



Does government ideology influence environmental performance? Evidence based on a new dataset



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ABSTRACT

How a government should act when facing the conflict between economic growth and environmental protection has long been an open question. Using multinational panel data covering 85 countries from 2002 to 2012, this research investigates the relationship between government ideology and environmental quality, while for the first time employing comprehensive indicators for environmental quality, i.e. EPI, EHI and EVI, in an empirical study. We utilize the bias-corrected least square dummy variable (LSDVC) method to first introduce the dynamics and control for potential endogeneity. Then, we incorporate the interactive terms of the ideological indicators and GDP to examine the possible indirect impact of ideology on environmental performance through its influence on economic development. Finally, we investigate the policy area specific position of political parties in coalition governments as well as the plausible role of Christian democratic parties in their environmental attitude in depth. Overall, we find that left-wing governments prefer environmental quality to economic performance, while right-wing governments care more about economic growth than environmental issues. However, when under pressure for a better economic performance, both left- and right-wing governments tend to forgo environmental goals for higher economic growth. More evidence is shown that parties classified as promoting “anti-growth economy” and “environmental protection” exhibit a better environmental performance, and that Christian democratic parties tend to promote an environment-friendly policy in OECD countries.

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1. Introduction

Although policy decision making is in the hands of the government, it is well known that the government is fundamentally dominated by the ideology of the ruling party. [Barrilleaux \(1997\)](#) pointed out that environmental protection policies and regulations are also affected by the political background of the country, especially that of powerful parties. According to conventional wisdom, right-wing parties tend to attach more importance to economic development than

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environmental protection, while left-wing parties pay more attention to the environmental quality because they care more about public welfare (Benton, 1997).¹ Bernauer and Koubi (2009) also found evidence that left-wing parties tend to forge ahead with radical environmental protection policies. This raises an interesting question: Will a political party adjust its environmental position under pressure from voters in the pursuit of better economic performance? This study tests such a hypothesis with rigorous empirical estimations. If the hypothesis is proven by empirical results, then the conventional wisdom of the party theory should be overhauled.

The reason why left-wing parties pay more attention to environmental protection is threefold. First, the implementation of stricter environmental policies and regulations requires more restrictions on the economic system and regulation of market behaviors. Buttell and Flinn (1976) and King and Borchardt (1994) stressed that left-wing parties prefer to intervene in the market according to their ideology. Second, left-wing parties tend to formulate strict environmental policies and regulations to gain support by preventing their supporters from being hurt by serious pollution or polluters (Neumayer, 2003; Lamla, 2009). Because the supporters of left-wing parties are generally the working class, who are less likely to afford specific applications and facilities to protect their health against pollution compared to the upper- and middle-income classes, they may be more vulnerable and discontent when the environmental quality deteriorates, eroding their support for the left-wing party. Third, a higher standard of environmental quality usually demands that polluting firms and enterprises invest more in environmental protection. Because left-wing parties care more about the interests of the working class (Neumayer, 2003, 2004a,b), they are less reluctant to inflict higher environmental costs on private capitalists and entrepreneurs (Potrafke, 2010a; Chang and Berdiev, 2011). As a result, left-wing parties are more willing to formulate radical environmental regulations, and pollution is expected to decrease after they gain power.²

Left- and right-wing parties have different economic preferences and policies that can influence a country's economic performance. Because environmental performance is also closely related to economic development, a governmental ideology may impact the environment through its influence on economic development.³ For instance, according to the political business cycle (PBC), Hibbs (1977) developed the partisan theory and claimed that different parties carry out specific policies that adhere to their ideology.⁴ Generally speaking, left-wing parties (such as the Democratic Party in the U.S. and the Labour Party in the U.K.) ideologically prefer to show more consideration for vulnerable minority groups and blue-collar workers. On the pretext of prompting economic development, left-wing parties implement loose monetary and expansionary financial policies to stimulate the economy and create jobs for low-income groups, especially when there is a recession. These policies could shore up the economy in a crisis, but because energy consumption and environmental pollution are closely related to economic growth (e.g., Apergis and Payne, 2009; Lee and Lee, 2010), energy consumption and pollution emissions may increase, at least in the short run.

Because right-wing parties (such as the Republican Party in the U.S. and the Conservative Party in the U.K.) ideologically pay more attention to the interests and benefits of the wealthy, they contrarily prefer to tame inflation so as to ensure rich people's wealth does not wane due to a high inflation rate. In this regard, right-wing parties are more likely to carry out tight monetary and financial policies when they are in power. As a result, economic growth is relatively lower when right-wing parties are in the saddle, implying that energy consumption and pollution emissions are also moderate. Since politics also play an important role for economic growth when the typically examined parameters are energy use and greenhouse emissions, Menegaki and Ozturk (2013) discovered that politics influence the growth-energy nexus for 26 European countries in the period 1975–2009. These implications run counter to the previous opinion that left-wing parties care more about environmental protection than economic development. To sum up, after taking into consideration economic performance and the relationship between the environment and economic development, the influence of party ideology on environmental quality appears to be quite complicated.

This study contributes to the literature in several ways. The first contribution is to test the conventional wisdom using the latest panel data covering 127 countries between 2002 and 2012. This is the largest multinational panel dataset used to date, and the Environmental Performance Index (EPI) jointly compiled by the Yale Center for Environmental Law and Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University is utilized here for the first time ever as a comprehensive evaluation of national environmental quality. The second contribution is to investigate the indirect impact of government ideology on environmental performance through its influence on GDP per capita. Because the majority of previous research focused on the pure impact of party ideology on environmental quality, the

¹ In political terms, "left-wing" and "right-wing" have many different meanings. In this study we classify political parties as "left-wing" if they care more about public welfare than economic growth, while "right-wing" parties place economic growth in a more important position.

² It is noteworthy that strict environmental regulations may push up the operational costs of enterprises, especially pollution-intensive firms. Therefore, radical environmental policies may cause a higher unemployment rate, which is an unwanted consequence of left-wing strength, since one of its main political tenets is to protect the interests of the working class (Neumayer, 2003).

³ One of the most important empirical frameworks to investigate the relationship between environmental quality and economic development is the Environmental Kuznets Curve (EKC). First raised by Grossman and Krueger (1991, 1995), the EKC is an empirical hypothesis describing an inverted U-shaped relationship between economic development and the environment. At the early stage of economic development, pollution increases and environmental quality falls; after the peak in pollution is reached, pollution decreases and the environment improves as the economy continues to grow. However, so far the empirical evidence for the existence of the EKC is at most mixed. Although some studies have found evidence for the existence of an inverted U-shaped EKC (e.g., Auffhammer and Carson, 2008; Halkos and Paizanos, 2013), there are also others that have challenged these findings and suggest there is no EKC relationship (e.g., Caviglia-Harris et al., 2009; He and Richard, 2009).

⁴ The term ideology here refers to parties' policy preference between inflation and unemployment rate.

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