

Transition to Green Technology along the Supply Chain

Discussion: Per Krusell
IIES, Sthlm U

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This applied theory paper addresses these questions.

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 - ▶ and a subsidy to green energy *only to the extent there are externalities associated with it*
 - ▶ and a subsidy to fossil energy may also be called for if there are externalities associated with it too!
 - ▶ So unless one can argue that there are stronger green than fossil externalities, it is hard to argue that green subsidies are so crucial.

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- ▶ The present paper makes a case for alternative 2.

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- ▶ small policy changes can trigger a large movement from a good to a bad outcome
- ▶ (supply chain) better to subsidize downstream than upstream
- ▶ (supply chain) electricity subsidies may backfire if electricity is used in the “dirty” upstream production

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Is there a natural monopoly, and should the government take care of “electrification infrastructure”? Nontrivial question.

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$$l_{1d} + \gamma_1 l_{1c}^\alpha (l_{2d} + \gamma_2 l_{2c} z_2)^{1-\alpha} z_1 - (\gamma_1 + \gamma_2) \chi$$

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- ▶ d can also be associated with similar chain; if electricity is subsidized, it may cause the d chain to be more potent

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The setting is a bit too abstract for a serious quantitative application; at the same time, quantification is key. Need to be more concrete.