Corporatism and climate policy: Tentative theoretical considerations

Jacob Edenhofer

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* 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

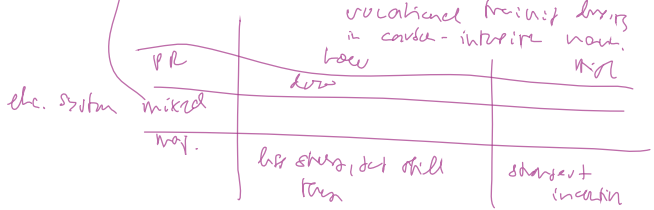
↳ do both.

Dis Rir both Dr uncertainty and flexibility

Outline

Electoral politics

Corporatist bargaining



Theoretical preliminaries

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)
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 *higher* stringency
	High Uncertainty	Higher stringency (elite-driven)	Unclear	Same as above, with uncertainty differential pushing towards *lower* 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 *lower* stringency	Lower stringency (mass and elite levels reinforce each other)	Lower stringency (mass-driven
	High Uncertainty	Same as above, with uncertainty differential pushing towards *higher* stringency	Unclear	Lower stringency (elite-driven	Unclear

Lesson 1: Unambiguously signed predictions

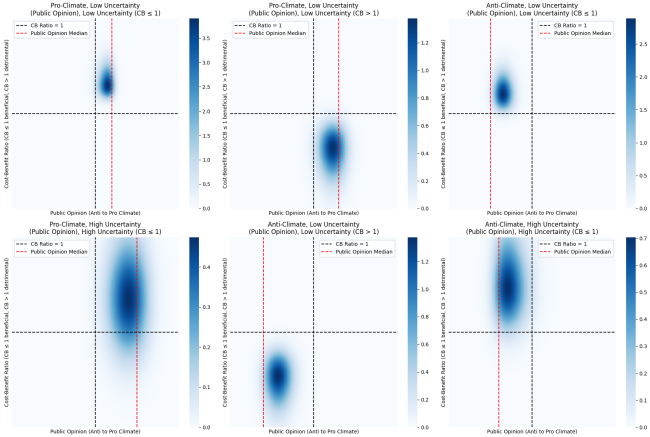


Figure: When public opinion and the C-B ratio reinforce each other, they *unambiguously* determine stringency as long as there is no high double-sided uncertainty.

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

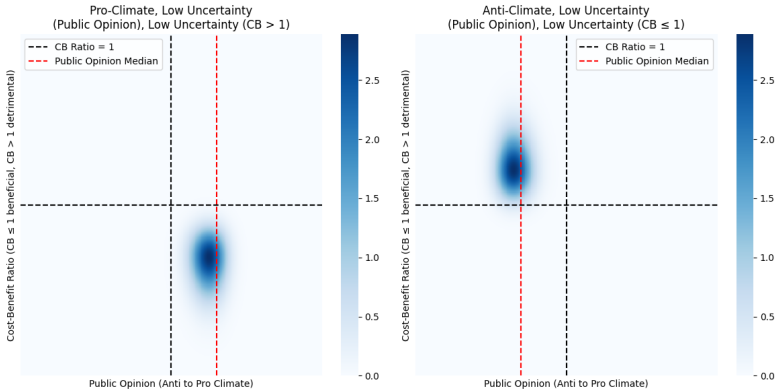


Figure: Stringency depends on the relative weights attached to the MVT vis-à-vis the elite constituency when uncertainty about the MVT's position and the C-B ratio is low.

Lesson 3: Relative importance and uncertainty differentials

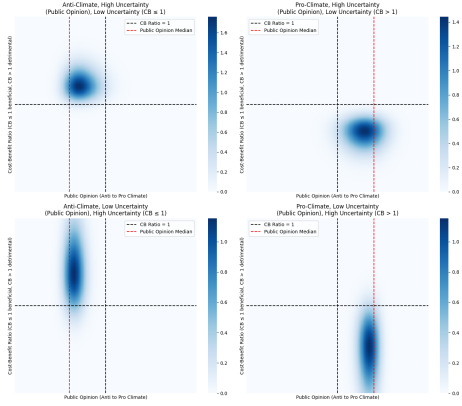


Figure: Holding the relative weights of the MVT and elite constituencies constant, parties will *lower* stringency when there is *less* uncertainty about the MVT's anti-climate shift than the favourable C-B ratio and vice versa.

Lesson 4: High double-sided uncertainty

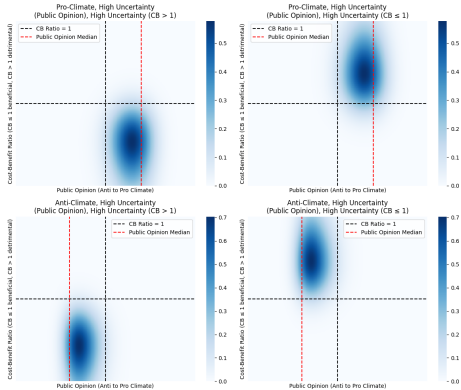


Figure: When uncertainty about both the MVT's climate position and the C-B ratio is sufficiently high, the electoral-politics-only perspective, as understood here, generates no clear predictions.

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

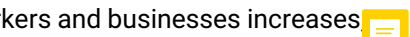
Corporatist bargaining 

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)? Does the dispersion of costs/ benefits matter?
- 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
  - → the noisier the (pro/anti) climate public opinion signal by the MVT is.



Strictly speaking, attitudes towards risk and uncertainty also matter, though I prescind from discussing them here

From stringency to the structure of climate policy

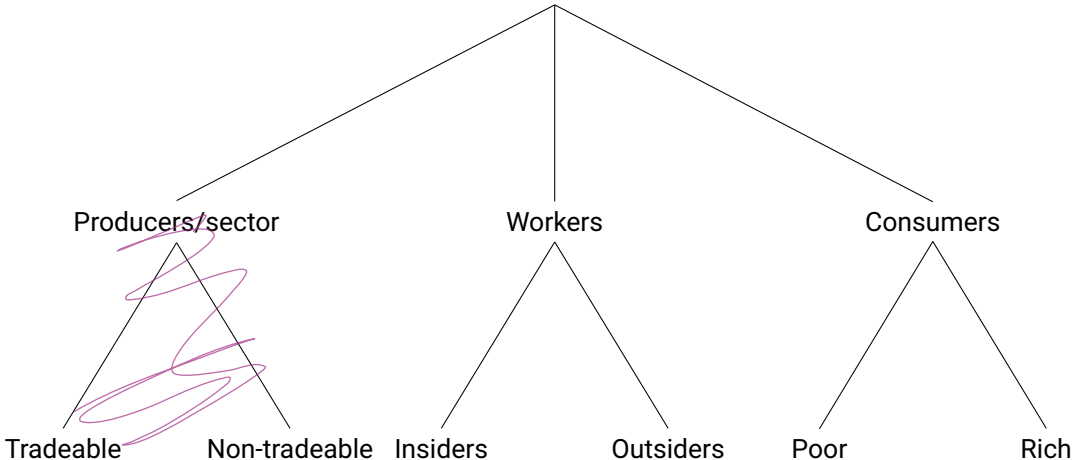
Two components of the structure: Can we derive convincing predictions regarding

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

▸ Typology of climate policy instruments

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.

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