

Conditions for instrument change in environmental policy

An analytical framework and the case of the German ecological tax reform

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Main Questions of my presentation

- How can instrumental choice in environmental policy be explained?
- Which are the conditions for instrument change in environmental policy?

Identified Problem: Although many studies have been dedicated to the choice of policy-instruments, little general theoretical insight has been generated as to the question why a specific instrument and not another one is chosen and how instrument change can be facilitated

- **Example:** Long road to eco-taxation in Germany

Why searching for better explanations?

- Instrumental change emerges from a complex political process which is influenced by a number of variables that **traditional approaches** do not reflect adequately

“Naive instrumentalism” - “tool box approach”:

Public policy is understood as a rational problem-solving process - instrument choice as a technocratic answer to the question which instrument suits best the demands of the policy problem

Public choice:

The policy process is understood as being interest-driven: concrete instrument choice is the result of the well defined rational interests of key actors of the policy process and their power relations

The case: the German ecological tax reform

...on the one side does not represent economic „text book“ ideals

Problems of environmental economic instruments in political practice (evaluation studies)	German eco-taxation
<i>Insufficient tax rates</i>	✓
<i>Slow progression</i>	✓
<i>Tax exemptions</i>	✓
<i>Supplementation of existing regulation</i>	✓
<i>No long-term approach</i>	✓

The case: the German ecological tax reform

...on the other side is labeled as being successful...

- **Evaluation studies identified positive effects**

ecological (2-3% decrease of CO₂-emissions which is directly related to the eco-tax)

employment (250.000 new jobs)

(...)

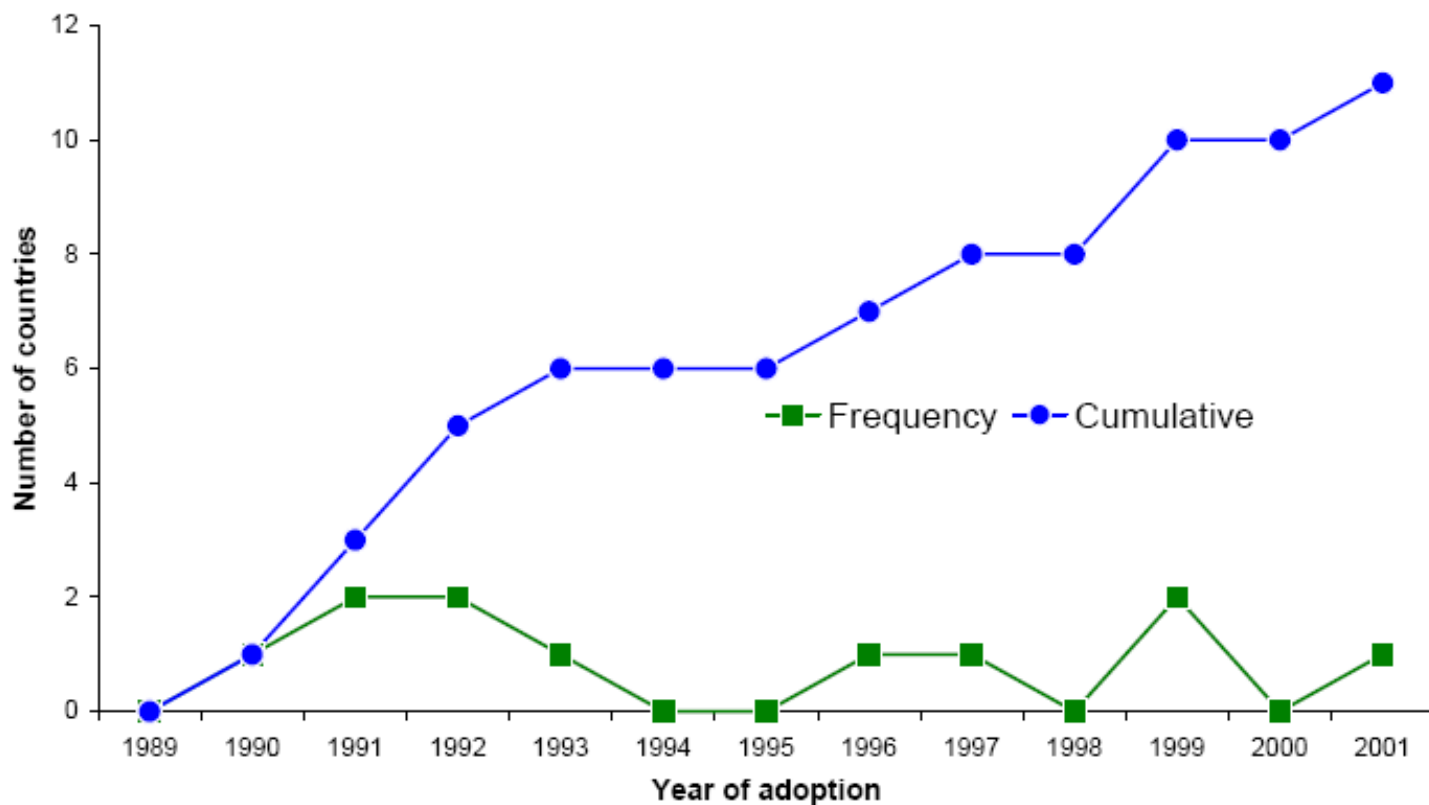
The case: the German ecological tax reform

...is definitely an example of policy change that is worth to be explained!

- **Instrument change can be observed:** German „ecological tax reform law“ came into force in 1999, four further steps until 2003, new instrument in German environmental policy
- **Spread of ecological taxes as well in many other countries since the 90s**

The case: the German ecological tax reform

Abb. 1: Ausbreitungskurve neuer Energie/CO₂-Steuern



Quelle: Busch und Jörgens 2002

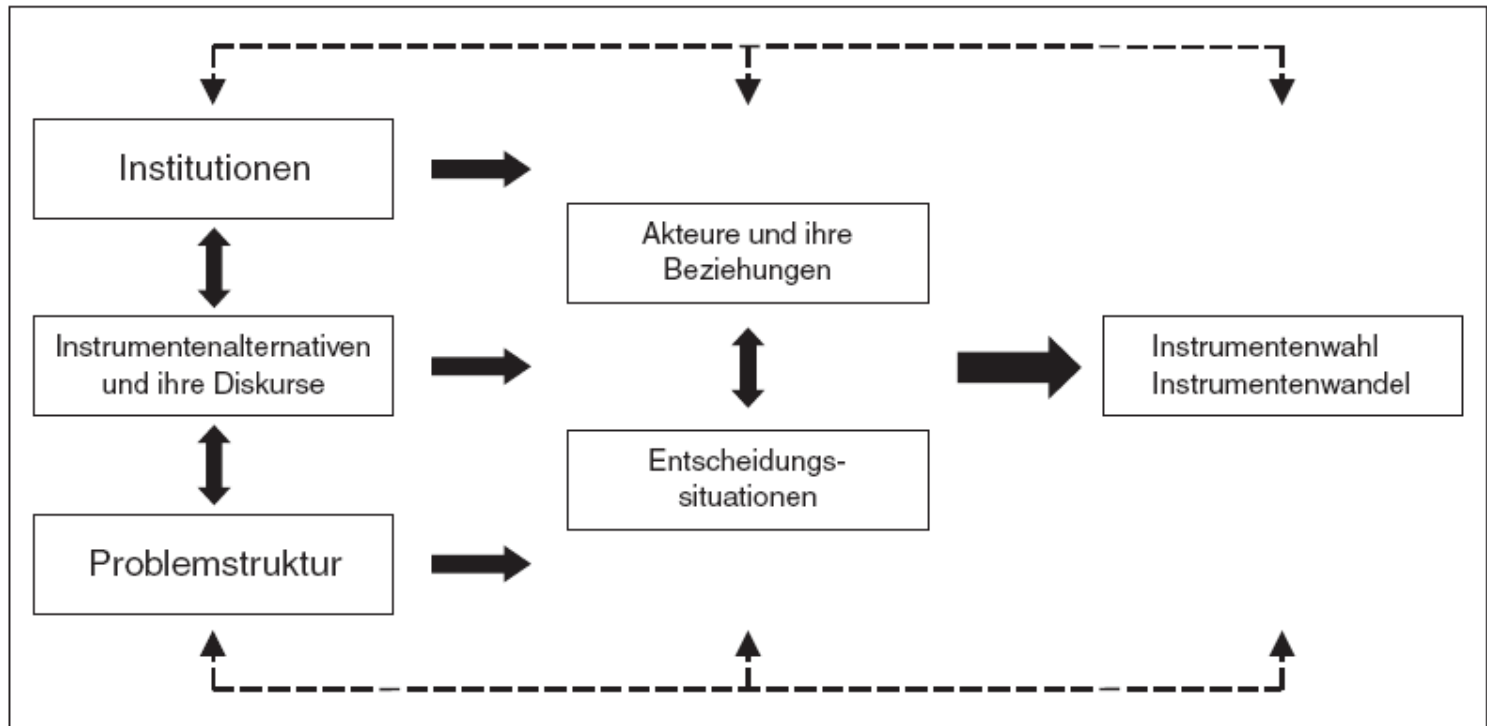
The case: the German ecological tax reform

...is definitely an example of policy change that is worth to be explained!

- This instrumental change cannot properly be explained by sticking to traditional approaches
Neither „naive instrumentalism“: no „perfect“ technocratic instrumental application
Nor „public choice“: instrument change even though eco-taxation might not be the politicians' most popular instrument

An alternative analytical Framework (1)

Abbildung 1: Unser Analyseansatz verändert nach Kiser/Ostrom (1983)



Source: Böcher/Töller 2007

An alternative analytical framework (2)

- **Institutions**

Enable **but also** restrict choices
(constitutional law, regulation tradition
and path dependency, EU...)

Germany: some discussed
environmental taxation ideas seemed
not to be compatible with constitutional
law – “heritage” of regulation tradition
(“Ordnungsrecht”)

An alternative analytical framework (2)

- **Availability of instrumental alternatives and its discourses**

Rising discourse of general criticism with regard to the performance of regulatory instruments (effectiveness/efficiency) since the 1980s

Alternative options (market based) promise better results

Germany: Increasing discourse on potentials of ecological taxes since the beginning of the 1980s – many suggestions and concepts for an ecological tax reform since the late 1980s – result: the new policy-idea “**ecological tax reform**” was born and further developed

An alternative analytical Framework (3)

- **Problem structure**

Change in the nature of environmental problems (climate change) - need for action with a lack of knowledge and need for new instruments

Distributional effects: ecological tax reform produces a clearly identifiable group of losers – lobbying

Germany: big anti-eco-taxation lobby campaign by the BDI in the 1990s

An alternative analytical Framework (4)

- **Policy Actors**
Policy-Learning
Policy entrepreneurs are important
„agents of change“
- **Decision Situation**
Degree of available information for
decisionmakers / remaining uncertainties
Distributional effects
Real availability of alternative options



Uncertainties about the consequences as a strong restriction for policy change

Prognoses on the potential labour market effects of an ecological tax reform in Germany before implementation of the eco-tax law in 1999

Source (research institute)	Labour market effects of different variations of eco-taxation
DIW 1994	+ 500.000 jobs
RWI 1996	- 430.000 jobs
IER 1997	between 0 and negative
DIW 1997	+ 330.000 jobs
Meyer 1997	+500.000 up to +1.5 Mio.
UBA 1999	between +140.000 and +260.000

Conclusion

Environmental policy instruments

Factors **extending** the
range of available
options



Factors **restricting** the
range of available
options

Potential of instrumental change

Thank you for your attention!

- Böcher, M./Töller, A. (2007): Instrumentenwahl und Instrumentenwandel in der Umweltpolitik - ein theoretischer Erklärungsrahmen. Politische Vierteljahresschrift special issue 39/2007: 299-322
- Böcher, M. (2007): Instrumentenwandel in der Umweltpolitik im Spannungsfeld zwischen Politiklernen und politischen Interessenkonflikten – das Beispiel ökologische Steuer in Deutschland. Austrian Journal of Political Science 36(3): 249-265

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