

Worksheet for lecture 6 (AO, March 26)

Environmental Policy in the Central European Context

Time: Thursdays 3 p.m. – 6 p.m.

Location: at CERGE-EI, Room # 7

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1. Explain why the results of Hoffman & Spitzer contradict the results (especially of the baseline treatment) of Plott (1982) and why the results of Harrison & McCabe, by and far, support them.
2. What is the ISO 14001 and why, in Potoski & Prakash's terminology, can it be considered a weak sword? (Summarize Table 1 in their article.)
3. There are important direct and indirect costs (recall the "check list for implementing ISO 14001 management systems") to being certified by ISO 14001. What are the benefits of ISO 14001 certification that might justify those costs? Answer this question also in terms of some of the regression results (e.g. those on compliance).
4. Summarize the basic design of Potoski & Prakash's JPAM study on the ISO 14001 and facilities' environmental performance.
 - a) What are the dependent variables?
 - b) What are the independent variables?
 - c) What are the two basic (related) problems that the authors face methodologically and how do they solve them? (Why are there two parts to Tables 2 and 3 in that article?)
5. What are some of Potoski & Prakash's noteworthy empirical results (in the JPAM study)? Formulate a conjecture about the compliance results that they find.
6. Summarize the study by Evans et al.: Why might a firm's internal organizational have influence on the firm's environmental performance/compliance? Specifically, why might the fact that division managers might "play" a rank-order tournament game (what is that anyways) be important?
7. Why might an increasing number of division managers lead to more environmental performance/noncompliance? What are some other intuitive comparative-static predictions of the underlying model (e.g., effects of the payoffs of the tournament, the probability of cheating being detected, the penalty for cheating)?
8. Discuss the authors' concept of "parallelism".
9. "Our results are generally supportive of the theory ... " Discuss this statement in light of the evidence in Tables 13.2. and 13.3