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## *Transitioning to green economies: Uncovering the agency of firms and households*

Conférences en anglais – Amphithéâtre Guillaume Budé

The transition to environmentally friendly economies is one of the main challenges we are facing today. Massive reductions in emissions must be achieved to comply with the climate targets the global community has agreed upon. Clearly, national and global challenges aggravate rigorous environmental policy-making. At the same time, the agency of firms and households has gained attention, both in the political and academic debate. Through responsible production, consumption, and investment, so the logic, economic actors can contribute to reducing environmental pressures. What are the mechanisms unfolding from responsible economic practice? What economic obstacles may diminish its effectiveness? And what novel motives for policy intervention may emerge?

In this lecture, we shall focus on consumers. In the first part, we will study the interaction of a greening of consumer preferences with income inequality. We will see that a lack of financial means prevents households from cleaner consumption. Simultaneously, perceived inequality increases due to the shift in preferences. As a result, governments should redistribute more to low-income households to diminish inequality and to lower pollution.

In the second part, we abstract from inequality and ask: How do firms respond to greener demand? From an entirely market-based approach, we would expect firms to adapt by supplying the newly demanded goods. Here, we shall broaden the picture by adding political influence tools to the analysis. Investigating the automotive industry, we will learn that firms do not just react by investing in clean technologies. In addition, firms raise their lobbying expenditures on environmental topics. A decentralized pattern emerges: Household behavior feeds back into the policy-making process through the rent-seeking of firms, thereby opening up scope for policy intervention.