

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

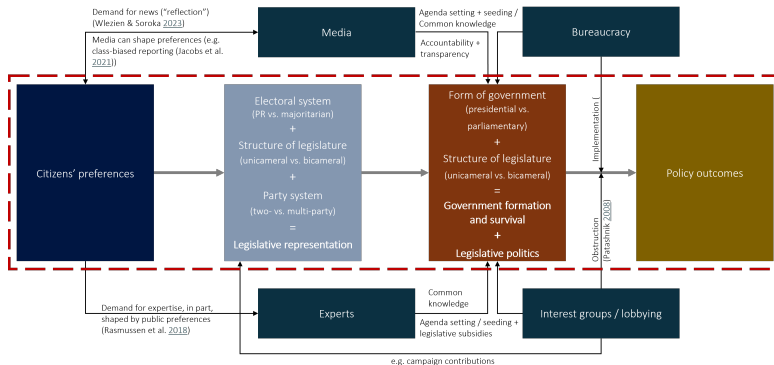


Figure: A stylised overview of mass- and elite-level elements of the (climate) policymaking process (edenhofer_climate_2024; Powell, 2019)

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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)
Encompassing	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
Administratively Feasible	Canada Carbon Rebate	Germany's "Klimageld" (recycling of carbon pricing revenues), at least for now
Visible	Austrian "Klimabonus" (recycling of carbon pricing revenues)?	German response to 2022 energy price shock ("Gaskommission")
Credible	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

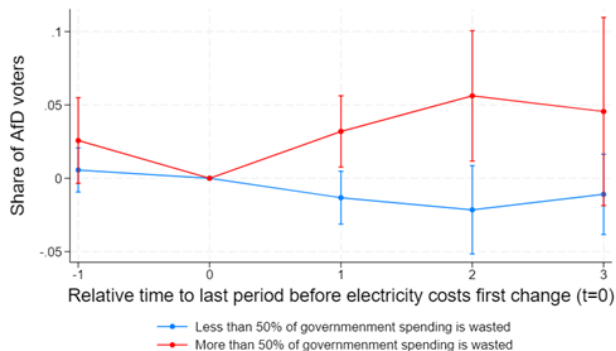


Figure: Change in support for the AfD by beliefs about government efficiency (Konc, Edenhofer, and Steckel, [2024](#))

Implicit assumption #3: Climate is an economic, rather than a cultural, 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.

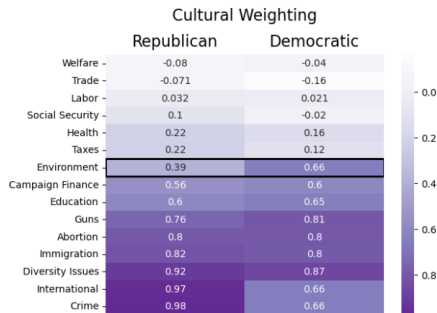


Figure A.19: Party Cultural Weights on each Topic

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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