Credibility and Climate Transitions: The Politics of Economic Transformation

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In our book project, *Credibility and Climate Transitions* (forthcoming with Cambridge University Press), we are exploring how governments can make economic transformations like decarbonization work. The standard way practitioners and scholars think about designing transition assistance and building political coalitions is *top down* from the viewpoint of policymakers, whereas we examine the problem from the *ground up* – that is, from the perspectives of workers and communities undergoing economic transitions. Our ground up perspective reveals a series of credibility challenges that could undermine otherwise well-targeted, adequately supplied, and otherwise popular transition assistance.

Applying insights from political economy about how to make credible commitments, we generate theoretically grounded recommendations for how to ameliorate these credibility challenges. In addition to extensive survey research reaching a range of populations, we also draw on interviews with stakeholders including power companies, labor union leaders, local economic development experts, politicians, workforce training program participants, and residents of transitioning communities, as well as archival work. Below we describe the structure of the book and the original evidence we collect to evaluate these claims.

For the conference, we would present our chapter on "Making Green Jobs Work." The puzzle of this chapter is, given the credibility challenges associated with green jobs (described below), how can governments make commitments to support local investments in clean energy that earn the support of workers and communities. We hypothesize that by making the investment process more transparent, the public will better understand if they benefit from green investments and can hold politicians and companies accountable if they fail to deliver local benefits.

Using new surveys of the national public, youths, and local policymakers, we evaluate the effect of local hiring transparency provisions on beliefs and attitudes about the effects of green job investment. We also collect original internal survey data from labor unions demonstrating the importance of perceptions about local job creation, and conduct a case study comparing the trajectory of wind energy development in Minnesota, which adopted transparency provisions, and neighboring North Dakota, which has not. For these case studies, we are conducting extensive interviews with a variety of stakeholders as well as detailed information from legislative and regulatory agency hearings.

We find that enhancing transparency leads people to expect greater local benefits from green energy and increases the willingness of youths to train for solar and wind jobs. These results, and the book project more generally, demonstrates how viewing transitions from the ground up can better inform policy design to make the clean energy transition more politically feasible and just.

Book Outline

To provide further information about the larger project to the conference organizers (but not for distribution), we provide a brief overview of the book as a whole.

Chapter 2 conceptualizes how credibility challenges manifest in the context of economic transitions. We delineate two dimensions of credibility: investment efficacy and government commitment. The first credibility challenge for economic transitions is *local investment efficacy*. Investment efficacy refers to a colloquial understanding of credibility – that is, whether people believe that an investment itself would succeed in creating durable, well-paying, and local jobs. The second credibility challenge is *government commitment*, which represents the traditional notion of credibility in political economy. Government commitment refers to the degree of concern that people have about transition assistance being reversed or rolled back in the future due to the preferences of stakeholders such as political parties, bureaucrats, courts, or fellow citizens.

Chapter 3 analyzes the first dimension of credibility – investment efficacy – by developing an original question battery that measures jobs and investment beliefs. We field these questions in new surveys of the American public and targeted regions of the country undergoing economic transitions, along with targeted samples of local policymakers and youths. Since fossil fuel communities are a hard-to-access population, we field surveys at county fairs in Appalachia, which are significant cultural institutions attended by a diverse cross-section of the population. These highly localized samples, coupled with our targeted regional samples, provide an unparalleled insight into attitudes, beliefs, and preferences of these politically consequential energy communities.

Chapter 4 explores the second dimension of credibility – government commitment – by measuring perceptions of policy durability. The descriptive findings from these investigations show that credibility concerns are prevalent, especially when it comes to green jobs thought crucial to the energy transition.

Having demonstrated the salience of credibility challenges, Chapter 5 theorizes how governments can enhance its commitments to individuals and communities undergoing transitions. Our theoretical framework synthesizes insights from a rich body of political science and economics scholarship on institutional design and credibility to generate micro-founded recommendations for how governments can reduce the uncertainty of transition assistance. Chapter 6 tests the theoretical framework's predictions using a multi-attribute policy experiment that shows how credibility influences public support for renewable energy investment.

The subsequent chapters extend our theoretical framework to explore how governments could enhance credibility in crucial aspects of the climate transition: willingness to incur regulatory costs, train for new careers, and enter green industries.

Chapter 7 turns to the question of climate transition assistance as a bargaining tool; the first half of this chapter employs an experiment to demonstrate how enhancing credibility can make people more willing to incur policy costs from environmental regulations; the second half

contrasts the challenges of assistance programs, such as those contained in the Clean Air Act Amendments of 1990, in securing the support of American coal miners with the *relative* success of *energiewende* in obtaining the buy-in of German coal miners.

Making climate transition work will also require a dramatic expansion of the clean energy workforce, both in transitioning communities and across the country. For the United States to reach net-zero emissions by 2050, energy system modelers estimate that the country must create between 300,000 and 600,000 new green jobs by mid-century (Larson et al. 2012). While these careers represent an unprecedented economic opportunity, there are already hiring difficulties and the transition is running up against employment bottlenecks. Our theory suggests that the credibility of government investment in green industries contributes to this challenge.

To overcome these political barriers to building the green economy, chapter 8 examines workforce development using surveys of the national public, youths, and people currently in training programs to see how increasing credibility through the strategic use of debt can make people more willing to enter the green economy. Then, chapter 9 uses survey experiments and case studies that show how governments can leverage transparency initiatives and structure investments to encourage companies to hire local workers in green industries.