This paper assesses the relationship between environmental regulation and corporate economic competitiveness. Research in this area suggests two distinctive perspectives: the win-lose perspectives in which environmental regulations undermine a firm’s economic productivity and competitiveness on one hand, and the win-win perspectives in which environmental regulations promote economic productivity and competitiveness by inducing innovation on the other. This paper empirically evaluates this relationship in the context of an Environmental Protection Agency-initiated Green Lights (GL) voluntary environmental program. To do so, it constructs a treatment effects model to account for the effect of non-random assignment among GL corporate participants and non-participants. This model simultaneously estimates a probit model that predicts corporate participation in the GL program and a linear model that assesses how corporate participation in the GL program contributes to economic performance. Our findings indicate the positive and significant influence of corporate participation in the GL program on economic performance, and thus support the win-win perspective.
Introduction

In the U.S., perspectives on environmental regulations have long been a subject of debate in both academic and political circles, which have increasingly been engaged in debates regarding regulatory reforms. In the academic arena, this debate has been centered on the relationship between environmental protection and economic competitiveness. It has largely been divided into two major paradigms suggested to provide the direction of environmental regulatory reforms: specifically, the win-lose and win-win paradigms. The win-lose paradigm of environmental regulation (Jaffe et al., 1995; Palmer, et al., 1995; Xapapadeas and Zeeuw, 1999) holds that environmental regulations undermine a firm’s (or an industry’s) economic productivity and thereby harm competitiveness. Based on this logic, this perspective envisions a minimal role for government in environmental protection and leaves much of the government’s nominal responsibilities to the function of the competitive market, wherein firms respond only to their own economic (self-serving) interests in pollution abatement. On the other hand, the win-win paradigm (Porter, 1991; Porter and van der Linde, 1995a, 1995b) proposes the opposite of what the win-lose paradigm claims; stringent environmental regulations, if appropriately designed, can induce innovation, which results in enhanced economic productivity and competitiveness. This view emphasizes an important role of governments, not only in correcting market failure to conserve environmental resources but also in providing incentives and support for innovations, counter to the traditionally defined role.

In the political arena, the vision for environmental policy is ongoing political battles, coupled with fluctuating national interests in environmental quality and balanced by economic concerns (Andrews, 1999). It is complicated by political, social, and economic factors, and largely divided by political ideologies – liberalism supporting public purposes stresses greater government roles in environmental policy, while conservatism emphasizes