CENTRE FOR STUDIES IN SOCIAL SCIENCES, CALCUTTA

R-1 BAISHNABGHATA PATULI, KOLKATA 700094

ECONOMICS STUDY GROUP SEMINAR

Simon J. Bolz

shall present

Unilateral Environmental Policy and Offshoring

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Abstract

Building on an asymmetric two-country general equilibrium model with heterogeneous firms, we investigate the impact of a unilateral environmental policy reform on emissions and income. Firms allocate labor to production tasks and abatement. Facing lower labor or emission costs abroad, the most productive firms offshore the emissions-intensive part of production. The offshoring decision's environmental footprint is driven by differences in factor price ratios across countries. Raising the emission tax incentivizes more firms to offshore, affecting factor price ratios via general equilibrium channels, causing within-firm relocations and changes in firm composition. On aggregate, strong emission leakage towards the host country is induced. Wih high offshoring, emissions may rise globally, implying leakage greater than 100%. Offshoring also mitigates income losses associated to the tax increase. Implementing a BCA prevents emission leakage at the cost of income reductions.

Date: 11th October 2023 (Wednesday)
Time: 3 P.M.
Venue: CSSSC's Seminar Room, Patuli Campus
All are welcome to attend

Dr. Sattwik Santra
(Co-Convener, Seminar Sub-Committee)