

ABSTRACT

This paper presents a theoretical model to investigate the differences in environmental performance of enterprises under various ownership structures. The model investigates effects of ownership structure on economic efficiency of resource utilization, willingness to internalize negative environmental impact, and degree of bargaining power with environmental regulatory enforcement and communities. The theoretical discussion shows that the question of whether privatization hurts the environment is an empirical issue. After analyzing data on environmental performance and compliance of approximately 1000 enterprises under various ownership structures in China, we find that foreign directly invested companies perform best and state-owned enterprises perform worst, and collective and community owned enterprises have better performance than private privately-owned enterprises, in terms of their intensities of conventional water pollutants. Additionally, we also investigate the effectiveness of three policy instruments: environmental inspections, pollution charge, and citizen complaints. Our results show that pollution charge and community complaints significantly reduce the pollution intensity. But environmental inspection is not as effective as the other two mechanisms.

Key words: Ownership, pollution, environmental regulations, inspections, levy, community complaints, environmental externality, China