



Indiana University
Workshop in Political Theory
and Policy Analysis

POLICY CURRENTS

NEWSLETTER OF THE PUBLIC POLICY SECTION
AMERICAN POLITICAL SCIENCE ASSOCIATION

Editor's Note

In the past year, *Policy Currents* has contained several articles relating to the impacts of federal welfare policies on low-income families, women, children, and others and discussing the prospects of additional reforms to the welfare system. A short update on the current status of the reauthorization of the welfare system is included in this issue of *Policy Currents*.

As you are well aware, much of the political and policy-related news over the last few months has been devoted to crooked dealing by top executives of major American corporations. What appeared to start as a story about Enron, quickly turned into a slew of stories about the way in which corporations record complex business transactions and about the possible complicity of some of our largest accounting firms in blessing the efforts of these corporations to obscure the true meaning of these transactions from shareholders and the public. It has become painfully clear that something is fundamentally wrong with our current regulatory system as it pertains to the accounting of business activities. Is the accounting industry incapable of regulating itself? Are new forms of regulation needed to ensure that the public

interest is protected in the accounting practices of corporations? If so, what conceptual frameworks are useful in interpreting policy failures and how should the current regulatory scheme be altered?

In this issue of *Policy Currents*, Matt Potoski and Aseem Prakash sketch the beginnings of a way to differentiate regulatory systems that rely heavily on voluntary compliance by business firms. The paper by Potoski and Prakash is specifically targeted to environmental regulation. But the theoretical point can be extended to other areas of business regulation. In particular, they identify several aspects of self-regulatory schemes that can affect the extent to which behaviors of business firms will be constrained in directions consistent with the preferences of interests outside the firms themselves.

As a reminder, the business session of the Public Policy Section is Friday, August 30, at 5:30 p.m. during the annual meeting of the APSA. Please consult the final program for the location of the business session. Also, please peruse the list of panels sponsored by the Public Policy Section at <http://www.apsanet.org/mtgs/program/divisions.cfm> and attend as many as possible. The greater the attendance at the panels, the more panels we will be allotted at future conferences.

I'll look forward to seeing you in Boston.

Cheers,

Ken Bickers

Editor, *Policy Currents*

Associate Director, Workshop in Political Theory and Policy Analysis, Indiana University

In this issue:

- Editor's Note – 1
- Association News – 2-5
- TANF Reauthorization Update – 5
- Announcements – 6-8
- "Protecting the Environment" by Matthew Potoski and Aseem Prakash – 9-14

Association News

Hochschild Selected as Perspectives Editor

The APSA Council has unanimously approved the selection of Jennifer Hochschild as the inaugural editor of APSA's new journal, *Perspectives on Politics*. A member of the faculty in both the government and Afro American studies departments at Harvard University, Hochschild's term will begin September 1, 2002, with the first issue published in early 2003. *Perspectives on Politics* is a new scholarly journal that will feature integrative and review essays, including those that cut across subfield boundaries and/or are policy oriented. For more information on the appointment, and Hochschild's vision for the journal, see: www.apsanet.org/new/hochschild.cfm

APSA Governance

The Council invites APSA members to join in an open and frank discussion of the process by which APSA nominates and selects its officers. A web site has been established for this discussion (<http://www.apsanet.org>), and a plenary discussion about it has been scheduled at the Annual Meeting.

The Election Review Committee, which had been named by then-President Jervis to consider these issues, presented its report at the Council meeting. This report is now available on the web site. Council discussion covered a wide range of issues relating to the merits of existing and alternative nomination and/or election procedures, including themes of transparency, democratic practice, suitability to the organization's purposes, and inclusion in the leadership of potentially underrepresented groups, including women and minorities. It was recognized that these themes in some instances pose legitimate but conflicting approaches to leadership selection. In the interest of stimulating discussion among the membership about these issues, the Council adopted the following statement:

"The APSA Council has received the report of the Election Review Committee, has taken no action upon it, and wishes to encourage a wide-ranging discussion among the membership about the issues and proposals raised in this report as well as in additional presentations submitted by colleagues in the Association. The Association will post various proposals and arguments on a clearly demarcated area of the APSA website. At the Annual Meeting in August 2002, the Association will sponsor a forum including colleagues with divergent views on governance reform issues, and encourage full discussion in sections, caucuses, regional and specialty associations, and departments. After learning from these discussions, the Council will give further consideration to specific reforms."

To allow time for discussion to occur at the Annual Conference, the Council framed the opportunities for comment and debate on this issue with the understanding that it would take no action on the issue of governance at its August 2002 meeting. The online forum for posting proposals and discussion on this issue is <http://www.apsanet.org>.

Additional Council Meeting Topics

Other topics of this Council meeting included an initiative advanced by President Robert Putnam to enhance the public presence of political science, ways to improve departmental policies on work/family issues, and proposals to inaugurate a mentoring program for women scholars early in their careers. President-elect Theda Skocpol also introduced plans to form an APSA Task Force on Graduate Education in Political Science. The Council applauded the Annual Conference co-chairs, W. Phillip Shively and Kathryn Sikkink, and the new editor of the *American Political Science Review*, Lee Sigelman, for their contributions to the Association.

Michael Brintnall, newly installed as APSA's Executive Director, will be glad to provide more detail about any of these Council activities. You can contact him at: brintnall@apsanet.org.

Countdown to the Centennial

With the arrival of the Association's centennial less than a year away, the Centennial Campaign is moving forward towards its goal of three millions dollars. Generosity from the membership has been strong, but as Michael Brintnall writes, "we have an opportunity to build a foundation for our discipline ... and pledge to this effort need not be large to be effective." For more details see www.apsanet.org/future/campaign.cfm.

Officer/Council Nominees Selected for 2002-03

The Association's 2002 Nominating Committee convened at the national office in February and agreed upon a slate of Officers and Council members to guide APSA for 2002-2003. Susanne Rudolph of the University of Chicago has been nominated President-Elect. For the full state and biographical statements on each candidate see: www.apsanet.org/new/slate.cfm.

MyAPSA Provides Members New Online Resource

Have you tried MyAPSA? APSA now brings you this new online members-only system to help manage your membership -- renew, change an address, update your personal information; access online editions of *APSR*, *PS*, and *PSN*; and locate colleagues through a searchable membership directory. You'll find more to come soon. Simply log in with your last name and APSA member # at www.apsanet.org/myAPSA.

New State of the Discipline Coming this Fall

As part of programs and publications planned for APSA's centennial celebration in 2003, the Association will release a centennial edition of *Political Science: The State of the Discipline* later this Fall. The volume is edited by Ira Katznelson and Helen Milner, both of Columbia University. Built around 28 articles by leading scholars, this volume is an important resource for all scholars interested in reading across fields. For more details, and a full table of contents, see www.apsanet.org/pubs/sod3.cfm.

New Directory of Political Science Faculty

For the first time APSA has released a combined Directory of Political Science Faculty, featuring listings from departments at graduate and undergraduate schools, all offering a major in political science. For more, see: www.apsanet.org/pubs/diroffaculty.cfm.

Ralph Bunche Summer Institute

Named in honor of the 1950 Nobel Peace Prize winner, the Ralph Bunche Summer Institute (RBSI) is a five week, academically intensive summer program designed to stimulate the graduate school experience, provide mentoring, and expand academic opportunities for African American, Latino/a and Native American students. For over a decade, the RBSI has helped talented minority students between their junior and senior year of college excel and go on to graduate school, many with full fellowships and teaching assistantships. Headed into its sixteenth year, the RBSI is an annual opportunity for promising undergraduates to develop their analytical, writing, and quantitative skills. The academic environment is challenging, yet supportive. Students learn what is necessary to be successful in a graduate program and a successful scholar. This year's selectees will head to the campus of Duke University for the month-long institute held June 2 to July 4, 2002. They are:

Marvin Addison, **Rhodes College**
Michelle Cade, **Alma College**
Danielle Carter, **Goucher College**
Gisela DeSantiago, **Winthrop University**
Naomi Dunson, **Princeton University**
Mya Florence, **Wheaton College (IL)**
Deidra Godfrey, **Southern University**
Maria Elana Guadamuz, **Santa Clara University**
Indira Henard, **Wheaton College (MA)**
Patrice Howard, **North Carolina Central University**
Katrina Hubbard, **North Carolina Central University**
Rashauna Johnson, **Howard University**
Christopher La Cour, **Southern University**
Tiffany Little, **University of Virginia**
Annette Orozco, **University of Arizona Tucson**
Thomas Powers III, **North Carolina A&T University**
Bettie Ray, **North Carolina A&T University**
Scott Roberts, **Morehouse College**
Laura Martin Scales, **Rosemont College**
Keith Stevens II, **St. Augustine's College**

Small Research Grants

The APSA Small Research Grant Program, supports research in all fields of political science. The intent of these grants is to support the research of political scientists who are not employed at Ph.D. granting institutions and to help further the careers of these scholars. This year's recipients are:

Keith Boeckelman, Western Illinois University
"The Impact of Suburbanization on State Policy Choices"
Valeria Brusco, University of Cordoba
"Do Poor Argentines Still Vote Peronist? An Analysis of Ecological Data"
Ross E. Burkhardt/Glenn Richardson, Boise State University/Kutztown University of Pennsylvania
"Career Development, Candidate Quality and Campaign Spending in U.S. Senate Elections: Experience Money Can't Buy American Politics"
Kathleen M. Dowley, SUNY New Paltz
"Decentralization and Democratization in Post-Communist Europe"
Diana Dwyre, California State University, Chico
"The Changing Nature of the Campaign Dialogue in US House and Senate Races"
Carlos A. Forment, Universidad Argentina de la Empresa
"Democracy in Argentina: Civic Selfhood and Public Life"
Anke Grosskopf, Long Island University- C.W. Post Campus
"Judging National and Supranational Constitutional Courts--Public Evaluations in East and West Germany"
Melissa Haussman, Suffolk University
"Contested Terrain: US Abortion Debates to the North and South"
Janine P. Holc, Loyola College
"Uncovering Poland's Jewish Self: Local Political Activism and Religious Reconciliation"
Tatiana P. Kostadinoava, University of Minnesota Duluth
"Electoral Reform during Democratic Transition in the Balkans: The Cases of Bulgaria, Macedonia, and Yugoslavia"

Paul J. Kubicek, Oakland University

“Organized Labor, Economic Reform, and Globalization in Poland”

Steven D. Roper, Eastern Illinois University

“The Influence of Campaign and Party Finance Laws on Party Development in Post-Communist Countries”

Daniel A. Smith, University of Denver

“Ballot Initiatives During the Progressive Era: Evidence From California, 1912-1920”

Charles C. Turner, California State University, Chico

“American Indian Policy in Congress: The Dynamics of Political Minority”

William B. Vogele, Pine Manor College

“Transforming Conflict and Building Democracy in El Salvador”

Michael M. Welsh, Albright College

“Agency Reform as Cultural Evolution: The Case (in Progress) of National Environmental Policy Act and the Bureau of Land Management”

Japanese Political Science Association (JPSA)

Three individuals have been selected by the Japanese Political Science Association to participate in panels at the Annual Meeting in Boston this summer. The APSA agrees to host three JPSA members at the APSA Annual Meeting, and they agree to host two APSA members. This program is under the oversight of the Committee on International Programs. This year’s JPSA scholars are:

Kentaro Fukumoto

“Bicameralism in Japan Are Two Houses Really Different, Useful or Necessary”

Masaru Kohno

“Politics of the Meiji Restoration: A Post Rational Choice Analysis”

Naoko Onizuku

“Re-examining Issue Voting in Japan: Direction vs Proximity”

TANF Reauthorization Update

In May 2002, the House of Representatives passed a TANF reauthorization bill that is similar to the President’s proposal (H.R. 4735). The House bill includes stricter work requirements. While this is likely to increase demand for child care, no additional funding for child care is included. The Senate Finance Committee passed a reauthorization bill – the Work, Opportunity, and Responsibility for Kids (WORK) Act of 2002 (H.R. 4737). The WORK Act maintains the current 30-hour per week work requirement and includes provisions that allow more opportunities for education and training. The Senate version also contains additional child care funds—\$5.5 billion in mandatory.

Information on both pieces of legislation can be found on line at <http://thomas.loc.gov/>. In addition, the Center on Budget and Policy Priorities and the Center for Law and Social Policy released a new report – “One Step Forward or Two Steps Back? Why the Bipartisan Senate Finance Bill Reflects a Better Approach to TANF Reauthorization than the House Bill” – that compares the WORK Act passed recently by the Senate Finance Committee with the welfare reform bill passed by the House. It is available online at <http://www.cbpp.org> or <http://www.clasp.org>.

The WORK Act was not debated by the full Senate prior to the August recess. A full calendar and limited time may mean that the TANF reauthorization debate and vote does not take place in the Senate. This could result in either the legislation being temporarily extended until action can be concluded after the November election or being extended for one year and dealt with sometime next year.

Announcements

THIRD ANNUAL CONFERENCE ON STATE POLITICS AND POLICY: CAUSES AND CONSEQUENCES OF AMERICAN STATE INSTITUTIONS ON POLITICAL BEHAVIOR

March 14-15, 2003

Co-Sponsored by the University of Arizona, Department of Political Science, and *State Politics and Policy Quarterly*

Overview

On March 14-15, 2003, the [Department of Political Science](#) at the [University of Arizona](#) and *State Politics and Policy Quarterly* will co-sponsor the 3rd Annual Conference on State Politics and Policy. The conference will be held at the [Westward Look Resort](#) near the University of Arizona in Tucson. The conference sponsors welcome participation by all social scientists interested in state politics and policy, especially members of the organized section on State Politics and Policy-Making of the American Political Science Association. **A stipend will be awarded to paper-givers to cover a major portion of their expenses for the conference.**

The focus of this conference will be on the causes and consequences of American state institutions. Thus, any research relating to the impact of institutional rules or norms on political behavior or public policy would be appropriate, as would research exploring the adoption or creation of such institutions or norms.

Read the Official [Call for Papers](#) for more information about submitting proposals. **All proposals must be received by October 18, 2002 to receive full consideration.** Proposals should be sent to:

Laura Langer
Department of Political Science
University of Arizona
315C Social Sciences Building
Tucson, Arizona 85721
Phone: (520) 621-8983
Fax: (520) 621-5051
Email: llanger@u.arizona.edu

Other Links:

[Call for Papers](#)

[State Politics and Policy Quarterly](#)

[State Politics and Policy Quarterly Data Resource](#)

[FSU State Politics and Policy Data Archive](#)

EUROPEAN POLITICAL SCIENCE

The ECPR is changing the way that its professional journal *European Political Science* is sent out to members. Presently, it is felt that a large number of the copies of EPS sent out to member institutions are going to waste or not reaching those who want it most of all. To try to counteract this EPS will, from the next issue, only be sent out to individuals on request. There is no limit to the number of people who can request EPS be sent to them from each member institution, and individuals are reminded that EPS is also available online through the ECPR's web-site at <http://www.essex.ac.uk/ecpr/publications/eps.htm> should they wish to obtain it this way.

To request receipt of EPS, individuals can either inform their Official Representative, or email the ECPR directly with their full details including the institution to which they are affiliated. Please could you assist us in this matter by informing us if you wish to receive EPS as soon as possible?

EPS will continue to be sent in bulk to the institution itself (not to individuals members' addresses), but each copy will have affixed to it a sticker indicating for whom the copy is intended helping OR's and departmental staff distribute them more effectively.

We look forward to hearing from you,

Olga Belova
ECPR Central Services
Tel: +44 1206 872501
<http://www.essex.ac.uk/ecpr>

Keep up to date with political science in Europe by subscribing to the ECPR's monthly electronic bulletin! To subscribe go to: <http://www.essex.ac.uk/ecpr/email.htm>

WASHINGTON UNIVERSITY SUMMER INSTITUTE ON THE EMPIRICAL IMPLICATIONS OF THEORETICAL MODELS

A Program for Advanced Graduate Students and Junior Faculty on the Methodological Challenges Posed by Theoretical Models

<http://wc.wustl.edu/eitm.htm>

Washington University in St. Louis will hold its first summer institute on the Empirical Implications of Theoretical Models (EITM) in June 2003. The institute focuses on the methodological challenges posed by theoretical models. The institute is designed for advanced graduate students and junior faculty. Summer institutes will be held in June of 2003, 2004, 2005, and 2006.

Participants will join four one-week seminars—a basic seminar and three advanced seminars. The Summer Institute program includes:

- ... a theoretical and methodological foundations seminar;
- ... seminars on the application of game theory, spatial models, quantal response models, and behavioral models;

... applied seminars on coalition theories, theories of judicial decision making, and theories of legislative politics; and

... seminars on quantitative, experimental, and field methods.

The seminars are conducted by nationally recognized faculty who drawn from universities throughout the country. Up to 25 advanced graduate students and junior faculty will be provided with travel and lodging subsidies each summer.

Application materials will be available online in the near future. The application deadline for the June 2003 summer institute will be in January 2003.

More information about the Washington University EITM Summer Institutes will be available at <http://wc.wustl.edu/eitm.htm>. To be added to the email list for notices about the program, email eitm@wc.wustl.edu. The summer institutes are sponsored by Washington University's Weidenbaum Center on the Economy, Government, and Public Policy and the Department of Political Science; they are funded by the National Science Foundation.

PROPOSED NEW TIAA-CREF RETIREMENT FUND

Neil Wollman of Manchester College asked that this request be included in Policy Currents:

Back in the 80s, a national group of professors and staff lobbied TIAA-CREF (TC) for five years before it set up a socially responsible fund. Now we've lobbied again to improve that fund so that it would not only avoid certain companies, but would invest in particularly responsible ones and in low-income area housing/business—and do shareholder advocacy, as well. This is becoming more standard in socially responsible investing and is viable financially. Besides academic and activist group endorsements (like the National Women's Studies Association and United for a Fair Economy), we're supported by Benjamin Barber, Dennis Brutus, Noam Chomsky, Sandi Cooper, Ursula Goodenough, and Howard Zinn.

TC has now publicly stated (NY Times) that they will set up a new fund that moves us in the right direction, but it requires your commitment to transfer some of your current TC assets to the new fund, should it be established. As of July, hundreds of folks have pledged over \$10 million!! But we have a long way to go. Please visit http://www.manchester.edu/academic/programs/departments/peace_studies/fund/ to learn more about the proposed new fund and to submit your pledge. Please forward this message to those at your institution and elsewhere—and to listserves/organizations if you can—with a short personal endorsement. To reach the \$25 million requirement set by the CEO of TC, your help is needed. Given their prominence, if TC makes this move, others will likely follow! To receive campaign updates every two weeks or if you have problems with the pledge web site, PLEASE let me know.

Thanks, Neil

Protecting the Environment: Voluntary Regulations in Environmental Governance

Matthew Potoski

Department of Political Science
Iowa State University
519 Ross Hall
Ames IA, 50010
(515) 294-2935
(515) 294-1003 (fax)
potoski@iastate.edu

AND

Aseem Prakash

Department of Political Science
University of Washington
Gowen Hall 39, Box 353530
Seattle, WA 98195
206-543-9842
206-685-2146 (fax)
aseem@u.washington.edu

Introduction

A major trend marks the evolution of environmental policy in the United States and around the world: businesses in growing numbers have been joining voluntary environmental programs (Gibson, 1999; Haufler, 2001). Voluntary programs address the fundamental nature of environmental governance. Many regulators and businesses are looking to use these programs to replace rigid command and control regulatory mode with a more flexible model in which diverse policy approaches are adapted to fit the specific circumstances of regulated firms (Fiorino, 2000; Kettl and Armacost, 2002). Yet voluntary environmental programs are controversial (Ayes and Braithwaite, 1992). Many environmentalists charge that some programs are mere "greenwashes" that hide firms' true pollution records. As a result, they believe in the continuing efficacy of command and control regulation, backed by strong adversarial enforcement (Steinzor, 1998). Needless to say, the recent spate of accounting scandals casts serious doubts about the incentives and abilities of businesses to self-govern themselves. This is important because self-governance in the accounting industry has often been viewed as some sort of a gold standard in terms of industry self-regulation (NAPA, 2001).

Voluntary programs place additional regulatory burdens on participating firms, some that even impose requirements stricter than mandatory law. These programs have been sponsored by governments, industry associations, and non-government organizations. The US Environmental Protection Agency (EPA) and several state agencies have launched over forty voluntary programs, including the 33/50,

GreenLights, and Energy Star programs (Crowe, 2000). In the late 1980s, chemical industry associations in several countries independently launched the Responsible Care program (Prakash, 2000a, Garcia-Johnson, 2000), while in 1996 the International Organization for Standardization, a non-governmental entity, introduced ISO 14000 series.

Against this backdrop, we are studying these voluntary programs (Potoski and Prakash 2002, Prakash and Potoski 2002). In this paper, we first place voluntary programs in the broader scope of environmental governance approaches. We argue that voluntary programs can be usefully viewed as club goods whose important features include the benefits of membership and the boundary conditions distinguishing members from non-members. We then examine the different types of voluntary programs with an eye towards theoretically relevant characteristics that may affect their performance. We conclude with a brief discussion of how voluntary programs may fit in environmental policy scholarship.

Policy Approaches to Environmental Protection

In the US, the environmental governance system has evolved significantly over the years so that it now includes a variety of policy instruments, including command and control, market-based, mandatory information disclosures, and voluntary codes. Command and control policies represent the traditional style of government regulation in which legally binding performance standards such as emissions limits and the use of specific (or best available) technology are prescribed. In the US, command and control regulation

took hold at the federal level in the early 1970s with the passage of major environmental legislation such as the Clean Air Act and Clean Water Act. By the 1980s, it became clear that while command and control was initially successful, diminishing returns to this approach were setting in. By rigidly prescribing technologies and leaving firms little operational flexibility, such policies created significant inefficiencies. For regulators, command and control were enforcement-intensive. Declining agency budgets (especially in the U.S.) relative to regulatory mandates seemed to be undermining enforcement frequency and efficacy (Bagby, Murray and Andrews, 1995). To illustrate, between 1996-1998, less than one percent of the 122,226 large regulated facilities nationwide were inspected for all the three media. (Hale, 1998). And businesses complained that rigid enforcement created high compliance costs that hurt productivity and profits (Jaffe, et al. 1995, Walley and Whitehead, 1994). While command and control regulation may be more effective than no regulation, its high costs suggest there may be more effective and efficient regulatory approaches.

The remaining environmental governance approaches can all be seen as attempts to address the shortcomings of command and control regulations. Market based policy instruments, such as pollution fees, emission taxes, and tradable emissions permits, are touted efficient policy approaches (Organization for Economic Cooperation and Development, 1989). These policies encourage firms to internalize the costs of environmental externalities through various price signals. While tradable permits for air pollution control have been successful in the US (such as Sulphur Dioxide emission markets established under the Clean Air Act), they have failed in Poland, Germany, and the United Kingdom (Tietenberg, 2002).

Mandatory information disclosures harness market and nonmarket pressures to influence firm behavior by increasing the amount of environmental information available to shareholders, consumers, and other stakeholders. Information disclosure programs include emissions registers such as the Toxic Release Inventory and product labels. These policies do not specify technologies or emission levels (as in command and control policies), or put a specific cost on every unit of pollution generated by firms (as in market instruments). Rather, they seek to lower transaction costs for various stakeholders about firms' environmental performance with the hope that these stakeholders would seek to

influence directly (Hamilton, 1995, Arora and Cason, 1996; Khanna and Damon, 1999).

Voluntary environmental codes are designed to encourage firms to voluntarily comply with the mandatory law as well as adopt policies that take them 'beyond compliance.' Beginning in late 1980s, interest in voluntary environmental codes has been growing among businesses, trade associations, regulators and even some environmental groups (Gibson, 1999; Haufler, 2001). For businesses, joining an effective voluntary program offers promises on several fronts. First, improving environmental programs and reducing pollution may uncover waste and save costs (Hart, 1995; Porter and Van der Linde, 1995). Second, suppliers such as banks and insurance companies may reward firms that join such programs (Schmidheny and Zoraquinn, 1996). Third, consumers may reward firms that subscribe to such policies (Charter and Polonsky, 1999). Fourth, from a strategic perspective, firms may seek to preempt more stringent standards and influence future rulemaking to their advantage (Salop and Scheffman, 1983), thereby reaping first-mover advantages (Nehrt, 1998). Fifth, voluntary regulations may help industry win legitimacy and trust from various stakeholders (Hoffman, 1997).

Voluntary Codes: Key Characteristics

Scholars have only begun to study voluntary programs. One way to help advance this study is by identifying different types of voluntary programs based on potentially relevant theoretical criteria. To do so, we begin by exploring the institutional characteristics of voluntary programs. A major focus of public policy/political economy literature is to understand under what conditions institutions — rules that prescribe, permit, or prohibit certain actions (Ostrom, 1986) — arise and how institutions facilitate collective action. Because voluntary codes represent collective action, it is imperative to understand their institutional characteristics.

The public policy literature classifies goods and services according to their excludability and rivalry/subtractability (Ostrom & Ostrom, 1977). The objective of this classification is to identify the conditions under which markets and other institutions function efficiently in terms of facilitating collective action. Markets function well if those paying for products (the provisioners) have the right to appropriate products' benefits and to exclude others who are not paying for them. Otherwise, the non-provisioners will 'free ride,' thereby discouraging the

provisioners from paying as well (Olson, 1965). Thus, the fear that others may free-ride becomes a key reason for the failure of collective action.

Based on the twin attributes of excludability and rivalry, products can be classified in four stylized categories: private goods (rival, excludable), public goods (non-rival, non-excludable), common-pool resources (rival, non-excludable), and impure public goods (non-rival, excludable) (Ostrom & Ostrom, 1977). Traditionally, governmental provision of collective goods — public goods, impure public goods, and common-pool resources — has been viewed as necessary because their provision is susceptible to market failures (Pigou, [1920]1960). However, a number of scholars have shown that other institutional vehicles can correct market failures as well (Coase, 1960; Ostrom, 1990). Specifically, non-governmental actors can successfully provide impure public goods (Tiebout, 1956; Cornes & Sandler, 1996). As suggested by Prakash (2000), there are two types of such impure public goods: toll and club. Toll goods such as movie theaters can be unitized so that consumers reveal their preferences by paying for the additional units they consume. This transaction is carried out by levying a user toll. In contrast to toll goods, the discrete consumption units of club goods cannot be priced (since it is difficult to estimate their marginal costs). Membership fees (reflecting average costs) are used instead to finance their collective provision.

Voluntary codes can be conceptualized as club goods whose benefits are excludable but non-rival. By establishing boundary conditions, voluntary goods create an institutional disincentive against free riding, thereby encouraging collective action. Thus, from a firm's perspective, the attractiveness of a voluntary code hinges both on the quantum of net benefits it provides to it and on the level of excludability of such net benefits that it offers to club members. Defining and enforcing boundary conditions (more of it below) at low transaction costs become important elements in influencing the adoption rates of voluntary codes (Prakash, 2000b).

Below we present key characteristics of voluntary programs, along with how they might influence firms' adoption rates, and their environmental and regulatory performance. Along the way, we point to some examples of interesting programs along these dimensions.

Program Requirements: A key element of any voluntary program is what is required of participants – the costs of

retaining the membership to the club. Programs may require participants to:

- adopt an environmental management system;
- adopt specific pollution prevention techniques;
- self-police their environmental performance, report non-compliance to regulators, and promptly correct the problem;
- hire third-party auditors to check compliance with program's requirements;
- share data with external stakeholders on environmental performance and regulatory compliance;
- involve external stakeholders in environmental management decisions;
- demonstrate "beyond compliance" with environmental regulations.

More onerous requirements may deter firms from participating, but they are obviously important for the credibility of the program. The costs of these requirements are an important factor in firms' decisions about whether they will join the program. Depending on the firm and the program requirements, some firms may easily meet program requirements without taking on any additional burdens; joining a voluntary program can help these firms publicize their environmental progressivism. Program requirements can also serve as benchmarks for environmentally laggard firms.

Eligibility: Eligibility refers to which firms can potentially join the program. Such boundary conditions are defining features of any club. Political boundaries are an obvious eligibility criteria for most government-sponsored programs. For example, the European's Unions Eco-Management and Audit System program is limited to firms located in the European Union (Kollman and Prakash, 2001). Eligibility can also be restricted by other criteria, such as the industry or sector – Responsible Care membership is limited to firms in the chemical industry. Another important eligibility requirement is limiting participation based on firms' environmental track records. Nineteen state environmental leadership programs require eligible firms to have strong environmental track records in order for them to participate (Crow 2000). Setting stringent eligibility standards may be a double-edged sword. While narrowly targeted programs with stringent criteria can be more credible and therefore more attractive to firms, such criteria can lead to low participation rates and therefore undermine a program's effectiveness. Thus,

the program sponsors have to decide on the appropriate trade off between eligibility stringency and participation rates.

Sponsorship: Voluntary programs have been sponsored by governments (such as the 33/50 and Performance Track programs), non-government organizations (such as ISO 14000 and CERES Principles), as well as industry associations (such as the American Chemical Council's Responsible Care). Sponsors in this sense are the organizations that make rules and enforce them. The issue of sponsorship is important for the legitimacy of the programs, which in turn influences firms' incentives to join them. Typically, environmental groups have been skeptical of programs sponsored by industry associations and perhaps to a lesser extent, by non-governmental bodies that have industry participation (ISO 14001 being a notable example). The sources of this skepticism vary: environmental groups are often excluded in program formulation, program requirements are not stringent, enforcement/monitoring is poor, and sanctioning for non-compliance is trivial. Government sponsored voluntary programs may potentially have more credibility with environmental groups, primarily because they may not have the problems identified with industry-sponsored programs.

Incentives for Joining: As mentioned earlier, firms can reap many non-monetary and monetary benefits for joining voluntary programs. One critical issue is whether these benefits accrue predominantly to club members or spill over substantially to non-members. As suggested earlier, to minimize free riding, non-members should be excluded from the benefits of club membership. Spillovers to non-members create incentives for free riding and hence undermine the benefits of club memberships. Below we list several excludable benefits for joining environmental programs. Fortunately, sponsors of voluntary programs can devise appropriate rules to reduce spillovers. Some excludable program benefits include:

- Regulatory benefits, including streamlined permit review, fewer inspections, and even forgiveness for violations voluntarily disclosed in good faith
- Technical assistance, including pollution prevention audits, compliance audits, and information sharing with other participating firms
- Financial benefits, including lower pollution fees and tax credits

- Public Recognition, including allowing firms to advertise membership in the program

Successful voluntary programs such as ISO 14001 have thousands of participants worldwide, despite certification costs as high as \$30,000-\$100,000 per facility. Participation in such programs varies dramatically across industries, countries and programs, suggesting firms are still wary of taking on the program costs.

In the US, states have been experimenting with voluntary program incentives. For example, several states have adopted environmental audit laws that grant privilege and/or immunity for self-disclosed regulatory violations. The problem with such laws, as environmental groups have pointed out, is that firms may opportunistically exploit the laws by simply preemptively self-reporting their pollution violations. Voluntary programs may provide an antidote to such problems by allowing governments to selectively reward firms that participate in good faith. Finally, it is worth noting that publicity can serve as a powerful incentive for participation. Publicity may work better in markets where consumers reward firms for environmentally progressive policies; information about a business' environmental performance doesn't do much good for the business or consumers if consumers do not use the information in purchasing decisions. If environmental protection is a "post-materialist" value, this means economically advanced countries, particularly with active environmentalists in their citizenry, such as Germany and the Scandinavian countries.

Sanctions: Covenants without swords are mere words. Thus, it is important to understand how sponsors monitor compliance and sanction non-compliance. Sanctions options are somewhat limited for voluntary programs. Firms would be understandably reluctant to expose themselves to punishment beyond what the law requires. Nonetheless, effective voluntary programs probably need some mechanism for identifying and removing laggard firms. While such enforcement may be less of a problem for government run programs, it can clearly be quite challenging for NGO sponsored programs, such as ISO 14001.

Conclusion:

If voluntary programs are to be credible for regulators and environmental groups as legitimate modes of environmental governance, they must be credible on three fronts. First, government regulators must believe that

participating firms are behaving in good faith. That is, regulators must believe that firms reporting compliance are in fact in compliance and firms that report violations have taken reasonable steps to comply with regulations. Second, firms must believe that governments will deliver on promised incentives and sanctions. To some extent, the goodwill benefits of environmental programs among consumers and other stakeholders may compel some firms to join voluntarily programs without government-sponsored incentives. But such incentives will help governments only to the extent that the consumers and other stakeholders hold firms accountable for things the governments also want. Third, environmental groups must believe that voluntary agreements and the related programs truly help improve environmental protection. Many environmental groups are quick to assume, and not without reason, that too much cozy cooperation between government regulators and firms is a recipe for sacrificing environmental protection for good feelings and easy publicity.

As with any public policy, the ultimate test of voluntary programs is whether they deliver on promised objectives. Scholars have only begun to investigate these issues (Sholz 1991, Harrison, 1996; Gibson, 1999; Haufler, 2000, Garcia-Johnson, 2000), and while some results so far are promising, important questions remain about these programs. Two central questions stand out. The first centers on who joins voluntary programs. Are participating firms those with strong environmental records? Does varying incentives affect participation rates? The second, and perhaps more important question, centers on whether joining environmental programs improves firms' environmental performance. Of course, this is not a simple question: the efficacy of these programs is likely to vary not only across programs, but also across different institutional, policy and economic circumstances.

References

Arora, S., & T. N. Casson. 1996. "Why do firms volunteer to exceed environmental regulations? Understanding participation in EPA's 33/50 program." *Land Economics*, 72, 413-432.

Ayres, I. & Braithwaite, J. 1992. *Responsive Regulation*, Oxford University Press.

Bagby, J. W., Murray, P.C., & Andrews, E. T. 1995. "How green was my balance sheet?" *Virginia Environmental Law Journal*, 14: 224-342.

Charter, M. and Polonsky, M.J. 1999. *Greener Marketing*, 2nd ed. Sheffield, UK: Greenleaf

Coglianesi, C. and Nash, J., eds. 2001. *Regulating from the Inside*, Washington, D.C.: Resources for the Future.

Coase, R. H. 1960. "The problem of social cost." *Journal of Law and Economics*, 3, 1-44.

Cornes R. & Sandler, T. 1996. *The theory of externalities, public goods, and club goods*. Cambridge University Press.

Crow, Michael. 2000. "Beyond Experiments." *The Environmental Forum* 37(3):18-29

Fiorinio, D. J. 2000. "Environmental Policy as Learning." *Public Administration Review* 61(2).

Garcia-Johnson, R. 2000. *Exporting Environmentalism*. MIT Press.

General Accounting Office/GAO 1983. *Waster water dischargers are not complying with EPA pollution control limits*, RECED 84-53: Washington, DC.

Gibson, R. B., ed. 1999. *Voluntary Initiatives: The New Politics of Corporate Greening*. Broadview Press.

Hale, Rhea. 1998. *The National Expansion of Star Track*, U.S. Boston: Environmental Protection Agency, Region I.

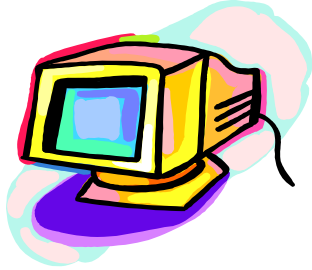
Hamilton, J. T. 1995. "Pollution as news: Media and stock market reactions to the Toxic Release Inventory data." *Journal of Environmental Economics and Management*, 28, 98-113.

Harrison, K. 1995. "Is Co-operation the answer: Canadian environmental enforcement in comparative context." *Journal of Policy Analysis and Management*, 14: 221-224.

Hart, S. L. 1995. "A natural resource-based view of the firm." *Academy of Management Review*, 20, 986-1014.

- Haufler, V. 2001. *A Public Role for the Private Sector*, Washington, DC Carnegie Endowment for International Peace.
- Hoffman, A. J. 1997. *From heresy to dogma*. San Francisco, CA: New Lexington Press.
- Jaffe, A., Peterson, S., Portney, P. and Stavins, R. 1995. "Environmental regulation and competitiveness of U.S. manufacturing." *Journal of Economic Literature* 33: 132-163.
- Kettl, D. and Armacost, M. H., eds. 2002. *Environmental Governance : A Report on the Next Generation of Environmental Policy*, Washington, DC: The Brookings Institution.
- Khanna, M. & Damon, L. A. "1999. EPA's voluntary 33/50 program: Impact on toxic releases and economic performance of firms." *Journal of Environmental Economics and Management*, 37, 1-25.
- Kollman, K. and Prakash, A. 2001. "Green by Choice? Cross National Variations in Firms' Responses to EMS based Environmental Regimes." *World Politics*, 53: 399-430.
- National Academy of Public Administration/NAPA. 2001. *Third-Party auditing of Environmental Management Systems*. Washington, DC: NAPA
- Nehrt, C. 1998. "Maintainability of first-mover advantages when environmental regulations differ between countries." *Academy of Management Review*, 23, 77-97.
- Olson, M., Jr. 1965. *The logic of collective action*. Cambridge, MA: Harvard University Press.
- Ostrom, E. 1990. *Governing the commons*. Cambridge University Press.
- Ostrom, E. 1986. "An Agenda for the study of institutions." *Public Choice* 48:3-25.
- Ostrom, V. & Ostrom, E. 1977. "Public goods and public choice." In E. S. Savas (Ed.) *Alternatives for delivering public services*, pp. 7-49. Westview: Boulder, CO.
- Organization for Economic Cooperation and Development (OECD). 1989. *Economic instruments for environmental protection*, Paris: OECD.
- Pigou, A. C. 1960[1920]. *The economics of welfare*. 4th ed. London: McMillan.
- Prakash, Aseem. 2000(a). "Responsible Care: An Assessment." *Business & Society*, 39(2): 183-209.
- Prakash, A. (2000b). *Greening the Firm: The Politics of Corporate Environmentalism*. Cambridge University Press.
- Prakash, Aseem and Matthew Potoski. 2002. "The Political Economy of Voluntary Regulation: An Empirical Examination of Cross-National Variations in ISO 14001 Adoption," working paper, Iowa State University
- Porter, M., & van der Linde, C. 1995. "Toward a new conception of the environment-competitiveness relationship." *Journal of Economic Perspectives*, 9, 97-118.
- Potoski, Matthew and Aseem Prakash. 2002. "The Regulation Dilemma: Cooperation and Conflict in Environmental Governance," working paper, Iowa State University
- Scholz, J. T. 1991. "Cooperative Regulatory Enforcement and the Politics of Administrative Effectiveness," *American Political Science Review* 85:115-136.
- Steinzor, Rena I. 1998. "Reinventing Environmental Regulation: The Dangerous Journey from Command to Self-Control." *Harvard Environmental Law Review*, 22(1).
- Tiebout, C.M. 1956. "A pure theory of public expenditure." *Journal of Political Economy*, 64, 416-424.
- Tietenberg, T. 2002. "The Tradable permit approach to protecting the Commons." In *The Drama of the Commons*, edited by E. Ostrom, T. Dietz, N. Dolsak, P.C. Stern, S. Stonich, and E. U. Weber, Washington, DC: National Academy Press.
- Walley, N. & Whitehead, B. 1994. "It's not easy being green." *Harvard Business Review*, May-June, 46-51.

Please update your e-mail address with the APSA:



membership@apsanet.org

Director, Member Services
c/o American Political Science Association
1527 New Hampshire Ave., N.W.
Washington, D.C. 20036



Include information that the change applies to the Public Policy Section

POLICY CURRENTS

EDITOR:

Kenneth Bickers
Email: kbickers@indiana.edu

LAYOUT & DESIGN:

Patty Zielinski
Email: zielinsk@indiana.edu

Abstracts, announcements, and other information to be printed in the next issue of *Policy Currents* should be sent via email attachment (Word file) or mailed by October 15, 2002 to:

**Kenneth Bickers
Editor, *Policy Currents*
Indiana University, Woodburn Hall 306
Bloomington, IN 47405**