Seminario de Microeconomía Aplicada - Efficiency and Redistribution in Environmental Policy: An Equilibrium Analysis of Agricultural Supply Chains

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Resumen del documento: This paper provides an equilibrium framework to evaluate environmental policy in trade exposed industries with imperfectly competitive supply chains. The empirical setting is the South American agricultural sector, a global agricultural powerhouse with a major environmental impact. On the supply side, I address key margins determining emissions: how much land farmers choose to deforest, which commodity they choose to produce, and the geographic location where deforestation and production take place. On the demand side, I allow for market power along the supply chain: farmers' access to consumers is intermediated by a monopsonistic agribusiness sector. Given the infeasibility of a first-best carbon tax, I use my framework to evaluate feasible alternatives, such as environmental tariffs on imports from South America. Unless all trading partners regulate their imports, emissions reductions achieved by regulated markets are mostly offset by increased trade flows to non-regulated markets. Apart from being ineffective, unilateral tariffs have regressive distributional effects across space, as farmers in the poorest regions, where supply is most inelastic, disproportionately bear the burden of regulation through lower farm-gate prices. Finally, agribusiness market power exacerbates the ineffectiveness and regressivity of the policy. Thus, policies aimed at correcting a single externality can interact with other market distortions—affecting their performance not only in efficiency terms, but also in how they skew the distribution of the remaining surplus.

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Tiempo de exposición: 1:30 p. m. a 3:00 p. m.

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