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### Regulatory compliance: why do enterprises obey the law

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loss.<sup>①</sup> Another distinction is that between profit maximization and loss minimization. The former means that a regulated actor will violate the law if it brings any profit, and the latter means that violation will only occur if compliance leads to losses.<sup>②</sup> Law and economics scholarship further distinguishes between risk preferring and risk averse actors; the latter can be influenced to comply with the law with less probable costs of violation than those preferring risks.<sup>③</sup>

In a developmental context, there is a higher chance that poverty and the related need for daily survival pressure regulated actors into a short-term cost benefit perspective, which may negatively influence compliance of norms restricting income. This can even happen when such violations affect their long-term income security. An illustration is Auer et al.'s work on logging violations: "Poor people who live in and near forests also participate in illegal logging; many depend on it for their livelihood. In fact, these artisanal scale illegal loggers hurt their own long-term interests by degrading the resource base they rely on."<sup>④</sup>

#### Social Responsiveness

Another internal variable for explaining regulatory norm conformity concerns the degree of social responsiveness of organization-type regulated actors. The concept of social responsiveness comes from the Dutch criminologist Van de Bunt<sup>⑤</sup>, but derives some of its ideas on the work of Braithwaite on responsiveness.<sup>⑥</sup> It indicates "an organization's ability to respond to existing social expectations, without ignoring its own responsibilities to its social context."<sup>⑦</sup> Van de Bunt provides two aspects of social responsiveness. First is the cognitive aspect, which means that responsive organizations have "an adequate perception of the possible dangers the organization's operation may have for its context and a good inventory of the different social interests."<sup>⑧</sup> Second, social responsive organizations act based on this knowledge and consider carefully what effects their operation may have on their social context.<sup>⑨</sup>

According to Van de Bunt, unresponsive organizations will have a higher chance of vio-

lating the law.<sup>①</sup> He argues that organizations that are inwardly oriented underestimate the social consequences of violation, they are insufficiently aware of the interests that the norm protects and may even not be aware of the norms themselves. In addition if the regulated actor's interests are strongly opposed to existing social concerns laid down in the law, unresponsive actors will be easier inclined to violation.<sup>②</sup> Finally, and this follows logically from Van de Bunt's other points, unresponsive actors will be less susceptible to outside pressures either from social protest or state enforcement.

Socially responsive organizations can be distinguished by their openness to their external context. There are many variables to make such distinction, including the manner in which information is managed, the internal cohesion within the organization,<sup>③</sup> the extent to which the organization's operation is visible to the outside world, the extent to which the organization depends on its social context for its operation<sup>④</sup>, and the extent to which the social context can participate in the decision making of the organization.

#### Resources to Comply and Size of the Regulated Actor

Another internal variable is the regulated actor's amount of resources to comply. Actors lacking the (financial, technical, informational and human) resources necessary for compliance will be more likely to violate.<sup>⑤</sup> Compliance with regulatory law often costs money, however even if regulated actors have sufficient financial resources, they may still not be able to. Regulated actors may lack trained personnel to comply with norms demanding a high level of technical expertise; or they may not know or understand the law's norms. Dasgupta et al.'s study of pollution compliance in Mexico found for example that worker education contributes significantly to higher compliance rates.<sup>⑥</sup>

For organizations, a regulated actor's ability to comply with the law is closely related to its size.<sup>⑦</sup> There has been some debate in the literature on regulatory law in the West about whether larger or smaller sized actors have a higher chance to comply. One strand of theory

① Ibid. 143

② G. Slapper and S Tombs, *Corporate Crime* (Harlow: Longman, 1999). 134

③ See Polinsky and Shavell (2000), "Public Enforcement of Law." . . .

④ Auer et al., "Forest Law Enforcement and Governance: Resolve Needed from All Sides," *Georgetown Public Policy Review* (2006 (Forthcoming)). 3

⑤ H. G. Van de Bunt, *Organisatiecriminaliteit (Organizational Crime)* (Arnhem: Gouda Quint, 1992).

⑥ Braithwaite, . . . *Crime, Shame and Reintegration*.

⑦ Van de Bunt, *Organisatiecriminaliteit (Organizational Crime)*. 19

⑧ Ibid. 20

⑨ Ibid.

① Ibid. 21

② Ibid. 21

③ Van de Bunt only mentions the first two. Ibid.

④ Braithwaite makes this point. See Braithwaite, *Crime, Shame and Reintegration*. 136

⑤ Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnaleving En Regelovertreiding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. 171

⑥ World Bank, *Greening Industry, New Roles for Communities, Markets and Governments* (Oxford: Oxford University Press, 2000). 91, Susmita Dasgupta, Robert E. B. Lucas, and David Wheeler, "Small Plants, Pollution and Poverty: New Evidence from Brazil and Mexico," *World Bank Policy Research Working Paper* (1998).

⑦ Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnaleving En Regelovertreiding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. 225

holds that larger organizations are more competent to comply with the law as they have more resources, which allows for investment in compliance and training specialized compliance personnel. ① Moreover, larger organizations are more motivated to comply with the law to protect their reputation. ② In contrast, several studies have demonstrated that larger organizations can use their resources and power to postpone compliance or even hide violation or to protect them against enforcement. ③ Especially large enterprises that are dominant employers—meaning that they are responsible for a significant amount of income in a given area—have a large amount of power when confronted with local law enforcement agents or local communities, thus making it easier for them to violate the law. ④ Larger size also negatively influences compliance as larger organizations have less control over internal information flows and over individual conduct of employees. ⑤

Studies about pollution in non-Western countries have also found that size matters. A study in Brazil and Mexico found for example that small plants pollute more per unit of output than large plants, and because of their small size have more difficulty reducing pollution and complying with more stringent legislation. Frijns and Van Vliet bring similar findings for small industries in Kenya<sup>⑥</sup>, as did Suligross's study of pollution control in India :

*“Pollution abatement is a business expense. This cost can be substantial for the 90 percent of Indian industrial firms that employ twenty-five or fewer workers... If firms were forced to make an additional investment in new technologies, many would be forced out of business. This*

① Susmita Dasgupta, Hemamala Hettige, and David Wheeler, “What Improves Environmental Compliance? Evidence from Mexican Industry,” *Journal of Environmental Economics and Management* 39(2000). 59M. M. J. Arts et al., “Bestuurlijke Risico's Bij Een Beperkte Toelating Van Afvalstoffenbedrijven (Administrative Risks of a Limited Authorization of Waste Disposal Companies),” *Publicatierieks Afvalstoffen, Ministerie van Vrom, Den Haag*, no. 43 (1998), J. F. DiMento, “Can Social Science Explain Organizational Noncompliance with Environmental Law?” *Journal of Social Issues* 45, no. 1 (1989). 70

② DiMento, (1989...) “Can Social Science Explain Organizational Noncompliance with Environmental Law?” ...

③ D. Vaughan, *Controlling Unlawful Organizational Behavior: Social Structure and Corporate Misconduct* (Chicago: Chicago University Press, 1983). 139 and M. Punch, *Dirty Business; Exploring Corporate Misconduct, Analysis and Cases* (London: Sage Publications, 1996). 222, R. A. van de Peppel, *Naleving Van Milieurecht; Toepassing Van Beleidsinstrumenten Op De Nederlandse Verfindustrie (Compliance with Environmental Law, Application of Policy Instruments to the Dutch Paint Industry)* (Deventer: Kluwer, 1995). 285

④ Robert A. Kagan, Neil Gunningham, and Dorothy Thornton, “Explaining Corporate Environmental Performance: How Does Regulation Matter?” *Law & Society Review* 37, no. 1 (2003). 69, Mainul Huq and David Wheeler, “Pollution Reduction without Formal Regulation: Evidence from Bangladesh,” *World Bank Policy Research Working Paper* 1993 - 39 (1993).

⑤ Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnaleving En Regelovertredding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. 177, Kagan and Scholz, “The “Criminology of the Corporation” and Regulatory Enforcement Strategies.”

⑥ Jos Frijns and Bas Van Vliet, “Small-Scale Industry and Cleaner Production Strategies,” *World Development* 27, no. 6 (1999). 967

*would lead to greater unemployment for all and, since most factory workers are low-wage earners, the hardest hit would be the poor.”*<sup>①</sup>

Given the large amount and the economic importance of smaller, informal firms in non-Western countries, achieving regulatory compliance there will be extra challenging. A study by Wells, quoted by the World Bank found for example that in Mexico, only 4 - 6% of the smaller plants had the ability to monitor their own pollution. ② In addition, the regulated actor's information about the law is bound to be lower in most non-Western developing countries with a low level of education and literacy rate, with differences between a variety of spoken vernaculars and the official written language, a large number of smaller regulated actors that need to be informed, and a weak legal system with weak mechanisms for legal dissemination.

## External Variables

As important as variables internal to the regulated actor for norm conformity are external variables. Both Western as well as non-Western studies emphasize the importance of the regulatory, the social and the economic context. ③ The external context is important, because here policy makers can try to make changes that may improve compliance. Existing studies agree that achieving higher compliance requires a convergence of the different external factors. ④ There is debate however about how such a convergence can be achieved and which factors are dominant in attaining a convergence. ⑤

## Regulatory Context

The regulatory context may influence actors to comply or violate the law. In most studies of regulatory law, the regulatory context is central. The regulatory context consists of leg-

① David Stuligross, “The Political Economy of Environmental Regulation in India,” *Pacific Affairs* 72, no. 3 (1999). 394

② R. Wells, *Prevención Y Control De La Contaminación En Law Industria Mexicana; Reporta De Una Encuesta* (Lexington: Lexington Group, 1996), World Bank, *Greening Industry, New Roles for Communities, Markets and Governments*. 91

③ Neil Gunningham, Robert A. Kagan, and Dorothy Thornton, *Shades of Green, Business Regulation and Environment* (Stanford: Stanford University Press, 2003).

④ Gunningham, Kagan, and Thornton, *Shades of Green, Business Regulation and Environment*, World Bank, *Greening Industry, New Roles for Communities, Markets and Governments*.

⑤ We will get back to this point in the conclusion of this book.

islation, application<sup>①</sup> and enforcement.<sup>②</sup>

Legislation defines the objective costs and benefits of norm compliance and violation. The strictness of the norms influences how high the costs are for compliance, similarly the severity of the statutory enforcement sanctions influences the costs of non-compliance. Second, the norms in the law further influence how acceptable the law is to the regulated actor. Scholarship in the Netherlands has looked at how certain socially accepted behavior becomes prohibited in the law. These scholars have argued that mere prohibition of certain behavior in law does not mean that such prohibition has legitimacy.<sup>③</sup>

Application institutions are the second part of the regulatory context. Such institutions apply the norms in practice, other than those of adjudication and enforcement. It is to these institutions regulated actors must go to register, apply for a permit or submit an EIA report. If such institutions are not functioning well, either being too costly, too slow, or inaccessible, compliance will be more difficult.<sup>④</sup>

Enforcement is a third part of the regulatory context. The quality of enforcement, in terms of the probability of detecting violations and the likeliness of initiating sanctions for violations, will determine the actual expected costs of norm violation, through the detection probability and the sanction height.<sup>⑤</sup> The regulatory context is thus important as it forms an important part of the cost benefit analysis, rational choice theorists believe, regulated actors will make when deciding on compliance or violation. However, as Bardach and Kagan argued, unreasonable enforcement may similarly cause regulated actors to resist compliance e-

① As stated in the introduction this study does not look at the application of law, which of course is also an important aspect of the regulatory context.

② Gunningham, Kagan, and Thornton, *Shades of Green, Business Regulation and Environment*, Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnalewing En Regelovertreeding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*, Kagan, Gunningham, and Thornton, "Explaining Corporate Environmental Performance: How Does Regulation Matter?"

③ The most important scholar that discusses this topic is Brants. See C. H. Brants and K. L. K. Brants, *De Sociale Constructie Van Fraude (the Social Construction of Fraud)* (Arnhem: Gouda Quint, 1991). quoted in Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnalewing En Regelovertreeding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. 97-99

④ For an elaboration of this point see H. De Soto, *The Other Path: The Invisible Revolution in the Third World* (London: I. B. Tauris, 1992), Hernando De Soto, *The Mystery of Capital, Why Capitalism Triumphs in the West and Fails Everywhere Else* (London: Black Swan, 2000).

⑤ For this original idea see Jeremy Bentham, "An Introduction to the Principles and Morals of Legislation," in *The Utilitarians* (Rept. Garden City: Anchor Books, 1789 (Reprinted in 1973))., see also Gary S. Becker, "Crime and Punishment, an Economic Approach," *Journal of Political Economy* 76 (1968). For more on this deterrence approach to enforcement see Chapter 12. Dasgupta, Hettige, and Wheeler, "What Improves Environmental Compliance? Evidence from Mexican Industry." 61

ven when faced with more costs than benefits.<sup>①</sup> This is also recognized in studies about non-Western countries such as Fjeldstad and Semboja's work on Tanzanian tax collection enforcement: "From the standard theory it would be expected that the more severe the sanctions perceived by taxpayers, the higher the compliance. The survey results seem to point in the opposite direction: The more severe the sanctions observed, the more widespread the tax resistance."<sup>②</sup>

### Economic context

The second external variable influencing compliance behavior is the economic context.<sup>③</sup> This context comprises of how market forces of supply and demand affect a regulated actor. The economic context influences the costs and benefits of compliance and violation. The economic context is very important, especially for profit-dependent actors. As Gunningham et al. write: "if a firm acts contrary to these economic license pressures, the consequences are often severe."<sup>④</sup>

First, the economic context influences the costs and benefits of violation. The market may create a demand for illegal products, making violation profitable. Conversely, lack of demand can make violation non-profitable and compliance the preferred option.

Secondly, the economic context influences the costs of compliance. Pollution law compliance, for example, largely depends on the costs of abatement. Blackman and Bannister's work on small brick makers in Juárez, Mexico found for example that when prices of propane equipment were lowered, small polluting brick makers started to comply with local regulation and to use the previously unaffordable clean propane gas as main fuel. Later when state subsidies for propane were cut, all brick makers resorted to polluting illegal scrap-fuels again, as the abatement costs were unfeasibly high.<sup>⑤</sup> Similarly, Sonnenfeld demonstrates that Indo-

① E. Bardach and R. A. Kagan, *Going by the Book, the Problem of Regulatory Unreasonableness* (Philadelphia: Temple University Press, 1982).

② Fjeldstad and Semboja, "Why People Pay Taxes: The Case of the Development Levy in Tanzania." 2068

③ Here we again follow Gunningham et al. and also Huisman, with what they call the business licence and the business context. However, these authors discuss the business context instead of the economic context. We choose to use economic context instead because our study is broader than just profit-oriented enterprises. Gunningham, Kagan, and Thornton, *Shades of Green, Business Regulation and Environment*, Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelnalewing En Regelovertreeding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. Chapter 9.

④ Gunningham, Kagan, and Thornton, *Shades of Green, Business Regulation and Environment*. 61

⑤ Allen Blackman and Geoffrey J. Bannister, "Community Pressure and Clean Technology in the Informal Sector: An Econometric Analysis of the Adoption of Propane by Traditional Mexican Brickmakers," *Resources for the Future Discussion Paper 97-16-REV* (1998), Allen Blackman and Geoffrey J. Bannister, "Pollution Control in the Informal Sector: The Ciudad Juarez Brickmakers' Project," *Resources for the Future Discussion Paper 98-15* (1998).

nesian pulp mill's enhanced compliance is partly the result of their business environment, which provided good prices for advanced abatement technologies, especially from Nordic countries.<sup>①</sup>

The economic context also influences how regulated actors look at costs and benefits. Actors that are doing well economically may be able to adopt a long-term perspective to such cost benefit analysis. Actors that are operating on the fringe of the market, may need to cut all costs possible, and as such operate on a day to day basis, fighting for survival. In criminology, this is called strain, which is understood as that actors who lack resources to attain their goals will be strained towards illegal means to achieve their aims. For organizations, the strain approach means that there is a tension between goals related to profit making and survival on the one hand, and compliance with the law on the other.<sup>②</sup> So while organizations that are doing well will not feel a strain towards violation, in times of pressure and especially if their survival is threatened, may opt for illegal means. Huisman states: "Circumstances may erode the normative support for compliance."<sup>③</sup>

Scholarship has also argued that the economic context may also provide a stimulus towards compliance. Research about stock market reactions to environmental news in the Philippines, Mexico, Canada and the US, finds that negative environmental news affects the stocks of the company involved.<sup>④</sup> Konar and Cohen find that firms who had experienced the greatest negative impact on stock prices did their best to reduce their pollution.<sup>⑤</sup> Based on this, the World Bank argues that the market can be an important influence towards compliance. The bank propagates public disclosure of compliance information, arguing that such information will help the market put more pressure on regulated actors that are in violation of

the law.<sup>①</sup>

### Social Context

The third external variable is the social context of the regulated actor. This social context consists of the non-state organizations that may affect the regulated actor and those that may be affected by the regulated actor, including local communities, NGOs and the media. The social context's effect on compliance can be positive and negative.

Studies about both Western<sup>②</sup>, and non-Western countries<sup>③</sup> have found that the social context is a potent force, pressuring regulated actors to comply with the law, even when regulatory mechanisms were weak. Such studies have demonstrated that collective action by local communities and NGOs, especially when working together with the media can be very effective to make regulated actors comply with the law. There are many examples. An extreme one occurred in Jakarta in 1980 when local farmers burned a heavily polluting factory the regulatory context had failed to address.<sup>④</sup> In order to help the social context play out its full potential as a secondary compliance watchdog, scholars and policy makers propagate the use of public disclosure mechanisms, such as PROPER (Program for Pollution Control, Evaluation and Rating) in Indonesia or the Toxics Release Inventory (TRI) in the US.<sup>⑤</sup>

Violation accidents, such as big pollution spills, play an important role in initiating social pressure, and once initiated such accidents may be used to exert extra pressure. A severe pollution incident in Brazil in 1984, led for example to a "surge of social mobilization

① World Bank, *Greening Industry, New Roles for Communities, Markets and Governments*. Tom Tietenberg, "Disclosure Strategies for Pollution Control," *Environmental and Resource Economics* 11, no. 3-4 (1998).

② Noga Morag Levine, "Between Choice and Sacrifice: Constructions of Community Consent in Reactive Air Pollution Regulation," *Law & Society Review* 28, no. 5 (1994). Kagan, Gunningham, and Thornton, "Explaining Corporate Environmental Performance: How Does Regulation Matter?" 68-73

③ Maria Carmen de Mello Lemos, "The Politics of Pollution Control in Brazil: State Actors and Social Movements Cleaning up Cubatao," *World Development* 26, no. 1 (1998), Chege Kamau, "Environmental Law and Self-Management by Industries in Kenya," Robert Cribb, "The Politics of Pollution Control in Indonesia," *Asian Survey* 30, no. 12 (1990), Huq and Wheeler, "Pollution Reduction without Formal Regulation: Evidence from Bangladesh," David A. Sonnenfeld, "Social Movements and Ecological Modernization: The Transformation of Pulp and Paper Manufacturing," *Development and Change* 33, no. 1-27 (2002), Sonnenfeld, "Social Movements, Environment, and Technology in Indonesia's Pulp and Paper Industry," World Bank, *Greening Industry, New Roles for Communities, Markets and Governments*. 237-8

④ Cribb, "The Politics of Pollution Control in Indonesia." 1132

⑤ Shakeb Afsah, Allen Blackman, and Damayanti Ratananda, "How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia," *Resources for the Future Discussion Paper* 00-44 (2000), Shakeb Afsah, Benoit Laplante, and David Wheeler, *Regulation in the Information Age: Indonesian Public Information Program for Environmental Management* (1997 [cited 14 September 2006]); available from <http://web.worldbank.org/servlets/ECR?contentMDK=20798617&sitePK=1909405>, Jorge Garcia Lopez, Joseph Sterner, and Shakeb Afsah, "Public Disclosure of Industrial Pollution: The Proper Approach for Indonesia?" *Resources for the Future Discussion Paper* 04-34 (2004), Tietenberg, "Disclosure Strategies for Pollution Control," World Bank, *Greening Industry, New Roles for Communities, Markets and Governments*.

① David A. Sonnenfeld, "Social Movements, Environment, and Technology in Indonesia's Pulp and Paper Industry," *Asia Pacific Viewpoint* 39, no. 1 (1998). 104

② Huisman, *Tussen Winst En Moraal, Achtergronden Van Regelgeving En Regelvertreding Door Ondernemingen (between Profit and Morality, the Backgrounds to Enterprise Compliance and Violation)*. 156

③ Ibid. 156

④ J. Hamilton, "Pollution as News: Media and Stock Market Reactions to the Toxic Release Inventory Data," *Journal of Environmental Economics and Management* 28 (1995), Paul Lanoie and Benoit Laplante, "Can Capital Markets Create Incentives for Pollution Control?" *World Bank Policy Research Working Paper* 1753 (1994), Benoit Laplante, Paul Lanoie, and M. Roy, "The Market Response to Environmental Indicators in Canada: A Theoretical and Empirical Analysis," *Southern Economic Journal* 60 (1997). For a more critical approach to the linkages between stock holders, investors and financial markets and regulated actors see Gunningham, Kagan, and Thornton, *Shades of Green, Business Regulation and Environment*. 63-5

⑤ S. Konar and M. Cohen, "Information as Regulation: The Effect of Community Right to Know Laws on Toxic Emissions," *Journal of Environmental Economics and Management* 32 (1997).

against pollution.”<sup>①</sup>In Indonesia similarly accidents, such as a lagoon burst in 1988 and a boiler explosion in 1993 both at the Indorayon paper mill, helped NGOs create more effective pressure on governments to end violations.<sup>②</sup>

In some countries, the level of awareness about the effects of violations is too low to spark action until there has been a clear and visible sign of the effects such violations have. Resistance to industrial pollution, was only triggered in Kenya, for example, after the effects on personal health and economic welfare were clear, when in 1992 pollution discharges by Kel Chemicals in Thika revealed themselves in the “rusting and rotting of iron sheets of residential houses”.<sup>③</sup>

Local community pressure does not always happen though. Huq and Wheeler’s study of Bangladesh demonstrates, for example, that local communities were only able to force chemical fertilizer plants to invest in cleaner production, in those cases where the community did not depend on such plants for their income.<sup>④</sup>In other words, if regulated actors are dominant employers, the local social context will be less inclined to act against violations of law.<sup>⑤</sup>In case of such dependency only a well-organized non-local social context, often involving NGOs or national media may be effective in creating pressure.

In addition, some groups have more success than others. Group income and level of education matter. Pargal et al.’s study on informal regulation in Indonesia and the US has found that richer communities are more effective in influencing regulated actors.<sup>⑥</sup>A related finding from Pargal and Wheeler’s study of informal regulation in several developing countries, is that “plants in poor less educated areas are about 15.4 times more water pollution intensive than plants in affluent well educated areas.”<sup>⑦</sup>

Finally, in some cases the social context may even directly support violation of law. This happens when the norms in the law are not widely supported in society, when the law lacks local legitimacy. This occurs because either the norms themselves have little sup-

port, or worse because the legislator has a limited legitimacy<sup>①</sup>.

## Conclusion

Understanding compliance is vital for lawmakers, enforcement agents, enterprises and civil society organizations. One can only make good laws if one understands under what conditions it will be obeyed. Similarly, enforcing the law seeks to improve compliance and thus needs to understand what strategy to adopt that works best. Enterprises may benefit from understanding under what conditions their competitors are likely to obey the law, and also what factors influence their own compliance behavior. Finally NGOs, seeking to protect the public interest, and doing so invoking the law, should also learn what type of invocation will best steer enterprise behavior.

In reality studying compliance behavior and adapting one’s strategy to the findings found is not easy, especially not in emerging market contexts such as the Chinese. One needs to be aware of many factors as well as interactions between factors. For instance, external factors affect internal factors. The economic context can affect how costs and benefits are weighed by regulated actors. Similarly, external factors affected other external factors. As such, changes in economic conditions can have a large effect on how the social, political and regulatory context reacts to non-compliance.

A large obstacle to compliance studies for practical reasons, lies in the complexity and variations of factors at play in reality. In a study of pollution and land regulation at one lake area in China, a rich variation of different circumstances was found to influence different compliant and non-compliant outcomes at different enterprises. Even after spending a full year of fieldwork not all possible factors and differences could be properly evaluated. Consider how this is if one wants to understand the situation in a city, province or even country? The necessary in-depth knowledge that good lawmaking, law enforcement, business strategies, or NGO politics require are difficult to get. And for this partnerships between compliance academics and practitioners are necessary, with socio-legal experts working hand in hand with state and non-state regulators and enterprises.

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① Carmen de Mello Lemos, “The Politics of Pollution Control in Brazil: State Actors and Social Movements Cleaning up Cubatao.” 82

② Sonnenfeld, “Social Movements, Environment, and Technology in Indonesia’s Pulp and Paper Industry.” 100-2

③ Chege Kamau, “Environmental Law and Self-Management by Industries in Kenya.” 239

④ Huq and Wheeler, “Pollution Reduction without Formal Regulation: Evidence from Bangladesh.”

⑤ Kagan, Gunningham, and Thornton, “Explaining Corporate Environmental Performance: How Does Regulation Matter?” 69

⑥ Sheoli Pargal et al., “Formal and Informal Regulation of Industrial Pollution: Comparative Evidence from Indonesia and the United States,” *The World Bank Economic Review* 11, no. 3 (1997).

⑦ Sheoli Pargal and David Wheeler, “Informal Regulation of Industrial Pollution in Developing Countries: Evidence from Indonesia,” *The Journal of Political Economy* 104, no. 6 (1996). 1325-6

① For an example of this see Fjeldstad and Semboja, “Why People Pay Taxes: The Case of the Development Levy in Tanzania.” 2069