

CLIMATE POLITICS and the Dynamics of Green Preferences



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Coping with the climate emergency has sparked heated discussions on the least costly way to achieve the profound social changes required. Economists have been very active in these debates, proposing a large toolbox of policy recommendations that either aim to fix supply-side market failures or that attempt to alter the external cost of some consumers' unsustainable behaviors. Additionally, **as policy proposals are of little value if they do not gather sufficient political support, these policy recommendations have been accompanied by analyses of their political feasibility** in different contexts. Interestingly, most of these analyses share a common characteristic: the individual preferences that determine

environment-friendly consumption and political behavior are generally taken as fixed and exogenous. However, there is ample evidence that **cultural values related to the environment vary substantially across time and space, which in turn imply considerable differences in behavior**, as illustrated by recent trends in favor of recycling, plant-based diets, or low-carbon transportation. Moreover, these shifts in environmental attitudes may also have an impact on the political realm, as exemplified by the rise of green parties or by the growing significance of climate issues in electoral campaigns and public demonstrations (e.g., yellow vests, Fridays for future). Thus, given the central importance of "green" preferences and values, the main goal of David's paper is to build a theoretical model that formalizes their long-run evolution to understand

Preventing uncontrollable climate change requires polluting emissions to be drastically reduced. A substantial amount of research demonstrates how policy tools like carbon taxes can significantly advance this objective by shifting extrinsic incentives to engage in environment-friendly behavior. In contrast, changes in environmental preferences and values have received less attention, even though other significant socioeconomic and political transitions, such as the abolition of slavery, have been partly successful as a result of deep changes in values and intrinsic motivations. In his current research, David Andrés-Cerezo aims to fill this gap by exploring the long-run evolution of environmentalism as a cultural phenomenon, as well as its interrelation with market dynamics and with the politics of climate change. His theoretical results identify possible circumstances under which political, cultural, and economic forces jointly achieve (or hinder) the transition to a low-carbon economy.

how these preferences are influenced by public policies, political parties, and environmental activists, and how they interact dynamically with markets and climate politics in encouraging or hindering the transition towards a sustainable economy.

The starting point of David's framework is that some individuals in society hold environmentalist values that make them more prone to adopt environment-friendly behavior (for instance, consuming products with a lower carbon content). Crucially, the share of environmentalists in the population changes over time depending on how attractive these values are, which in turn depends on the social status they confer and on the subjective utility they provide. This implies that **certain policies that alter the relative price of sustainable behaviors may additionally crowd**

in or crowd out environmental values. For instance, if the relative price of meat goes up because the government sets a price on carbon, meat consumption will decrease for both environmentalists and non-environmentalists. In addition, taxing carbon makes becoming vegetarian more compelling, as the subjective utility experienced by these groups increases concerning non-vegetarians for the same level and composition of expenditure. For the last reason, and despite a certain degree of preference stickiness, over time one would expect more individuals to adopt these dietary preferences (for instance becau-

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se parents will have higher incentives to transmit these values to their kids).

In the first part of the paper, David develops a stylized model to explore how this evolutionary mechanism interacts with the supply of “green” and polluting goods. In its most simple version (with no innovation and perfect competition), the transition to a low-carbon economy is not fully achieved. To understand why, note that when environmentalist values become

predominant the price of green goods becomes relatively large, which reduces the relative utility payoff of becoming an environmentalist. As a result, environmentalists and non-concerned citizens co-exist in the long run and some polluting production persists.

The second and arguably the most interesting part of David’s paper focuses on the interaction between preference dynamics and the politics of climate change. Environmentalism has become

a powerful force but has also created many discontents and fierce opposition. This cultural clash, together with the large distributional impacts of climate policies, has given rise to a strong political cleavage in many countries. In its most simple version, David’s model captures this division by introducing political parties that campaign on the carbon tax rate. In this context, when environmentalist values are predominant in the population, politicians have incentives to propose a relatively large carbon price to secure an electoral victory. As a result, the price of clean goods becomes relatively cheap, which makes the adoption of environment-friendly lifestyles more attractive. It is this dynamic complementarity between value adoption and collective policy choice which determines whether societies achieve a low-carbon economy with widespread environmentalist values or, instead, remain in a bad equilibrium where non-sustainable policy choices and environmentally unconcerned citizens reinforce each other. In this context, the model implies that interventions by lobbying firms and environmental activists such as Greta



Thunberg, even when short-lived, can have long-lasting effects. The reason is that they play a key role in increasing the likelihood of entering the virtuous cycle, either by triggering cultural change or by altering the incentives of politicians to implement more or less stringent climate policies

Overall, the results obtained so far suggest that **market forces tend to promote incomplete energy transitions, as in markets it is generally better to be part of the minority.** In contrast, political forces push towards extreme scenarios where environmentalism (and, thus, sustainability) becomes either widely adopted or very uncommon, as politics tend to favor majorities. Whether economic and political forces are more important is an empirical matter, which constitutes fertile ground for future research. However, one should not overlook that the political and market forces considered do not span all possible relevant scenarios. Indeed, David is currently involved in extending the theoretical framework in several directions. These include the introduction of additional market aspects, such as innovation in clean technologies and the existence of market power; the exploration



of material causes of climate cleavages (e.g., income sources) and their interaction with value-driven political cleavages; or the enrichment of the supply side of politics by considering ideologically motivated political parties (e.g., green parties) or multiple policy dimensions that interact over time (e.g., redistribution and climate policy) •