

Do Green Regulations Pay?

“Toward a New Conception of the Environment-Competitiveness Relationship” by Michael E. Porter and Claas van der Linde, and “Tightening Environmental Standards: The Benefit-Cost or the No-Cost Paradigm?” by Karen Palmer, Wallace E. Oates, and Paul R. Portney, in *The Journal of Economic Perspectives* (Fall 1995), American Economic Assn., 2014 Broadway, Ste. 305, Nashville, Tenn. 37203-2418.

When federal and state environmental regulations compelled the Dow Chemical Company to shut down certain wastewater evaporation ponds recently, Dow reaped an unexpected benefit. Engineers redesigned the production process to eliminate the need for such ponds, saving \$2.4 million a year in reduced waste at a cost of only \$250,000.

That kind of potential exists throughout corporate America, say Porter, a professor of business administration at Harvard Business School, and van der Linde, a management specialist at St. Gallen University, in Switzerland. Because reducing pollution often means improving the productivity of resource use, strict environmental regulations, if crafted to encourage innovation, can enhance a firm’s competitiveness. Such arguments are increasingly heard among advocates of “green” business practices.

Palmer, Oates, and Portney, all of Resources for the Future, a Washington-based

think tank, are skeptical. “With literally hundreds of thousands of firms subject to environmental regulation in the United States alone, it would be hard *not* to find instances where regulation has seemingly worked to a polluting firm’s advantage.” Officials at Dow Chemical and three other firms Porter and van der Linde cite, for example, each say that despite savings in some instances, environmental protection is “a significant *net* cost to his company.”

That is true in general, as well, Palmer and her co-authors say. In 1992, according to the Commerce Department’s Bureau of Economic Analysis, pollution abatement and control expenditures in the nation came to \$102 billion, while the cost “offsets” were estimated to be less than \$2 billion. “The underlying message from Porter and van der Linde about environmental regulation is not to worry, because it really won’t be all that expensive. But it will.”

SOCIETY

Here Comes the Groom . . .

A Survey of Recent Articles

Love and marriage, says the old song, go together like a horse and carriage. These days, however, the horse, though

healthy, may well elect to remain unhitched, and the shiny new carriage may soon be abandoned by the side of the road. In 1994,

Hip Is Out

American culture is hip—and that’s a real bummer, Tom Frank, editor in chief of *The Baffler*, declares in *The Nation* (Apr. 1, 1996).

Pick up any recent book of management theory: Today, hip is the orthodoxy of Information Age capitalism. It’s being your own dog, Reebok letting U.B.U., Finding Your Own Road in a Saab; it’s Ginsberg shilling for the Gap and William Burroughs for Nike; it’s business texts quoting Gurdjieff and Bob Dylan and bearing titles like Thriving on Chaos and The Age of Unreason. . . .

Clearly, hip is exhausted as a mode of dissent. As the affluent society amid which it once made some sense drains away, we need to recover that much more powerful strain of dissent that built the affluent society in the first place, to rediscover the language of class, the non-market-friendly concept of industrial democracy. Leave hip to the M.B.A.s.