

Distributional implications of climate policy after the pandemic

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Agenda Wed 27 May 2020

14:00 Introduction (JE)

14:05 Presentation (JE)

14:15 Discussion on Question A (Chair: JE)

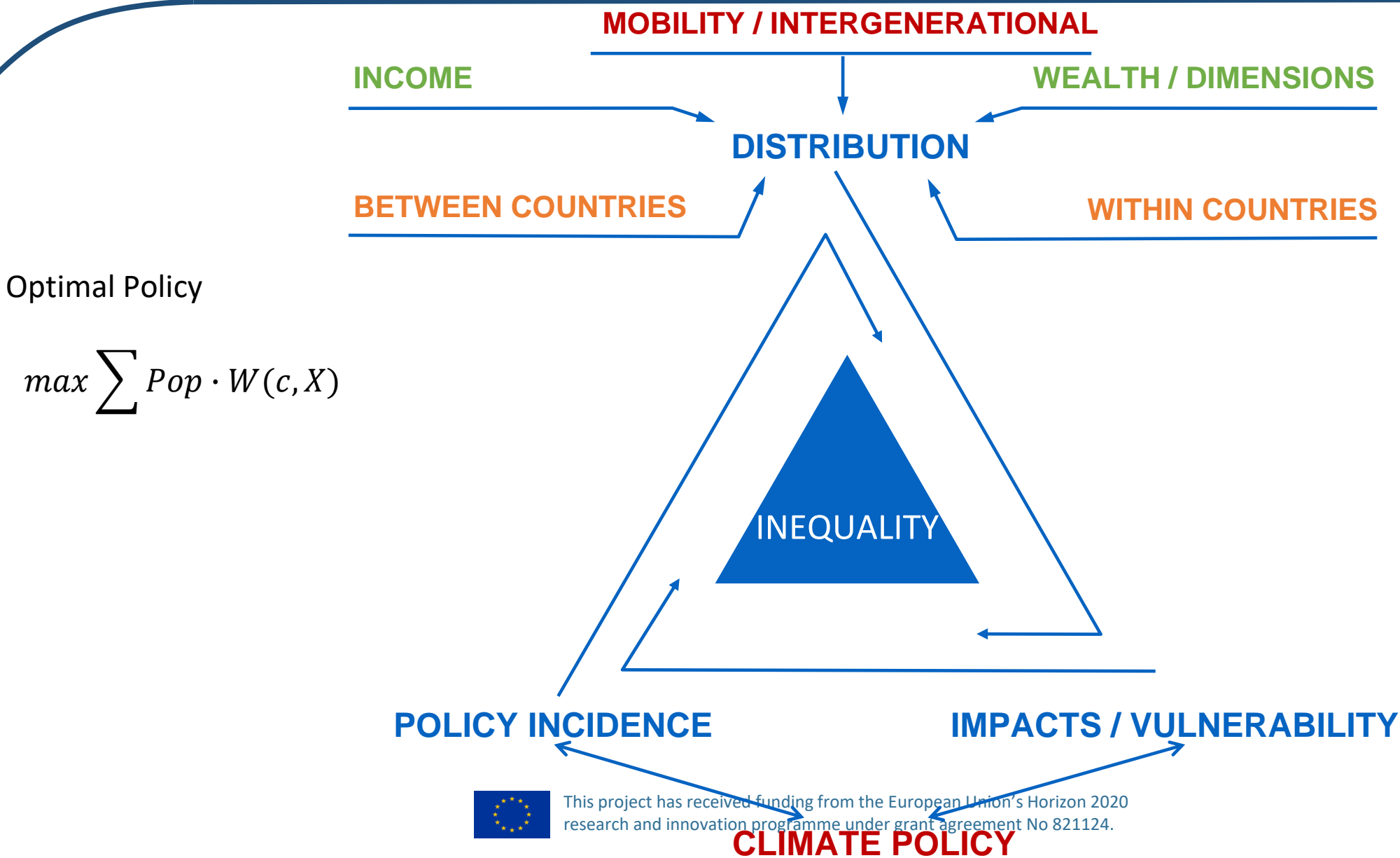
14:35 Discussion on Question B (Chair: CG)

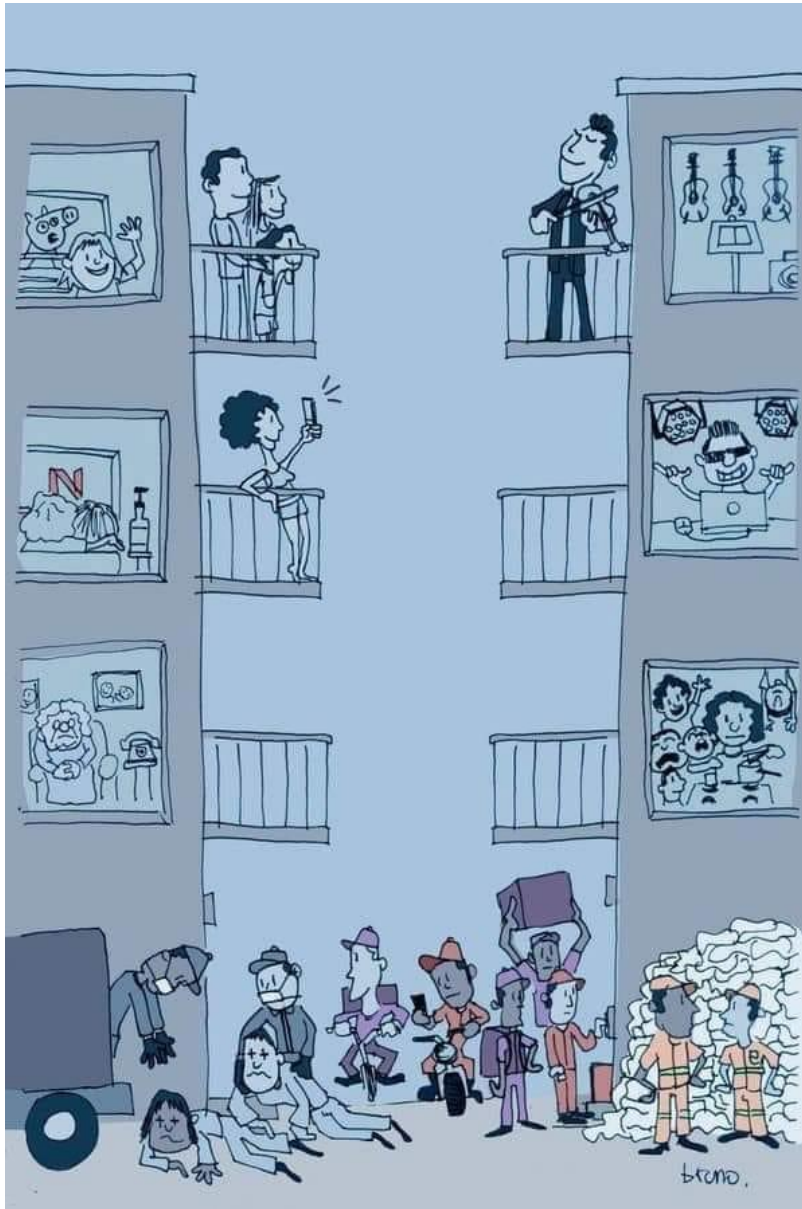
15:10 Wrap-up (CG)

15:15 End

>> google doc for live commenting: tiny.cc/covidinequality



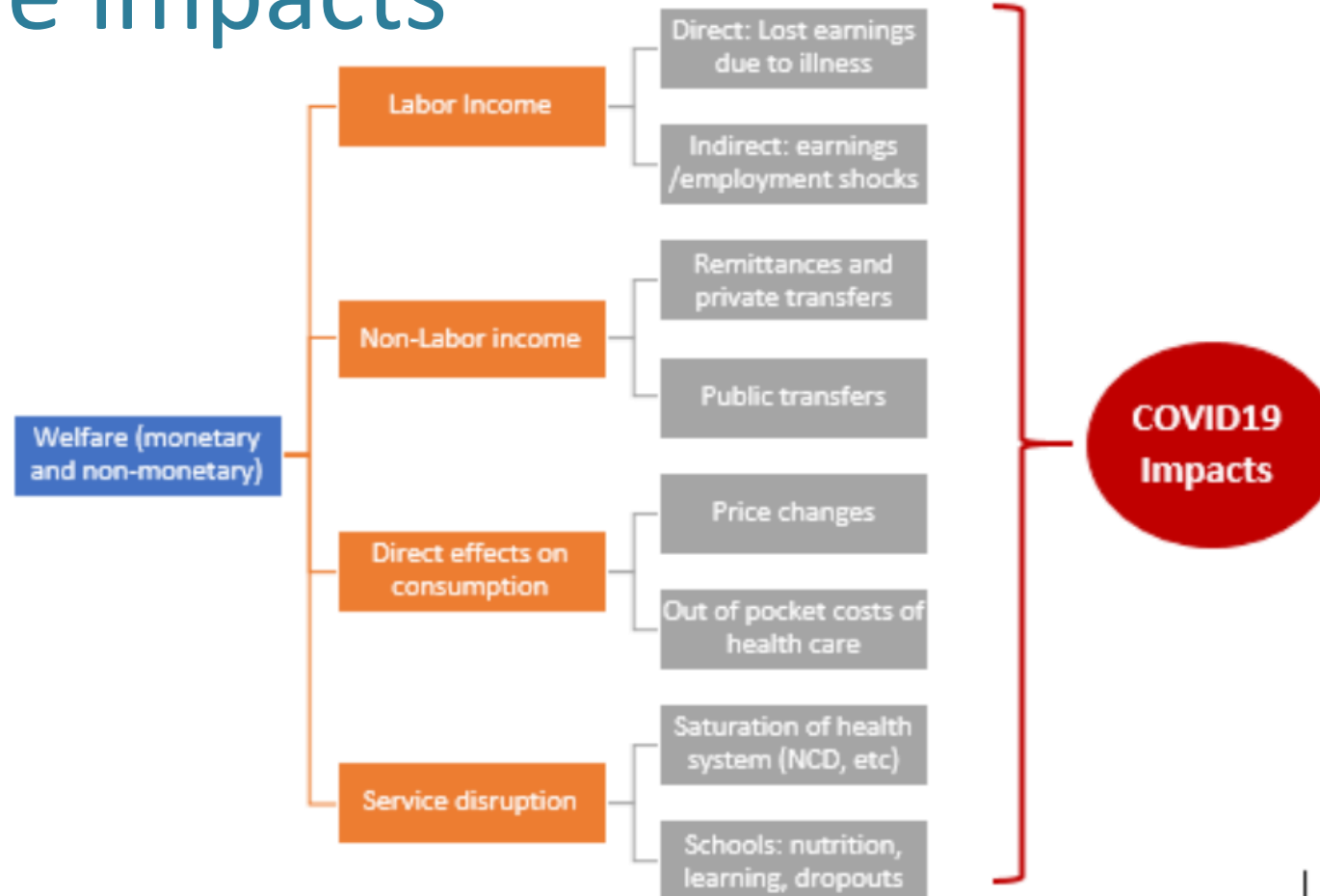




Impacts of lock-down

- Lockdown policies hit poor households the most
- Has been included in macroeconomic models (Glover et al. (2008), Moll et al. (2020))

Welfare impacts



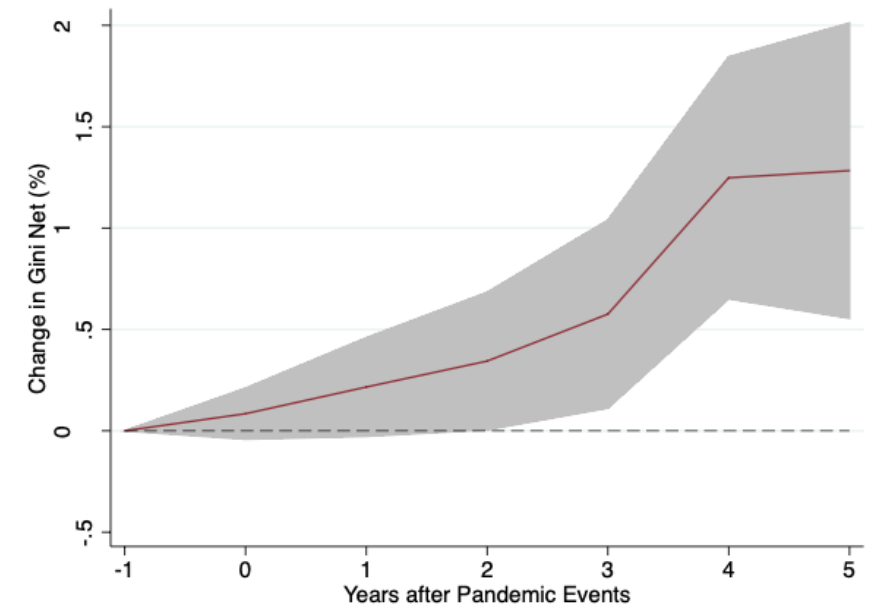
Some channels of pandemics impacts on inequality

- Employment and Wage impacts
- Capital income and wealth distribution
 - Financial market dynamics due to extended QE
 - Continued stock participation and equity premium puzzle
- Capital intensive carbon-neutral /digitalized consumption goods
- Education / Digital divide



Scientific evidence of inequality and pandemics

- Significant and persistent increase in inequality (IMF)
- Pandemics depress interest rates and increase real wage persistently (Barro et al., 2020)

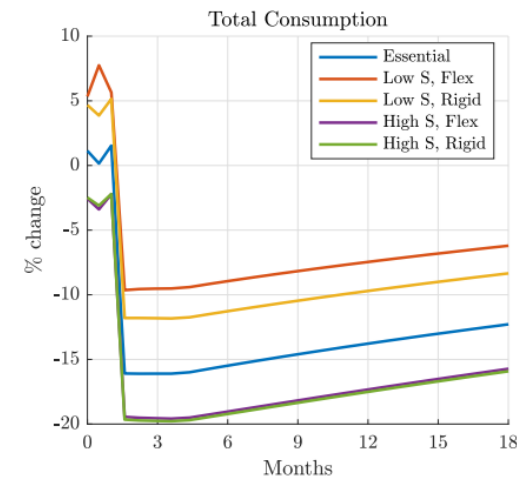
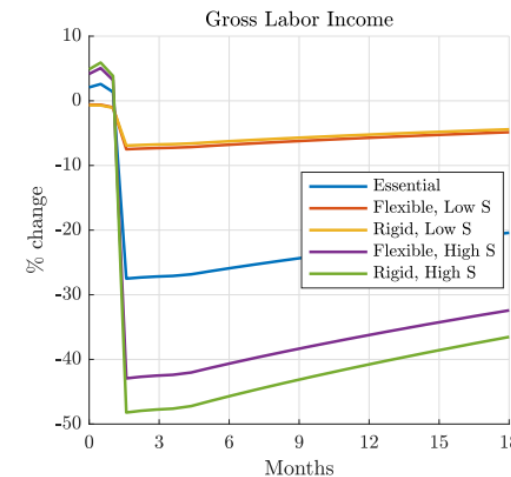
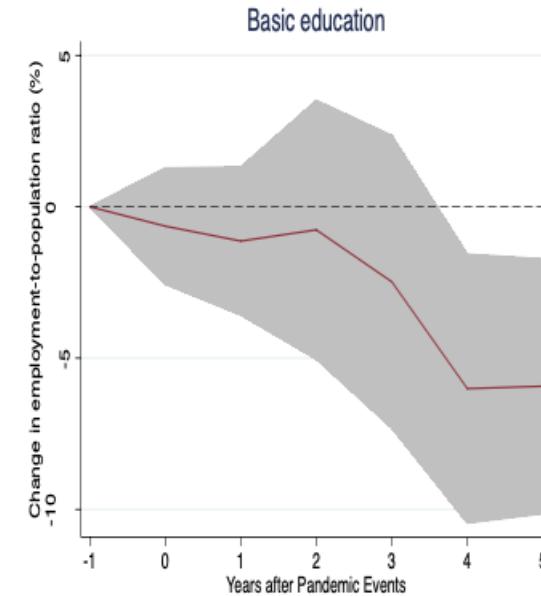
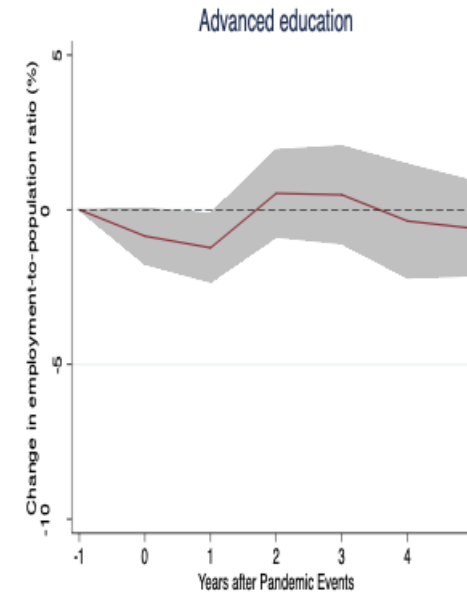


Furceri et al. (2020)



Employment Impacts

- Unemployment spike
- Lower skill more severely affected (ILO 2020)
- Permanent changes visible (Coibion, 2020)
- Very different across job types and skill levels (Moll et al, 2020): Social & essential/flexible jobs
- different wages and impacts



Policies of Fiscal Stimulus

- Fiscal stimulus packages have strong distributive implications
(transfers, social benefits, SME assistance, ...)
- Social Insurance Systems
- Support to companies / self-employed
- Monetary policy impacts on interest rates / equity premium



Inequality and Climate Change (also NAVIGATE)

- Considering wage premia and capital income dynamics
- Climate policy costs can be progressive (different for direct or indirect emissions, see ongoing works by MCC in NAVIGATE)
- Looking at households by Deciles (based on household and consumer surveys)
- Alternative policy instruments have different incidences
- Climate impacts also not equally distributed



Inequality post-COVID-19 – The BIG questions

- What is needed?
 - Reevaluating redistributive policies (see Piketty 2020 book)
- Or
- Reconsidering features of the underlying economic system, including e.g., relative prices (and wages), (e.g. for health care workers...)
- How long will the effects last?
- Will there be a huge Structural & Behavioral Changes in the Economy?



Comments from survey (summarized)

- Different political/institutional settings strongly interact with capacity to crisis response AND implementing climate policies
- Energy Poverty? All distributional impacts need to be understood
- RnD, Digitalisation, Health systems are key elements to mitigate impacts (export/commodity dependence and tourism problematic)
- Employment impacts biggest
- Near vs. long-term impacts
- Most vulnerable populations need to be given priority from UNFCCC
- Selection of well being indicators even more relevant for the future



Questions for the stakeholder workshop BoG

A) How has the pandemic changed inequality issues in Europe, within and between countries?

B) How is this interacting with the distributional implications of climate change impacts / climate policies?

How you perceive the robustness of previous results/evidence after the pandemic?

