

# Corporatism and climate policy: Tentative theoretical considerations

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\* This is drafty material.

# Overview

- Objective: Synthesise and extend last week's discussion, especially by incorporating your verbal and written comments
- Substantively, I want to refine 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:
  - responding to your comments regarding the electoral politics component of the theory
  - on a conceptual move related to the nature of corporatist bargaining

# Outline

## Theory

### Electoral politics

- Theoretical preliminaries

- Workhorse framework

- Extending the workhorse framework

### Corporatist bargaining

- Theoretical preliminaries

- Corporatism and stringency

- Corporatism and the policy mix

## Justifying my conceptualisation of intra-party politics

## Why I am reluctant to rely on the Lowi-Wilson framework

## Typology of climate policy instruments

# Theoretical preliminaries for electoral politics: Five 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 interest groups' interests that enjoy institutionalised influence within the party)
3. Extension of Aldrich, 1983: In addition to activists at the voter level, parties, especially in corporatist systems, have interest-group-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). → *familiarity?*
4. *Ceteris paribus*, activists are *less* important than interest groups with institutionalised influence.  

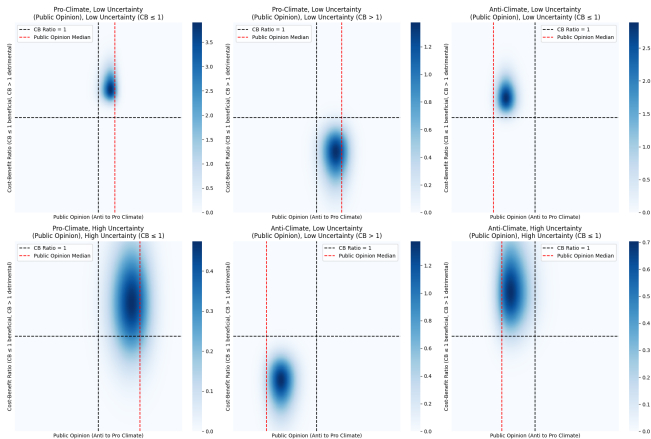
▶ Tentative justification
5. There is uncertainty about the cost-benefit ratio of the 'green' transition for these elite-level constituencies. 

▶ Digression on the dispersion of costs and benefits

# Deriving theoretical predictions for the *stringency* of climate policy

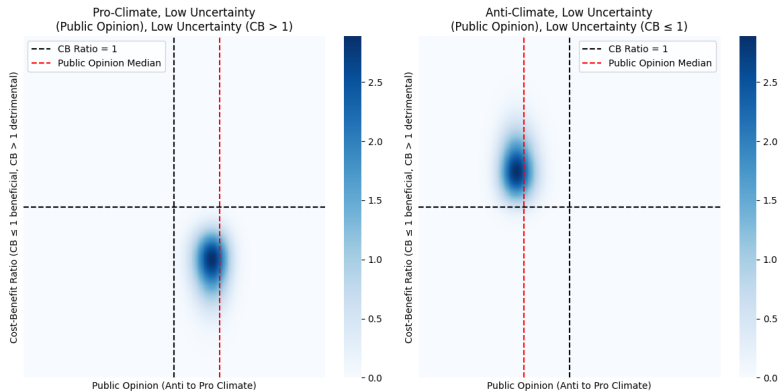
Public Opinion (MVT shift)	Uncertainty	Cost-Benefit ratios (CB ratio) for 'green' transition ( $CB \leq 1$ = transition beneficial; $CB > 1$ = transition detrimental)			
		$CB \leq 1$ , Low Uncertainty	$CB \leq 1$ , High Uncertainty	$CB > 1$ , Low Uncertainty	$CB > 1$ , High Uncertainty
Pro-Climate	Low 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.

# How to think about the relative weights?

Two sets of determinants (at least for now):

## 1. Interest alignment *within* interest groups

- Mildenerger, 2020 points to the importance of taking into account divergent interests within unions and business groups (clean vs dirty blocks among both groups).
- Ceteris paribus, I'd argue that the greater the divergence of interests within these groups, the stronger the relative weight placed on the MVT and vice versa.

## 2. Mobilisational capacity of interest groups

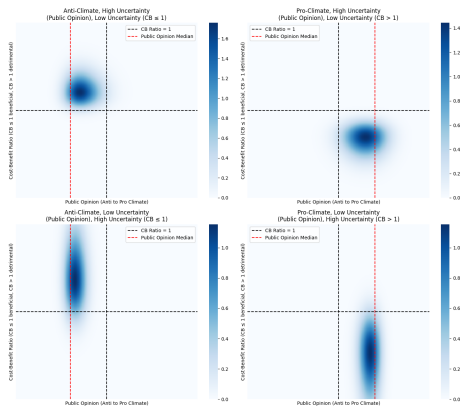
- The more effective interest groups are in mobilising voters, the greater their relative importance vis-à-vis the MVT.
- Open question: What does this depend on? The electoral system?

relation mobilisational capacity

Divergent interests *and* low mobilisational capacity are functionally equivalent to uncertainty about the C-B ratio.

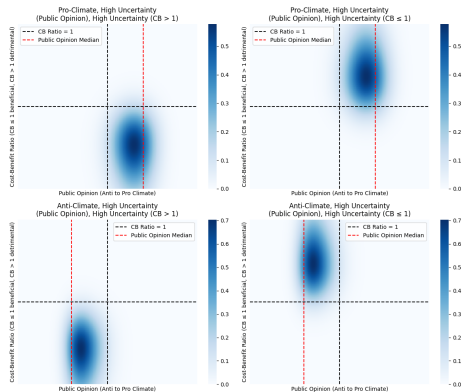


# Lesson 3: Relative importance and uncertainty differentials



*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: Explore extensions related to green party competition and 'close' model via corporatist bargaining

# Two possible extensions related to electoral competition with double-sided uncertainty

*What does Schofield say?*

## 1. Bringing party activists back in

- When the ramifications for the affiliated interest group are unclear or the relative weight of interest groups vis-à-vis the MVT decreases (divergent interests or lower mobilisational capacity), as is the MVT's position, party activists' relative influence will increase.
- This is relevant for both stringency and the distribution of costs (see below).
- Possible causal chain: Fewer union members → lower mobilisation capacity → lower relative weight to MVT → party activists more important → pulls centre left towards more stringency/centre right towards less

## 2. Coalition inclusion probability of green party (Kayser and Rehmert, 2021)

- Anticipation of having to form coalition with green party might exert give rise to accommodation (scope condition for logic in Kayser and Rehmert, 2021)

*↳ valence competition*

# Theoretical preliminaries for combining corporatist bargaining and electoral politics: Two building blocks

Starting point: Anticipation of tripartite bargaining can affect climate policy platforms  
→ corporatism as a constraint on party competition

1. When does one party have an incentive to take the other side's preferences into account in strategically choosing its climate policy platform?
2. Holding the incentive to consider these preferences constant, how does the party account for them?

# Incentives to take the other side's preferences into account

When do centre-left (centre-right) parties have incentives to take into account the stringency-related preferences of business (labour)?

The incentive to consider the "other side's" increases as:

- the interest alignment between workers and businesses increases (*between interest group alignment*),
- the interest alignment within the 'other' interest group is higher than for the one affiliated with the party (*differential within interest group alignment*),
- 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.

→ *These considerations are relevant for the stringency-side of the argument – at least when the electoral-politics-only perspective yields no clear predictions.*

# How to account for the other side's preferences?

In accommodating the other side, the party pursues two objectives:

1. minimise cost of accommodation to own interest groups and voters
    - Center-left parties try to limit the benefits that accrue exclusively to business to a minimum, or that hurt poor consumers.
    - Center-right parties seek to compensate only those segments of workers that are sufficient to get the unions on board and/or businesses have invested in. Limit rich's redistributive burden
  2. limit boost to mobilisational capacity
    - Assumption: material accommodation *ceteris paribus* frees up resources that can be used for mobilisation of voters of other side
    - Depends on interest alignment between labour and business as well as the electoral system/district magnitude, as I will explain below (Rickard, 2020)
- These considerations are relevant for understanding the *nature* of corporatist climate bargains.

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

The electoral politics perspective suggests there are two types of scenarios in which corporatism can affect stringency:

## 1. Differential within-interest-group alignment and relative weights

→ Example: When the interests of business are much more homogenous than those of labour (and there is low uncertainty about both the MVT's position and C-B ratio), then the anticipation of having to bargain with business will pull the centre-left party's climate platform in whatever direction business prefers.

## 2. Uncertainty about MVT and C-B ratio of own interest group

→ If there is low uncertainty about the C-B ratio of the other interest group, that affects stringency in the direction preferred by that group.

→ I don't have a good sense as to how likely these scenarios are. It is also worth noting that corporatism could affect stringency by reinforcing pro-/anti-climate electoral politics scenarios.



# 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?

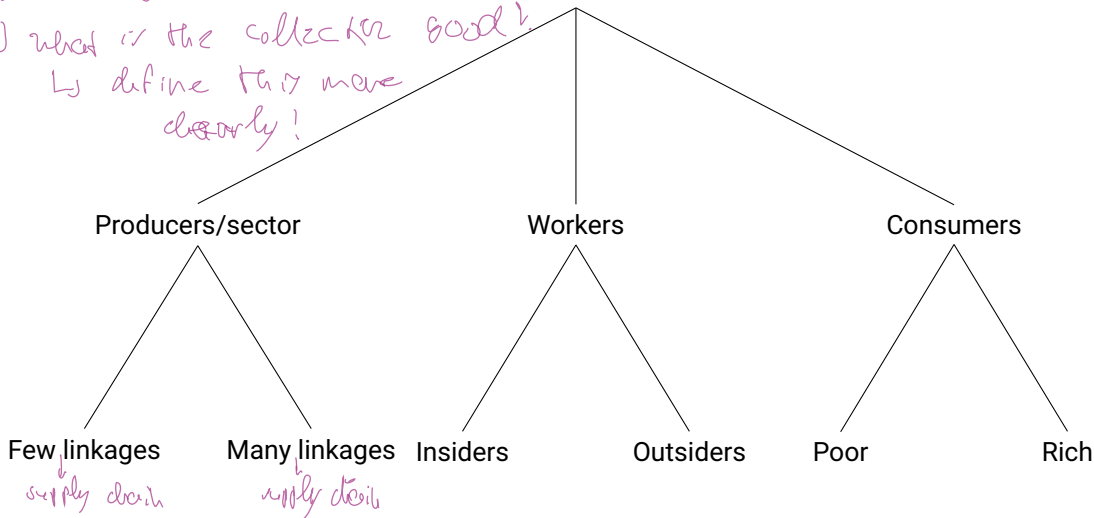
→ Finnegan, [2022](#) simply relies on the logic set out by Chang, [2011](#)

→ 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

- 1) internalise the cost of collective good provision
- 2) what is the collective good?  
↳ define this more clearly!



# 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](#)).
  - They 'help' business to the extent that its interests are aligned with labour and/or it is necessary to make corporatist bargains work.
  - Keep cost of compensation for labour minimal and limit spillovers on its mobilisational capacity
2. Centre-right parties want to put the cost on the poor and on whatever sector is least affected by climate policy.
  - They 'help' labour to the extent that its interests are aligned with business and/or it is necessary to make corporatist bargains work.
  - Keep cost of compensation for business minimal and limit spillovers on its mobilisational capacity

# Limiting the other side's 'mobilisational' capacity and the role of the electoral system

terminology? Derproprietarity?

	Weak PR component	Strong PR component
<i>Interests diverge</i>	CL offers minimal compensation to businesses with no ties to swing districts/regions; CR compensates those segments not important in swing districts/regions	CL compensates geographically concentrated sectors/those with few supply chain linkages; CR focuses on segments of labour that are geographically concentrated
<i>Interests aligned</i>	CL compensate businesses more generously, less so when concentrated in swing districts/regions; similar logic for CR	Both target businesses/labour that is geographically dispersed and has many supply chain linkages, though relative shares likely differ

*Table:* Overview of predictions (CR = centre-right; CL = centre-left)

# Who bears the cost of climate policy then? Combining my intuitions

1. When the centre-left is in power, the corporatist constraint should result in a policy platform that combines:
  - higher redistribution,
  - insider protection, and
  - compensation for those sectors that, considering interest alignment and the electoral system, maximise relative mobilisational capacity.
2. When the centre-right is in power, the corporatist constraint should result in a policy platform that combines:
  - lower redistribution,
  - protection for insiders with with firm-specific skills, and
  - compensation for those workers that, considering interest alignment and the electoral system, maximise relative mobilisational capacity.

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## **Justifying my conceptualisation of intra-party politics**

## **Why I am reluctant to rely on the Lowi-Wilson framework**

## **Typology of climate policy instruments**

# Justifying the activists-are-less-important-than-interest-groups assumption

Central benefit of assumption: Allows me to simplify what is already a fairly complex framework

While the assumption is unlikely to be always true, it is a reasonably good approximation to reality for two reasons:

1. Parties tend to interact more frequently with interest groups in-between elections. If true, parties should give greater weight to their concerns/interests.
2. Interest groups have other means of putting pressure on the party, such as waging media campaigns, and can deploy these more easily than activists (e.g. coordinating for protests is, on average, more difficult to do some straightforward lobbying).

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# Digression on the Lowi-Wilson framework

Synthesis of contributions by Lowi (1964), Olson (1965), Wilson (1980), Stigler (1971), Peltzman (1976), Weingast, Shepsle, and Johnsen (1981), and many others

<b>Costs of policy</b>	<b>Concentrated benefits</b>	<b>Diffuse benefits</b>
<i>Concentrated</i>	Interest group politics	Olsonian setting
<i>Diffuse</i>	Stiglerian setting	Mass politics

*Table:* Overview of the Lowi-Wilson framework

# Stiglerian settings

Costs diffuse + benefits concentrated = policy change favoured over status quo →  
Winners lobby harder than losers, given that their collective action problem is easier than that of the losers

*"The state becomes permeated by private interests, most of its actions consist of income transfers from the politically powerless to the politically powerful (...)."*  
(Przeworski, [2003](#), p. 108)

Example: Tax cuts, e.g. Bush and Trump tax cuts (Bartels, [2005](#), [2016](#); Chodorow-Reich, Zidar, and Zwick, [2024](#); Hacker and Pierson, [2005](#); Lupia et al., [2007](#))

# Olsonian settings

Diffuse benefits + concentrated costs = strong status quo bias → Losers lobby harder than winners

*Shrewd political entrepreneurs representing interests of beneficiaries needed if status quo bias is to be overcome (Wilson, 1980)*

Elements of political entrepreneurship:

- Normative lodestar (e.g. reducing GHG emissions)
- Exploiting cross-cutting cleavages to build coalitions (e.g. industry, labour, churches)
- Heresthetics: art of political manipulation (Riker, 1986)
- Rhetoric / communication / framing (Druckman, 2022; Little, 2023)

# From Olson to Stigler: The (entrepreneurial) politics of the *Inflation Reduction Act* (Jenkins, 2023)

Mainly regressive tax credits (Borenstein and Davis, 2024) + geographically targeted "green" pork (Landry, 2021; Van Nostrand and Ashenfarb, 2024)

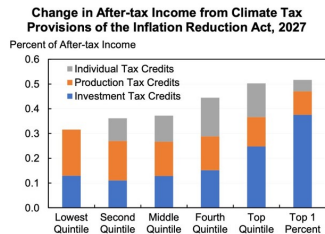


Figure: Furman, 2023

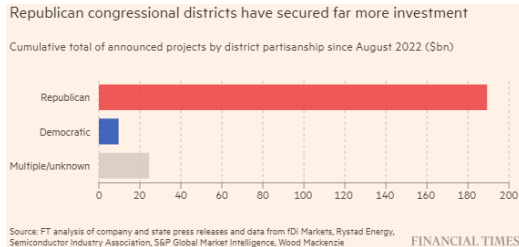


Figure: Chu, McCormick, and Roeder, 2023

# Interest group politics – "politics as organized combat"

Costs and benefits concentrated = intense interest group competition between prospective losers and winners → Outcome determined by relative strength of interest groups

*"Business must learn the lesson . . . that political power is necessary; that such power must be assiduously cultivated; and that when necessary, it must be used aggressively and with determination – without embarrassment and without the reluctance which has been so characteristic of American business . . . Strength lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in the political power available only through united and national organizations." (Hacker and Pierson, 2010; Powell, 1971)*

# Mass politics

Costs + benefits diffuse = outcome likely to reflect citizens' preferences

Completely under-theorised in the framework; in some ways, the section on electoral politics can be seen as an attempt to rectify that shortcoming

# Applying the framework to instrument choice in climate policy

## Economists' perspectives vs Politicians'

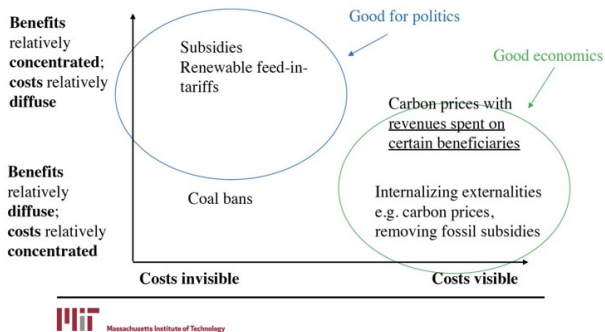


Figure: Dimanchev's (2017) application of the Lowi-Wilson logic

# Is this suitable a framework for analysing climate policy in countries with non-majoritarian, non-pluralist political systems?

There are **two sets of reasons** why I am sceptical to take my cue from Lowi-Wilson by introducing an assumption regarding the dispersion of the cost-benefit ratio in the theoretical preliminaries:

## 1. Empirical

- In many real-world settings, costs and benefits are high-dimensional objects (e.g., firm position in value chain, substitutability of regulated process)
- The framework only works well, cleanly reduces the dimensionality of the problem, when these **dimensions are closely correlated or co-linear**.
- If not, the framework obscures theoretical mechanisms, rather than helping clarify them.

## 2. Conceptual (for more, see the next two slides)

- Implicitly, the framework relies on a conception of politics that is, if at all, most suitable for countries with majoritarian electoral/two-party and pluralist interest group systems.



# Conceptual shortcomings of the Lowi-Wilson approach (Part 1)

Assumption	Challenge(s)	Some modification(s) in literature
Politicians are <b>perfect agents of interest groups</b>	Politicians' preferences and incentives are rarely perfectly aligned with those of interest groups + mechanisms of influence unclear	Incorporate incentives arising from, for instance, intra-party dynamics, e.g. party-unanimity Nash equilibrium (Romer, 2001) + explicitly model influence
Role of <b>salience</b> neglected	Important determinant of the <i>locus</i> of politics (Dennison and Kriesi, 2023)	Exogenous vs endogenous salience
<b>Static</b> framework	Much of politics is about policymaking over time → dynamic framework	Analysis of commitment problems and time inconsistency (e.g. Besley, 2006)
No distinction between <b>vertical</b> and <b>horizontal</b> inequality (illustrates dimensionality point)	Inequality within income groups matters for distributional effects of policies, e.g. carbon pricing (Hänsel et al., 2022; Missbach and Steckel, 2024)	None in the political economy literature (to the best of my knowledge)

# Conceptual shortcomings of the Lowi-Wilson approach (Part 2)

*Continued from previous slide*

Assumption	Challenge(s)	Some modification(s) in literature
Policies considered separately (no <a href="#">issue bundling</a> )	Often policies are not adopted / modified individually, but as part of packages or bundles → logrolling	Allow for policy bundling and effect of bundling on coalition-building, policy adoption, and stringency (Lee, <a href="#">2022</a> )
Narrow conception of politicians' and voters' <a href="#">motivations</a> + "optimistic" view of their <a href="#">cognitive capacities</a>	Politicians have normative convictions and limited cognitive capacities	Incorporate other-regarding preferences into utility function / payoffs + allow for behavioural limitations (Jervis, <a href="#">2004</a> ; McDermott, <a href="#">2004</a> ; Mintz, Valentino, and Wayne, <a href="#">2021</a> )
<a href="#">Universal</a> view of politics (variation in "error term")	Political outcomes differ systematically and persistently over time and across space	Incorporate role of political institutions norms conventions and culture into analysis (Persson and Tabellini, <a href="#">2005</a> )

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