

# Climate change beliefs and savings behavior: a macroeconomic perspective

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The uncertain nature of climate change leaves room for diverse beliefs and considerable disagreement. This paper investigates the transitional effects of climate beliefs on the macroeconomy through shifts in savings behavior. I incorporate climate damages into an incomplete-markets model with aggregate risk as a non-stationary shift in the stochastic process for productivity. Beliefs about the transitional effects of climate change may be both imperfect and heterogeneous across households. The anticipation of climate damages incentivizes savings and increases capital supply in the short-run, which attenuates output losses as climate change progresses. Crucially, I find that a higher level of capital disproportionately benefits asset-poor households, decreasing wealth inequality. The accumulation of capital is dampened by heterogeneity in beliefs due to downward pressure on asset returns in general equilibrium. To validate the model, I provide observational and causal evidence on a positive relationship between individual savings and climate change concerns from UK survey data.

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