

Why oppose stringent environmental policies in a growing sustainable economy?^⁸

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February 19, 2026

Abstract

We apply an R&D-based growth model with a median voter to analyse whether detractors of stringent environmental regulations oppose environmental taxes, despite increasing sustainable development. Price shifting through environmental taxes increases firm profits and stimulates innovation. Labour transfer from production to innovation reduces pollution and creates economic growth, and vice versa. If inequality decreases household income, demand and firms' profits decrease. Median voters support environmental tax cuts under growing inequality (by asset income). Pollution or growth do not change because the effects are opposing. Under higher income inequality and abatement productivity, social welfare decline may explain resistance to environmental regulations.

Keywords: Inequality, median voter, environmental tax, economic growth, sustainable development.

JEL codes: D31, D72, O30, Q01, Q56.

^⁸ The author acknowledges financial support from the Early-Career Scientists from the Japan Society for the Promotion of Science no. 22K13409 (JSPS KAKENHI grant no. JP22K13409). The author is responsible for all errors in this paper.

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