

# Learning and Free-Riding in International Climate Policymaking\*

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*Job market paper. Please read the latest version of the [paper](#) and the [appendix](#).*

## Abstract

International climate cooperation is often presented as a case of the tragedy of the commons, where individual countries have incentives to free-ride on other nations' emissions reduction efforts. I present empirical evidence to the contrary: countries' climate actions are positively correlated over time, exhibiting a pattern of complementary efforts across nations. I explain this discrepancy with a formal model in which—in addition to providing the global public good of reducing emissions—other countries' mitigation efforts signal information about the economic value and policy success of a green transition. These learning effects are strongest when a country's belief in the economic success of green policy dominates its aversion to risk incurred investing in climate policies with uncertain returns. Analysis linking mass and elite beliefs about climate change to downstream mitigation efforts corroborates support for the learning mechanism, uncovering a positive relationship between expectations and actions.

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How does the behavior of other nations influence interstate climate policy adoption? Long-standing scholarship emphasizes the temptations to free-ride inherent to collective action concerns (e.g., [Olson 1965](#); [Ostrom 1990](#); [Barrett 2003](#); [Stern 2007](#); [Bernauer 2013](#); [Keohane and Victor 2016](#)). Per this view, the local costs of mitigation outweigh the global benefits of environmental protection, and there are diminishing marginal returns to global abatement efforts, so countries' emissions reduction efforts should be negatively correlated.

This paper challenges the conventional wisdom by engaging in three tasks. First, I document a positive relationship between other nations' behavior and climate mitigation efforts. This reflects potential complementarities in countries' environmental policies on average rather than effort substitution, and suggests that free-riding may not be the only mechanism affecting international climate policymaking. Second, to unpack this empirical finding, I develop a formal model that introduces an additional causal mechanism—learning about the success of green policies—into the global public goods problem of climate mitigation. The theory demonstrates that cross-country climate actions are positively correlated when a country's belief in the economic benefits of green policy, though uncertain, outweighs the risk generated by implementing costly climate policies with unknown success. Finally, I examine empirical implications of the learning mechanism linking mass and elite beliefs about climate change to the stringency of mitigation policies.

The theory blends classical collective action frameworks with arguments about observational learning to augment the conventional wisdom on global public goods provision. In the model, countries engage in climate policymaking over time and observe the mitigation measures implemented by other nations. As in collective action theories, everyone is better off when nations exert more effort to abate the effects of climate change, but there are diminishing marginal returns to subsequent efforts, and taking action is locally costly. However, in contrast to conventional models, there is a fundamental uncertainty about the economic gains from the green transition: countries want to make costly climate policy investments

that are commensurate with their beliefs that the green transition will be successful. Optimal emissions reduction policies balance countries’ willingness to institute green policies that carry uncertain economic benefits, their marginal impact on global mitigation efforts, and the political costs of implementation (e.g., [Bechtel and Scheve 2013](#); [Stokes 2016](#); [Gazmararian and Tingley 2023](#); [Voeten 2025](#)).

I demonstrate that other nations’ climate remediation policies influence the decision to implement environmental reforms via two channels. On one hand, previous mitigation efforts diminish the marginal contributions of subsequent policies, which incentivizes free-riding. This causal pathway, well-formalized in the literature (e.g., [Harrison and Lagunoff 2017](#); [McAllister and Schnakenberg 2022](#); [Kennard and Schnakenberg 2023](#)), induces strategic substitution in countries’ climate investments. Concomitantly, the adoption of climate policies by other countries is a signal of public optimism in a green economy, which can spur subsequent climate action as other nations learn about the economic success of climate investments and thereby engender complementarities in actions. The exploration of this mechanism is novel and underexplored. These dual effects imply that some countries, looking at their expected costs and benefits, do as the conventional literature says: free-ride. But other nations in equilibrium conclude that they can reinforce the effects of global co-operation via diffused learning ([Elkins and Simmons 2005](#); [Simmons, Dobbin and Garrett 2006](#)), simply “following the leader” upon observing ambitious climate reforms ([Torney 2019](#); [Busby and Urpelainen 2020](#)). Additionally, the theory characterizes when learning effects dominate free-riding effects, implying a positive correlation in countries’ climate actions. Learning effects are strongest when a country’s belief in the economic success of green policy dominates the risk from implementing costly climate policies with uncertain returns.

The learning mechanism produces several empirical implications about the relationship between countries’ beliefs and their climate efforts that the free-riding mechanism would not predict. Specifically, greater optimism about the economic value of climate policies within

countries should incentivize greater efforts. Additionally, since nations are learning from one another, optimism should, in reduced form, engender greater action across countries as well. Using data on mass beliefs about the importance of climate change as well as elite beliefs about the ambition of nationally determined contributions ([Victor, Lunkowsky and Dannenberg 2022](#)), I uncover a positive relationship between beliefs and subsequent climate policy stringency within and across nations. Consistent with theoretical expectations, countries are more likely to pursue stringent climate policies when their publics are more likely to prioritize climate change as an important issue. Across countries, I show that more ambitious climate policy positively correlates with the assessments of climate elites from other countries, demonstrating how one nation’s beliefs can inspire action in another.

Understanding the effects of learning and policy diffusion also has important consequences for international institutional design. Scholars and policymakers have viewed the free-rider problem as the dominant impediment to progress on international climate policymaking (see [Carattini, Levin and Tavoni 2019](#); [Weitzman 2017](#)). Much of the conventional wisdom around international climate cooperation has emphasized deterring free-riding through institutional punishments ([Barrett 2003](#); [Victor 2011](#)). This paper argues that a more effective approach may lie in fostering policy complementarities through information-sharing and expectation management. Institutions, as disseminators of information (e.g., [Keohane 1982](#); [Johns 2007](#); [Fang and Stone 2012](#)), can play a central role in shaping optimistic and informed expectations about the value of green investments, thus inspiring bolder action ([Hale 2020](#)).

The primary contribution of this paper is to provide an overarching, system-level theory of international climate politics that serves as an alternative to canonical free-riding explanations. I argue that countries’ incentives to exert costly effort into climate remediation are shaped by more than just free-riding concerns, and are also a function of cross-national learning about the economic success of a green transition. As will be shown, the core implication of free-rider theories, that countries’ actions are negatively correlated, does not,

on average, find empirical support. I develop a theory that is consistent with the empirical evidence: learning can engender a positive correlation in countries' climate actions.

The learning effect appeals to the literature on path dependence and policy diffusion (Pierson 2000; Elkins and Simmons 2005; Simmons, Dobbin and Garrett 2006; Carattini, Gosnell and Tavoni 2020). Scholars have demonstrated evidence of policy diffusion in carbon pricing (Harrison 2010; Thisted and Thisted 2020; Linsenmeier, Mohommad and Schwerhoff 2023), feed-in tariffs (Baldwin, Carley and Nicholson-Crotty 2019), and domestic and international climate legislation (Sauquet 2014; Fankhauser, Gennaioli and Collins 2016). Rowan (2025) finds evidence of “conditional cooperation” by demonstrating a positive relationship between countries' Paris targets and subsequent pledges, similar to the diffusion effect described here.

Additionally, studies of the value of “increasing returns” to policymaking have identified how action by early movers generates greater effort by subsequent actors (Urpelainen 2011; Levin et al. 2012; van der Ven, Bernstein and Hoffmann 2017). Other scholars have encouraged policy experimentation in order to identify successful policies and ultimately lower costs and increase benefits (Hoffmann 2011; Sabel and Victor 2017). In a closely related paper, Hale (2020) considers how the incentive to act, or lack thereof, affects policymaking and subsequent institutional design. I build on these studies by formalizing the diffusion-by-learning effect and integrating this mechanism into an environment with free-riding, thereby demonstrating when the value of learning can outweigh free-riding temptations.

This paper is not the first to question the dominance of free-rider temptations in international climate policymaking. Indeed, a burgeoning strand of literature argues for a focus on domestic distributive cleavages in explaining variation in climate policymaking (e.g., Aklin and Mildenberger 2020; Colgan, Green and Hale 2021; Ross 2025), with some claiming that international collective action is irrelevant for explaining mitigation (Urpelainen and Van de Graaf 2018). However, in eschewing free-riding, scholars of redistributive politics sidestep

the question of how international factors affect climate policy decisionmaking—heterogeneity of preferences domestically could still be compatible with a free-riding story at the international level ([Kennard and Schnakenberg 2023](#)). I complement domestic-focused explanations by providing an alternative mechanism that characterizes nations’ climate policymaking behavior at an international level.

## Are Countries’ Climate Actions Strategic Substitutes?

In a typical story of global climate policymaking, the marginal value of taking climate action is decreasing in the actions of other countries. This is because the benefits of abatement are global while the marginal costs are local. This theoretical account emphasizes the temptations to free ride off of other nations, often formally assuming that countries’ actions are *strategic substitutes* (see [Harrison and Lagunoff 2017](#); [McAllister and Schnakenberg 2022](#); [Kennard and Schnakenberg 2023](#)).<sup>1</sup> This assumption, the core of extant theoretical approaches to global climate cooperation, implies that when other nations do more, it is a best response to do less, and when other nations do less, it is a best response to do more.

This section establishes a series of empirical facts about the relationship between a country’s climate policy decisionmaking and the behavior of other nations. To operationalize countries’ behavior, I study the climate laws that they pass as well as the stringency of their environmental policies. The first exercise studies the enactment and stringency of climate actions as a function of previously adopted climate policies by others. The second exercise leverages United States presidential elections as discontinuities in time to tease out how countries respond to exogenous shocks to expected international climate efforts.

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<sup>1</sup>Strategic substitutability is conceptually distinct from decisionmakers’ failure to internalize their negative externalities, or to “under-provide” effort, both of which are often invoked when discussing temptations to free-ride. However, these arguments require a normative optimum so that one can compare equilibrium effort levels to what is socially optimal, and thus demand significantly more theoretical and empirical structure than the exercises here.

In the theoretical literature on strategic complementarities, it is standard to make comparisons between the average or aggregate action of agents and an agent’s own action (e.g., [Morris and Shin 2003](#)). The empirical assessments that I conduct operationalize this objective to “test” for the substitutability or complementarity between countries’ climate actions in reduced form. To be clear, these strategic adjustments are often assumptions of theoretical models, not equilibrium implications. Hence the results in this section should be treated as empirical probes into the validity of these modeling features, capturing simple conditional correlations between nations’ actions, rather than as causal statements.

## Climate Law Adoption and Environmental Policy Stringency

I study the relationship between a nation’s likelihood of taking climate action and the actions previously taken by other countries using data about climate law adoption and the stringency of a country’s environmental policies. Contrary to expectations guided by conventional wisdom, I find positive correlations across countries’ propensities to enact laws and pursue more stringent environmental policies. These results point toward a strategic complementarity in countries’ climate actions rather than effort substitution.

To examine law adoption, I use data from the Climate Change Laws of the World project ([Nachmany et al. 2017](#)), which provides information on adopted climate laws from 1990 to 2024. The data covers laws adopted by the national governments of 199 countries plus the European Union. Laws passed by the E.U. are coded at the E.U. level. To be included in this dataset, a document must have full legal force or delineate a current set of government policy objectives, which pertain specifically to challenges of climate change (mitigation, adaptation, loss and damages, climate change research, etc.).

For each country  $i$ , I observe the number of climate laws adopted in year  $t$  as well as the total count of laws adopted by all other nations besides  $i$  (notated as  $-i$ ). To capture the correlation between country  $i$ ’s climate law adoption and that of other nations, I run the

following regression model via ordinary least squares with country-clustered standard errors:

$$\text{Laws}_{i,t} = \beta \log(\text{Other Laws}_{-i,t-1}) + \alpha_i + \lambda_{i,t} + \varepsilon_{i,t}.$$

The dependent variable  $\text{Laws}_{i,t}$  is either the logged count of laws that country  $i$  passed in year  $t$ , or a binary indicator for whether or not country  $i$  passed any laws in year  $t$ . The independent variable  $\text{Other Laws}_{-i,t-1}$  is the count of laws adopted by all other nations around in the globe besides  $i$ , which I lag by one year to avoid simultaneity concerns. Country fixed effects  $\alpha_i$  capture any time-invariant factors that affect country  $i$ 's likelihood of climate policy adoption. Finally, I include country-specific time trends  $\lambda_{i,t}$  which should parse out any secular increases over time in countries' climate policymaking behavior or increases in demand for climate policy over time within countries. Additionally, these terms intend to separate general equilibrium effects, or any global benefits to increased mitigation that could correlate with a contemporaneous rise in climate law adoption across countries.

In addition to lawmaking, I also examine policy stringency, a continuous and cumulative measure of efforts into climate remediation that probes the intensive margin of countries' policies. I use two measures of policy stringency, the OECD's Environmental Policy Stringency (EPS) index ([Botta and Koźluk 2014](#); [Kruse et al. 2022](#)) and the Climate Action Policies and Measurement Framework (CAPMF) developed by [Nachtigall et al. \(2024\)](#). The EPS covers 40 countries between 1990 and 2020 and ranges from 0 to 6, where greater values imply greater stringency. Stringency is defined as the ability to explicitly or implicitly place a price on pollution through market-based (taxes, trading schemes, feed-in tariffs, and deposit and refund schemes) and non-market policies (command-and-control standards and subsidies). The CAPMF runs between 1990 and 2023 and measures the breadth of mitigation policy actions for 49 countries and the European Union on a scale from 0 to 10.<sup>2</sup>

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<sup>2</sup>I focus on the CAPMF's measurement of the stringency of "sectoral policies" rather than "cross-sectoral policies" or "international frameworks" although results are robust to the inclusion of these policy variables



For country  $i$  in year  $t$ , I run the following regression via ordinary least squares with country-clustered standard errors:

$$\text{Stringency}_{i,t} = \beta \text{ Average Other Stringency}_{-i,t-1} + \alpha_i + \lambda_{i,t} + \varepsilon_{i,t},$$

which fits country  $i$ 's policy stringency in year  $t$  as a function of the average policy stringency of all other nations besides  $i$  in year  $t - 1$ . I also include country fixed effects  $\alpha_i$  and country-specific time trends  $\lambda_{i,t}$ .

In both specifications, the coefficient  $\beta$  targets the within-country correlation between countries  $i$ 's behavior and the behavior of other nations. The estimand of interest is its sign, which in reduced form captures the marginal value of country  $i$ 's climate policymaking behavior—either the laws it passes or the stringency of its environmental policies—given what others have done. Extant theoretical approaches, in which mitigation efforts are substitutable, would expect  $\beta < 0$ : the passing of laws or more stringent policies by others reduces country  $i$ 's tendencies to pass its own laws or adopt its own stringent policies.

Contra the conventional wisdom, there is a *positive* and statistically significant correlation across climate actions, as shown in Table 1. Across the board, increased effort by other nations, measured either as the adoption of laws or more stringent environmental policy, is associated with greater mitigation measures. This relationship holds even guarding against the possibility that nations are secularly increasing their passage of climate laws over time without regard for the behavior of other nations, as captured by the time trends. Since this correlation is positive, it suggests a complementarity rather than a substitutability in the adoption of climate laws across countries. Additionally, the stringency results in models 3 and 4 are particularly striking, as the sample of nations for which stringency data is available is more limited, and mostly includes larger countries. These nations, which generally have a larger impact on the climate, are likely the places where we may have expected to observe  


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as well.

	Laws (Count) (1)	Laws (Binary) (2)	EPS (3)	CAPMF (4)
log(Other Laws)	0.329*** (0.022)	0.278*** (0.018)		
Avg. Other Stringency			0.864*** (0.131)	0.839*** (0.053)
Observations	7,000	7,000	1,200	1,650
R <sup>2</sup>	0.488	0.383	0.934	0.972
Within R <sup>2</sup>	0.398	0.326	0.884	0.968
DV Mean	0.391	0.335	1.78	2.19
Number of Countries	200	200	40	50
Country fixed effects	✓	✓	✓	✓
Country $\times$ Year trends	✓	✓	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table 1: Effects of Previous Law Adoption and Policy Stringency on Climate Policymaking

greater effort substitution, but the findings in Table 1 indicate the opposite result. Results are robust to alternative time trend specifications, the inclusion of time-varying controls, as well as weighting by GDP per capita or emission per capita. Additionally, results hold excluding country fixed effects, thereby targeting a cross-country correlation, as well as with the inclusion of year random effects; see Appendix B.1.

These results are suggestive of a complementary relationship between efforts across countries, but we may still be worried about an omitted variable or some other general equilibrium effect that produces a positive correlation on average, even if the partial equilibrium relationship across countries is negative. In the specifications above, the country-year time trends attempt to correct for this concern, but it should again be noted that this exercise serves as a probe into a theoretical and conceptual assumption rather than a causal test. The next empirical exercise attempts to localize the partial effect in a more disciplined way.

## U.S. Presidential Elections

As an additional test, I examine the effects of United States presidential elections on the adoption of climate laws. As one of the globe’s largest emitters, the identity of the American president heavily skews the incentives to enact climate laws around the globe: in 2016, Donald Trump campaigned on withdrawing the United States from the Paris Agreement and retrenching the U.S. from the global climate regime, while Joe Biden’s 2020 campaign promoted American engagement in climate policymaking. The outcome of the 2016 (2020) election thus represents a negative (positive) perturbation to other countries’ best responses and subsequently informs their optimal decisionmaking in light of expected American behavior following the election. The classical logic then predicts that other nations should increase (decrease) their adoption of climate laws following Trump’s (Biden’s) victory.

To capture the effects of the elections, I run a regression discontinuity in time at the country-month level using the following local linear regression specification:

$$\text{Laws}_{i,m} = \beta \mathbb{1}(m > t_k) + \varphi f(m - t_k) + \alpha_i + \varepsilon_{i,m}.$$

The dependent variable is either, as in the first empirical test, a binary indicator for whether country  $i$  adopted a climate law in month  $m$  or the logged count of climate laws adopted by country  $i$  in month  $m$ . As the running variable is time, the independent variable of interest is an indicator of whether time at month  $m$  has exceeded  $t_k$ , the calendar date of the election (either November 8 2016 or November 3 2020), and  $f(\cdot)$  is a smooth function of time, which is measured in days until the election. Fixed effects at the country level  $\alpha_i$  are also included to capture country-specific idiosyncrasies in law adoption. I report bias-corrected estimates with optimal bandwidth selection, weight observations using a triangular kernel ([Calonico, Cattaneo and Titiunik 2014](#)), and cluster standard errors by country.

The sign of  $\beta$  identifies the sign of the local average treatment effect of the U.S. election on

other nations' adoption of climate laws right at the date of the election.<sup>3</sup> Hence this estimate should be thought of as countries' expectations of the value of future effort given the winner of the election. A free-riding argument would expect the sign of  $\beta$  to be positive (negative) in 2016 (2020). In this account, Trump's apathy toward climate policies increases the marginal value of policymaking for other nations to compensate, while Biden's willingness to enact climate policy decreases the incentives for others to exert costly effort.

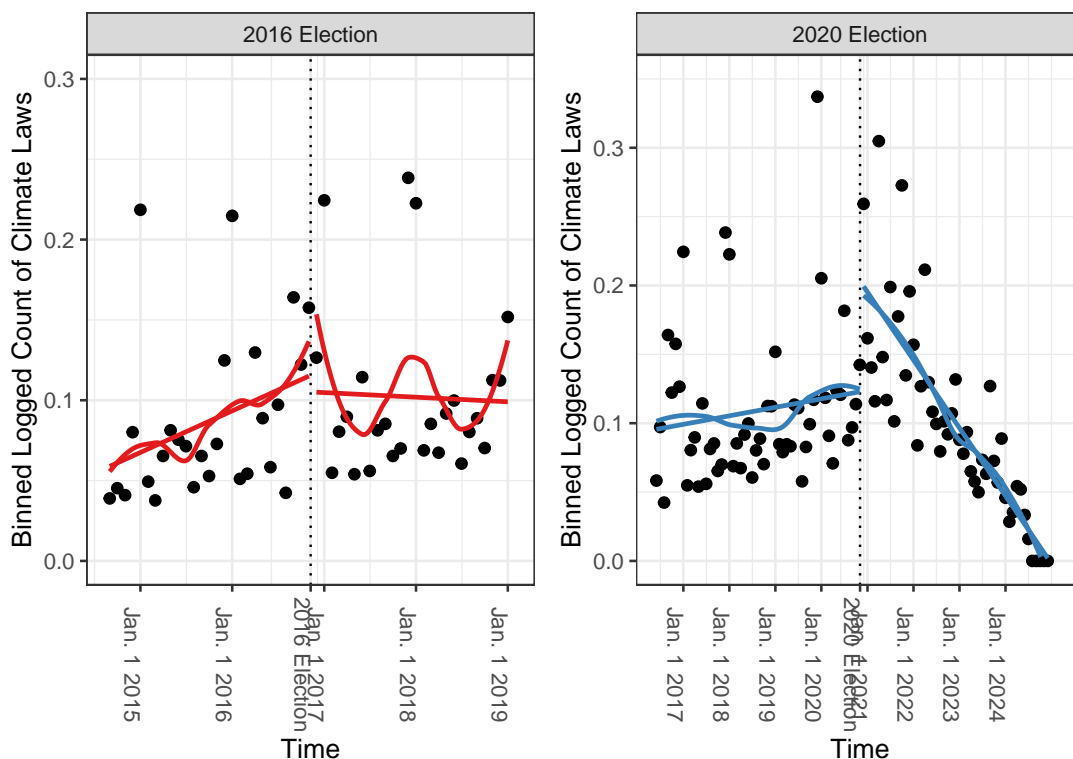


Figure 1: RD Plots of U.S. Presidential Elections on Climate Law Adoption

Figure 1 presents graphical evidence of a change in countries' propensities to adopt climate laws around the 2016 and 2020 United States elections.<sup>4</sup> I fit a linear polynomial as

<sup>3</sup>Given the design, bias in the LATE would emerge if countries strategically adopt climate laws before or after the election. For example, in 2016, the relevant bias in favor of the free-riding argument is if countries were to delay adoption of climate laws until after the election, attenuating the LATE. However, such a case seems unlikely as adoption would only become more difficult with a U.S. president who is less favorable to climate action in power.

<sup>4</sup>RD plots use the logged count outcome; plots for the binary dependent variable display similar results.

well as a loess smoother on each side of the election cutoff. The left panel of the figure suggests that there is a small reduction in the adoption of climate laws when Donald Trump wins the election in 2016. By contrast, the right panel documents a large positive surge in the number of laws adopted when Joe Biden wins the election in 2020.

Table 2 formalizes these estimates, documenting a negative, but statistically indistinguishable from zero, effect in 2016, and a positive and statistically significant effect in 2020. In both cases, the sign of the RD estimate refutes a story of strategic substitutes. That is, the data do not show that countries found it in their interest to do more when the U.S. signaled it would do less by electing Trump, nor would other countries do less when the U.S. elected Biden. When an anti-climate leader was elected in 2016, other countries followed suit and enacted fewer climate laws. In 2020, with the emergence of a pro-climate U.S. presidential winner, the international community responded with more climate action. Results are robust to the inclusion of month fixed effects and country-month trends—which account for the influence of factors like the signing of new international environmental treaties, the onset of a global pandemic, or secular increases in worsening climate that may demand more action—see Appendix B.2.

	Trump (2016)		Biden (2020)	
	(1)	(2)	(3)	(4)
RD Election Effect	-0.009 (0.017)	-0.020 (0.019)	0.067*** (0.022)	0.070*** (0.020)
DV	Count	Binary	Count	Binary
DV Mean	0.094	0.109	0.105	0.116
Bandwidth	809.875	781.846	1616.020	1504.237
Effective Observations	10547	10149	20497	19701

Table 2: RD Estimates of U.S. Presidential Elections on Climate Law Adoption

Taken together, these empirical findings call into question conventional theoretical accounts of global climate policymaking in which an increase in the effort of other nations

decreases the likelihood of effort by other countries. In fact, the evidence suggests the opposite: effort by other nations correlates *positively* with the likelihood that nations take climate action. In what follows, I argue that these empirical findings can be reconciled by augmenting the conventional wisdom to introduce diffused learning as an additional mechanism affecting mitigation investments. Learning effects can engender complementarities, and, if they dominate free-riding temptations, imply positive correlations across climate actions. The formal model now considers how countries’ climate policymaking incentives are affected by both free-riding and learning mechanisms.

## Model

Consider climate policymaking by  $n = 2$  countries indexed by  $i$ . Each country determines a level of climate mitigation efforts  $a_i \in \mathbb{R}$ . Positive levels of effort  $a_i > 0$  signify climate reforms that contribute to global abatement and remediation, while negative effort  $a_i < 0$  can be thought of as anti-climate measures like deforestation or other means of increasing carbon emissions. The game features sequential moves, meaning that country 1 (“he”) moves before country 2 (“she”), and country 2 observes country 1’s choice prior to taking an action. While I refer to countries as unitary actors, we can think of each nation as being ruled by a policymaker who is determining remediation policy, or we can think of a median voter in each nation deciding how much to comply with environmental regulations.

Countries’ payoffs from efforts toward climate reform depend on a fundamental uncertainty, the global economic returns from a green transition. This is modeled as a state of the world,  $\theta$ . Neither country knows the true realization of  $\theta$ —whether or not the green transition will ultimately pay off is unknown—but share the common prior  $\theta \sim N(\mu, \frac{1}{\gamma})$ . In addition, each country observes a noisy signal of the state of the world,  $x_i = \theta + \varepsilon_i$  where  $\varepsilon_i \sim N(0, \frac{1}{\beta})$ . Countries’ signals are their private information and are thus their private

beliefs about the economic returns to green policy; higher signals are on average more likely to indicate larger  $\theta$ , so a country with a higher signal is more optimistic about the success of a green transition. Countries' returns from effort depend on the value of  $\theta$  and thus capture the idea that countries only want to exert effort in mitigating the effects of climate change if they are sufficiently optimistic that a green transition would reap economic benefits.

As in conventional theoretical accounts of international climate policymaking, countries' abatement efforts generate global benefits but impose local costs. Let  $A = a_1 + \lambda a_2$  be the weighted average of global efforts where  $\lambda \geq 0$  parameterizes the relative weight of country 2's subsequent efforts vis-à-vis country 1's effort. This parameter can be interpreted either as the relative size and scale between the two countries or as a measure of temporal discounting in mitigation efforts. Countries receive a global benefit of  $g(A)$  given total global policy implementation where  $g(\cdot)$  is an increasing and concave function. Additionally, adopting climate-friendly policies is costly—there are technological, financial, and political consequences from imposing costs on citizens or large domestic polluters to implement reforms—and exerting effort comes at a cost  $c(a_i)$  where  $c(\cdot)$  is an increasing and convex function. To keep the problem tractable, let

$$g(A) = \begin{cases} \sqrt{A} & A \geq 0 \\ -\sqrt{|A|} & A < 0, \end{cases}$$

and  $c(a_i) = c_i |a_i|$ .<sup>5</sup>

Putting things together, country  $i$ 's utility is written as

$$u_i(a_i, A; \theta) = \theta g(A) - c(a_i).$$

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<sup>5</sup>These functional forms allow substantively for the inclusion of negative effort, rather than truncating effort at zero, but are also useful technically in allowing for feasible integration over negative-valued signals, obtaining a one-to-one mapping between signals and effort.

Countries’ utility functions capture the logic of strategic substitutes encoded in canonical models—countries derive global benefits from mitigation actions but these gains exhibit diminishing marginal returns—while also allowing for the generation of strategic complementarities in countries’ behavior because of the incentives to learn about the economic returns to green policy from the actions of others. Both mechanisms are present in countries’ effort decisions and the goal of the theoretical analysis will be to characterize the conditions under which one effect dominates the other. Formally, the theory targets the sign of  $\frac{da_2}{da_1}$ .

I examine weak Perfect Bayesian equilibria. Country 1’s strategy is a function  $\alpha_1 : \mathbb{R} \rightarrow \mathbb{R}$  that maps his signal  $x_1$  into an effort level  $a_1$ . Country 2’s strategy is a function  $\alpha_2 : \mathbb{R}^2 \rightarrow \mathbb{R}$  that maps her signal  $x_2$  and country 1’s effort  $a_1$  into an effort level  $a_2$ . Beliefs about  $\theta$  are formed via Bayes’s rule.

## Comments on the Model

The model’s assumptions are motivated by canonical theories of observational learning (for a review, see [Bikhchandani et al. 2024](#)). In particular, two assumptions require further comment: the restriction to  $n = 2$  countries and the sequentiality of moves among them. In contrast to extant observational learning models which allow the number of agents  $n$  to grow arbitrarily large, I fix the number of countries at  $n = 2$ . Agents in these models are typically backward-looking as their behavior is only linked through the information conveyed by prior movers, essentially boiling down to a decision-theoretic problem. However, since countries’ actions exhibit forward-looking strategic interdependence in this model, increasing the number of countries adds mathematical complexity without developing further theoretical nuance. In Appendix C, I present a simplified model with more than two countries that is closer to the traditional observational learning setup. Within the current model framework, the effect of other countries’ climate policy adoption behaviors could be accommodated either by changing the prior expected economic gains from green investments  $\mu$  or the concavity of



the global abatement value function  $g(\cdot)$ .

In a departure from extant collective action models of international climate policymaking (e.g., [Kennard and Schnakenberg 2023](#)), I introduce uncertainty about the benefits accrued from climate abatement efforts and sequential moves. Both of these elements are necessary to model the learning mechanism. In introducing sequential moves, I treat the timing of countries' climate actions as exogenously determined. This is a simplifying assumption, and there are plausible foundations for endogenizing the order of moves. For instance, differences in the precision of countries' information, such as more reliable assessments of the economic or technological feasibility of a green transition, could lead better-informed countries to act earlier (e.g., [Zhang 1997](#)). Similarly, variation in climate vulnerability may create incentives for more exposed countries to lead. In both cases, strategic first-mover behavior is consistent with a strong learning mechanism.

## Analysis

I begin by establishing the equilibrium of the game (Proposition 1). Then I demonstrate that learning effects dominate free-riding concerns when optimism about the green transition's success outweighs the risk of investment in policy with uncertain returns (Proposition 2).

## Equilibrium Climate Efforts

To solve for the equilibrium of the model, I conjecture the existence of country 1's strategy  $a_1 = \alpha_1(x_1)$  where  $\alpha_1(\cdot)$  is one-to-one. Then, for any  $a_1$  that country 2 observes, she can infer country 1's signal,  $x_1 = \alpha_1^{-1}(a_1)$ . This means that, conditional on her signal  $x_2$  and country 1's effort level  $a_1$ , country 2 believes that  $\theta|x_2, a_1 \sim N(\frac{\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2}{\gamma + 2\beta}, \frac{1}{\gamma + 2\beta})$ . Given

her private signal  $x_2$  and country 1's effort  $a_1$ , country 2's expected utility is

$$u_2(a_2; x_2, a_1) = E[\theta|x_2, a_1]g(a_1 + \lambda a_2) - c(a_2),$$

where her optimal mitigation effort  $\alpha_2(x_2, a_1)$  solves the following first-order condition:

$$\underbrace{E[\theta|x_2, a_1]}_{\text{expected green benefits}} \cdot \underbrace{g'(a_1 + \lambda \alpha_2(x_2, a_1))\lambda}_{\text{marginal global contribution}} - \underbrace{c'(\alpha_2(x_2, a_1))}_{\text{marginal costs}} = 0.$$

This can be solved explicitly given functional form specifications:

$$\alpha_2(x_2, a_1) = \begin{cases} -\frac{1}{\lambda}a_1 + \frac{\lambda(\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2)^2}{4c_2^2(2\beta + \gamma)^2} & x_2 \geq -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1) \\ -\frac{1}{\lambda}a_1 - \frac{\lambda(\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2)^2}{4c_2^2(2\beta + \gamma)^2} & x_2 < -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1). \end{cases} \quad (1)$$

Note that if  $x_2 < -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1)$  then country 2 has particularly pessimistic signal about the value from exerting effort toward mitigating the effects of climate change, and would exert negative effort because  $E[\theta|x_2, a_1] < 0$ .

Quite naturally, country 2's optimal efforts increase when she is more optimistic about the economic returns to green policy. Formally,  $\alpha_2(x_2, a_1)$  is increasing in  $x_2$ , country 2's private signal of the economic returns from climate policies.

Country 1's effort  $a_1$  affects country's optimal mitigation investment  $\alpha_2(x_2, a_1)$  through two channels. First, as seen in the first term of  $\alpha_2(x_2, a_1)$  in Equation 1 above, country 1's effort has a direct effect of changing country 2's marginal contribution to global mitigation cooperation. That is, if country 1 has already committed to large emissions reductions, then country 2's policies have a smaller marginal impact on global abatement, thereby creating a temptation to free-ride. In this way, country 1's behavior engenders a substitutability across nations' mitigation actions, which is reminiscent of classical collective action pathologies.

Moreover, country 1's effort also affects country 2 through a second, informational channel—

her expectations about the benefits from green policies—given by  $\alpha_1^{-1}(a_1)$  in the second term of  $\alpha_2(x_2, a_1)$ . When country 1 exerts more effort, it leads country 2 to believe that country 1's signal  $x_1$  was higher, and thus more optimistic about the economic returns from a green transition. Country 2 updates positively about the value of green policy, quantified by an increase in her posterior mean  $E[\theta|x_2, a_1]$ , which then motivates her to also exert greater effort. Having learned from country 1 by observing his remediation efforts, country 2 then also adopts more ambitious climate reforms.

Now consider the problem of country 1, who faces a similar decision but knows that his actions will influence the trajectory of global climate efforts. Given his signal  $x_1$ , country 1 has a posterior belief about the state  $\theta|x_1 \sim N(\frac{\gamma\mu+\beta x_1}{\gamma+\beta}, \frac{1}{\gamma+\beta})$  as well as country 2's signal  $x_2|x_1 \sim N(\frac{\gamma\mu+\beta x_1}{\gamma+\beta}, \frac{2\beta+\gamma}{\beta(\beta+\gamma)})$ . Since he does not know  $x_2$ , country 1 does not know how much effort country 2 will commit to downstream, and thus has expected utility

$$u_1(a_1; x_1) = E_{x_2} \left[ E[\theta|x_1] g(a_1 + \lambda \alpha_2(x_2, a_1)) \right] - c(a_1),$$

and his optimal mitigation effort  $\alpha_1(x_1)$  satisfies the following first-order condition:

$$E_{x_2} \left[ \underbrace{E[\theta|x_1]}_{\text{expected green benefits}} \cdot \underbrace{g'(a_1 + \lambda \alpha_2(x_2, a_1))}_{\text{marginal global contribution}} \underbrace{\left(1 + \lambda \frac{d\alpha_2(x_2, a_1)}{da_1}\right)}_{\text{expected impact on country 2}} \right] - \underbrace{c'(a_1)}_{\text{marginal costs}} = 0.$$

Analogous to country 2, notice that if  $x_1 < -\frac{\gamma\mu}{\beta}$  then  $E[\theta|x_1] < 0$  and country 1's inference about the returns from climate investments are particularly dour. Given the functional form assumptions, a closed-form solution for country 1's effort can be found,

$$\alpha_1(x_1) = \begin{cases} \frac{\beta\lambda x_1(2\gamma\mu+\beta x_1)+\lambda\gamma^2\mu^2}{4c_1c_2(2\beta^2+3\beta\gamma+\gamma^2)} & x_1 \geq -\frac{\gamma\mu}{\beta} \\ \frac{-\beta\lambda x_1(2\gamma\mu+\beta x_1)-\lambda\gamma^2\mu^2}{4c_1c_2(2\beta^2+3\beta\gamma+\gamma^2)} & x_1 < -\frac{\gamma\mu}{\beta}. \end{cases} \quad (2)$$

The following proposition summarizes the equilibrium (with formal proofs in Appendix A).

**Proposition 1.** *There exists a unique equilibrium characterized by the functions  $\alpha_1(x_1)$ ,  $\alpha_2(x_2, a_1)$  such that  $a_1^* = \alpha_1(x_1)$ , as defined in Equation 2, and  $a_2^* = \alpha_2(x_2, a_1^*)$ , as defined in Equation 1. Country 1 has beliefs  $\theta|x_1 \sim N(\frac{\gamma\mu+\beta x_1}{\gamma+\beta}, \frac{1}{\gamma+\beta})$  and country 2 has beliefs  $\theta|x_2, a_1^* \sim N(\frac{\gamma\mu+\beta\alpha_1^{-1}(a_1^*)+\beta x_2}{\gamma+2\beta}, \frac{1}{\gamma+2\beta})$ .*

In equilibrium, country 1 balances the temptation to free-ride off of the possible climate implementation efforts of country 2 with the possibility that his own inaction could discourage subsequent reforms by sending a bad signal about the viability of a green transition. His actions are influential in determining the course of global climate investments because, on one hand, country 1 could jumpstart a sizable contribution to international climate co-operation; but on the other hand, he might wish to avoid the domestic costs of mitigation measures with the anticipation that country 2 will provide global benefits.<sup>6</sup> I now study how both nations optimally navigate this tradeoff.

The following corollary establishes the learning mechanism: country 1's effort is informative to country 2 about the value of green policy. When country 1 is more optimistic, he exerts greater effort. Having observed greater effort, country 2's expectations about the economic returns to climate policy increase, which further motivates downstream effort. Since countries only want to engage in costly climate investments if they are sufficiently optimistic that they will pay off, this information transmission is critical to calibrating country 2's equilibrium efforts.

**Corollary 1.** *Country 1's climate policy is informative about  $\theta$ :*

- *Country 1's equilibrium climate effort is increasing in its signal  $x_1$ ,  $\frac{da_1^*}{dx_1} > 0$ ;*
- *Country 2's posterior expectation of  $\theta$  is increasing in country 1's effort,  $\frac{dE[\theta|x_2, a_1^*]}{da_1} > 0$ .*

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<sup>6</sup>While country 2 is clearly advantaged from an informational perspective, country 1's first-mover advantage is his marginal contribution, which is always weakly greater than country 2's. For a strong enough signal  $x_1$ , he can guarantee some international effort in the event that country 2 takes minimal action.

## Complements and Substitutes, Learning and Free-Riding

I now characterize how two mechanisms, free-riding and learning, affect incentives for countries to enact climate policy. The presence of these two mechanisms, countervailing in sign, generate the fundamental tradeoff that countries face when determining mitigation investments: under what conditions are nations' climate actions strategic complements or substitutes? Formally, when is  $\frac{d\alpha_2(x_2, a_1)}{da_1}$  positive, and when is it negative? The sign of this relationship underpins whether and how mitigation actions are correlated.

Fix two possible effort levels by country 1,  $a'_1 > a_1$ , and recall that country 2's optimal effort level solves

$$\underbrace{E[\theta|x_2, a_1]}_{\text{expected green benefits}} \cdot \underbrace{g'(a_1 + \lambda\alpha_2(x_2, a_1))\lambda}_{\text{marginal global contribution}} = \underbrace{c'(\alpha_2(x_2, a_1))}_{\text{marginal costs}},$$

such that country 2 trades off the marginal domestic costs of implementation with her beliefs in a successful green transition and her marginal contribution to global abatement efforts.

The left-hand side of this equation has two components that are in tension with one another. Given country 1's efforts, country 2's marginal contribution to global abatement is smaller when country 1 has already invested large amounts of effort into providing the global benefit of mitigation,  $g'(a'_1 + \lambda a_2) < g'(a_1 + \lambda a_2)$ . There are smaller marginal gains from additional costly remediation, which tempts country 2 to free-ride off of country 1's efforts. This force engenders substitution across countries' climate policies because the effort exerted by country 1 discourages reforms from country 2. However, country 1, having adopted costly climate reforms, signals belief in a successful green transition to country 2,  $E[\theta|x_2, a'_1] > E[\theta|x_2, a_1]$ . Emboldening country 2 to take more ambitious climate action, country 1's efforts generate complementarities in countries' behavior. This also implies that by contrast, a smaller level of effort from country 1 makes country 2's marginal contribution more impactful and, from country 1's perspective, could provide greater global benefits; however, this also

diminishes country 2's expectations about the economic returns to green policy because country 1's lack of climate action is a signal of his pessimism.

Countries' actions therefore influence each other through two channels. The temptation to free-ride, stemming from diminished marginal contributions, creates a strategic substitutability in countries' climate policies; however, the incentive to learn about a successful green transition by signaling information induces strategic complementarities. These two forces push in opposite directions when attempting to ascertain the marginal effect of country 1's effort on country 2's behavior. Corollary 2 formalizes this discussion by decomposing  $\frac{d\alpha_2(x_2, a_1)}{da_1}$  into these two constituent effects, where  $a_1$  represents the direct returns from country 1's effort and  $\alpha_1^{-1}(a_1)$  represents the informational value.

**Corollary 2.** *Country 2's optimal mitigation effort is:*

- *Decreasing in the direct effect of country 1's effort,  $\frac{\partial \alpha_2(x_2, a_1)}{\partial a_1} \leq 0$ ;*
- *Increasing in the informational effect of country 1's effort,  $\frac{\partial \alpha_2(x_2, a_1)}{\partial \alpha_1^{-1}(a_1)} \geq 0$ .*

Figure 2 illustrates the effects of the free-riding and learning mechanisms, plotting country 2's effort  $\alpha_2(a_1, x_2)$  as a function of the behavior for country 1  $a_1$  given different possible signals  $x_2$ . The first panel depicts the direct effects increasing country 1's mitigation policies, holding constant the informational value of such effort. This begets less ambitious climate action from country 2 because her marginal contributions are diminished, generating free-riding temptations, indicated by the negative slope of the lines in the panel. The second panel shows that, holding constant the direct effect from country 1's effort, country 2 is incentivized to exert greater effort when she receives a stronger signal from country 1 about the success of the green transition. The positive slope of the lines in this panel reflect this value of learning. Finally, the third panel demonstrates the total effect: countries' actions, depending on which mechanism dominates, can either be substitutes or complements. Whether nations' actions

are complements or substitutes in equilibrium determines the sign of the correlation between their efforts. Here, when the slope of the line is positive, then the learning channel dominates the free-riding channel; when it is negative, the free-riding channel dominates the learning channel. Then in the former case countries' climate actions are positively correlated, while in the latter case they are negatively correlated.

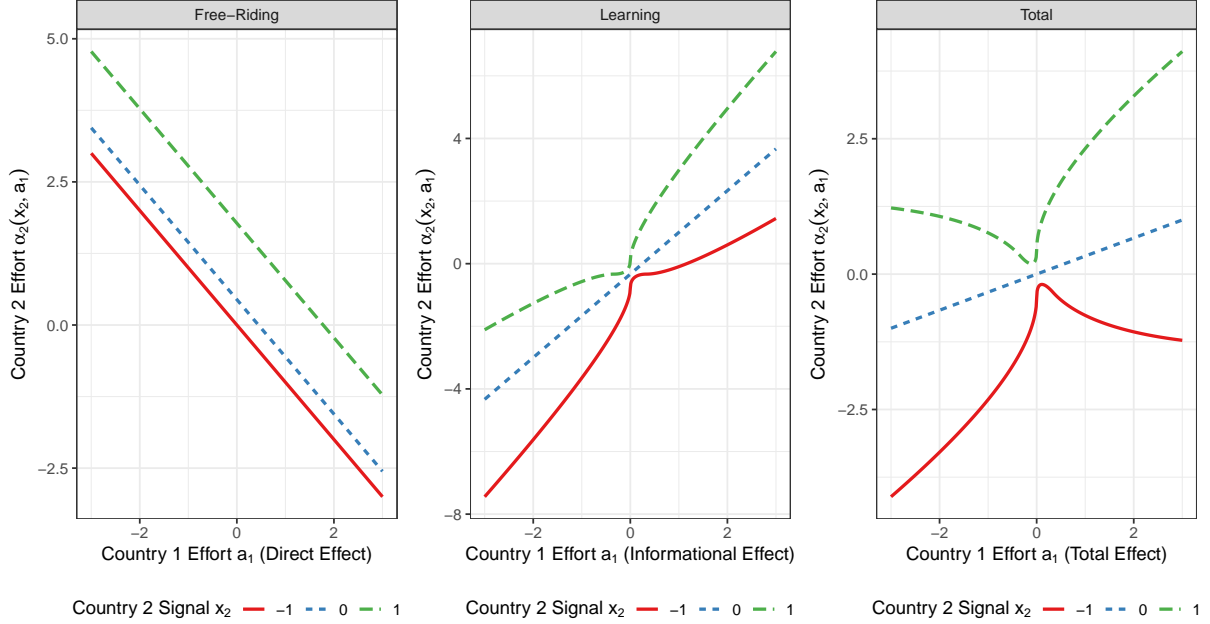


Figure 2: Substitutes and Complements Mechanisms on Climate Mitigation Efforts  
 $\mu = 0.5, \gamma = 1, \beta = 1, \lambda = 1, c_1 = 0.5, c_2 = 0.25$

Which effect dominates? I now consider the conditions under which the effects of changing country 1's information outweigh the direct effects of his effort on country 2's decision-making. The result is simple: when country 2's posterior update about the success of a green transition, the public optimism from country 1 along with her private signal  $x_2$ , dominates her aversion toward exerting costly effort into policies with unknown return, then the learning channel that engenders strategic complementarities is stronger than the free-riding channel that generates strategic substitutes. Alternatively, when the risk involved in implementing green policies is large—the returns to such investments are unknown and

their implementation is domestically politically costly—then substitution effects dominate learning incentives.

**Proposition 2.** *Learning effects dominate free-riding effects when public optimism is large relative to the risks of green policy investment,*

$$\underbrace{\left(-\frac{g''(A)}{g'(A)}\right)^{-1}}_{\text{risk aversion from costly climate investment}} < \underbrace{\frac{|\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2|}{\beta}}_{\text{posterior optimism}}.$$

Proposition 2 determines the dominant mechanism, either the free-riding effect or the learning effect, on country 2’s climate policy decisionmaking. These two mechanisms are both always operant, but the proposition determines which outweighs the other. That is, it tells us the sign of the correlation between countries’ climate efforts. Moreover, the proposition states that we can assess the dual effects of complementarity and substitutability based on the interplay between public assessments of optimism toward green policy and the induced risk that comes with implementing costly mitigation policies with unknown economic returns.

The right-hand side of the inequality approximates country 2’s expectations about  $\theta$ , the informational returns from country 1’s costly climate investments, while the left-hand side is a measure of country 2’s Arrow-Pratt “risk aversion.” Since the economic value of the green transition is unknown, the value of country 1’s effort on country 2’s posterior update must outweigh her tolerance for implementing policies with uncertain returns in order for the total effect of country 1’s effort on her own effort to be positive. The result also underscores that uncertainty exacerbates the temptation to free-ride ([McAllister and Schnakenberg 2022](#)): if country 2 becomes less willing to tolerate the uncertainties of the green transition’s benefits, thereby increasing the left-hand side of the inequality, country 2’s incentive to free-ride becomes stronger relative to her incentive to learn.



# Implications of the Learning Mechanism

The theory identifies a learning mechanism that connects the proliferation of climate action to optimistic beliefs about the success of the green transition. In particular, the model generates two implications connecting beliefs and actions within and across countries. First, a country’s beliefs about the success of a green transition should correlate positively with its effort,  $cor(x_i, a_i) > 0$ . Moreover, learning is dominant over free-riding, a country’s beliefs should also positively correlate with the effort of others in reduced form,  $cor(x_i, a_j) > 0$ . This section teases out these implications of the learning mechanism by studying the relationship between beliefs and subsequent climate policy stringency.

Since the model’s information structure is sparse, I empirically enrich the context by examining both mass-level and elite-level beliefs. We might think of the private beliefs that countries hold in the model as a function of public opinion sentiments. Citizen beliefs about the importance of climate change can facilitate action ([Melnick 2025](#)), and empirical studies of public opinion have concluded that climate policy is fairly responsive to mass beliefs ([Bromley-Trujillo and Poe 2020](#); [Schaffer, Oehl and Bernauer 2022](#)). I employ repeated cross-sectional data from Eurobarometer and AmericasBarometer (LAPOP), which have asked whether respondents think climate change is a serious problem (1-4 scale) to measure mass beliefs. In total, data is available for 31 countries across Europe and Latin America between 2011 and 2023. This data is valuable because it allows for measurement of beliefs within countries over time to assess learning dynamics, and helps to uncover how citizens’ beliefs covary with the policy stringency of their countries.

Another interpretation of the model is that beliefs come from policy elites who advise leaders in climate policy implementation. I thus make use of a survey of approximately 900 climate negotiators and climate scientists compiled between September 2020 and January 2021, which constitutes one of the largest samples of climate policy elites ever systematically

polled (Victor, Lumkowsky and Dannenberg 2022). Respondents were asked to assess the ambition (relative to the country’s economic strength) of nationally determined contributions (NDCs) for 10 different countries as well as their confidence that each country would fulfill their NDC (both on a 1-5 scale). These survey items assist in examining the second implication of the model—whether respondent beliefs ultimately predict the policy stringency of other nations given the climate commitments that each country had set prior—as we could imagine countries making further remediation efforts after their stating their climate commitments with belief updating in between (see Melnick and Smith 2025). Unfortunately, each respondent was only surveyed once, so we cannot assess the dynamics of negotiators’ beliefs, but I leverage within-respondent variation in negotiators’ assessments of multiple countries’ climate commitments to study the relationship between beliefs and policy stringency.

I first establish empirical evidence consistent with the model’s implication that beliefs and effort within countries should be positively correlated using the Eurobarometer and AmericasBarometer data. To do so, I estimate the following regression for respondent  $r$  living in country  $i$  surveyed in year  $t$ :

$$\text{Stringency}_{i,t} = \beta \text{CC Serious}_{i[r],t} + \alpha_i + \lambda_t + \varepsilon_{i[r],t},$$

where stringency is measured using the CAPMF from above. The independent variable is the extent to which respondent  $r$  in country  $i$  judged climate change to be a serious problem, where higher values indicate greater seriousness. I estimate country and year fixed effects and cluster standard errors by country. This design targets variation across individuals’ beliefs within countries, and maps this onto the stringency of subsequent environmental policies. However, since the dependent variable is measured at the country level I also report pooled

results at the country-year level by averaging respondents' beliefs,

$$\text{Stringency}_{i,t} = \beta \text{ Average CC Serious}_{i,t} + \alpha_i + \lambda_t + \varepsilon_{i,t}.$$

	CAPMF	
	(1)	(2)
CC Serious Problem	0.003** (0.001)	0.199** (0.082)
Observations	172,946	168
R <sup>2</sup>	0.968	0.965
Within R <sup>2</sup>	0.002	0.090
DV Mean	4.38	2.19
Number of Countries	31	31
Country fixed effects	✓	✓
Year fixed effects	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table 3: Mass Beliefs and Climate Policy Stringency

Table 3 displays the results and demonstrates a positive relationship between a respondent's assessment of the seriousness of climate change and the stringency of policy that the country's government has undertaken. This relationship is stronger when pooling up to the country level. Consistent with the model, within countries, respondents' private beliefs positively covary with policy stringency. Furthermore, as shown in Appendix B.3, there is suggestive evidence that the average assessment of the seriousness of climate change is increasing over time, and the variance in respondents' answers is decreasing over time. Taken together with the findings in Table 3, the results suggest that over time, publics update their beliefs about the seriousness of climate change, which then induces further action.

Turning to elite beliefs, I consider how climate negotiators and scientists assess the nationally determined contributions of other nations and correlate these beliefs with the subsequent

behavior of those nations. Respondents were asked to assess pledges made by Australia, Brazil, China, the European Union, India, Russia, Saudi Arabia, South Africa, the United States, and their own country. For respondent  $r$  assessing the commitment of country  $i$ , I estimate the following regression:

$$\text{Stringency}_{i,t} = \beta \text{Beliefs}_{r,i} + \alpha_i + \eta_r + \varepsilon_{r,i}.$$

Since the elites' beliefs were elicited at the end of 2020, I examine downstream policy stringency in 2021, 2022, and 2023. Hence the dependent variable is country  $i$ 's CAPMF score in either 2021, 2022, or 2023, and respondent  $r$ 's beliefs are either their assessment of country  $i$ 's ambition or respondent  $r$ 's confidence that country  $i$  will fulfill its nationally determined contribution. I estimate respondent fixed effects  $\eta_r$  to control for any expert-specific biases in assessments across countries as well as country fixed effects  $\alpha_i$  to capture baseline levels of variation in the ambition in countries' climate commitments. Standard errors are clustered at the respondent level.

Table 4 displays the results. Expert respondents' beliefs about the ambition of countries' climate commitments are positively correlated, at statistically significant levels, with more stringent policy measures that countries ultimately undertake. These results bolster confidence in the learning mechanism by lending credence to the second empirical implication: as countries' private beliefs increase, other nations are also on average more likely to exert more effort. This reduced-form relationship works because survey respondents have updated posterior beliefs about the success of the green transition given nations' climate commitments, which then correlate with sustained climate efforts downstream.

Consistent with the theory, there is a positive correlation between beliefs, elicited and both mass and elite levels, and climate policy stringency. These results provide evidence of a learning mechanism connecting private beliefs to climate mitigation efforts. Specifically,

	Stringency <sub>2021</sub>		Stringency <sub>2022</sub>		Stringency <sub>2023</sub>	
	(1)	(2)	(3)	(4)	(5)	(6)
Belief NDC Ambitious	0.024*** (0.008)		0.021*** (0.008)		0.025*** (0.008)	
Belief NDC Fulfilled		0.013** (0.006)		0.011** (0.005)		0.017*** (0.006)
Observations	4,068	4,293	4,068	4,293	4,068	4,293
R <sup>2</sup>	0.929	0.937	0.930	0.937	0.928	0.935
Within R <sup>2</sup>	0.005	0.002	0.004	0.001	0.005	0.003
DV Mean	4.26	4.18	4.23	4.26	4.18	4.23
Respondent fixed effects	✓	✓	✓	✓	✓	✓
Belief Country fixed effects	✓	✓	✓	✓	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the respondent level

Table 4: Elite Beliefs and Climate Policy Stringency

they are useful in distinguishing or isolating the empirical implications between temptations to free-ride and learning, as the former mechanism produces no expectations about the relationship between beliefs and effort. Moreover, as there may be many theoretical explanations consistent with a story of strategic complementarities—which underlies the positive correlations documented at the beginning of the paper—these findings bolster confidence in the specific learning mechanism identified by the theory.

## Qualitative Accounts of Learning

In addition to the quantitative evidence presented in the previous section, qualitative evidence also corroborates the notion that countries are learning from other nations when implementing climate policies. Numerous studies document diffusion effects in climate policy implementation, like carbon pricing (e.g., [Harrison 2010](#); [Thisted and Thisted 2020](#); [Linsenmeier, Mohommad and Schwerhoff 2023](#)). This section documents several cases that

are illustrative of the learning mechanism.

Following then-President Joe Biden’s U.S. presidential victory in 2020, the United States had proposed the Build Back Better Act—an act that Biden personally championed and expended large amounts of political capital to realize, ultimately becoming the Inflation Reduction Act, the largest investment in clean energy in the world—as its cornerstone legislative program. Meetings with international leaders further inspired action around the globe based on Biden’s beliefs in the economic value of the green transition. Indeed, in talks with then-Canadian Prime Minister Justin Trudeau in February 2021, the two leaders “expressed their shared commitment to taking real action to fighting climate change while growing the economy and creating good jobs,” and announced a formal diplomatic project to “align [their] policies and [their] goals to increase ambition to tackle the climate crisis.”<sup>7</sup> Two months later, the Canadian government announced several new, expanded climate policies to enhance their NDC in early 2021. Trudeau initiated programs to incentivize Canadian businesses to achieve net-zero emissions and develop cleaner industry.<sup>8</sup> Importantly, Trudeau emphasized cooperation on climate issues with the United States, as both countries recognized the economic value in ambitious climate investments,<sup>9</sup> and affirmed a common belief that greater ambition would realize greater policy success.

Another example of learning across borders comes from South Korea’s 2020 legislative elections. The incumbent Democratic Party won in a landslide victory, in part due to the party’s emphasis on ambitious climate spending. Then-President Moon Jae-in campaigned on a European Union-style Green Deal, explicitly referring to the E.U.’s climate plan as a template for Korean policy.<sup>10</sup> In its own Green New Deal, South Korea committed to carbon

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<sup>7</sup><https://www.pm.gc.ca/en/news/news-releases/2021/02/23/prime-minister-canada-welcome-s-plan-revitalize-and-expand-ties-united>

<sup>8</sup><https://www.pm.gc.ca/en/news/news-releases/2021/04/22/prime-minister-trudeau-announces-increased-climate-ambition>

<sup>9</sup><https://www.canada.ca/en/environment-climate-change/news/2021/02/canada-us-high-level-climate-ministerial.html>

<sup>10</sup><https://www.forbes.com/sites/davidrvetter/2020/04/16/south-korea-embraces-eu-style-g>

neutrality by 2050, and the plan includes large-scale investments in renewable energy, the introduction of a carbon tax, the phaseout of coal financing by public institutions, and the creation of a jobs transition programs to support workers who relocate into green jobs.<sup>11</sup> This was facilitated by the formation of a working group between the Koreans and the Europeans, initiated to share ideas and harmonize policy solutions<sup>12</sup>—allowing the Koreans to learn from the Europeans’ optimism—and, in 2021, the two countries compared policy proposals. The two countries highlighted their commonalities and complementarities in their approaches to tackling climate change, confirming that “climate, energy and environment policies have to be addressed holistically, in the light of the interdependence of challenges.”<sup>13</sup>

Finally, consider the climate commitment pledged by then-South African President Jacob Zuma at the Copenhagen climate summit in 2009. The summit’s final document, the Copenhagen Accord, was largely panned as incomplete. However, Zuma, who initially considered ditching the summit,<sup>14</sup> was considered “one of the stars” of the negotiations by committing to reduce emissions by 34% below current expected levels by 2020 and by about 42% by 2025.<sup>15</sup> The target was particularly unexpected because it was the first time the country had ever made such a pledge, and because of the resistance from influential, pro-status quo actors like Eskom, the country’s public utility company. Observers note that, while Zuma never justified his sudden commitment—which transformed national dialogue inside of South Africa toward building a green economy—it may have been due to similarly ambitious pledges from peer countries like China, India, and Brazil (Hochstetler 2020, 40), suggestive of complementarities in climate commitments across developing nations.

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reen-deal-for-covid-19-recovery/

<sup>11</sup><https://www.climatechangenews.com/2020/04/16/south-korea-implement-green-new-deal-ruling-party-election-win/>

<sup>12</sup>[https://www.mofa.go.kr/eng/brd/m\\_5658/view.do?seq=318785](https://www.mofa.go.kr/eng/brd/m_5658/view.do?seq=318785)

<sup>13</sup>[https://www.eeas.europa.eu/eeas/eu-republic-korea-joint-press-release-following-working-group-energy-environment-and-climate-change\\_en](https://www.eeas.europa.eu/eeas/eu-republic-korea-joint-press-release-following-working-group-energy-environment-and-climate-change_en)

<sup>14</sup>[https://unfccc.int/sites/default/files/cop15\\_mw\\_091211\\_sa.pdf](https://unfccc.int/sites/default/files/cop15_mw_091211_sa.pdf)

<sup>15</sup><http://news.bbc.co.uk/2/hi/africa/8398775.stm>

## Consequences for International Institutions

Conventional wisdom, underscoring free-riding concerns, has proposed a set of institutional solutions in an attempt to facilitate international climate cooperation. For example, the fines included in the Kyoto Protocol aimed to deter potential free-riding by raising the costs of noncompliance with reduction targets (Barrett 2003; Victor 2011; Hovi, Ward and Grundig 2015). Other proposals like “climate clubs” seek to minimize free-riding by restricting abatement efforts to a smaller number of participating nations while levying tariffs on those not in the club (Nordhaus 2015). However, temptations to free-ride, while certainly present, may not be the dominant concern when states enact climate policy and consider possible investments by others. Institutions with intentions to maximize global mitigation investments should therefore be designed to exploit the complementarity effects of nations’ climate policymaking behavior rather than solely to punish potential free-riders. This means managing the dual effects—the direct effect associated with free-riding as well as the informational effect from learning—of the impacts of countries’ mitigation actions on subsequent effort.

Per this paper’s theoretical takeaways, institutional designers may wish to adopt an alternative set of principles that foreground the roles of information and expectations in shaping international climate cooperation. The importance of international institutions in reducing uncertainty is well-established (Keohane 1982; 1984), as institutions can generate and disseminate information via review processes (Abbott 2017; Aldy 2018), which allow for the transmission of knowledge about how best to structure policies and approach the problem of climate change mitigation (Chayes and Chayes 1995). As the theoretical analysis illustrates, when expectations about the success of a green transition outweigh risk aversion from uncertain climate investments, efforts to address climate change are complementary.

Institutions, therefore, have a natural role in shaping prior beliefs about the returns to climate investments by transmitting information about policy effectiveness (captured by  $\mu$



and  $\gamma$  in the model). This is reminiscent of arguments that international organizations can be used to disseminate information bolstered by policy domain expertise (Johns 2007; Fang 2008; Johnson and Urpelainen 2014). In terms of engendering complementarities, it is always better for countries to have more optimistic prior expectations, and more precise information is beneficial to accompany this optimism.

Institutions can also influence countries' risk perceptions, counteracting aversions that discourage remediation and enable free-riding. The tradeoff between free-riding effects and learning effects is dampened if marginal contributions to global output are high (the shape of  $g(\cdot)$ ) or marginal costs are lower (the shape of  $c(\cdot)$ ), so institutions could facilitate the dissemination of technology that raises the benefits from potential mitigation investments. By modifying how the benefits and costs of mitigation are perceived, institutions can generate “increasing returns” (Pierson 2000; Hale 2020).

The information dissemination provisions in the Paris Agreement demonstrate the possibility of institutional infrastructure to facilitate learning dynamics that the model highlights. Articles 13, 14, and 15 of the Paris Agreement outline the review process of individual country progress toward climate commitments, a worldwide discussion of aggregate performance, as well as nonpunitive troubleshooting of obstacles to policy implementation (UNFCCC 2015). While this “global stocktake” process is not intended to single out any individual country for its failure to comply with targets—as any “naming and shaming” is supposed to flow from the global stocktake by other public actors (Milkoreit and Haapala 2017)—this institutional framework could be used to disseminate information about countries' policy successes, which could bolster common, public expectations about the value of green investments.

Beyond Paris's pledge-and-review structure, institutions may also assist in expectations management by providing a platform for nations to pool common information. For example, the World Bank launched the Partnership for Market Readiness (PMR) in 2011, which “supports countries to assess, prepare, and implement carbon pricing instruments [and] serves

as a platform for countries to share knowledge and work together to shape the future of cost-effective climate change mitigation” (World Bank Partnership for Market Readiness 2017). This institution has been accredited with transforming global familiarity with, understanding of, and comfort with carbon pricing instruments, leading to a larger uptake of carbon pricing (Dickman and Larkin 2017). By dispersing knowledge on carbon pricing and supporting its implementation, institutions like the PMR have promoted carbon pricing and have succeeded in making it a more accessible policy tool, thereby facilitating learning among nations about policies that can assist in the green transition (Thisted and Thisted 2020, 816).

## Conclusion

This article reassesses the conventional wisdom of international climate policymaking that countries’ efforts to mitigate the effects of climate change are solely substitutable and proposes an alternative theoretical framework in which they may also be complementary. While free-riding concerns may entice nations to shirk in their mitigation investments, I argue that the implementation of environmental policies is also a signal about the expected policy success of costly climate investments. Hence, the strength of positive or negative incentives to take climate action upon observing action by other countries is not *ex ante* clear. With theoretical analysis, I show that when nations’ optimism about the expected economic returns from climate investment outweigh their aversion toward investing in a risky policy such as climate mitigation, then the positive effects from learning dominate free-rider temptations.

The theory provides several implications for international climate cooperation and the design of international climate institutions. As discussed above, the model suggests a departure from institutional mechanisms that punish free-riders and toward a design that centers around shaping expectations about successful policy implementation. Future research could consider the optimal design of institutions that are explicitly geared toward maximizing

countries' expectations about the success of climate policy implementation. Additionally, other work expanding on this article might also consider how best to maximize cross-country learning in terms of factors such as policy instrument choice or geographic concentration.

Beyond climate cooperation, the theoretical framework advanced in this paper might assist in studying global public goods problems in other realms of international politics. The core tension of the model boils down to when countries should invest in global public goods as a function of their collective beliefs about the success of these investments and the temptations to free-ride off of others; when the former dominates the latter, then global public goods contributions are complementary. For example, in the realm of collective security, countries often face the dilemma of whether to arm in the face of a potential adversary, whose strength may be unknown, or whether to free-ride on the security provided by other nations. Contributing to collective defense is costly, but observing greater investments may be a signal that a contributing state believes the adversary is particularly strong, and therefore greater investment is worthwhile. The model helps us understand, in broadest terms, the incentives nations face to cooperate in an environment of common values uncertainty.

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# Appendix: Learning and Free-Riding in International Climate Policymaking

## **Contents**

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## A Formal Proofs

*Proof of Proposition 1.* To solve for the equilibrium, I conjecture the existence of a strategy for country 1  $a_1 = \alpha_1(x_1)$  and assume that  $\alpha_1(x_1)$  is one-to-one. Proceeding by backward induction first consider country 2's effort investment given her signal  $x_2$  and country 1's effort  $a_1$ . Given that  $\alpha_1(x_1)$  is one-to-one, we have  $x_1 = \alpha_1^{-1}(a_1)$  and so country 2's posterior update about  $\theta$  is  $\theta|x_2, a_1 \sim N(\frac{\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2}{\gamma + 2\beta}, \frac{1}{\gamma + 2\beta})$ . Country 2 therefore solves

$$\max_{a_2} E[\theta|x_2, a_1]g(a_1 + \lambda a_2) - c(a_2).$$

Differentiating with respect to  $a_2$ , country 2's first-order condition is

$$E[\theta|x_2, a_1]g'(a_1 + \lambda a_2)\lambda - c'(a_2) = 0.$$

Note that if  $E[\theta|x_2, a_1] < 0$ , which occurs when  $x_2 < -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1)$  then  $E[\theta|x_2, a_1] < 0$  and country 2 exerts effort in the opposite direction. Given the functional form specifications and solving the above first-order condition, we have the following piecewise function:

$$\alpha_2(x_2, a_1) = \begin{cases} -\frac{1}{\lambda}a_1 + \frac{\lambda(\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2)^2}{4c_2^2(2\beta + \gamma)^2} & x_2 \geq -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1) \\ -\frac{1}{\lambda}a_1 - \frac{\lambda(\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2)^2}{4c_2^2(2\beta + \gamma)^2} & x_2 < -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1) \end{cases}$$

It is clear from the second-order condition that for any  $x_2$  and any  $a_1$ ,  $\alpha_2(x_2, a_1)$  is unique as the second-order condition is always negative:

$$E[\theta|x_2, a_1]g''(a_1 + \lambda a_2)\lambda^2 - c''(a_2) < 0.$$

Now consider country 1's effort choice. Given his own signal  $x_1$ , he believes that  $\theta|x_1 \sim N(\frac{\gamma\mu + \beta x_1}{\gamma + \beta}, \frac{1}{\gamma + \beta})$  and that country 2's signal  $x_2|x_1 \sim N(\frac{\gamma\mu + \beta x_1}{\gamma + \beta}, \frac{2\beta + \gamma}{\beta(\gamma + \beta)})$ . Let  $m = \frac{\gamma\mu + \beta x_1}{\gamma + \beta}$  and  $z = \sqrt{\frac{\beta(\gamma + \gamma)}{2\beta + \gamma}}$ . Further, denote  $q = \frac{\lambda(\gamma\mu + \beta\alpha_1^{-1}(a_1) + \beta x_2)^2}{4c_2^2(2\beta + \gamma)^2}$  and  $t = -\frac{\gamma\mu}{\beta} - \alpha_1^{-1}(a_1)$ . By backward induction, country 1's problem is to maximize

$$\max_{a_1} \int_{-\infty}^t [mg(-q)z\phi(z(x_2 - m))] dx_2 + \int_t^{\infty} [mg(q)z\phi(z(x_2 - m))] dx_2 - c(a_1).$$

Differentiating with respect to  $a_1$ , country 1's first-order condition is

$$\begin{aligned} FOC &= mg(0)z\phi(z(t - m))\frac{dt}{da_1} + \int_{-\infty}^t -mg'(-q)\frac{dq}{da_1}z\phi(z(x_2 - m)) dx_2 \\ &\quad - mg(0)z\phi(z(t - m))\frac{dt}{da_1} + \int_t^{\infty} mg'(q)\frac{dq}{da_1}z\phi(z(x_2 - m)) dx_2 - c_1 = 0 \\ &= \int_{-\infty}^t \frac{m\beta\lambda}{2c_2(2\beta + \gamma)} \frac{1}{\alpha_1'(\alpha_1^{-1}(a_1))} z\phi(z(x_2 - m)) dx_2 \end{aligned}$$

$$\begin{aligned}
& + \int_t^\infty \frac{m\beta\lambda}{2c_2(2\beta + \gamma)} \frac{1}{\alpha_1'(\alpha_1^{-1}(a_1))} z\phi(z(x_2 - m)) dx_2 - c_1 = 0 \\
\Leftrightarrow \quad \alpha_1'(\alpha_1^{-1}(a_1)) &= \frac{(\gamma\mu + \beta x_1)\beta\lambda}{2c_2c_1(2\beta + \gamma)(\gamma + \beta)}.
\end{aligned}$$

It is clear that since  $q$  is increasing in  $\alpha_1^{-1}(a_1)$ , country 1's optimal strategy does not contain any "flat spots" as it is always optimal for him to induce greater effort from country 2. Observe that for  $x_1 < -\frac{\mu\gamma}{\beta}$ ,  $m < 0$  and so country 1 would then exert effort in the negative direction. By equilibrium conjecture,  $a_1 = \alpha_1(x_1)$  so  $\alpha_1^{-1}(a_1) = x_1$  and integrating with respect to  $x_1$  yields

$$\alpha_1(x_1) = \frac{\beta\lambda x_1(2\gamma\mu + \beta x_1)}{4c_1c_2(2\beta^2 + 3\beta\gamma + \gamma^2)} + C.$$

The constant of integration is pinned down by the boundary condition that, at  $x_1 = -\frac{\gamma\mu}{\beta}$ , we have  $E[\theta|x_1] = 0$ . The equilibrium effort is thus

$$\alpha_1(x_1) = \begin{cases} \frac{\beta\lambda x_1(2\gamma\mu + \beta x_1) + \lambda\gamma^2\mu^2}{4c_1c_2(2\beta^2 + 3\beta\gamma + \gamma^2)} & x_1 \geq -\frac{\gamma\mu}{\beta} \\ \frac{-\beta\lambda x_1(2\gamma\mu + \beta x_1) - \lambda\gamma^2\mu^2}{4c_1c_2(2\beta^2 + 3\beta\gamma + \gamma^2)} & x_1 < -\frac{\gamma\mu}{\beta}. \end{cases}$$

Note that this is one-to-one in  $x_1$ , confirming that  $\alpha_1(x_1)$  is one-to-one in equilibrium. This means that  $\alpha_1^{*-1}(\cdot)$  is well-defined so country 2 knows  $x_1 = \alpha_1^{*-1}(a_1)$  in equilibrium.

Finally, observe that the second order condition is

$$-\frac{m\beta\lambda}{2c_2(2\beta + \gamma)} \frac{\alpha_1''(\alpha_1^{-1}(a_1))}{(\alpha_1'(\alpha_1^{-1}(a_1)))^3} < 0,$$

so the solution  $\alpha_1(x_1)$  is the unique maximizer of country 1's utility. □

*Proof of Corollary 1.* Immediate given the equilibrium strategy of country 1:

$$\begin{aligned}
\frac{d\alpha_1(x_1)}{dx_1} &= \frac{2\beta\lambda(\gamma\mu + \beta x_1)}{4c_1c_2(2\beta^2 + 3\beta\gamma + \gamma^2)} \geq 0. \\
\frac{dE[\theta|x_2, a_1]}{da_1} &= \frac{\beta}{\beta + \gamma} \frac{1}{\frac{d\alpha_1(x_1)}{dx_1}} \geq 0.
\end{aligned}$$

□

*Proof of Corollary 2.* Given country 2's first-order condition,

$$\begin{aligned}
\frac{\partial^2 u_2}{\partial a_2 \partial \alpha_1^{-1}(a_1)} &= \frac{\beta}{\gamma + 2\beta} g'(a_1 + \lambda a_2) \lambda > 0 \Leftrightarrow \frac{\partial \alpha_2(x_2, a_1)}{\partial \alpha_1^{-1}(a_1)} \geq 0. \\
\frac{\partial^2 u_2}{\partial a_2 \partial a_1} &= E[\theta|x_2, a_1] g''(a_1 + \lambda a_2) \lambda < 0 \Leftrightarrow \frac{\partial \alpha_2(x_2, a_1)}{\partial a_1} \leq 0.
\end{aligned}$$

□

*Proof of Proposition 2.* From Corollary 2,

$$\begin{aligned}
& \left| \frac{\partial \alpha_2(x_2, a_1)}{\partial \alpha_1^{-1}(a_1)} \right| > \left| \frac{\partial \alpha_2(x_2, a_1)}{\partial a_1} \right| \\
& \Leftrightarrow \frac{\beta}{\gamma + 2\beta} g'(a_1 + \lambda a_2) \lambda < -|E[\theta|x_2, a_1]| g''(a_1 + \lambda a_2) \lambda \\
& \Leftrightarrow \frac{\beta}{|\gamma \mu + \beta \alpha_1^{-1}(a_1) + \beta x_2|} < -\frac{g''(A)}{g'(A)} \\
& \quad \Leftrightarrow \left( -\frac{g''(A)}{g'(A)} \right)^{-1} < \frac{|\gamma \mu + \beta \alpha_1^{-1}(a_1) + \beta x_2|}{\beta}.
\end{aligned}$$

□

## B Additional Tables and Figures

### B.1 Climate Law Adoption and Environmental Policy Stringency

The main results employ country  $\times$  year time trends. Table A.1 shows robustness of the findings without any temporal controls.

	Laws (Count)		Laws (Binary)		EPS		CAPMF	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
log(Other Laws)	0.223*** (0.010)	0.329*** (0.022)	0.170*** (0.004)	0.278*** (0.018)				
Avg. Other Stringency					0.986*** (0.062)	0.864*** (0.131)	1.01*** (0.033)	0.839*** (0.053)
Observations	7,000	7,000	7,000	7,000	1,200	1,200	1,650	1,650
R <sup>2</sup>	0.394	0.488	0.343	0.383	0.873	0.934	0.930	0.972
Within R <sup>2</sup>	0.288	0.398	0.282	0.326	0.775	0.884	0.920	0.968
DV Mean	0.391	0.391	0.335	0.335	1.78	1.78	2.19	2.19
Number of Countries	200	200	200	200	40	40	50	50
Country fixed effects	✓	✓	✓	✓	✓	✓	✓	✓
Country $\times$ Year trends		✓		✓		✓		✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table A.1: Effects of Previous Law Adoption and Policy Stringency on Climate Policymaking (with and without Time Trends)



The main results include a country fixed effect to parse out any time-invariant factors that lead countries to adopt laws or pursue environmental policies in a heterogeneous fashion. However, in so doing, the regression coefficient  $\beta$  thus targets the within-country correlation of the effect of other nations' climate actions on the adoption of climate laws. Table A.2 removes country fixed effects and shows that the results still hold.

	Laws (Count)		Laws (Binary)		EPS		CAPMF	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
log(Other Laws)	0.222*** (0.010)	0.312*** (0.021)	0.170*** (0.004)	0.270*** (0.017)				
Avg. Other Stringency					0.961*** (0.064)	0.247 (0.189)	1.01*** (0.033)	0.760*** (0.058)
Observations	7,000	7,000	7,000	7,000	1,200	1,200	1,650	1,650
R <sup>2</sup>	0.244	0.246	0.258	0.262	0.415	0.426	0.802	0.804
Adjusted R <sup>2</sup>	0.244	0.246	0.258	0.261	0.414	0.425	0.801	0.804
DV Mean	0.391	0.391	0.335	0.335	1.78	1.78	2.19	2.19
Year trends		✓		✓		✓		✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table A.2: Effects of Previous Law and Policy Stringency on Climate Policymaking (without Country Fixed Effects)

## Climate Laws

In the main text, I employ country  $\times$  year time trends to capture the effects of potential secular increases in the demand for climate policy. Table A.3 shows that results are robust to different types of time trends. Specifically, I estimate linear, quadratic, and cubic yearly time trends. I also estimate year random effects.

	Laws (Count)			Laws (Binary)		
	(1)	(2)	(3)	(4)	(5)	(6)
log(Other Laws)	0.325*** (0.021)	0.395*** (0.023)	0.183*** (0.027)	0.277*** (0.017)	0.289*** (0.017)	0.099*** (0.020)
Observations	7,000	7,000	7,000	7,000	7,000	7,000
R <sup>2</sup>	0.396	0.402	0.416	0.347	0.347	0.368
Within R <sup>2</sup>	0.291	0.297	0.313	0.287	0.287	0.309
Country fixed effects	✓	✓	✓	✓	✓	✓
Time trends	Linear	Quadratic	Cubic	Linear	Quadratic	Cubic

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table A.3: Effects of Climate Laws with Alternate Time Trends

	Laws (Count)	Laws (Binary)
	(1)	(2)
(Intercept)	-0.676*** (0.122)	-0.444*** (0.087)
log(Other Laws)	0.220*** (0.019)	0.169*** (0.013)
Country fixed effects	✓	✓
AIC	10554.762	7261.595
BIC	11946.056	8652.889
Log Likelihood	-5074.381	-3427.797
Num. obs.	7000	7000
Num. groups: year	35	35
Var: year (Intercept)	0.025	0.011
Var: Residual	0.231	0.142

*p*-values: \*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; \* $p < 0.05$

Table A.4: Effects of Climate Laws with Year Random Effects

While the results between other nations' laws and the tendency to adopt laws should be treated as descriptive or correlational, I also estimate these models with the inclusion of some time-varying controls. These control variables are meant to parse time-varying variation away from nations' climate policymaking behavior. Specifically, I estimate the revised model

$$\text{Laws}_{i,t} = \beta \log(\text{Other Laws}_{-i,t-1}) + X'_{i,t-1}\gamma + \alpha_i + \lambda_{i,t} + \varepsilon_{i,t},$$

where the term  $X'_{i,t-1}\gamma$  captures these controls. I include a lagged dependent variable, GDP per capita, population, and a country's growth rate (all from the World Bank), and the size of a country's winning coalition to proxy for regime type ([Bueno de Mesquita and Smith 2022](#)). Results are shown in Table A.5.

	Laws (Count)		Laws (Binary)	
	(1)	(2)	(3)	(4)
log(Other Laws)	0.246*** (0.017)	0.007 (0.030)	0.180*** (0.012)	0.078*** (0.025)
Observations	5,075	5,075	5,075	5,075
R <sup>2</sup>	0.466	0.521	0.389	0.418
Within R <sup>2</sup>	0.393	0.456	0.342	0.373
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Controls	✓	✓	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table A.5: Effects of Climate Laws with Controls

We may be worried that only richer countries or only countries that are emissions-intensive need to pass laws. Tables A.6 and A.7 weight results by countries' GDP per capita and emissions per capita.

	Laws (Count)		Laws (Binary)	
	(1)	(2)	(3)	(4)
log(Other Laws)	0.266*** (0.011)	-0.0002 (0.030)	0.195*** (0.004)	0.085*** (0.025)
Observations	5,863	5,863	5,863	5,863
R <sup>2</sup>	0.432	0.526	0.381	0.413
Within R <sup>2</sup>	0.342	0.451	0.329	0.363
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Weights	GDP per capita	GDP per capita	GDP per capita	GDP per capita
<i>p</i> -values: *** $p < 0.01$ , ** $p < 0.05$ , * $p < 0.1$				
Robust standard errors clustered at the country level				

Table A.6: Effects of Climate Laws (Weighted by GDP per capita)

	Laws (Count)		Laws (Binary)	
	(1)	(2)	(3)	(4)
log(Other Laws)	0.226*** (0.021)	0.271*** (0.031)	0.161*** (0.011)	0.240*** (0.029)
Observations	6,545	6,545	6,545	6,545
R <sup>2</sup>	0.397	0.500	0.338	0.383
Within R <sup>2</sup>	0.279	0.402	0.257	0.308
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Weights	GHG per capita	GHG per capita	GHG per capita	GHG per capita
<i>p</i> -values: *** $p < 0.01$ , ** $p < 0.05$ , * $p < 0.1$				
Robust standard errors clustered at the country level				

Table A.7: Effects of Climate Laws (Weighted by Emissions per capita)

## Policy Stringency

Figures A.1 and A.2 plot the raw data of each country's EPS and CAPMF score (solid line) as well as the average stringency of all other countries (dashed line) over time. It is evident that for almost all countries, stringency is increasing over time and is positively correlated with the actions of others.

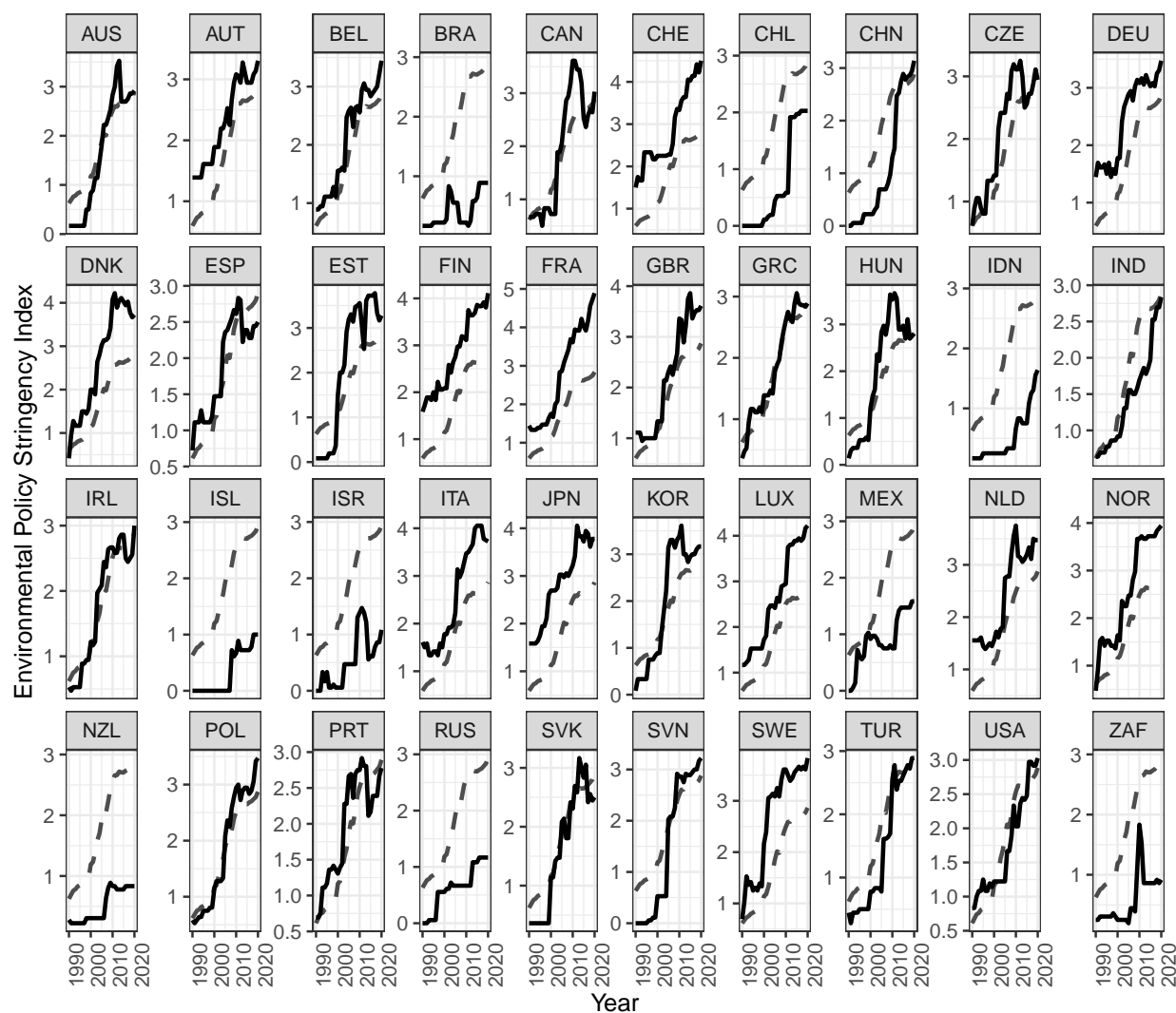


Figure A.1: Environmental Policy Stringency 1990-2020

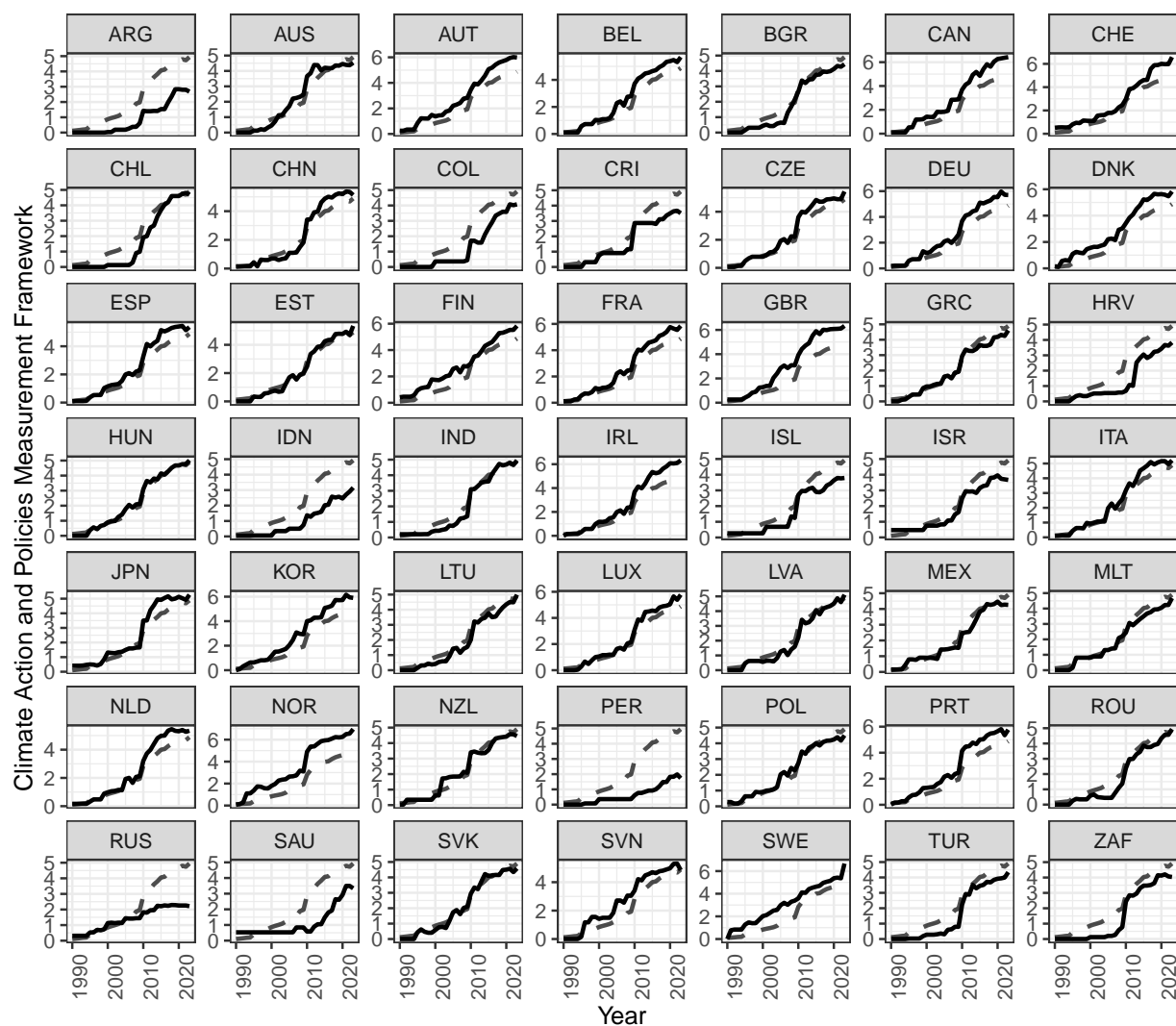


Figure A.2: Climate Action Policy Mitigation Framework 1990-2023

In the main text, I employ country  $\times$  year time trends to capture the effects of potential secular increases in the demand for climate policy. Table A.8 shows that results are robust to different types of time trends. Specifically, I estimate linear, quadratic, and cubic yearly time trends. I also estimate year random effects.

	EPS			CAPMF		
	(1)	(2)	(3)	(4)	(5)	(6)
Average Other Stringency	0.788*** (0.132)	0.770*** (0.126)	-0.005 (0.206)	0.819*** (0.054)	0.854*** (0.067)	0.625*** (0.062)
Observations	1,200	1,200	1,200	1,650	1,650	1,650
R <sup>2</sup>	0.874	0.875	0.878	0.931	0.931	0.933
Within R <sup>2</sup>	0.776	0.778	0.783	0.922	0.922	0.924
Country fixed effects	✓	✓	✓	✓	✓	✓
Time trends	Linear	Quadratic	Cubic	Linear	Quadratic	Cubic

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table A.8: Effects of Policy Stringency with Alternate Time Trends

	EPS	CAPMF
	(1)	(2)
(Intercept)	-0.019 (0.084)	-1.206*** (0.096)
Average Other Stringency	0.985*** (0.017)	1.002*** (0.018)
Country fixed effects	✓	✓
AIC	1565.220	2499.583
BIC	1784.093	2786.235
Log Likelihood	-739.610	-1196.791
Num. obs.	1200	1650
Num. groups: year	30	33
Var: year (Intercept)	0.001	0.026
Var: Residual	0.185	0.225

*p*-values: \*\*\* $p < 0.001$ ; \*\* $p < 0.01$ ; \* $p < 0.05$

Table A.9: Effects of Policy Stringency with Year Random Effects

While the results between other nations' stringency and the country  $i$ 's policy stringency should be treated as descriptive or correlational, I also estimate these models with the inclusion of some time-varying controls. These control variables are meant to parse time-varying variation away from nations' climate policymaking behavior. Specifically, I estimate the revised model

$$\text{Stringency}_{i,t} = \beta \text{Average Stringency}_{-i,t-1} + X'_{i,t-1}\gamma + \alpha_i + \lambda_{i,t} + \varepsilon_{i,t},$$

where the term  $X'_{i,t-1}\gamma$  captures these controls. I include a lagged dependent variable, GDP per capita, population, and a country's growth rate (all from the World Bank), and the size of a country's winning coalition to proxy for regime type ([Bueno de Mesquita and Smith 2022](#)). Results are shown in Table A.10.

	EPS		CAPMF	
	(1)	(2)	(3)	(4)
Average Other Stringency	0.102*** (0.026)	0.147*** (0.054)	0.080*** (0.025)	0.110*** (0.030)
Observations	1,165	1,165	1,469	1,469
R <sup>2</sup>	0.969	0.971	0.980	0.982
Within R <sup>2</sup>	0.943	0.947	0.976	0.979
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Controls	✓	✓	✓	✓

$p$ -values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table A.10: Effects of Policy Stringency with Controls



We may be worried that only richer countries or only countries that are emissions-intensive have greater policy stringency. Tables A.11 and A.12 weight results by countries' GDP per capita and emissions per capita.

	EPS		CAPMF	
	(1)	(2)	(3)	(4)
Average Other Stringency	0.989*** (0.057)	0.897*** (0.131)	1.02*** (0.033)	0.827*** (0.055)
Observations	1,170	1,170	1,523	1,523
R <sup>2</sup>	0.880	0.933	0.929	0.971
Within R <sup>2</sup>	0.784	0.880	0.919	0.966
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Weights	GDP per capita	GDP per capita	GDP per capita	GDP per capita

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table A.11: Effects of Policy Stringency (Weighted by GDP per capita)

	EPS		CAPMF	
	(1)	(2)	(3)	(4)
Average Other Stringency	1.01*** (0.064)	0.934*** (0.131)	1.03*** (0.035)	0.818*** (0.052)
Observations	1,200	1,200	1,617	1,617
R <sup>2</sup>	0.870	0.933	0.929	0.971
Within R <sup>2</sup>	0.781	0.887	0.921	0.968
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓
Weights	GHG per capita	GHG per capita	GHG per capita	GHG per capita

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the country level

Table A.12: Effects of Policy Stringency (Weighted by Emissions per capita)

Table A.13 shows robustness to measuring the behavior of other nations at the median rather than the average policy stringency, which eases concerns about extreme values.

	EPS		CAPMF	
	(1)	(2)	(3)	(4)
Median Stringency	0.845*** (0.052)	0.608*** (0.105)	0.975*** (0.032)	0.845*** (0.051)
Observations	1,200	1,200	1,650	1,650
R <sup>2</sup>	0.874	0.935	0.930	0.971
Within R <sup>2</sup>	0.777	0.885	0.920	0.967
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table A.13: Effects of Median Policy Stringency

Table A.14 re-estimates the results in the main text but excludes the influences of China.

	EPS		CAPMF	
	(1)	(2)	(3)	(4)
Average Other Stringency	0.984*** (0.063)	0.873*** (0.135)	1.01*** (0.033)	0.836*** (0.053)
Observations	1,170	1,170	1,617	1,617
R <sup>2</sup>	0.875	0.936	0.929	0.972
Within R <sup>2</sup>	0.775	0.886	0.919	0.968
Country fixed effects	✓	✓	✓	✓
Country × Year trends		✓		✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the country level

Table A.14: Effects of Policy Stringency Excluding China

## B.2 U.S. Presidential Elections

Table A.15 estimates the RD effect of U.S. elections without country fixed effects.

	Trump (2016)		Biden (2020)	
	(1)	(2)	(3)	(4)
RD Election Effect	-0.009 (0.017)	-0.020 (0.019)	0.067*** (0.022)	0.070*** (0.020)
DV	Count	Binary	Count	Binary
Bandwidth (days)	810.142	782.037	1616.285	1504.298
Effective Observations	10547	10149	20497	19701

Table A.15: RD Estimates without Country Fixed Effects

The RD specification in the main text does not adjust for any other temporal shocks. Tables A.16 and A.17 control for country-month time trends and month fixed effects, respectively. These terms capture factors like signing of international agreements, the onset of global pandemic, or other time shocks that correlated with the adoption of climate laws around the election.

	Trump (2016)		Biden (2020)	
	(1)	(2)	(3)	(4)
RD Election Effect	-0.014 (0.017)	-0.025 (0.019)	0.065*** (0.022)	0.066*** (0.020)
DV	Count	Binary	Count	Binary
Country fixed effects	✓	✓	✓	✓
Country $\times$ Month time trends	✓	✓	✓	✓
Bandwidth (days)	829.619	824.242	1610.132	1510.144
Effective Observations	10746	10746	20298	19701

Table A.16: RD Estimates with Country-Month Time Trends

	Trump (2016)		Biden (2020)	
	(1)	(2)	(3)	(4)
RD Election Effect	-0.014 (0.017)	-0.025 (0.019)	0.065*** (0.022)	0.066*** (0.020)
DV	Count	Binary	Count	Binary
Country fixed effects	✓	✓	✓	✓
Month fixed effects	✓	✓	✓	✓
Bandwidth (days)	829.619	824.242	1610.132	1510.144
Effective Observations	10746	10746	20298	19701

Table A.17: RD Estimates with Month Fixed Effects

Figures A.3 and A.4 serve as placebo tests for the RD effects that vary the cutoff in the running variable. I look at the 90 day period around each election. The estimate highlighted in red is the actual estimate.

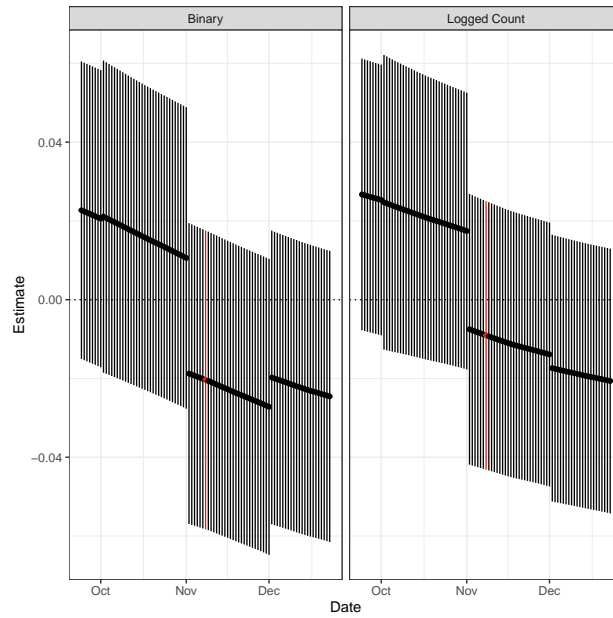


Figure A.3: RD Placebo Test (Trump)

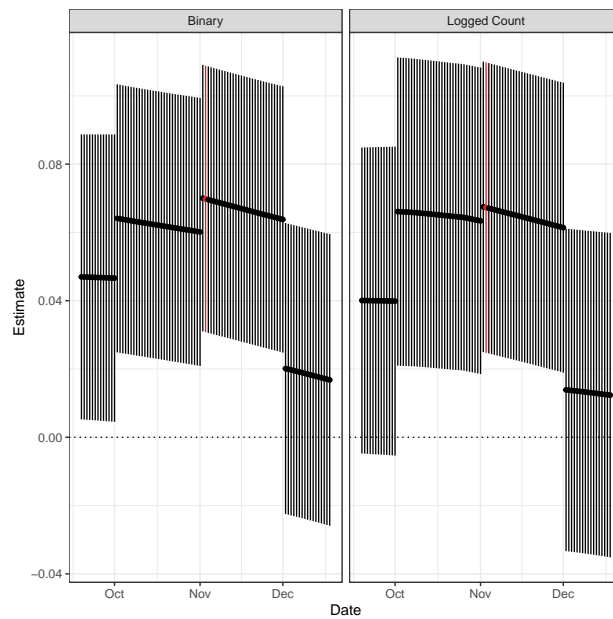


Figure A.4: RD Placebo Test (Biden)

The elections of 2008 and 2012 in which Barack Obama was elected and reelected to the U.S. presidency also provide evidence of complementarities in climate policy adoption. Figure A.5 shows the RD plots and Table A.18 confirms the positive local treatment effect of climate policy adoption around Obama's elections.

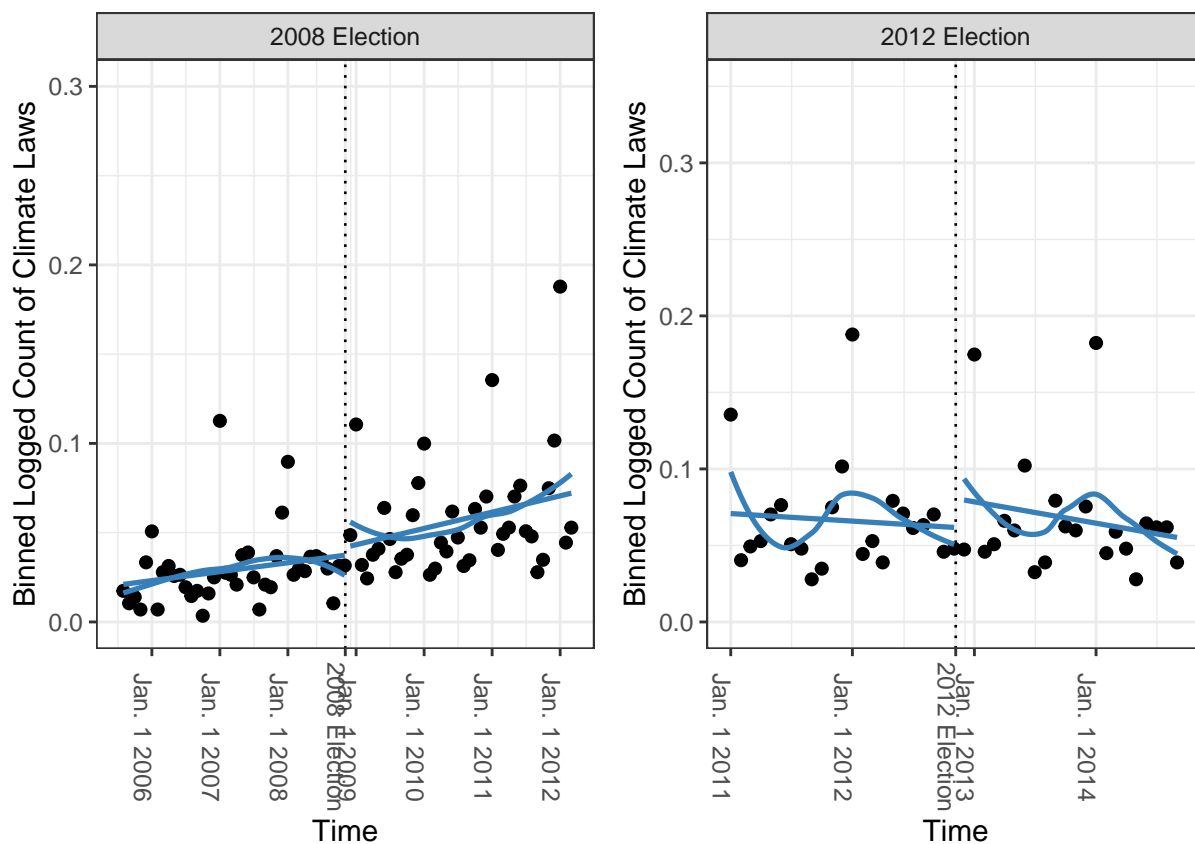


Figure A.5: RD Plots for 2008 and 2012 Elections

	Obama (2008)		Obama (2012)	
	(1)	(2)	(3)	(4)
RD Election Effect	0.015 (0.009)	0.015 (0.010)	0.025* (0.013)	0.034** (0.015)
DV	Count	Binary	Count	Binary
DV Mean	0.043	0.053	0.067	0.081
Bandwidth	1214.288	1297.451	678.854	699.373
Effective Observations	15920	16915	8955	9154

Table A.18: RD Estimates for 2008 and 2012 Elections

### B.3 Implications of the Learning Mechanism

Using the mass beliefs, I examine the mean and variance over time on how respondents assess the seriousness of climate change. This exercise allows us to examine belief dynamics: if countries are learning, then the variance in respondents' beliefs should decrease, and the average seriousness of climate change should converge to the truth.<sup>1</sup> In Figure A.6, pooled means and variances over time are in red while country-specific trends are in grey. The top panels of the figure show that over time, there is a slight increase in the average seriousness rating that respondents assign to the problem of climate change. In the bottom panels of the figure, the variances across respondents are fairly constant in Europe, but the variance is slightly decreasing in Latin America.

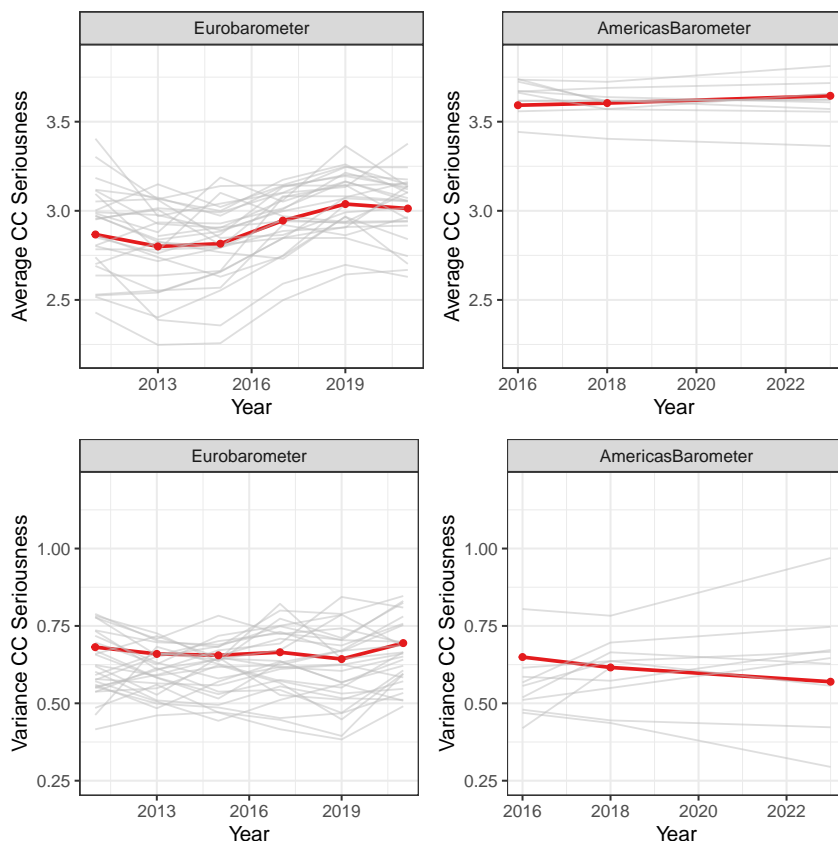


Figure A.6: Mass Belief Means and Variances of Climate Change Seriousness

The results in Table 3 are robust to the exclusion of year fixed effects, as shown below

<sup>1</sup>This extrapolates slightly from the model since the theory does not generate results about convergence—although the model does imply full information transition from country 1 to country 2, so if this game were repeated across more countries then beliefs should converge on the true value of  $\theta$ —but over time we should observe a convergence of average seriousness to the truth as well as a decline in variance of beliefs. The dynamic model developed in Appendix C does however produce results about belief convergence that are consistent with the results in Figure A.6.

in Table A.19.

	CAPMF			
	(1)	(2)	(3)	(4)
CC Serious Problem	0.024*** (0.005)	0.003** (0.001)	0.803*** (0.099)	0.199** (0.082)
Observations	172,946	172,946	168	168
R <sup>2</sup>	0.709	0.968	0.755	0.965
Within R <sup>2</sup>	0.009	0.002	0.304	0.090
DV Mean	4.38	4.38	2.19	2.19
Number of Countries	31	31	31	31
Country fixed effects	✓	✓	✓	✓
Year fixed effects		✓		✓
<p><i>p</i>-values: *** <math>p &lt; 0.01</math>, ** <math>p &lt; 0.05</math>, * <math>p &lt; 0.1</math>  Robust standard errors clustered at the country level</p>				

Table A.19: Mass Beliefs and Climate Policy Stringency (with and without Year fixed effects)



Tables A.20 and A.21 disaggregate the elite belief results by climate negotiators and climate scientists. Both groups are optimistic about the ambition of countries' climate commitments although scientists' beliefs are more strongly correlated with nations' future mitigation measures. Turning to confidence in NDC fulfillment, this relationship appears to be driven by climate negotiators rather than scientists; scientist confidence in commitment fulfillment is still positively correlated with policy stringency although weakly so, and this correlation fails to reach conventional levels of statistical significance.

	Stringency <sub>2021</sub>		Stringency <sub>2022</sub>		Stringency <sub>2023</sub>	
	(1)	(2)	(3)	(4)	(5)	(6)
Belief NDC Ambitious	0.020** (0.010)		0.018* (0.009)		0.020** (0.010)	
Belief NDC Fulfilled		0.016** (0.007)		0.015** (0.007)		0.021*** (0.007)
Observations	3,008	3,069	3,008	3,069	3,008	3,069
R <sup>2</sup>	0.922	0.932	0.925	0.934	0.924	0.933
Within R <sup>2</sup>	0.003	0.002	0.003	0.002	0.003	0.004
Respondent fixed effects	✓	✓	✓	✓	✓	✓
Belief Country fixed effects	✓	✓	✓	✓	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$   
Robust standard errors clustered at the respondent level

Table A.20: Elite Beliefs and Climate Policy Stringency: Negotiators

	Stringency <sub>2021</sub>		Stringency <sub>2022</sub>		Stringency <sub>2023</sub>	
	(1)	(2)	(3)	(4)	(5)	(6)
Belief NDC Ambitious	0.042*** (0.015)		0.037** (0.014)		0.045*** (0.016)	
Belief NDC Fulfilled		0.009 (0.010)		0.007 (0.009)		0.011 (0.010)
Observations	1,060	1,224	1,060	1,224	1,060	1,224
R <sup>2</sup>	0.950	0.950	0.947	0.947	0.941	0.941
Within R <sup>2</sup>	0.019	0.0009	0.015	0.0006	0.018	0.001
Respondent fixed effects	✓	✓	✓	✓	✓	✓
Belief Country fixed effects	✓	✓	✓	✓	✓	✓

*p*-values: \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Robust standard errors clustered at the respondent level

Table A.21: Elite Beliefs and Climate Policy Stringency: Scientists

## C Alternative Model with $n > 2$ Countries

The model in the main text assumes a two-country interaction. The theoretical purchase of this approach was that it allowed for a parsimonious study of forward-looking incentives to exert effort or not. In this section, I describe a model that features  $n > 2$  countries but remove this strategic interdependence. Similar to observational learning models (Banerjee 1992; Bikhchandani, Hirshleifer and Welch 1992; Smith and Sørensen 2000), countries are only backward-looking in their valuation of contributions to global effort.

### C.1 Model Setup

Consider sequential climate policymaking between  $n$  countries indexed by  $i = 1, \dots, n$  who decide whether to pursue climate reforms  $a_i = 1$  or not  $a_i = 0$ . The action  $a_i = 1$  represents climate reforms or policies instituted to facilitate a green transition in country  $i$ , while  $a_i = 0$  represents maintaining the status quo. These countries take actions in a fixed order and can observe the choices of all countries before them.

Countries' payoffs to climate reform depend on two uncertain elements: the global benefit to a green transition and the private domestic cost of implementing reforms. The global benefit to a green transition is a binary state variable  $\theta \in \{0, 1\}$ . No country knows the true realization of  $\theta$ —whether or not the green transition pays off or will be “successful” is unknown—but share the common prior  $P(\theta = 1) = \pi \in (0, 1)$ . If a country does not take climate action, it receives a payoff of zero. By taking climate action, country  $i$  receives a benefit normalized to 1 only if  $\theta = 1$ : this captures the idea that countries only want to pursue climate reforms if it is appropriate to do so or if the green transition is sufficiently likely to be successful.

While the benefits of a green transition are state dependent, their costs are not: choosing  $a_i = 1$  comes at a cost  $c_i \sim U[0, 1]$ . These costs represent the domestic political feasibility of the green transition. Country  $i$ 's costs of implementation are privately known, drawn independently for each country, and are independent of  $\theta$ .

There are two information sources that countries have at their disposal when determining whether to implement climate policy. The first is the history of observed actions,  $h_i = (a_1, \dots, a_{i-1})$ . Countries learn about the suitability of green policy  $\theta$  through the behavior of others. They also receive conditionally independent private signals, which, along with the prior, generate private beliefs  $p_i \in [0, 1]$ . I work with these beliefs rather than signals and the prior  $\pi$  directly ( $p_i$  is a sufficient statistic). These beliefs are not publicly known, but insofar as they translate into actions they may partially inferred. Let the cumulative distribution function of a private belief  $p$  in state  $\theta$  be  $F(p|\theta)$  with density  $f(p|\theta)$  such that  $F(p|1) < F(p|0)$ .<sup>2</sup>

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<sup>2</sup>By Bayes's Rule, the state-conditional densities  $f(p|\theta)$  satisfy  $p = \frac{\pi f(p|1)}{f(p)}$  and  $1 - p = \frac{(1-\pi)f(p|0)}{f(p)}$  with  $f(p) = \pi f(p|1) + (1 - \pi)f(p|0)$ . Then  $\frac{f(p|1)}{f(p|0)} = \frac{p}{1-p} \frac{1-\pi}{\pi}$ ; this stochastic ordering implies that the conditional distributions are mutually absolutely continuous, share the same support, and that  $F(p|1) < F(p|0)$  for all private beliefs strictly inside the support.

Given some history of countries' climate policies  $h_i$ , define the public belief  $P(\theta = 1|h_i)$  as the informational content about the suitability of the green transition. There is an associated public likelihood ratio  $\ell_i = \frac{1-P(\theta=1|h_i)}{P(\theta=1|h_i)}$  such that lower values of  $\ell_i$  imply a greater likelihood that  $\theta = 1$ , or that a green transition would be successful.

The climate problem is often described as one of strategic substitutes because it is nationally costly to exert effort to address climate change despite that this effort provides a global benefit. To capture this tension, I introduce *collective action penalties*, which are action-specific, history-dependent costs (Eyster et al. 2014). It becomes more costly to pursue climate reform if many other countries have done so already. In reduced form, these penalties capture the strategic substitutability of climate actions across countries present in other models. Denote collective actions penalties as  $z(h_i)$  (and suppress dependence on  $h_i$  where it is not confusing). This function is increasing in the number of countries who have already taken climate action, or  $\sum h_i$ . For simplicity, assume the penalty is bounded,  $z_i \in [0, 1]$ ; since the domestic costs  $c_i$  are on the same scale, there is no explicit assumption as to whether implementation costs are greater than collective action penalties. As an example, consider a linearly proportional cost function for any country  $i \geq 2$  (with  $z_1 = 0$ ),

$$z_i = \frac{\sum h_i}{i - 1}.$$

In countries' payoffs I scale these externalities by  $k > 0$  in order to parameterize the extent to which countries weigh potential complementarities (generated by information about  $\theta$ ) and potential substitutes (generated by collective action penalties). This parameter can be thought of as scaling the extent to which countries internalize free-riding concerns; larger  $k$  implies stronger free-riding incentives as collective action penalties are weighted more heavily.

Given this setup, country  $i$ 's payoff can be written as

$$u_i(a_i, h_i, \theta; c_i) = a_i(\theta - c_i - kz(h_i)).$$

A strategy for country  $i$  is a choice to implement climate reforms or not,  $a_i \in \{0, 1\}$ , given the choices of other prior-moving countries contained in history  $h_i$ , and its type  $(p_i, c_i)$ , comprised of its private belief about  $\theta$  and its domestic costs of implementing green policy. I examine weak perfect Bayesian equilibria and derive all posterior beliefs via Bayes's Rule.

## C.2 Results and Proofs

Fix a history  $h_i = (a_1, \dots, a_{i-1})$  of past climate policy adoption decisions that induce a public likelihood ratio  $\ell_i$  and potential collective action penalties  $z_i$ . Given  $\ell_i$  and the private belief  $p_i$ , country  $i$  can make an assessment about the appropriateness of climate policy,  $i$ 's posterior belief that  $\theta = 1$  is defined as

$$\mu_i = P(\theta = 1|p_i, \ell_i) = \frac{p_i}{p_i + (1 - p_i)\ell_i}.$$

Then, country  $i$  prefers to implement climate reforms if and only if

$$\begin{aligned}
\mu_i - c_i - kz_i &\geq 0 \\
\Leftrightarrow \mu_i &\geq c_i + kz_i \\
\Leftrightarrow p_i &\geq \frac{\ell_i(c_i + kz_i)}{1 - (c_i + kz_i) + \ell_i(c_i + kz_i)} \equiv \tilde{p}(c_i, \ell_i).
\end{aligned}$$

Country  $i$  pursues climate action if and only if their private belief about a successful green transition is sufficiently high, given the domestic political costs of implementing climate reforms and the potential collective action penalties. If  $\tilde{p}(c_i, \ell_i) > 1$ , then  $i$  never takes climate action regardless of the value of  $p_i$ , which occurs whenever  $c_i > 1 - kz_i \equiv \bar{c}_i$ . Intuitively, if the domestic costs of implementing climate policy are prohibitively high, it does not matter how optimistic  $i$  is about the green transition, implementing green policy is not domestically feasible. Then, for any  $c_i \in [0, \bar{c}_i]$ ,  $i$  pursues climate action if and only if  $p_i > \tilde{p}(c_i, \ell_i)$ , which occurs with probability  $1 - F(\tilde{p}(c_i, \ell_i)|\theta)$ .

**Lemma A.1.** *The threshold  $\tilde{p}(c_i, \ell_i)$  is:*

- *increasing in the public likelihood ratio  $\ell_i$ ;*
- *increasing in domestic implementation costs  $c_i$ ;*
- *increasing in collective action penalties  $z_i$ ;*
- *increasing in the strength of free-riding incentives  $k$ .*

*Proof of Lemma A.1.*

$$\begin{aligned}
\frac{\partial \tilde{p}(c_i, \ell_i)}{\partial \ell_i} &= \frac{(1 - c_i - kz_i)(c_i + kz_i)}{(1 - (c_i + kz_i) + \ell_i(c_i + kz_i))^2} \geq 0. \\
\frac{\partial \tilde{p}(c_i, \ell_i)}{\partial c_i} &= \frac{\ell_i}{(1 - (c_i + kz_i) + \ell_i(c_i + kz_i))^2} \geq 0. \\
\frac{\partial \tilde{p}(c_i, \ell_i)}{\partial z_i} &= \frac{k\ell_i}{(1 - (c_i + kz_i) + \ell_i(c_i + kz_i))^2} \geq 0. \\
\frac{\partial \tilde{p}(c_i, \ell_i)}{\partial k} &= \frac{\ell_i z_i}{(1 - (c_i + kz_i) + \ell_i(c_i + kz_i))^2} \geq 0.
\end{aligned}$$

□

**Proposition A.1.** *Let  $\alpha^*(a_i|\ell_i, \theta)$  be the probability that country  $i$  takes climate action  $a_i$  in state  $\theta$ . Then*

$$\alpha^*(1|\ell_i, \theta) = \int_0^{\bar{c}_i} 1 - F(\tilde{p}(c_i, \ell_i)|\theta) dc_i = 1 - \alpha^*(0|\ell_i, \theta).$$

*Proof of Proposition A.1.* Immediate from text.  $\square$

**Corollary A.1.** *Climate policy is informative about  $\theta$ . The probability of climate action is greater when  $\theta = 1$  versus  $\theta = 0$ :  $\alpha^*(1, \ell_i, 1) > \alpha^*(1, \ell_i, 0)$ . The probability of climate inaction is greater when  $\theta = 0$  versus  $\theta = 1$ :  $\alpha^*(0, \ell_i, 1) < \alpha^*(0, \ell_i, 0)$ .*

*Proof of Corollary A.1.*

$$\begin{aligned} \alpha^*(1|\ell_i, 1) - \alpha^*(1|\ell_i, 0) &= \left( \int_0^{\bar{c}_i} 1 - F(\tilde{p}(c_i, \ell_i)|1) \, dc_i \right) - \left( \int_0^{\bar{c}_i} 1 - F(\tilde{p}(c_i, \ell_i)|0) \, dc_i \right) \\ &= \int_0^{\bar{c}_i} F(\tilde{p}(c_i, \ell_i)|0) - F(\tilde{p}(c_i, \ell_i)|1) \, dc_i > 0, \end{aligned}$$

where the result follows from the stochastic ordering of private beliefs.  $\square$

**Corollary A.2.** *The probability of climate action is increasing in the public optimism about a successful green transition,  $\frac{d\alpha^*(1|\ell_i, \theta)}{d\ell_i} \leq 0$ .*

*Proof of Corollary A.2.* Differentiating with respect to  $\ell_i$  yields

$$\frac{d\alpha^*(1|\ell_i, \theta)}{d\ell_i} = - \int_0^{\bar{c}_i} f(\tilde{p}(c_i, \ell_i)|\theta) \frac{\partial \tilde{p}_i}{\partial \ell_i} \, dc_i \leq 0.$$

$\square$

**Corollary A.3.** *The probability of climate action is decreasing in collective action penalties,  $\frac{d\alpha^*(1|\ell_i, \theta)}{dz_i} \leq 0$ .*

*Proof of Corollary A.3.* By the Leibniz integral rule, differentiating with respect to  $z_i$  yields

$$\begin{aligned} \frac{d\alpha^*(1|\ell_i, \theta)}{dz_i} &= \frac{\partial \bar{c}_i}{\partial z_i} - F(\tilde{p}(\bar{c}_i, \ell_i)|\theta) \frac{\partial \bar{c}_i}{\partial z_i} - \int_0^{\bar{c}_i} f(\tilde{p}(c_i, \ell_i)|\theta) \frac{\partial \tilde{p}(c_i, \ell_i)}{\partial z_i} \, dc_i \\ &= - \int_0^{\bar{c}_i} f(\tilde{p}(c_i, \ell_i)|\theta) \frac{\partial \tilde{p}(c_i, \ell_i)}{\partial z_i} \, dc_i \leq 0. \end{aligned}$$

where the first two terms simplify because  $\tilde{p}(\bar{c}_i, \ell_i) = 1$ .  $\square$

Corollary A.2 states that more optimistic public beliefs about a successful green transition begets more climate action. That is, these beliefs endogenously generate *complementarities* in countries' climate actions. Conversely, increased collective action penalties—which arise because more countries have already pursued climate policies—depress subsequent climate action, as stated in Corollary A.3. The actions of prior movers induce *substitution* in the behavior of later policymakers.

Which factor dominates? Under what conditions are countries' actions strategic complements or strategic substitutes in equilibrium? To conceptualize this, I consider the ratio of the marginal effects of public beliefs and collective action penalties. Define  $\rho(\ell_i, z_i|\theta)$  as

$$\rho(\ell_i, z_i|\theta) = \frac{d\alpha^*(1|\ell_i, \theta)}{d\ell_i} \bigg/ \frac{d\alpha^*(1|\ell_i, \theta)}{dz_i}.$$

The magnitude of  $\rho(\ell_i, z_i|\theta)$  is always positive, but we can think about which factor dominates—strategic complementarities that stem from increased public beliefs or strategic substitutes from collective action penalties—based on where it is greater than or less than 1. If  $\rho(\ell_i, z_i|\theta) > 1$ , then, all else equal, varying public beliefs has a larger effect on the equilibrium probability of climate action than does varying collective action penalties. In this case, we can say that the net effect of other countries' behavior generates complementarities for country  $i$ . By contrast, when  $\rho(\ell_i, z_i|\theta) < 1$ , then the incentives to free ride swamp the potential benefits from climate policy investment.

**Proposition A.2.** *Complementarity effects dominate when free-riding incentives are small, and substitution effects dominate when free-riding incentives are large: there exists a threshold  $\bar{k}_i$  such that if  $k < \bar{k}_i$  then  $\rho(\ell_i, z_i|\theta) > 1$ .*

*Proof of Proposition A.2.* It follows that

$$\rho(\ell_i, z_i|\theta) > 1 \Leftrightarrow \int_0^{\bar{c}_i} f(\tilde{p}(c_i, \ell_i)|\theta) \frac{\partial \tilde{p}_i}{\partial \ell_i} dc_i > \int_0^{\bar{c}_i} f(\tilde{p}(c_i, \ell_i)|\theta) \frac{\partial \tilde{p}(c_i, \ell_i)}{\partial z_i} dc_i.$$

Define  $Q(k) = (1 - (c_i + kz_i) + \ell_i(c_i + kz_i))^2 \geq 0$ , which is the denominator of the comparative statics on  $\tilde{p}(c_i, \ell_i)$ . Simplifying yields

$$\int_0^{\bar{c}_i} \frac{f(\tilde{p}(c_i, \ell_i)|\theta)}{Q(k)} \left( (1 - c_i - k_i)(c_i + kz_i) - k\ell_i \right) dc_i > 0.$$

Now note that for any  $k < \frac{1}{z_i}$ , the integral is well-defined (otherwise  $\bar{c}_i = 0$ ). Furthermore, for any  $k < \frac{1}{z_i}$ ,  $\frac{f(\tilde{p}(c_i, \ell_i)|\theta)}{Q(k)} \geq 0$  and we are integrating over a positive interval of the  $c_i$  space. So the integrand is negative if and only if

$$(1 - c_i - k_i)(c_i + kz_i) - k\ell_i < 0,$$

which simplifies to  $k > \frac{z_i - 2c_i z_i - \ell_i + \sqrt{\ell_i^2 - 2\ell_i z_i + 4c_i \ell_i z_i + z_i^2}}{2z_i^2} \equiv \bar{k}_i$ . Hence a sufficient condition for the integrand to be negative is if  $k > \bar{k}_i$  which implies that  $\rho(\ell_i, z_i|\theta) < 1$ .  $\square$

We can now use the model to think about the long-run dynamics of climate policy across countries based on the analysis in the previous subsection. We have shown that the decision

problem facing each country at the time of climate adoption is static, meaning history-relevant parameters such as  $\ell_i$  and  $z_i$  can be treated in reduced form, but now wish to trace the evolution of actions and beliefs across countries.

Since private signals are conditionally independent, the likelihood ratio updates such that

$$\ell_{i+1} = \varphi(a_i, \ell_i) = \ell_i \frac{\alpha^*(a_i|\ell_i, 0)}{\alpha^*(a_i|\ell_i, 1)}.$$

Observe that by Corollary A.1, relative to  $\ell_i$ ,  $\ell_{i+1}$  shrinks if  $a_i = 1$  but  $\ell_{i+1}$  grows if  $a_i = 0$ . The public belief becomes more or less optimistic depending on the previous action  $a_i$ , which in turn informs the decision to enact climate policy in the subsequent period. Then, given the updated public belief and any additional collective action penalties, country  $i+1$  considers the tradeoff between implementing climate reforms and incurring domestic implementation costs and collective action penalties or free-riding, where climate policy occurs with probability  $\alpha^*(1|\ell_{i+1}, \theta)$ .

As is standard in the informational cascades and herding literature (e.g., [Smith and Sørensen 2000](#)), convergence results are stated conditioning on  $\theta = 1$ . This is also the more interesting case from a substantive perspective anyway, as this is where the tradeoff between the two mechanisms is present.

**Lemma A.2.** *Conditional on  $\theta = 1$ , the public likelihood ratio  $\langle \ell_i \rangle$  is a martingale.*

*Proof of Lemma A.2.* Recall that the public likelihood ratio updates according to

$$\ell_{i+1} = \ell_i \frac{\alpha^*(a_i|\ell_i, 0)}{\alpha^*(a_i|\ell_i, 1)},$$

by the conditional independence of signals. Taking expectations yields

$$\begin{aligned} E[\ell_{i+1}|\ell_1, \dots, \ell_i, \theta = 1] &= \sum_{a \in \{0,1\}} \alpha^*(a|\ell_i, 1) \ell_i \frac{\alpha^*(a|\ell_i, 0)}{\alpha^*(a|\ell_i, 1)} \\ &= \ell_i \sum_{a \in \{0,1\}} \alpha^*(a|\ell_i, 0) \\ &= \ell_i. \end{aligned}$$

□

**Proposition A.3.** *In the limit, countries learn whether the green transition will be successful: public beliefs converge to the true state of the world almost surely.*

*Proof of Proposition A.3.* Without loss of generality condition on state  $\theta = 1$ . Since  $\langle \ell_i \rangle$  is a martingale and all values are nonnegative, it converges almost surely to a random variable  $\ell_\infty = \lim_{i \rightarrow \infty} \ell_i$  with support  $[0, \infty)$  by the Martingale Convergence Theorem ([Doob 1953](#)).



This rules out nonstationary limit beliefs. Since private beliefs  $p_i$  are unbounded within  $[0, 1]$ , then the only stationary finite likelihood ratio in state  $\theta = 1$  is 0, so  $\ell_\infty \rightarrow 0$  almost surely (Smith and Sørensen 2000, Theorem 1).  $\square$

**Proposition A.4.** *In the limit, countries take the correct action  $a_i = \theta$  if and only if  $c_i \leq \bar{c}_i$ .*

*Proof of Proposition A.4.* Recall that  $i$  chooses  $a_i = 0$  if  $c_i > \bar{c}_i$  for any private belief  $p_i$ , which occurs with probability  $P(c_i > \bar{c}_i) = kz_i$ . This probability is increasing in  $z_i$ , which increases in the number of countries that choose  $a_i = 1$ . Now suppose that  $\theta = 1$  and  $c_i \leq \bar{c}_i$  so  $i$  chooses  $a_i = 1$  iff  $p_i \geq \tilde{p}(c_i, \ell_i)$ . By Proposition A.3, the likelihood ratio converges almost surely to  $\ell_i \rightarrow 0$ . Then we have  $\lim_{\ell_i \rightarrow 0} \tilde{p}(c_i, \ell_i) = 0$ . Hence conditional on  $c_i < \bar{c}_i$ ,  $i$  chooses  $a_i = 1 = \theta$  for any private belief.

If countries are taking action on a measure zero subset,  $\bar{c}_j \rightarrow 0$  or  $k > \frac{1}{z_j}$  for some  $j \leq n$ , then countries pool on  $a_j = 0 \forall j, \dots, n$ .  $\square$

**Corollary A.4.** *Let  $z_i(h_i) = \frac{\sum_{i=1}^n h_i}{i-1}$ . The probability of climate action converges to  $\frac{1}{1+k}$ .*

*Proof of Corollary A.4.* Conditional on state  $\theta = 1$ , climate action occurs with probability  $\bar{c}_i$ , as  $\tilde{p}(c_i, \ell_i) \rightarrow 0$  as  $\ell_i \rightarrow 0$ . Moreover, given that  $z_i = \frac{\sum_{i=1}^n h_i}{i-1}$ , it is a linear proportional function of previous actions, so in the limit,  $z_i \rightarrow \alpha^*(1|\ell_i, \theta)$ . Then we have

$$\begin{aligned} \alpha^*(1|\ell_i, \theta) &= \bar{c}_i = 1 - kz_i \\ &= 1 - k\alpha^*(1|\ell_i, \theta) \\ \Leftrightarrow \alpha^*(1|\ell_i, \theta) &= \frac{1}{1+k}. \end{aligned}$$

$\square$

**Corollary A.5.** *In the limit,  $\rho(\ell_i, z_i|\theta) > 1$  if  $k < 1 - c_i$ .*

*Proof of Corollary A.5.* Per Proposition A.2, a sufficient condition for  $\rho(\ell_i, z_i|\theta) > 1$  is  $k < \bar{k}_i$  where  $\bar{k}_i = \frac{z_i - 2c_i z_i - \ell_i + \sqrt{\ell_i^2 - 2\ell_i z_i + 4c_i \ell_i z_i + z_i^2}}{2z_i^2}$ . Then in the long run,  $\lim_{\ell_i \rightarrow 0} \bar{k}_i = 1 - c_i$ .  $\square$