

Prices vs. Quantities from a Citizen's Perspective

Franziska Funke, Théo Konc, Linus Mattauch, Julie Muhlke,
Antonia Schwarz, Stephan Sommer & Michael Pahle

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Current public support research mainly on taxation

- Citizens care about **three broader criteria**: (1) costs to self, (2) fairness, (3) effectiveness (Maestre-Andrés, Drews & van den Bergh, 2019)
- Carbon pricing: „**lack of perception of primary and ancillary benefits**“ main barrier for acceptability (Baranzini & Carattini, 2017)
- **Green spending** increases support
- **Re-naming** to avoid „tax aversion“ (Kallbekken et al., 2011, Douenne and Fabre, 2020)
- **Upstream** more popular than downstream taxation (Hardisty et al., 2019)

„Prices vs. Quantities“ for non-economists?

“I think it is a fair generalization to say that the average economist in the Western marginalist tradition has at least a vague preference toward indirect control by prices, just as the typical non-economist leans toward the direct regulation of quantities.

*That a person not versed in economics should think primarily in terms of direct controls is **probably due to the fact that he does not comprehend the full subtlety and strength of the invisible hand argument.**”*

– M. L. Weitzman, 1974, “Prices v. Quantities”

Research Questions

- (1) (How) does the **perception of (non)economic policy properties** vary between carbon taxes and ETS?
- (2) What drives public support for carbon taxes vs. emissions trading systems?
- (3) Can potential differences in support be explained by **views on suitable intervention points & understandings of the economic mitigation mechanism?**
- (4) Can we spell out a “perceived“ economic model of how citizens reason in their appraisal of carbon taxes and ETS?

Study Design

- Inter-European representative household survey (Ariadne sub-panel)
- 15,000 observations across Germany, France, Italy, Poland, Greece, Spain, and the UK
- Long suite of attitudinal variables (party preferences, trust, world views)
- Randomization of respondents in two groups: (1) carbon tax; (2) ETS
- Brief non-biasing information on carbon taxation and emissions trading
- Eliciting prior knowledge, support and policy-specific perceptions (post-hoc rationalizations?)

Who drives decarbonization?

Can potential differences in support be explained by **views on the importance of different actors** for decarbonization?



Consumers



Demand-side change



Government



Green public spending



Private sector

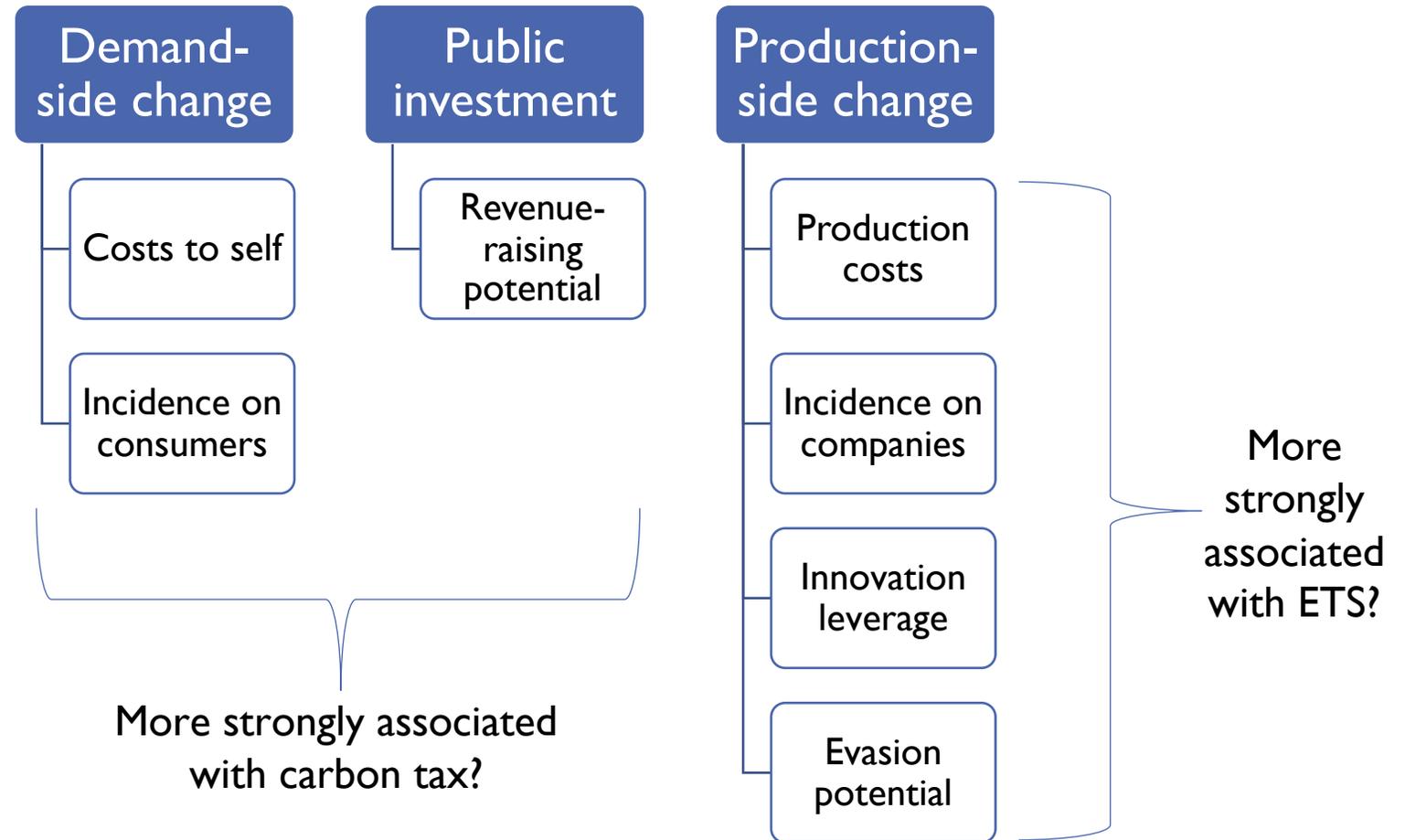


Production-side change

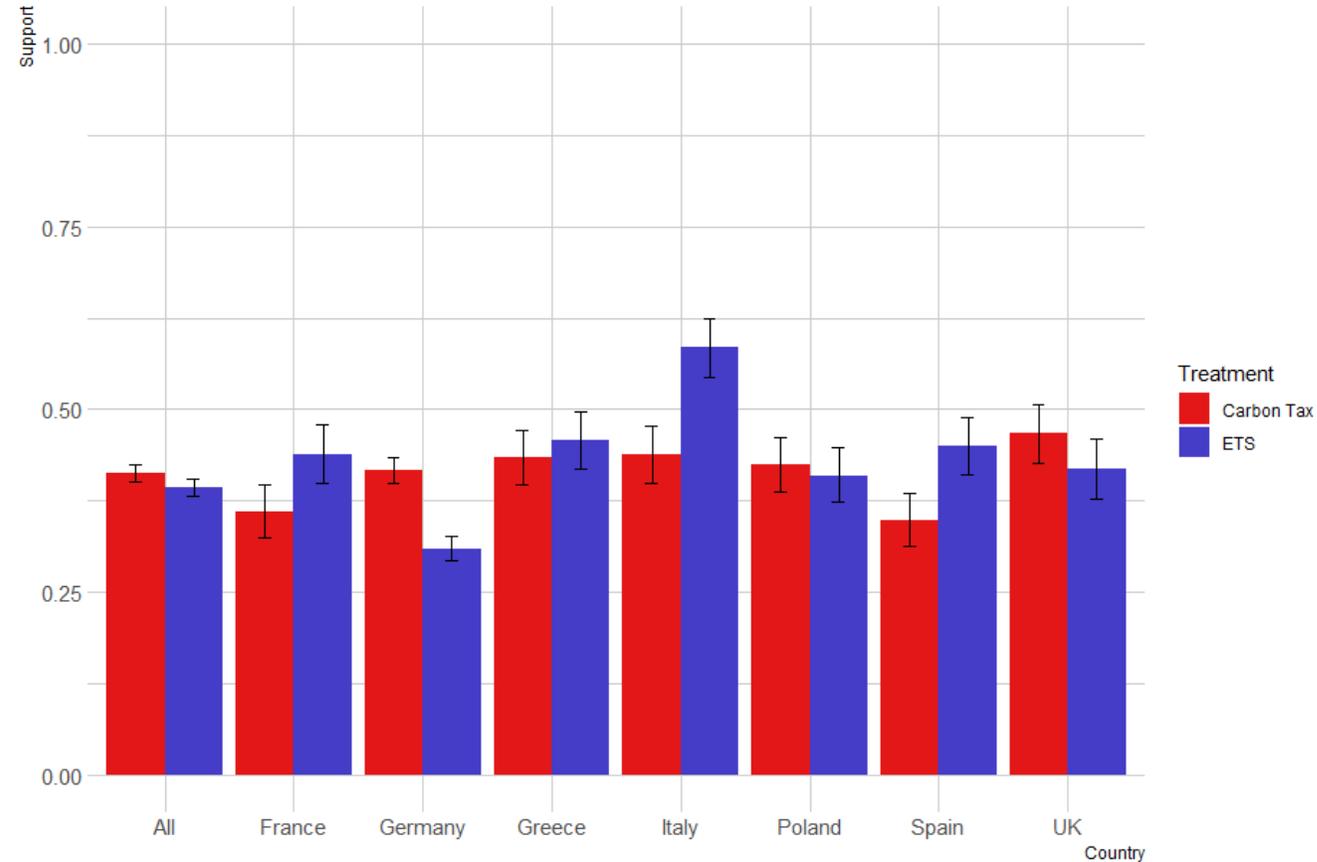
How are carbon pricing policies perceived?

Mitigation mechanisms

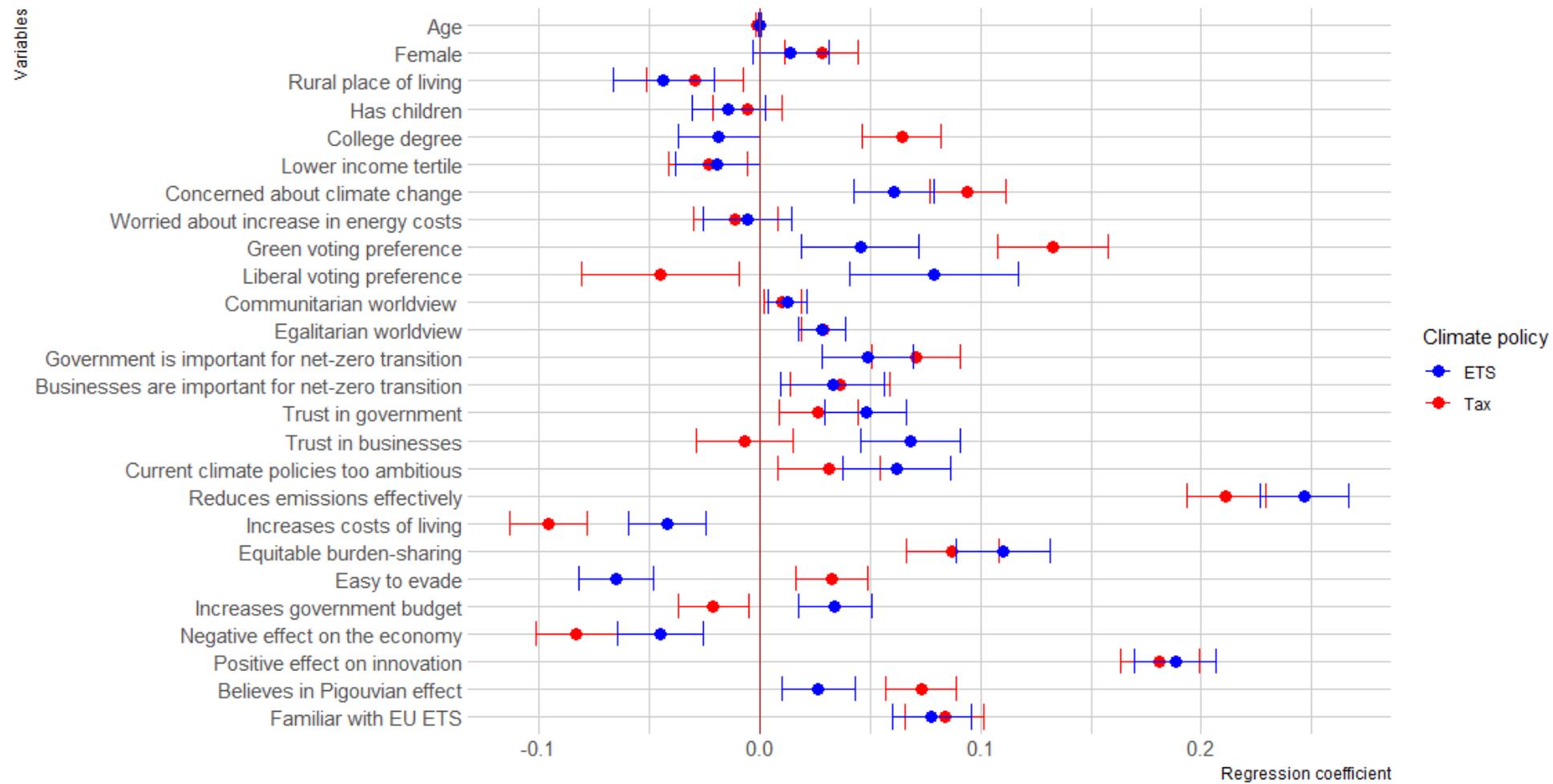
Policy properties



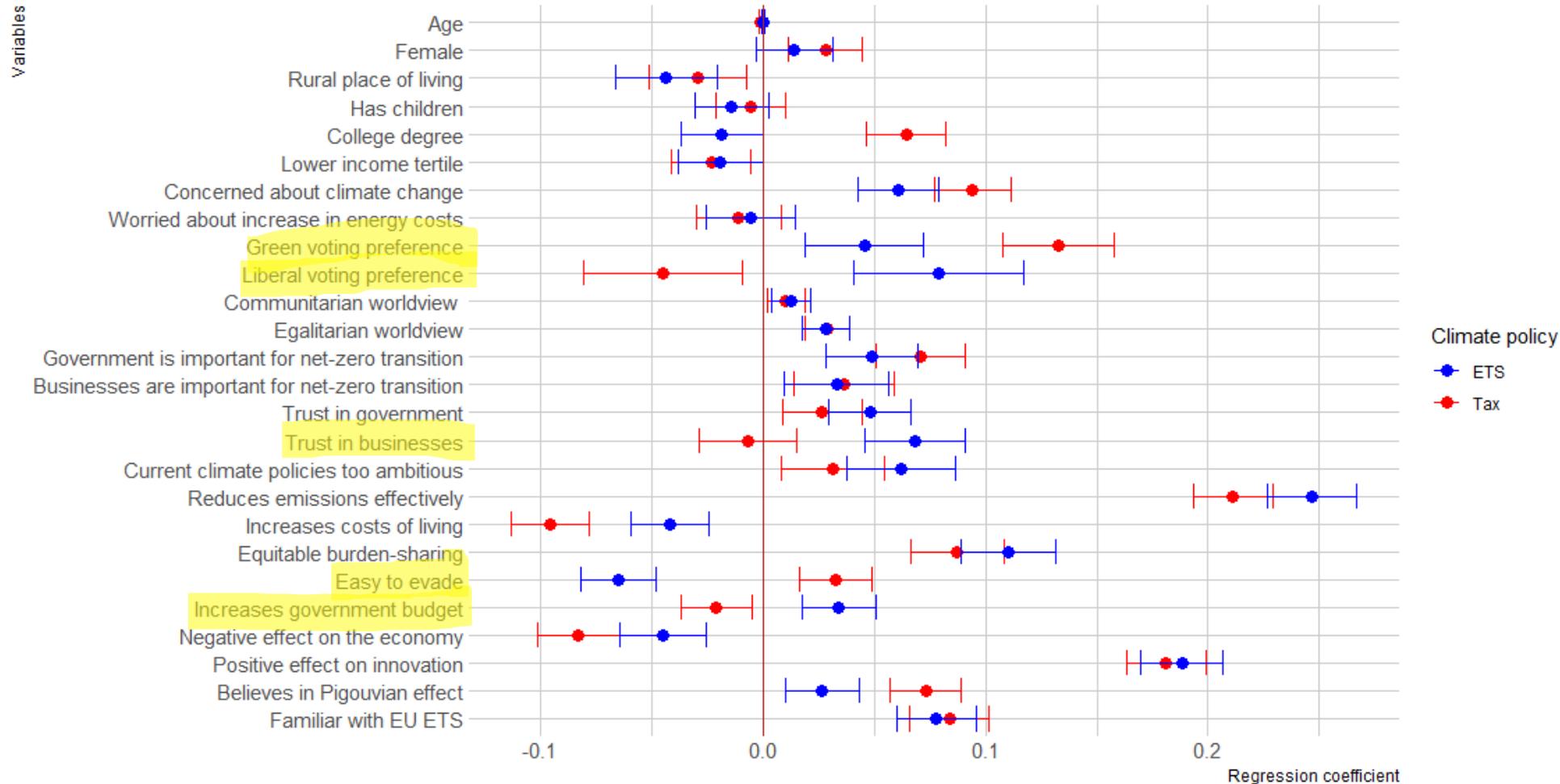
Support for ETS vs. carbon taxes



Drivers of support for ETS vs. carbon tax



Drivers of support for ETS vs. carbon tax



Perception of policy properties

Table 3: Treatment effects: perception of ETS, compared to carbon tax

	(1) ETS (all sample)
Reduces emissions effectively	-0.0615*** (0.0116)
Increases costs of living	-0.0221** (0.0104)
Fair burden-sharing	0.0307*** (0.0094)
Easy to evade	0.1412*** (0.0123)
Increases government budget	-0.09982*** (0.0121)
Negative effect on the economy	-0.0476*** (0.0107)
Positive effect on innovation	-0.0072 (0.0109)
Controls	Yes
Country FE	Yes
Observations	13,269

Perception of policy properties

Table 3: Treatment effects: perception of ETS, compared to carbon tax

	(1) ETS (all sample)	(2) ETS (Bilendi sample)
Reduces emissions effectively	-0.0615*** (0.0116)	-0.0752*** (0.0177)
Increases costs of living	-0.0221** (0.0104)	0.0345** (0.0164)
Fair burden-sharing	0.0307*** (0.0094)	0.0401** (0.0166)
Easy to evade	0.1412*** (0.0123)	0.1034*** (0.0181)
Increases government budget	-0.09982*** (0.0121)	-0.0769*** (0.0175)
Negative effect on the economy	-0.0476*** (0.0107)	-0.0598*** (0.0178)
Positive effect on innovation	-0.0072 (0.0109)	0.0450*** (0.0165)
Controls	Yes	Yes
Country FE	Yes	Yes
Observations	13,269	7,488

without Germany

Summary

- 40% of survey respondents support carbon pricing (ETS or carbon tax)
- Cross-European differences in support for carbon tax vs. ETS
- Among the carbon tax group, stronger perceptions of increased state budget, increase in costs of living & production, and negative effect on the economy
- ETS is perceived as easier to evade
- Support for each instrument most strongly associated with perceptions around effective mitigation and innovation leverage (negatively: living costs, impact on economy, evasion)
- Interesting relationship between support for ETS and attitudes/perceptions around businesses

Thank you for your attention!

franziska.funke@pik-potsdam.de

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