

# Does fairness matter for the political efficacy of compensation?

Discussion of Gruhl et al. / "Staying the course in turbulent times" workshop

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# Overview of the argument

**Starting point:** Fair compensation is appealing because it *potentially* allows policymakers to reconcile normative aspirations (“just transition”) with political feasibility.

But: **unclear** under what conditions fair compensation engenders positive effects in non-experimental setting of real-world politics

**Overarching argument:** Fair compensation is politically effective when

- mass- and elite-level incentives are either aligned, or the former outweigh the latter;
- the median voter or those in swing districts (depending on the electoral system) are either net recipients of compensatory measures or willing to contribute because their design – potentially including their fairness – taps into their other-regarding preferences
- climate policy is an economic, rather than, a cultural issue.

# Outline

## **Theoretical preliminaries**

## **Implicit assumptions of the fair-compensation-works argument**

## **Conclusion and outlook**

# The political rationale(s) underlying (fair) compensation

Edenhofer and Genovese, [2024](#) point to (at least) three **political** rationales:

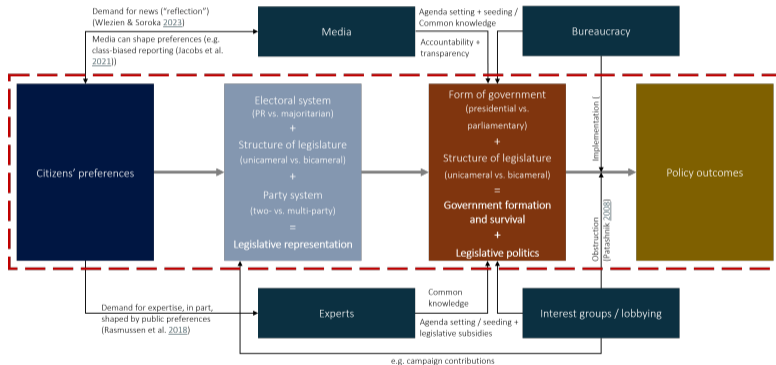
1. Prevent backlash (in short term)
2. Increase losers' patience, thereby buying the time necessary for "policy investments" (Jacobs, [2011](#), [2016](#); Lindvall, [2017](#)) to yield tangible returns (intertemporal rationale)
3. Provide (ex-ante) insurance against future income losses

→ **Objective**: stabilise, consolidate, and, potentially even, broaden the pro-climate policy coalition – also by taking into account other-regarding preferences (aka fairness)



*Figure:* Progressive Politics Research Network's [climate briefs](#)

# The link between citizens' preferences and policy outcomes is *mediated* and *moderated* by elite-level actors and institutions



**Figure:** A stylised overview of mass- and elite-level elements of the (climate) policymaking process (Edenhofer and Flachslan, 2024; Powell, 2019)

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# Implicit assumption #1: Politicians' electoral incentives outweigh their elite-level ones (assuming they are not aligned)

## Electoral incentives

Parties typically try to maximise their expected vote / seat shares, subject to certain constraints (e.g. preferences of party activists Aldrich, 1983), by responding to the [preferences of certain segments of the electorate](#) – e.g. the median voter (Grofman, 2004), mean voter (Schofield, 2007), voters in swing districts (Dixit and Londregan, 1995) – rather than the entire electorate.

→ Relative importance under-theorised, with some notable, albeit non-climate-related, exceptions (Culpepper, 2011; Lindvall, Rueda, and Zhai, 2023)

## Elite-level incentives

Parties sometimes have strong [organisational ties](#) to interest groups (e.g. labour unions and businesses associations in corporatist countries), or try to cater to the preferences of their [donors](#) (in countries with pluralist interest group systems). These groups comprise their *elite constituency*.

# Implicit assumption #2: The design criteria for politically effective compensation are met

| Criterion                        | Success (Illustrative)  | Failure (Illustrative)  |
|----------------------------------|---|---|
| <b>Encompassing</b>              | Combining carbon pricing with a commuting allowance to neutralise urban-rural inequalities, even within income groups (e.g., "Pendlerpauschale" in Germany) | Simple per-capita revenue-recycling of carbon pricing revenues that only addresses vertical inequalities, failing to account for urban-rural (horizontal) disparities |
| <b>Administratively Feasible</b> | Canada Carbon Rebate  | Germany's "Klimageld" (recycling of carbon pricing revenues), at least for now  |
| <b>Visible</b>                   | Austrian "Klimabonus" (recycling of carbon pricing revenues)?   | German response to 2022 energy price shock ("Gaskommission")  |
| <b>Credible</b>                  | Legislation that ties multiple governments' hands in covering the costs of green jobs training programs   | Changes in government with divergent agendas undermining credibility, especially amid tight budget constraints  |

*Table:* Criteria for successful compensation (based on Edenhofer and Genovese, [2024](#))



# Illustrating the political ramifications of failing to meet (some of) these criteria

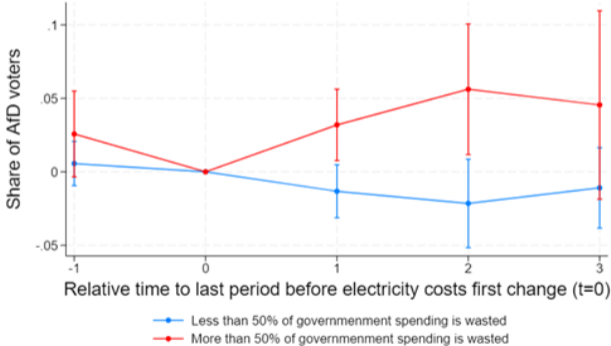


Figure: Change in support for the AfD by beliefs about government efficiency (Konc, Edenhofer, and Steckel, 2024)

# Implicit assumption #3: Climate is an economic, rather than, a cultural issue of political issue

This point is more **speculative** than the other two.

**Underlying intuition:** When climate becomes a cultural issue, it becomes more likely that climate policy preferences become aligned with pre-existing social / partisan identities.

Identities tend to exhibit **indivisibilities**, which may well increase the amount of compensation necessary to even move the needle on public opinion.

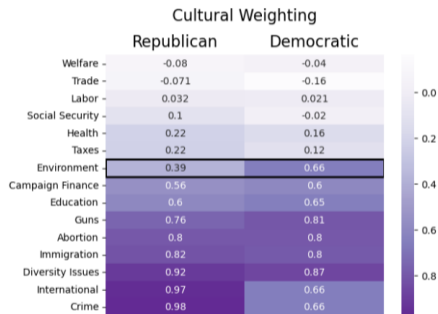


Figure A.19: Party Cultural Weights on each Topic

Figure: Longuet-Marx, 2024

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## Conclusion: Why (and when) bother with *fair* compensation?

Fair compensation can (modestly) increase support for / opposition to climate policy when:

1. politicians' **electoral incentives** outweigh the pressures placed upon them by interest groups and other elite actors,
  - the climate preferences of the relevant "slice" of the electorate respond to (fair) compensation,
2. compensation is **encompassing, administratively feasible, visible, and credible**, and
3. political competition revolves around its **economic** (distributive) aspects, rather than its cultural ones.

**Open question:** What is the best response when these conditions are not met? Sacrifice normative aspirations or invest scarce political capital into realising these?

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