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Robust Enforcement Should Complement Voluntary Regulation

by Jodi L. Short and [Michael W. Toffel](#)

Abstract

Spurred by the anti-regulation movement that started in the 1970s, voluntary self-regulation programs have emerged in many regulatory agencies, seeking to increase cooperation between government and industry to achieve greater and more cost-effective compliance. "Beyond compliance" programs recognize and reward firms for practices that go above and beyond the requirements of the law. "Self-policing" programs adopted by several agencies shift the burden of monitoring regulatory compliance and reporting noncompliance from the government to the private sector. Policymakers often refer to these programs as a win-win-win scenario: compliance improves, regulators conserve enforcement resources, and firms save money. But this outcome can only be achieved if the self-regulatory activities of corporations can effectively substitute for government enforcement, a largely untested assumption that our research examines. We find that, to the contrary, the success of voluntary regulation is contingent on a robust regime of government inspection and enforcement. Within such a regime, we find that voluntary compliance efforts by regulated firms can actually lead to improved environmental performance. In summary, the polarized claims that corporate voluntary regulation represents a win-win opportunity—or constitutes a smokescreen that allows firms to operate with less regulatory oversight—are misguided. Instead, the key to efficient and effective regulatory design is finding the right mix of public and private regulatory activities.

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