Seminario de Microeconomía Aplicada - Distributional effects of the European energy crisis

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Abstract: We estimate the distributional effects of the unprecedented rise in European energy prices over 2021-2023. Using bank account data for a sample of UK households we show that there were significant energy consumption falls, consistent with an average price elasticity of -0.28, with larger responses for those with relatively high pre-crisis energy spending. We also document evidence of a labelling effect associated with energy bill rebates, part of the government's policy response. Using estimates of a flexible model of energy demand, we show that the introduction of a large energy price subsidy, along with labelled transfers, reduced households' welfare losses by 75%. Price subsidies are particularly effective at mitigating large losses among those most exposed to price rises but come at a significant efficiency cost. The labelling effect also created an inefficiency that, if avoided, would have reduced the efficiency costs of intervention by around one-fifth.

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Acerca del expositor: Martin OConnell is an Assistant Professor in Department of Economics at the University of Wisconsin-Madison, which he joined in 2021. Before moving there, he was Deputy Research Director at the Institute for Fiscal Studies in London. He received his PhD in 2015 from University College London.

Tiempo de exposición: 1 hora

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