

Corporatism and climate policy: Tentative theoretical considerations

Jacob Edenhofer

October 25, 2024

* This is painfully drafty material.

Overview

- Objective: Synthesise and extend last week's discussion
- Substantively, I want to explicate the conceptions of **electoral politics** and **corporatist bargaining** that have emerged during the last couple of conversations and to examine how the interaction between the two influences:
 - the stringency of climate policy (the level of ambition), and
 - its structure (the policy mix).
- **Focus today will be mostly on electoral politics and stringency**

↳ do both.

Outline

Electoral politics

Corporatist bargaining

↑
Federica's comment: What is this good for?

Theoretical preliminaries



Add some CAPUF-based description
stat.

Four building blocks:

1. Median voter (MVT) logic (Grofman, 2004)
 2. Uncertainty about the median voter's position *ceteris paribus* weakens the pull exerted by the median voter, with other factors gaining in relative importance (e.g. policy-seeking objectives (Lindvall, Rueda, and Zhai, 2023) or elite-level constituencies' interests)
Institutional core constituency, not elite per se ← Adjust terminology
 3. 'Elite-level' interpretation of Aldrich, 1983: Parties have elite-level electoral constituencies (e.g. centre left parties and unions/mainstream centre right parties and business associations) that they cater to (to mobilise voters/win over other elite-level actors, such as the media)
 4. There is uncertainty about the cost-benefit ratio of the 'green' transition for these elite-level constituencies
- Will work through some qualitatively derived predictions first and then illustrate them based on simulations

Deriving theoretical predictions for the *stringency* of climate policy

Public Opinion (MVT shift)	Uncertainty	Cost-Benefit ratios (CB ratio) for 'green' transition ($CB \leq 1$ = transition beneficial; $CB > 1$ = transition detrimental)			
		$CB \leq 1$, Low Uncertainty	$CB \leq 1$, High Uncertainty	$CB > 1$, Low Uncertainty	$CB > 1$, High Uncertainty
Pro-Climate	Low Uncertainty	Higher stringency (mass and elite levels reinforce each other)	Higher stringency (mass-driven)	Higher stringency when MVT's interests > those of elite (and vice versa)	Same as purple cell on the left, with uncertainty differential pushing towards <i>higher</i> stringency
	High Uncertainty	Higher stringency (elite-driven)	Unclear	Same as above, with uncertainty differential pushing towards <i>lower</i> stringency	Unclear
Anti-Climate	Low Uncertainty	Higher stringency when elite's interests > those of MVT (and vice versa)	Same as purple cell on the left, with uncertainty differential pushing towards <i>lower</i> stringency	Lower stringency (mass and elite levels reinforce each other)	Lower stringency (mass-driven)
	High Uncertainty	Same as above, with uncertainty differential pushing towards <i>higher</i> stringency	Unclear	Lower stringency (elite-driven)	Unclear

Lesson 1: Unambiguously signed predictions

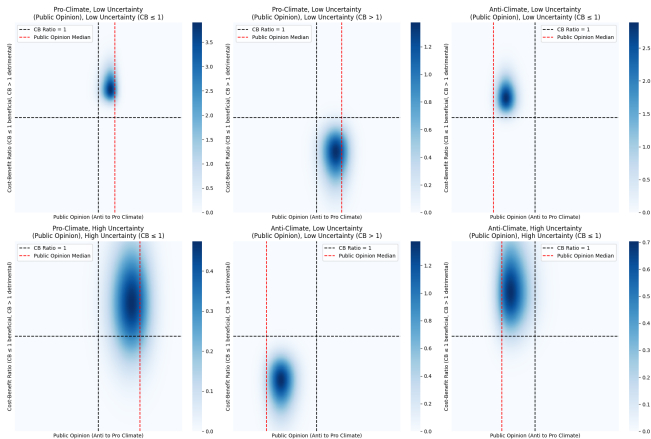


Figure: When public opinion and the C-B ratio reinforce each other, they *unambiguously* determine stringency as long as there is no high double-sided uncertainty.

Lesson 2: The relative importance of the MVT and elite constituencies

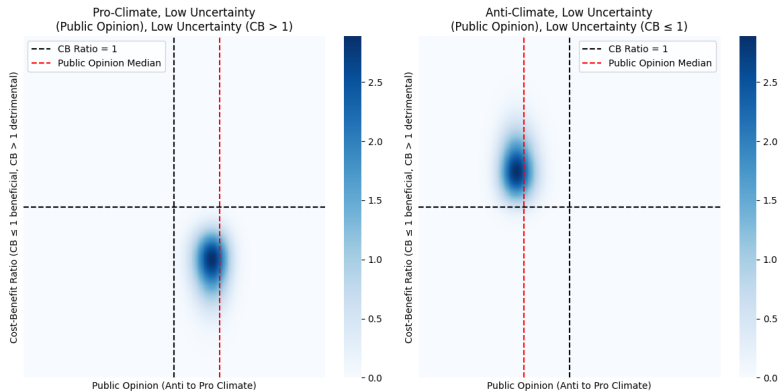


Figure: Stringency depends on the relative weights attached to the MVT vis-à-vis the elite constituency when uncertainty about the MVT's position and the C-B ratio is low.

Lesson 3: Relative importance and uncertainty differentials

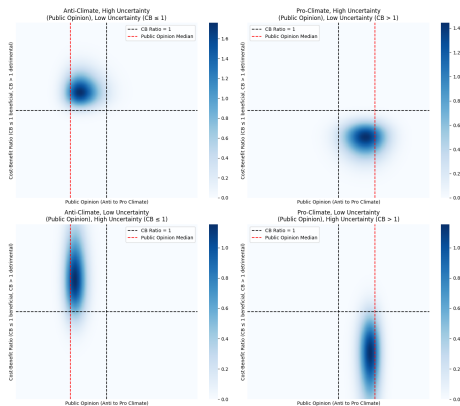


Figure: Holding the relative weights of the MVT and elite constituencies constant, parties will *lower* stringency when there is *less* uncertainty about the MVT's anti-climate shift than the favourable C-B ratio and vice versa.

Lesson 4: High double-sided uncertainty

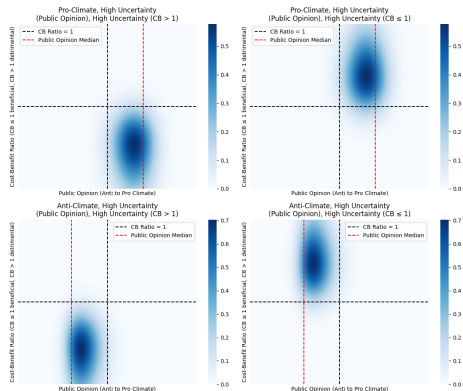


Figure: When uncertainty about both the MVT's climate position and the C-B ratio is sufficiently high, the electoral-politics-only perspective, as understood here, generates no clear predictions.

How to *close* the 'model'?

- With sufficiently high uncertainty about the C-B ratio of decarbonisation and the MVT's position, the framework above leaves us in the epistemic lurch.
- Electoral competition literature implies various routes for *closing* the model – generating clear(er) predictions about stringency:
 - Valence considerations (Abou-Chadi and Kamphorst, [2023](#); Ansolabehere and Snyder, [2000](#); Ashworth and Bueno de Mesquita, [2009](#); Buisseret and Van Weelden, [2022](#); Green, [2007](#); Groseclose, [2001](#); Pardos-Prado, [2012](#))
 - Competition between 'unequals' (Abou-Chadi and Orlowski, [2016](#); Adams et al., [2006](#); Klüver and Spoon, [2016](#); Meguid, [2008](#))
 - Expectations about coalitions (Schofield and Sened, [2006](#))
 - Strategic ambiguity or *blurry* climate platform (Bräuninger and Giger, [2018](#))
- Intuition here: Try to 'close' model via corporatist bargaining

Outline

Electoral politics

Corporatist bargaining



How, if at all, does corporatist bargaining affect stringency?

Starting point: Anticipation of tripartite bargaining can affect climate policy platforms

→ corporatism as a constraint on party competition

- When do centre-left (centre-right) parties have incentives to take into account the stringency-related preferences of business (labour)?
- **Tentative prediction:** The incentive to consider the "other side's" increases as:
 - the interest alignment between workers and businesses increases,
 - the expected negative relative effects of the transition for the other side increase (e.g. business only moderately negatively affected, while labour is strongly negatively affected), and
 - Strictly speaking, attitudes towards risk and uncertainty also matter, though I prescind from discussing them here
 - the noisier the (pro/anti) climate public opinion signal by the MVT is.

From stringency to the structure of climate policy

Two components of the structure: Can we derive convincing predictions regarding

1. the policy mix (e.g. market-based vs. non-market-based policy instruments)?

- This is usually not done in the literature – which is problematic given that we observe a great deal of variation (Stechemesser et al., [2024](#)), even among 'corporatist' countries

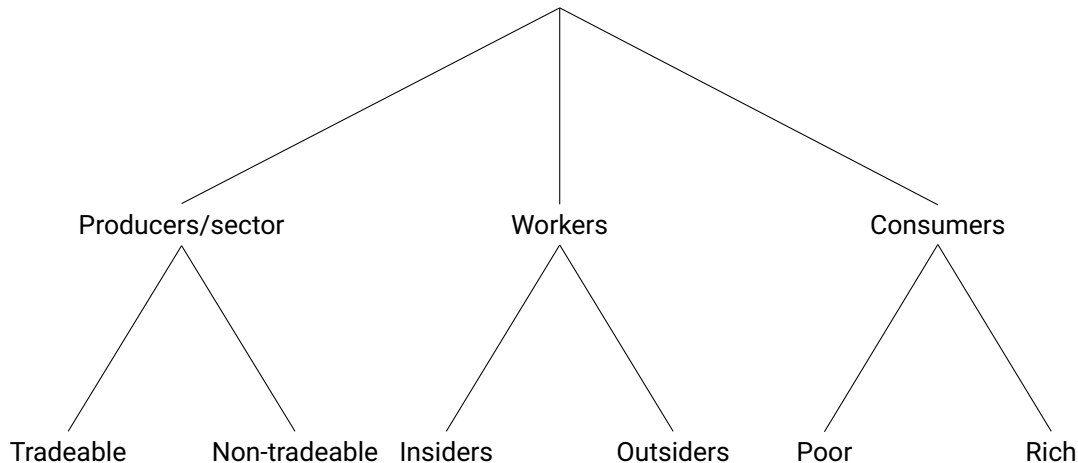
2. the distribution of costs?

- Finnegan, [2022](#) simply relies on the logic set out by Chang, [2011](#)

- Suggests that corporatism creates incentives to let consumers, as opposed to producers, bear a relatively higher share of the costs, as I argued in the CPEAD essay

While useful, the producer-consumer distinction ignores important sources of variation within these groups. Want to capture these in this and, potentially, my next project

Towards theorising the distribution of costs and the policy mix



Who wants to saddle whom with what cost?

1. Centre-left parties want to choose a policy mix that imposes the cost on rich consumers and on the sector, where the negative employment effects of climate policy are lowest – while protecting insiders (Rueda, [2008](#)).
 - Given carbon leakage, I'd hazard the guess that this is usually the non-tradeable sector (Katzenstein, [1985](#) stood on his head). Here is where Federica's work comes in (Genovese, [2019](#), [2021](#); Genovese and Tvinnereim, [2019](#)).
2. Centre-right parties want to put the cost on the poor and on whatever sector is least affected by climate policy. Not sure whether they have a real preference insider-outsider preference.
 - By the same token, I'd argue that this is typically the non-tradeable sector.

Putting my intuitions on the table

1. When the centre-left is in power, the corporatist constraint should result in a policy platform that combines:
 - higher redistribution,
 - discretionary/non-market-based climate policy instruments that allow it to create rents for sectors especially affected by climate policy (e.g. free allocations in emissions trading systems), and
 - insider protection.
2. When the centre-right is in power, the corporatist constraint should result in a policy platform that combines:
 - lower redistribution,
 - insider protection (especially for those in 'dirty' industries), and
 - market-based instruments in non-tradeable sectors.

References I

- Abou-Chadi, Tarik and Jonne Kamphorst (Dec. 2023).** "The limits of issue entrepreneurship: How the German Greens failed to win in 2021". *Electoral Studies* 86, p. 102702. ISSN: 0261-3794. DOI: [10.1016/j.electstud.2023.102702](https://doi.org/10.1016/j.electstud.2023.102702).
- Abou-Chadi, Tarik and Matthias Orlowski (July 2016).** "Moderate as Necessary: The Role of Electoral Competitiveness and Party Size in Explaining Parties' Policy Shifts". *The Journal of Politics* 78.3, pp. 868–881. ISSN: 0022-3816. DOI: [10.1086/685585](https://doi.org/10.1086/685585).
- Adams, James et al. (2006).** "Are Niche Parties Fundamentally Different from Mainstream Parties? The Causes and the Electoral Consequences of Western European Parties' Policy Shifts, 1976–1998". en. *American Journal of Political Science* 50.3, pp. 513–529. ISSN: 1540-5907. DOI: [10.1111/j.1540-5907.2006.00199.x](https://doi.org/10.1111/j.1540-5907.2006.00199.x).
- Aldrich, John H. (1983).** "A Downsian Spatial Model with Party Activism". *The American Political Science Review* 77.4, pp. 974–990. ISSN: 0003-0554. DOI: [10.2307/1957570](https://doi.org/10.2307/1957570).

References II

- Ansolabehere, Stephen and James M. Snyder (June 2000).** "Valence Politics and Equilibrium in Spatial Election Models". en. *Public Choice* 103.3, pp. 327–336. ISSN: 1573-7101. DOI: [10.1023/A:1005020606153](https://doi.org/10.1023/A:1005020606153).
- Ashworth, Scott and Ethan Bueno de Mesquita (Sept. 2009).** "Elections with platform and valence competition". *Games and Economic Behavior* 67.1, pp. 191–216. ISSN: 0899-8256. DOI: [10.1016/j.geb.2008.11.007](https://doi.org/10.1016/j.geb.2008.11.007).
- Bräuninger, Thomas and Nathalie Giger (July 2018).** "Strategic Ambiguity of Party Positions in Multi-Party Competition*". *Political Science Research and Methods* 6.3, pp. 527–548. DOI: [10.1017/psrm.2016.18](https://doi.org/10.1017/psrm.2016.18).
- Buisseret, Peter and Richard Van Weelden (Sept. 2022).** "Polarization, Valence, and Policy Competition". en. *American Economic Review: Insights* 4.3, pp. 341–352. ISSN: 2640-205X. DOI: [10.1257/aeri.20210169](https://doi.org/10.1257/aeri.20210169).

References III

- Chang, Eric C. C. (Jan. 2011).** *Electoral Systems and the Balance of Consumer-Producer Power*. English. New York: Cambridge University Press. ISBN: 978-0-521-13815-4.
- Finnegan, Jared J. (June 2022).** "Institutions, Climate Change, and the Foundations of Long-Term Policymaking". en. *Comparative Political Studies* 55.7, pp. 1198–1235. ISSN: 0010-4140. DOI: [10.1177/00104140211047416](https://doi.org/10.1177/00104140211047416).
- Genovese, Federica (Dec. 2019).** "Sectors, Pollution, and Trade: How Industrial Interests Shape Domestic Positions on Global Climate Agreements". *International Studies Quarterly* 63.4, pp. 819–836. ISSN: 0020-8833. DOI: [10.1093/isq/sqz062](https://doi.org/10.1093/isq/sqz062).
- **(Mar. 2021).** "Market responses to global governance: International climate cooperation and Europe's carbon trading". en. *Business and Politics* 23.1. Publisher: Cambridge University Press, pp. 91–123. ISSN: 1469-3569. DOI: [10.1017/bap.2020.2](https://doi.org/10.1017/bap.2020.2).

References IV

- Genovese, Federica and Endre Tvinnereim (Sept. 2019).** "Who opposes climate regulation? Business preferences for the European emission trading scheme". en. *The Review of International Organizations* 14.3, pp. 511–542. ISSN: 1559-744X. DOI: [10.1007/s11558-018-9318-3](https://doi.org/10.1007/s11558-018-9318-3).
- Green, Jane (Oct. 2007).** "When Voters and Parties Agree: Valence Issues and Party Competition". en. *Political Studies* 55.3, pp. 629–655. ISSN: 0032-3217. DOI: [10.1111/j.1467-9248.2007.00671.x](https://doi.org/10.1111/j.1467-9248.2007.00671.x).
- Grofman, Bernard (2004).** "Downs and Two-Party Convergence". *Annual Review of Political Science* 7.1, pp. 25–46. DOI: [10.1146/annurev.polisci.7.012003.104711](https://doi.org/10.1146/annurev.polisci.7.012003.104711).
- Groseclose, Tim (2001).** "A Model of Candidate Location When One Candidate Has a Valence Advantage". *American Journal of Political Science* 45.4, pp. 862–886. ISSN: 0092-5853. DOI: [10.2307/2669329](https://doi.org/10.2307/2669329).
- Katzenstein, Peter J. (June 1985).** *Small States in World Markets: Industrial Policy in Europe*. English. Ithaca, N.Y: Cornell University Press. ISBN: 978-0-8014-9326-3.

References V

- Klüver, Heike and Jae-Jae Spoon (July 2016).** “Who Responds? Voters, Parties and Issue Attention”. en. *British Journal of Political Science* 46.3, pp. 633–654. ISSN: 0007-1234, 1469-2112. DOI: [10.1017/S0007123414000313](https://doi.org/10.1017/S0007123414000313).
- Lindvall, Johannes, David Rueda, and Haoyu Zhai (Oct. 2023).** “When Parties Move to the Middle: The Role of Uncertainty”. en. *British Journal of Political Science* 53.4, pp. 1208–1229. ISSN: 0007-1234, 1469-2112. DOI: [10.1017/S0007123422000758](https://doi.org/10.1017/S0007123422000758).
- Meguid, Bonnie M. (2008).** *Party Competition between Unequals: Strategies and Electoral Fortunes in Western Europe*. Cambridge Studies in Comparative Politics. Cambridge: Cambridge University Press. ISBN: 978-0-521-88765-6. DOI: [10.1017/CB09780511510298](https://doi.org/10.1017/CB09780511510298).
- Nachtigall, Daniel et al. (Jan. 2024).** “The Climate Actions and Policies Measurement Framework: A Database to Monitor and Assess Countries’ Mitigation Action”. en. *Environmental and Resource Economics* 87.1, pp. 191–217. ISSN: 1573-1502. DOI: [10.1007/s10640-023-00821-2](https://doi.org/10.1007/s10640-023-00821-2).

References VI

- Pardos-Prado, Sergi (June 2012).** "Valence beyond consensus: Party competence and policy dispersion from a comparative perspective". *Electoral Studies*. Special Symposium: Generational Differences in Electoral Behaviour 31.2, pp. 342–352. ISSN: 0261-3794. DOI: [10.1016/j.electstud.2012.01.004](https://doi.org/10.1016/j.electstud.2012.01.004).
- Rueda, David (Feb. 2008).** *Social Democracy Inside Out: Partisanship and Labor Market Policy in Advanced Industrialized Democracies*. English. Oxford: Oxford University Press, U.S.A. ISBN: 978-0-19-923405-9.
- Schofield, Norman and Itai Sened (July 2006).** *Multiparty Democracy: Elections and Legislative Politics*. English. Cambridge: Cambridge University Press.
- Stechemesser, Annika et al. (Aug. 2024).** "Climate policies that achieved major emission reductions: Global evidence from two decades". *Science* 385.6711, pp. 884–892. DOI: [10.1126/science.adl6547](https://doi.org/10.1126/science.adl6547).

Typology of climate policy instruments (Nachtigall et al., 2024)

Sectoral policies			Cross-sectoral policies	International policies
Sector	Market-based instruments	Non-market based instruments		
Electricity	<ul style="list-style-type: none"> Carbon pricing (ETS, carbon and fuel taxes, FFS reform or removal) RES support (FIT, auctions, RPS) 	<ul style="list-style-type: none"> Bans and phase outs of coal power plants Air pollution standards coal plants Planning for renewables 	GHG emission targets <ul style="list-style-type: none"> Net-zero target (e.g. year, coverage, legal status) NDC target (e.g. coverage of sectors and GHG) 	International co-operation <ul style="list-style-type: none"> Participation in key international climate treaties Participation in international climate initiatives (e.g. Climate and Clean Air Coalition) Participation in international emissions pricing from aviation (e.g. CORSIA) or shipping
Transport	<ul style="list-style-type: none"> Carbon pricing Congestion charge 	<ul style="list-style-type: none"> Fuel economy standards Energy labels Bans and phase outs of ICE Public rail investment Motorway speed limits 	Public RD&D expenditure <ul style="list-style-type: none"> 6 categories (e.g. energy efficiency, renewables, nuclear, hydrogen, CCS) 	
Buildings	<ul style="list-style-type: none"> Carbon pricing Financing mechanisms for EE (e.g. preferential loans for retrofits) 	<ul style="list-style-type: none"> MEPS appliances Energy labels appliances Building energy codes Bans and phase outs of fossil-based heating 	Fossil fuel production policies <ul style="list-style-type: none"> FFS reform for fossil fuel production Bans and phase outs of fossil fuel extraction Policies to reduce fugitive methane emissions (e.g. restriction on flaring) 	International public finance <ul style="list-style-type: none"> Banning export credits for unabated coal plants Banning public finance of fossil fuels abroad
Industry	<ul style="list-style-type: none"> Carbon pricing Financing mechanisms for EE 	<ul style="list-style-type: none"> MEPS industrial motors Energy efficiency mandates 	Climate governance <ul style="list-style-type: none"> Independent climate advisory body 	GHG emissions data and reporting <ul style="list-style-type: none"> GHG emissions reporting and accounting UNFCCC evaluation of Biennial (Update) Reports Submission of key UNFCCC documents (e.g. National Communications, GHG Inventory)