

## **The Role of Trade Associations in Industrial Transformation**

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During the past 15 years, in response to pressure to reduce environmental impacts, some trade associations have taken the step of requiring their members to adopt environmental codes of practice. In some cases trade associations have required members to institute specific management practices by a deadline, report on their progress, and work with peers to spread best practices.

Do firms that join trade association codes of practice reduce their environmental impacts more quickly than those that do not? Little information is available to answer this question beyond self-serving studies conducted by trade associations. The MIT Technology, Business, and Environment Program has formed a partnership with New York University's Stern School of Business fill this gap.

Our study utilizes a uniquely complete and accurate database we have developed to assess firm environmental performance over time. The database includes the following features:

Approximately 20,000 facilities and 10,000 firms for the time frame 1987-1996. (All facilities are located in the U.S.);

EPA Toxic Release Inventory data that have been normalized by facility size, the toxicity of releases, and the Standard Industry Classification (SIC) code.

Initial research, conducted by Prof. Andrew King (NYU) and Michael Lenox (MIT), has focused on the U.S. Chemical Manufacturers Association's (CMA) Responsible Care in the chemical industry. This fall, with support from the U.S. Environmental Protection Agency, we will expand this effort to include other trade association initiatives.

Preliminary findings suggest the following:

Data provide almost no evidence the Responsible Care has accelerated the rate of improvement among CMA members, or among the industry as a whole. Indeed, we found evidence that firms that participate in Responsible Care are improving their relative environmental performance more slowly than non-members.

One group of firms did not fit this pattern: those whose environmental performance was already strong prior to their adoption of Responsible Care. For firms with low releases, Responsible Care may be helping to reinforce environmental impact reducing decisions.

Possible explanations for these findings, and their implications for policy, will be presented in this session.