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Corruption, inequalities and the perceived effectiveness of economic pro-environmental policy instruments: A European cross-national study

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ABSTRACT

The aim of this article is to explain cross-national differences in perceptions regarding the effectiveness of economic pro-environmental policy instruments (EIs). Using data for the European Union, it is found that people in the Nordic and the Benelux countries are more likely to perceive EIs as effective instruments while people in southern and eastern Europe are less inclined to do so. Two hypotheses are put forth to explain these differences. First, it is hypothesized that people are less likely to perceive EIs to be effective pro-environmental policy instruments in relatively corrupt countries. Corrupt public institutions waste economic resources and are less efficient. Furthermore, corrupt societies tend to have lower levels of trust, in general, and low compliance with public policy, which also affects the perceived effectiveness of EIs. The second hypothesis is that people are less likely to perceive EIs as an effective policy option in relatively unequal societies because some income groups will not be as affected by such instruments. Furthermore, EIs have been argued to have unfair distributional effects, and unfairness is argued to trigger free-riding tendencies, thus, making instruments ineffective. From a logistic multilevel regression analysis, the results show support for both hypotheses. In relatively more corrupt and economically unequal countries, EIs are considered less effective, possibly affecting the potential for EIs in certain contexts.

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1. Introduction

Even though the origins of environmental degradation are multi-faceted, complex, and hard to capture, the point of departure for several scholars studying the depletion of common pool resources and environmental degradation is that these problems are founded in dilemmas of collective action (for a discussion see; Dietz et al., 2002). Since the costs of environmental degradation are shared, actors have an

incentive to free-ride, in the sense that they refrain from pro-environmental actions or act in a way that generates environmental degradation or overuse of natural resources. The suboptimal situation increases the demand for coordination. Potentially, the state has the power to force actors to behave in a certain way. Pro-environmental policy instruments can, for example, internalize environmental costs in market transactions or punish actors for non-environmentally friendly behavior. During the last couple of decades, the focus of environmental policy making has changed. Regulations, or

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so-called command and control policies, are considered rigid and unable to deal with the problems of environmental degradation that we face today. Instead, there has been an increased interest in “new environmental policy tools,” which include economic incentives such as environmental taxes, subsidies, and other market-based tools (Knill and Liefferink, 2007; Sterner, 2012). Influenced by economic theory, economic pro-environmental policy instruments (EIs) are often times looked upon as the best choice to tackle pollution or environmental degradation. Among environmental economists and political elites, such instruments, though based on market principles, are considered to be more effective compared to command and control (Baumol and Oates, 1988; Knill and Liefferink, 2007; Sterner, 2003). However, few studies have examined whether the general public perceives EIs as the most effective policy instruments (Cherry et al., 2012; Jagers and Hammar, 2009), especially in a comparative perspective (for a rare exception, see Stead, 2008). The aim of this article is to explain cross-national differences in perceptions regarding the effectiveness of EIs. Studying cross-country variation in public attitudes is important, not least because public attitudes toward these instruments affect their potential. In countries where there is a strong negative perception, successful implementation is unlikely.

There is, to some extent, a gap in previous research. On the one hand, there are studies of attitudes toward certain EIs (e.g. Bailey and Rupp, 2005; Cherry et al., 2012; de Groot and Schuitema, 2012; Hansla et al., 2013; Haring and Jagers, 2013; Jagers and Hammar, 2009; Kallbekken and Sælen, 2011; Thalmann, 2004). Many of these studies focus on a specific policy instrument and seldom from a comparative perspective. On the other hand, is a large literature base on environmental attitudes from a comparative perspective, general concern, and willingness to pay for environmental protection and environmental behavior (e.g. Abramson, 1997; Bloom, 1995; Brechin and Kempton, 1997; Duit, 2011; Dunlap, 2008; Franzen and Meyer, 2010; Haring, 2013; Kvaløy et al., 2012; Sønderskov, 2008); however, this literature rarely (if ever) discusses attitudes toward policy instruments.

To explain cross-national variation on the perceived effectiveness of EIs among the public, this text explores two country variables, level of corruption and level of economic inequality. In a recent study, Jordan et al. (2013) noticed that there are actually few assessments on the effectiveness of EIs that address whether these policies have had the effects that are often proclaimed by its advocates. Nevertheless, assessments on the effectiveness and successful implementation of environmental policy often highlight characteristics within public administration (Jordan et al., 2003, 2013; Knill and Liefferink, 2007). One important characteristic within public administration that varies between countries is the level of corruption; it has been argued that the implementation of pro-environmental policy instruments in societies with corrupt institutions increases the risk of generating more corrupt behaviors, because raised compliance costs increase incentives to act corruptly (cf. Damania, 2002). Therefore, in corrupt countries, a tax or subsidy system would work only with hard monitoring and control (cf. Scholz and Lubell, 1998). Hence, the implementation of EIs in corrupt contexts is ineffective in

two ways. The state will not be able to deliver the desired outcomes; instead, such policies will generate even more corruption. Therefore, in countries with higher levels of corruption, people are less likely to perceive EIs as an effective policy option. A similar argument has been presented in the extensive literature on welfare policy. People living in societies with non-corrupted, impartial, effective public institutions with high levels of political trust are generally more in favor of extensive welfare policy programs (Svallfors, forthcoming; see also Holmberg et al., 2009; Rothstein et al., 2012). The empirical evidence for such an effect is debated (Edlund, 1999, 2006; Svallfors, forthcoming); however, some studies have found a positive effect of well-functioning non-corrupted public institutions on attitudes toward taxation (Svallfors, forthcoming).

Similarities exist between environmental and social welfare policy; for example, both can be considered to provide public goods (e.g., environmental protection and social welfare). Taxes and subsidies, regardless of whether they are set to provide social welfare or environmental protection, imply larger government in terms of more economic transfers. Furthermore, an individual-level effect of political trust on the general support for environmental taxes has been confirmed using national data (Dresner et al., 2006; Hammar and Jagers, 2006; Haring and Jagers, 2013; Kallbekken and Sælen, 2011). Of note, support for and perceived efficiency of EIs are two different things. However, studies show that support for EIs, to some extent, is based on judgments regarding the efficiency of these instruments (Jagers and Hammar, 2009).

Furthermore, corruption is argued to generate a general suspicion, not just toward politicians and political institutions, but also toward other actors, which generates tendencies to free-ride (Warren, 2004) and low compliance with public policies. Individuals in countries with higher levels of corruption have a lower tax morale; in other words, they do not pay their taxes and they cheat with subsidy systems (Frey and Torgler, 2007; Torgler, 2003). If compliance is low with an EI, that is, individuals or business actors avoid paying taxes or cheat with subsidy systems, the most effective way to obtain a satisfactory situation is stricter regulation, as highlighted by Scholz and Lubell (1998). This is a very important observation in understanding why people see EIs as an ineffective option in corrupt environments. As mentioned, several policy options are available for governments trying to make people act pro-environmentally friendly; they can try to persuade people by using information, or they can punish or reward people by using regulations or economic instruments. If citizens are to be governed, perceptions regarding political institutions that implement these policies are important for all types of pro-environmental policy instruments, regardless of whether we think of information, regulation, or economic instruments. However, recent studies have shown that since “bad government,” in terms of inefficient and corrupt public institutions, is correlated with low trust and free-riding tendencies, individuals in such societies demand more regulation. They want to punish free-riders and impose policy instruments that force actors to follow rules, even if the institutions implementing the policies are ineffective and corrupt (Aghion et al., 2010). Consequently, individuals

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