AB 32 and the Political Economy of Climate Change Legislation: An Economist’s Perspective

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Introduction

• 3 recent papers of mine have something to say about the political economy of support for AB32
• 1. Who supports Congressional Carbon regulation?
• 2. Do recessions “chill” interest in Global Warming?
• 3. What might be the manufacturing sector “job loss” from carbon pricing?
### Explaining U.S Congress “Pro-Carbon Mitigation” Votes

#### Table Four: Congressional Voting on Energy Legislation

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</tr>
</thead>
<tbody>
<tr>
<td>Log(Per-Capita Carbon Emissions)</td>
<td>-0.006</td>
<td>-0.003</td>
<td>-0.263</td>
<td>-0.167</td>
<td>-0.065</td>
<td>0.058</td>
<td>-0.269</td>
<td>-0.222</td>
</tr>
<tr>
<td>Conservative Ideology Score</td>
<td>-0.094</td>
<td>-0.107</td>
<td>-1.094</td>
<td>-1.967</td>
<td>-1.777</td>
<td>-2.248</td>
<td>-1.198</td>
<td>-1.224</td>
</tr>
<tr>
<td>log(average household income)</td>
<td></td>
<td></td>
<td>1.025</td>
<td></td>
<td>1.323</td>
<td></td>
<td>0.364</td>
<td></td>
</tr>
</tbody>
</table>

Observations: 418 418 403 403 407 407 362 362
Pseudo R2: 0.754 0.774 0.490 0.543 0.798 0.836 0.604 0.610

The table reports estimates from stata’s dprobit option. Standard errors are reported in brackets. * indicates statistical significance at the 10% level, ** at the 5% level and *** at the 1% level.

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### Key Congressional Voting Findings

- **1. Richer Districts Vote “Pro-Green”**
- **2. Liberal Representatives Vote “Pro-Green”**
- **3. High per-capita carbon districts do not vote “Pro-Green”**
Prop 23 and the Business Cycle

- The “conventional wisdom” is that Greens like recessions
- But, recessions may chill interest in tackling medium term challenges
- Environmental Concern and the Business Cycle: The Chilling Effect of Recession
- (joint with Matt Kotchen, NBER Working Paper)

Kahn and Kotchen (2010)

Table 1: Fixed effects models of Google keyword searches

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<tbody>
<tr>
<td></td>
<td>Global warming</td>
<td>Unemployment</td>
<td>Global warming</td>
<td>Unemployment</td>
</tr>
<tr>
<td>Unemployment_rate</td>
<td>-0.052***</td>
<td>0.238***</td>
<td>0.060***</td>
<td>0.122***</td>
</tr>
<tr>
<td></td>
<td>(0.012)</td>
<td>(0.027)</td>
<td>(0.019)</td>
<td>(0.040)</td>
</tr>
<tr>
<td>Unemployment_rate × Kerry</td>
<td>-</td>
<td>-0.575***</td>
<td>--</td>
<td>-0.123*</td>
</tr>
<tr>
<td></td>
<td>--</td>
<td>(0.057)</td>
<td>--</td>
<td>(0.072)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.677***</td>
<td>-0.723***</td>
<td>-0.474***</td>
<td>-0.484***</td>
</tr>
<tr>
<td></td>
<td>(0.096)</td>
<td>(0.086)</td>
<td>(0.168)</td>
<td>(0.166)</td>
</tr>
<tr>
<td>Month-year dummies</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>State fixed effects</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>R-squared (adjusted)</td>
<td>0.730</td>
<td>0.735</td>
<td>0.919</td>
<td>0.919</td>
</tr>
</tbody>
</table>

Notes: All models are based on 13,890 observations. The dependent variables are relative frequency of Google searches for the corresponding keyword standardized by keyword and state. The mean for Unemployment_rate is 5.638, and the mean for Kerry is 0.468. Standard errors clustered at the state-month-year are reported in parentheses. Three, two, and one asterisk(s) indicate statistical significance at the 99-, 95- and 90-percent levels, respectively.
My Past Work on Voting on California “Green” Initiatives

• Kahn and Matsusaka (1997) and Kahn (2002)
• Educated vote pro-green on binding initiatives
• Areas with large shares of industry affected vote against
• Non-linear income effect with support highest among the middle-class

Carbon Pricing Cause “Job Loss”?  

• Kahn and Mansur (2010)
• Carbon price ➔ electricity prices up ➔ impact on manufacturing job count?
• Use bordering county methodology
• Primary metal, paper, nonmetallic mineral production, and plastics account for most of this loss. States that are expected to be the most affected are Ohio, Pennsylvania, New York, and North Carolina.
On which side of the Border Does Energy Intensive Manufacturing Locate?

- Cheap electricity
- Expensive electricity

Conclusion

- Failure at Copenhagen and Waxman-Markey Bill
- Global Free Rider Problem
- We need a “guinea pig” to step up.
- Knowledge is a public good
- President Obama should reward California for implementing AB32
- First Mover as a “Hero” or a “Sucker”?
Basic Books September 2010

MATTHEW E. KAHN

CLIMATOPOLIS
HOW OUR CITIES WILL THRIVE IN THE HOTTER FUTURE