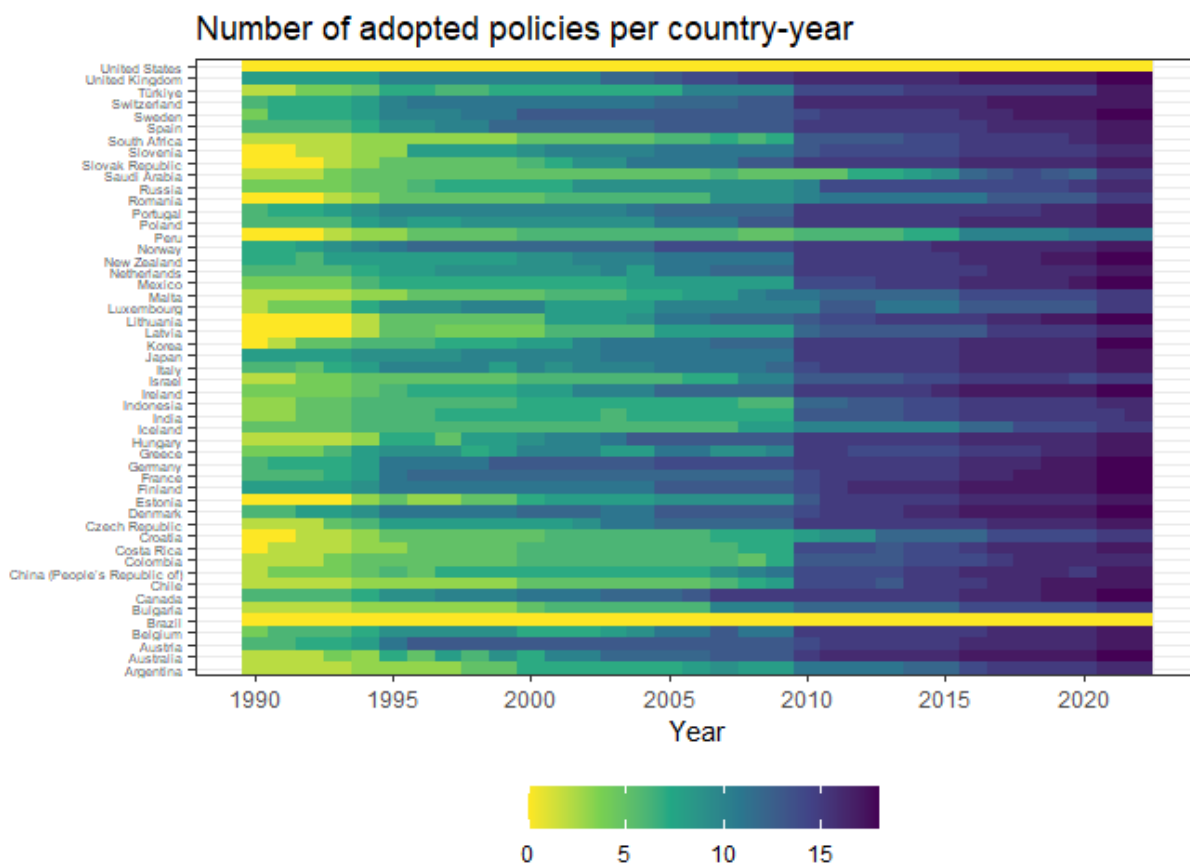


Figure 1: Number of climate policies adopted by country-year

Notes: The figure is based on the OECD's recently released CAPMF database (Nachtigall et al., 2024). For Brazil and the United States, the coverage of the dataset is incomplete, which explains the low number of adopted policies.

As part of this renewed interest in the corporatism-climate-policy nexus, however, a competing perspective has emerged, which sees corporatism as impeding stringent climate policy. Mildenerger (2020), the most

¹The 'folk theorems' of repeated games show that, with sufficiently low discount rates, any feasible outcome can be supported as a subgame-perfect equilibrium (Tadelis, 2013, 211).

prominent proponent of this view, argues that concertation gives both 'dirty' capital and labour – workers and businesses in carbon-intensive sectors – guaranteed access to policymaking ('double representation'), which, in turn, allows them to either block the adoption of climate policy or reduce its stringency. Unlike proponents of the corporatism-as-credible-compensation view, however, [Mildenberger \(2020\)](#) does not offer any large-N empirical evidence for his hypothesis, instead relying on a series of qualitative case studies.

Good.

The preceding shows that at least two gaps remain in the literature: one theoretical and the other empirical. Theoretically, there is a need for a more nuanced framework, in particular one that can integrate both the compensation and double-representation logics. Empirically, it is important not only to conduct large-N tests of the predictions yielded by such a framework, but also to do so using data covering the past 15 years or so. After all, this was the period when most climate policies were adopted, as figure 1 bears out.

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3 Theoretical framework

3.1 Defining the dependent and independent variables

Before setting out my theoretical expectations in detail, let me briefly dwell on the conceptualisation of my key independent and dependent variables. Corporatism is, as [Jahn \(2016a\)](#) notes, a complex concept. I will mainly focus on the concertation dimension of corporatism, as opposed to other important dimensions, such as the coverage of wage bargaining agreements. This is because concertation captures the structure and frequency of interactions between representatives of capital and labour, on the one hand, and governments, on the other. It is with these patterns of interactions that the two contrasting perspectives in the literature are concerned. In addition, my focus will be on two dependent variables. First, I will analyse the (relative) stringency of climate policy, which [Nachtigall et al. \(2024\)](#) operationalise as the ambition of a given policy, relative to the ambition level of the same type of policy in all other countries in the same year. Second, I will examine the distribution of the costs of climate policy between consumers and producers.

Not sure what concertation means here.

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3.2 Hypotheses

With these conceptual preliminaries in place, let me turn to the four hypotheses I seek to test. As stated above, one of my objectives is to integrate the perspectives of both the Finnegan- and Mildenberger-type arguments. To that end, I argue that the effects of corporatism on the stringency of climate policy depend on the degree to which the population or electorate is in favour of climate policy (H1), and the share of value added accounted for by the country's carbon-intensive manufacturing sector (H2).

The logic of H1 is that, as the share of the electorate that favours (more) stringent climate policy grows, the

strength of corporatism's credible-compensation effect (à la Finnegan) grows, relative to the double-representation effect à la Mildenberger and vice versa (see figure 2). This is because growing pro-climate public opinion gives the government stronger incentives to counter the resistance of dirty capital and labour by offering compensation for the costs generated by climate policy, rather than shying away from more climate action altogether. Indeed, this is what I would expect if pro-climate opinion is weak. With strong pro-climate public opinion, however, failing to ramp up the stringency of climate policy comes with the risk of losing popularity or even votes.

But corporatism is all about interest groups and the (relative) lack of importance of electoral incentives...

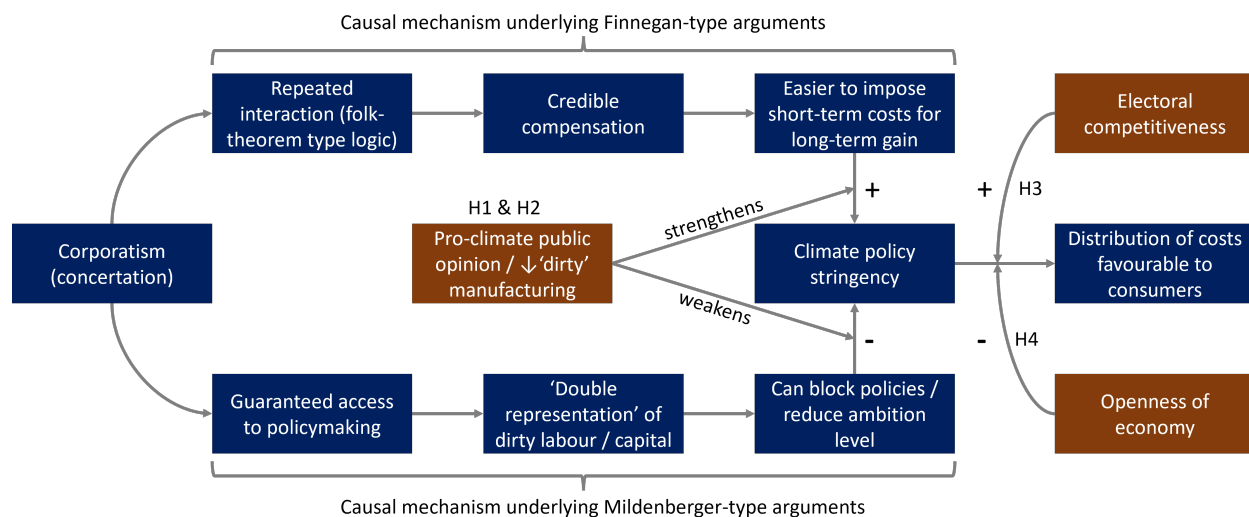


Figure 2: Overview of the theoretical framework
The boxes coloured in dark orange represent moderating variables.

While H1 is about specifying one scope condition for Finnegan's argument to work, namely sufficiently strong pro-climate public opinion, H2 builds on Mildenberger's logic. H2 states that corporatism's effect on climate policy stringency declines as the economic importance of carbon-intensive manufacturing increases. This is because the strength of the double-representation effect grows, relative to the compensation one, as the carbon-intensive industry accounts for a greater share of GDP or value added, all else equal.

My third and fourth hypotheses concern the distribution of the costs of climate policy between consumers and producers, not policy stringency per se. Following work in international political economy (Rogowski and Kayser, 2002; Chang et al., 2010), I argue that increased electoral competitiveness reduces the willingness of politicians to impose costs on consumers because doing so would harm their electoral prospects (H3). As a result, they will use their clout in corporatist structures to reduce the burden climate policies place on consumers, thus resulting in a distribution of costs more favourable to consumers.

H4 has a Katzensteinian flavour. In more open economies, competitiveness is an important political consideration (Katzenstein, 1985). Unilateral climate policies tend to hurt competitiveness, and this is bad for

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Not sure why this does not affect H1...

both capital and labour in carbon-intensive industries. This does not mean that they will necessarily try to prevent stringent climate policy. But it means that they will use corporatist structures to lobby governments to let consumers bear the brunt of the costs of decarbonisation. Greater openness, therefore, should, *ceteris paribus*, result in a more distribution of costs more favourable to producers.

4 Empirical approach

This section briefly explains how I intend to test these hypotheses empirically. Table 1 provides an overview of the way(s) in which I will operationalise the key dependent and independent variables and the data sources I will use.

Table 1: Summary of variables and their operationalisation

Variable	Operationalisation	Data source
Dependent variables		
Climate policy stringency	Ambition level relative to all other countries in a given year	Stringency variable, OECD CAPMF (Nachtigall et al. 2024)
Distribution of costs between consumers and producers	Shadow carbon prices for consumers and producers	Finnegan (2022), Althammer & Hille (2016)
	Stringency weighted by upstreamness of sector	Shapiro (2021), OECD CAPMF
Independent variables		
Corporatism	Concentration	Jahn's time-varying index (2010, 2016), ICTWSS
Pro-climate public opinion	% of the population concerned about the environment	Global Gallup data
Carbon-intensive manufacturing sector	% of GDP	CPDS, WDI
	% of value added	World Development Indicators, CPDS
Electoral competitiveness	Probability of losing/losing office	Kayser & Lindstädt (2015)
	Close elections	Fetzer & Yotzo (2023)
Openness of the economy	Total trade as % of GDP	CPDS, WDI

* CAPMF = Climate Actions and Policies Measurement Framework, CPDS = Comparative Political Dataset, ICTWSS = Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, WDI = World Development Indicators

I will estimate a series of two-way fixed effects (year and country) models. The estimating equation for H1 will take the following form:

$$Y_{it} = \alpha + \beta_1 \text{Corporatism}_{it} + \beta_2 \text{GreenOpinion}_{it} + \beta_3 \text{Corporatism}_{it} \times \text{GreenOpinion}_{it} + \beta_4 \mathbf{X}_{it} + \eta_i + \gamma_t + \epsilon_{it} \quad (1)$$

Fine

Here, Y_{it} denotes policy stringency in country i in year t , \mathbf{X}_{it} denotes a vector of country-year characteristics, while η_i and γ_t capture country and year fixed effects respectively. Finally, ϵ_{it} denotes the error term. The main parameter of interest is β_3 . The specifications for the other three hypotheses are entirely analogous, save for the fact that the interaction terms will be replaced by the respective moderating variables mentioned in figure 2.

In conclusion, let me note that I am well aware that two-way fixed effects models allow causal identification under a set of only very restrictive assumptions (De Chaisemartin and D'haultfœuille, 2020, 2023), which are unlikely to be met in my case. Nevertheless, I believe the empirical analysis is valuable for two reasons. On the one hand, I am able to test my hypotheses on data that include the 15-year period of intensive climate

action (see figure 1); on the other hand, this exercise will be the first large-N analysis that also considers the Mildenergerian double-representation logic.

1411 words

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