

Environmental Policies, Democratic Participation and Uncertainty

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Response to environmental challenges has resulted in the initiation of multiple international environmental agreements along with policies to be implemented by the respective governments. A pertinent question is raised as governments do not implement the proposed policies or the policies shift as per electoral outcome. Such affect is due that in democracies voters shape the economy through voting for their preferred candidates or parties or a set of policy proposals. The shift in government policies relevant to the environment due to electoral outcome is a relatively limited topic in theoretical and empirical economic literature. Thus, questions that include what causes voters to vote for a candidate with less-environmentally friendly policy proposals, are remained unexplored.

In this paper we evaluate the short-run and long-run effects of voter behaviour on environmental policy adoption and implementation. Specifically, we draw an economic growth model in which agents vote to one of the available policy proposals that relates to the environment. We consider an economy consisting of two-period overlapping generations of agents with heterogenous wealth holdings. Agents, throughout their life, possess a supportive and optimistic opinion regarding the environmental challenges. In the first period, agents engage in labor and earn a subsistence wage, and inherit wealth from their parents in form of bequests, which are then used for consumption. In the second period, agents engage in labor, and they use their earnings for consumption and leaving bequests for the next generation. Agents in the first and second period of their life participate in an election and vote between two available policy proposals – Policy A that guarantees job-security but is less environmentally friendly or Policy B that is environmentally friendly but subject to job-uncertainty. In each period, the outcome of the election determines whether agents secure a job, or they will lose their wage endowment.

Our findings confirm that agents follow short-term economic incentives rather than long-run environmental objectives. We capture the effects of uncertainty on agents' voting behaviour and show that uncertainty causes the shift in policy as an electoral outcome.

Key Words

Environmental Policies, Overlapping Generations Model, Economic Growth, Voter Behaviour