

I would like to offer a couple of thoughts about Dan's post today. To keep this entry short and sweet, I will invoke some stereotypes. In my economic model, there are two types of people; "Laura the Liberal" and the other is "Chuck the Conservative". I want to sketch their two lifestyles and tell a dynamic story and then link this back to the political economy of support for environmental regulation. This narrative will also allow me to plug several of my recent academic economics papers on the consequences of environmentalism!

Why is Laura a liberal/environmentalist? What role did her parental discussions, peers, teachers, life experiences play in shaping her world views? This is an important question that I would like to see social scientists make more progress on. In my own work, I've documented [that more educated people](#) are more likely to be environmentalists.

Relative to Chuck, Laura is more likely [to live downtown](#), close to public transit. [She will drive less](#), consume less meat, be more likely to install [solar panels](#), be more likely to drive a fuel efficient car, and she will [consume less electricity](#). The net effect of her "small ball" life choices is a small carbon footprint and lower local air emissions. In contrast, [Chuck = Houston](#).

Now, the politicians asks Laura and Chuck to vote on carbon taxes. Even if they both equally feared climate change, they face very different "prices" in terms of lifestyle sacrifice if a carbon tax is adopted. Laura's life choices make it easy for her to adapt to carbon pricing while Chuck is well aware that he faces a much higher price in terms of sacrifices he would have to make once the carbon tax is enacted. He may like his Hummer and not want to putt around in Laura's Prius. He may also be offended that carbon tax advocates implicitly suggest that his current lifestyle is causing the pollution problem. While the New York Times talks about polarization, it never analyzes the causes of this polarization. It is common sense that when Laura points a finger at Chuck and implicitly calls him a "bad person" that this could be counter-productive in encouraging a democracy to adopt efficient Pigouvian incentives (i.e the carbon tax).

So, my question for the loyal readers of this blog is the following; how do you propose to defuse this tense situation so that we can unify and make further green progress? Do you support freely allocating Chuck some pollution permits to aid his transition? Who has the property rights here? Does the Coase Theorem apply?