A green(er) social contract?

Individual political beliefs, electoral competition and support for carbon tariffs

HOW IT STARTED...

"I want to talk not only with the other political groups, but also with our partners outside of politics: With NGOs, industry representatives, but also trade partners outside of the EU. I really believe that this can be a strong instrument – if we introduce it in an almost perfect manner."

Carbon border adjustment mechanism: how can the European Union move forward?

...AND HOW IT'S GOING

The proposal for a Carbon Border Adjustment Mechanism fails the ambition and equity tests

I hear that @GreensEFA and @TheProgressives in the @Europarl_EN tabled amendments to stop ETS2 in buildings. Why? ETS2 provides a financing stream to support poor households to transition away from fossil heat. What other measures achieve the same? @peterliese @POLITICOEurope

Macron's man in Brussels plots to kill EU carbon price on cars and homes

WHAT IS THE OPTIMAL CARBON PRICING REGIME?

RESEARCH PUZZLE(I)

- There is a **huge variance across left-wing political parties on the topic of carbon pricing.**
  - Traditional social-democratic parties fear a "carbon shock therapy".
  - Green parties tend to consider carbon pricing as a cornerstone measure.
- Debates tend to be even more intense (and weird!) when discussing new policy tools, such as the EU's proposed **carbon border adjustment mechanism** (CBAM).
  - Social-democrats seem to be consistent proponents.
  - Green parties are divided internally on this issue.

RESEARCH PUZZLE(II)

- What drives these internal struggles on the left side of politics?
  - Recent developments in terms of **voting behavior** (Akee et al. 2018, Brooks and Brady 1999).
  - **Fear of globalization**, and what carbon pricing means in relation to the effects of trade (Lockwood 2018; Levi, Flachsland and Jakob 2020).
  - **Political competition** with right-wing and populist parties (Colantone and Stanig 2019; Rodrik 2021).

What is the optimal carbon pricing regime (tax+tariff) that left parties should propose as part of their program?

THEORETICAL MODEL (I)

- A population of individuals reflecting **three political cleavages**:
  - State/market cleavage (Hauserman and Kriesi 2015)
  - Progressive/conservative cleavage (Bonomi et al. 2021)
  - Pro-/anti-globalization cross-cutting cleavage (Kalmijn and Kraaykamp 2007).
- Each individual maximizes her utility, given by a function of individual traits.
- Only **a stochastically-determined portion of the population actually votes**.

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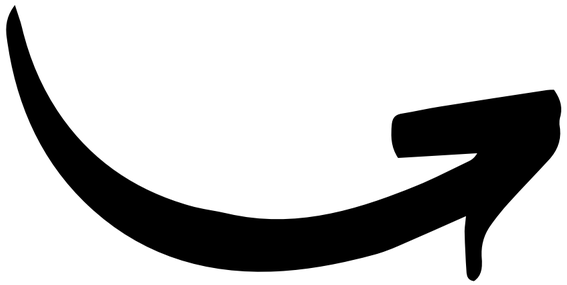
THEORETICAL MODEL (II)

- Two parties: **Left** and **Right**. Objective? **Win elections** (Downs, 1957).
- Left captures people with progressive views and is comprised of **two distinct wings**: traditional social-democrats and greens.
    - **Social-democrats** represent people with lower income and a negative perception of globalization.
    - **Greens** represent people with higher income and a positive perception of globalization.
- *Right is a dummy party, which captures people with conservative views (?).*

THEORETICAL MODEL (III)

- The left needs to choose two policies: a carbon tax and a carbon tariff.
  - The **carbon tax** is **inversely proportional to income**, **distortionary**, and **purely redistributive**.
  - The **tariff** is directly **proportional to income**, **purely redistributive**, and **interacts with** people's perception of **globalization**.



- **H1:** Multiple equilibria, depends on the perception of globalization.
- **H2**: Pluri-dimensional equilibria different from uni-dimensional equilibrium.

EMPIRICAL STRATEGY (I)

- Experimental survey in which people **rank five principles** (economic freedom, social justice, morality, environmental sustainability, national sovereignty)

List of **ordered preferences** for each respondent.

- **Decision time** is used as a proxy for the **strength of preference.**
- Survey conducted in Germany given the diversity in political parties.
- **Correct for non-response bias** by exploiting exogenous variation in both financial incentives and the timing of reminders (Dutz et al. 2021).

EMPIRICAL STRATEGY (II)

- **Dependent variable (DV):** support for carbon pricing regime:
  - Multiple regimes: (i) national tax, (ii) national tax with tariff, (iii) tariff for carbon surplus without national tax.
  - Measured using a **5-point Likert-type scale.**

- **Independent variables (DV):**
  - (1) Individual preferences.
  - **(2) Combinations of preferences using interaction terms.**
  - (3) Political preferences.
  - ***(4) Predicted political preferences based on the ranked order of individual preferences.***

EMPIRICAL STRATEGY (III)

1. Preliminary **cluster analysis.**
2. Regression analysis to capture the relationship between the **IVs** and the **DVs**:
    - Länder-fixed effects estimator for a linear model.
    - Ordered logistic regression model.
3. Regression analysis in a smaller sample that exploits v**ariation across the former GDR/FRG border**:
    - Similar estimators.
    - *Spatial regression discontinuity design (Keele and Titiunik 2021)*

EMPIRICAL STRATEGY (IV)

- Secondary survey with experts in climate economics
  - **Target group**: Authors that have published in top journals in the field.
  - **Journals:** Climate Economics, Climate Policy, Sustainability, Ecological Economics, The Energy Journal, etc.

- Comparisons with previous results.
- Better understanding of **channels** through which effects propagate.

ANY QUESTIONS?