



Can economic policy be praised for its environmental policy in the field of transportation?

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Summary: Car users in the European Union are facing concerning prospects regarding the costs and property value of their personal vehicles. According to EU documents, starting in 2035, the production of cars with internal combustion engines will cease. This has two main economic consequences for car users: firstly, they will be compelled to purchase electric vehicles, accepting higher entry costs for new vehicles with the same level of utility they have been accustomed to. Secondly, they will experience a significant loss in property value when parting with their personal vehicles, as their old cars will have to be sold at much reduced prices or even scrapped. From an emissions data standpoint, such a policy can be seen as an abrupt change in income distribution and a departure from the main principles of economic policy in a democratic society.

Key words: economic policy principles, economic policy reality, electric vehicles

Ali je mogoče pohvaliti ekonomsko politiko za njeno okoljsko politiko na področju prometa?

Povzetek: Uporabniki osebnih vozil v Evropski uniji se soočajo z rastočimi stroški in pričakovanim močnim padcem vrednosti premoženja, ki ga imajo v osebnih avtomobilih. EU je sprejela direktivo, ki bo od leta 2035 naprej prepovedala nabavo in registracijo novih avtomobilov z motorjem z notranjim izgorevanjem na evropskem trgu. To bo imelo pomembne ekonomske posledice za lastnike teh avtomobilov. Pri prehodu na električna vozila se bodo soočili z višjimi stroški nakupa novih vozil, ki imajo enako uporabno vrednost kot vozila z motorjem z notranjim izgorevanjem, ki so trenutno na voljo. Poleg tega bo njihovo sedanje premoženje, vključno z rabljenimi vozili, izgubilo vrednost, saj jih bodo morali prodajati po nižjih cenah ali jih celo uničiti. V smislu podatkov o izpustih na področju transporta je mogoče to ekonomsko politiko oceniti kot močen poseg v razdelitev dohodka, kar predstavlja odstopanje od načel ekonomske politike v demokratični družbi.

Ključne besede: načela ekonomske politike, realnost ekonomske politike, električna vozila

1 Introduction

According to the EPA - United States Environmental Protection Agency (2023), the current contribution of greenhouse gases by individual sources is as follows: Carbon Dioxide (74%), Methane (16%), Nitrous Oxide (6%), and Fluorinated gases (2%). In 2014, the majority of CO₂ emissions came from China (30%), followed by the USA (15%), EU (including the UK - 9%), India (7%), Russian Federation (5%), Japan (4%), and Other (30%). When measured by their share in the world GDP in the same year, carbon emissions per unit of relative GDP were as follows (listed from the most efficient to less efficient): EU (0.53), Japan (0.67), USA (0.68), rest of the world (1.15), Russia (1.56), China (2.3), and India (2.69). This comparison illustrates that while everyone wants developing markets to grow, most efforts to reduce emissions will need to be focused there. Although China has made significant progress in recent years, policymakers in developed countries should not only restrict emissions from their own car users but also strive for international agreements to reduce pollution and address global warming.

The breakdown of global greenhouse gas emissions by sector in 2010 (EPA, 2023) is as follows: Electricity and heat production (25%), agriculture, forestry, and other land use (24%), industry (21%), transportation (14%), and other energy and buildings (6%). According to Statista (2023), passenger cars accounted for 39% of global carbon dioxide emissions in the transportation sector in 2021. Although the data covers different time periods, combining them suggests that cars are responsible for approximately 8.19% of global carbon dioxide emissions. Additionally, passenger cars in urban areas produce other gases that are harmful to human health, such as nitrous oxide and fluorinated gases, so the presented share of their CO₂ emissions should be considered relative. Furthermore, there has been an increase in transportation CO₂ emissions in recent decades (European Parliament, 2023) due to the growth of mobility and trade. Considering various data and comparisons, it can be estimated that around 10% of greenhouse gas emissions can be attributed to cars. However, when comparing the restrictions imposed on cars with those imposed on other modes of transportation, especially industry, it becomes evident that the economic policy is biased and therefore inappropriate.

When discussing the fact that electric vehicles (EVs) are significantly more expensive for users compared to conventionally powered cars with the same utility, policymakers argue that prices will decrease due to competition. However, based on recent developments where pricing competition is only coming from China, the price trends of the past decades do not support the expectation of reduced prices in the domestic markets. For example, the price of a mid-sized sedan in Germany has increased by approximately 40% between 2000 and 2020, while the inflation rate was less than 30%. Therefore, the likelihood of a significant reduction in the future purchase price of electric vehicles through increased competition in the domestic market is not realistic.

2 Principles of economic policy as collective action

Economic policy, as applied macroeconomics, involves political action to supply and modify business and cost parameters for households, businesses, and government agencies. In a democratic country, economic policy is based on the common goals and values of society and carries the responsibility for the general well-being of its citizens. It operates within an economic system that plays a crucial role in maintaining social and national cohesion. However, if economic policy tends to worsen the comparative position of any social group,

it can weaken economic and social cohesion. Mistakes in economic policy can lead to divergent processes within society that are difficult to rectify. It is important to recognize that changes in economic parameters necessarily result in income redistribution among different social groups. In order to avoid such situations, well-informed economic policy follows certain steps when implementing changes. First, relevant data on the problem at hand is obtained, and a realistic assessment is made of the consequences of the proposed measures. This allows policymakers to understand the potential responses of various agents and identify the winners and losers among different groups. The next step is to address the concerns of the affected groups and explore possibilities to mitigate their uneven costs resulting from the planned actions. This requires skilled government negotiators who not only aim to reach agreements but also act promptly, as the problems economic policy seeks to address tend to worsen over time. Excessive coordination delays can result in higher costs for implementing the measures. Compensation can be an efficient instrument to facilitate action, offering partial reimbursement to groups that incur costs as a result of economic policy measures.

To effectively carry out these actions, economic policy must have members and advisors with sufficient knowledge and capacity. A well-informed electorate that oversees economic policy actions is also beneficial. These criteria align with the principles of economic policy from the times of Tinbergen and Eucken in the 1950s and 1960s. However, in the present day, we are witnessing challenges to liberal democracy. The disempowerment of the middle class, the liberalization of news sources, and changing values towards naive individualism have made economic policy increasingly complex. The political landscape seems disoriented and attracts political businessmen and adventurers who often lack the necessary knowledge and suitability for public service. It is thus easier to understand why national policies are more susceptible to the influence of interest groups and lobbies pushing agendas disconnected from reality, which harm social cohesion even in the most developed countries.

The theory of economic policy, in the respects mentioned above, has often proven costly when ignoring the principles of cohesion advocated by Tinbergen or the principle of constancy of economic policy proposed by Eucken. It will be interesting to see whether social unrest and/or professional facts will alter the current course of economic policy in the field of ecology. We sincerely hope that the latter will happen first.

3 Theoretical grounds for improper action of economic policy

According to Nestorović (2023), politicians often base their actions on theories put forth by authors such as Stigler and Peltzman, Pešić and Boričić, Rogowski, Bekeroy, and Đorđević. These theories suggest that politicians focus on measures and policies that would help them stay in office, sometimes disregarding the advice of scientists and professionals and acting against their warnings.

Every economic policy measure incurs costs for its agents, as mentioned earlier. The process of preparing, introducing, and following up on a measure involves costs, including additional funds for government agencies. As participants in political processes, governments primarily consider the political costs of the measures. Since knowledge and reliable forecasting of measure outcomes are uncertain, governments often seek to gain supporters for certain economic policy actions and reduce opposition. This is a typical rationale known in political theory and elaborated upon by Nestorović.

The political environment has become more complex, with big corporations, NGOs, investors in new trends, and decentralized news publishers competing alongside the typical agents of economic policy such as the government, central bank, parliament, and representative trade unions. In their quest to stay in office, economic policy actors may be tempted to serve the interests of strong agents who can facilitate their goals. However, in doing so, they transition from being policy makers to policy takers. In the case discussed in this text, economic policy chooses a specific interest group and complies with their expectations, effectively sidelining qualified opposition. This can lead to certain interest groups becoming assets while others bear the cost of change.

We will show this in a simplified heuristic model. Let us consider the following relations defining the economic policy optimum.

$$EPMO = F(UEP, -EPC)$$

Where are:

EPMO - economic policy measure outcome

UEP - utility gained by economic policy

EPC - costs of economic policy caused by individual interest groups through their opposing of the measures:

EPC_{ind} - industry

EPC_{NGOs} - NGOs

EPC_{NTI} - investors in new trends

EPC_{IND} - Industry

EPC_{UG} - Unorganized groups

Evaluating the contemporary actions of participants in economic policy in the field of ecology can validate the simplicity of the model presented above. Traditionally, the increasing awareness that environmental harm directly threatens humans, coupled with the growing emphasis on public opinion attributing environmental degradation primarily to human actions, has led to a conflict among three parties: the industry pushing for increased sales and production, NGOs advocating for reduced growth and pollution, and the government apprehensive of NGOs' rising political influence while also supporting the industry due to its significance for employment and economic growth.

Despite experts' criticism regarding the "cleanliness" of electric vehicles and warnings about the potential risks of abruptly introducing expensive EVs that could undermine social cohesion, developed democracies like Germany continue to pursue an unrealistic agenda. Despite receiving warnings from various sources, political authorities persist in their adherence to an agenda that ultimately disadvantages a broader segment of regular car users.

4 Conclusions

Based on the data and facts presented in this text, it can be concluded that the measures implemented in the field of personal cars were not necessarily driven by economic policy but rather happened to it. It is expected that political strategies will be employed in the near future to demonstrate that the collapse of this policy was not the decision of policymakers, but rather a reflection of what people wanted. This is done in order to ensure their political survival in the future.

It is evident that economic policy in the realm of personal cars is primarily driven by ecological goals, which guide the actions of economic policymakers. However, there is a temptation to pursue political optimization without considering the consequences for the economy and society as a whole. This approach is dangerous as it hampers the functioning of the state in a democratic society and poses the risk of unpredictable outcomes.

The actions of economic policy have, in several respects, proven to be disproportionate. Particularly during the early stages of electric vehicle (EV) campaigns, the purchase of these cars, which are generally more expensive, was subsidized and targeted towards higher-income populations. Additionally, subsidies were provided for the purchase of electricity at filling stations. These policies were not driven by private companies' marketing actions but rather by taxpayer-funded subsidies, disadvantaging regular car users. The style of such policies and their proponents can be exemplified by the position of Jens Anderesen, former head board member of Audi.

"Those who are currently driving small cars will be using buses tomorrow" (Žurnal 2023). There have been attempts, such as the suggestion by German Minister of Transport Volker Wissing, to ban not only internal combustion engine cars by 2025 but also vehicles powered by synthetic gasoline (e-gasoline), but this proposal was already rejected in his home parliament (RTV SLO - MMC).

How could such economic policy end? Academically, the answer is easy but not realistic. Owners of traditionally powered cars should organize themselves and become a relevant group in the political arena. This would involve aligning their positions with scientists and engineers who support alternative options such as hydrogen cells or synthetic fuels. By doing so, electric vehicles (EVs) would have a fair chance to establish themselves in transportation modes that benefit everyone, rather than exploiting a socially vulnerable interest group.

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