Challenges of the New Regulation

Graham K. Wilson
La Follette School of Public Affairs and Department of Political Science, University of Wisconsin-Madison

wilson@lafollette.wisc.edu
CHALLENGES OF THE NEW REGULATION

A Paper for the IPSA Convention, Fukuoka, Japan, July 2006

Graham K. Wilson
Department of Political Science
University of Wisconsin-Madison
gwilson@polisci.wisc.edu
CHALLENGES OF NEW REGULATION

The case for new forms of regulation has rested for the last ten years primarily on a widely accepted critique of previous modes of regulation, frequently labeled “command and control.”1 The imposition of specific technologies or pollution limits (such as discharge or emission permits) had achieved much in the previous twenty five years; however, these approaches had reached their limits. Command and control was too inflexible; money spent by a corporation on purchasing a specified technology or making a marginal reduction in emissions to hit a mandated target could have produced a greater reduction in pollution through other means. For example, money spent on fitting a new scrubber to a smokestack required under a government mandate that reduced pollution only marginally might have been better spent on scrapping the existing fleet of trucks operated by that corporation and replacing them with more modern, less polluting models.

Command and control was most heavily criticized, however, on governance grounds. It was seen as a process that encouraged minimal compliance rather than maximal effort. Instead of encouraging corporations to ask themselves how much they could do improve their performance. Government mandated technologies and targets became upper limits. It could even be argued that managers who chose to exceed these mandated technologies or targets were failing in their fiduciary responsibility to stock
holders by spending more money than law required thereby incurring unnecessary expense and forgoing profits.

Above all, command and control often provoked an adversarial relationship between regulators and regulated. The common response of businesses to proposals for new regulations was to oppose the imposition of mandates. The common response of regulators was to regard businesses as obdurate and rely on coercion to force businesses to cooperate. In some countries in some periods (such as the U.K. and Sweden) in the Keynesian era, this tendency was managed or controlled. In practice, regulators chose to refrain from enforcing the letter of the law on businesses that they believed to making a good faith effort to improve their performance.\textsuperscript{2} This practice was itself open to criticism on governance grounds. Although everyone knew that inspectors used discretion, little was known about how, when and in whose favor this discretion was used. Moreover, there is some evidence that this habit of accommodation declined in the UK, while relations between regulators from the EU and in the United States exemplified strong adversarial tendencies.\textsuperscript{3} These tendencies had clearly deleterious consequences for regulatory performance. Time spent trying to coerce the regulated resulted in the allocation of massive resources by regulatory agencies to activities such as litigation that could have been used better to address unmet problems.

It also became evident that whatever the technical or administrative desirability of new command and control regulations, the likelihood of them being adopted was low. Significant shifts to the right in politics in the 1980s and 1990s brought to power pro-business parties (the Republicans in the US, the Conservatives in the UK) that alternated in power with left leaning parties now intent on proving their pro-business credentials
(the Clinton Democrats, “New Labour” in the UK, Labour in Australia and New Zealand et cetera.) The increased competitive pressures resulting from globalization and regional integration (most notably the EU but also NAFTA, CAFTA et cetera) gave business representatives more compelling grounds for arguing that the imposition of costly regulations would have significant costs in economic growth and employment. In the face of increased competitive pressures, even politicians less ideologically or strategically disposed to adopt “pro-business” positions might have hesitated to adopt a wave of costly new regulations. The challenge to NGOs was therefore to find new means to advance their agendas in an era in which state mandates were unlikely to increase.

**New Measures, new problems**

As the critiques of “command and control” became received wisdom, advanced industrialized democracies instigated a wave of experimentation and reform designed to provide alternative approaches. Some of the more obvious and important include IS 14001 and other forms of EMSs (Environmental Management Systems,) EMAS (Environmental Management and Auditing Systems), the “Open Method of Coordination” in the European Union and Green Tier in Wisconsin. Rather than attempt a discussion of all of these innovations individually, a brief typology follows.

*Internal monitoring systems* such as Environmental Management Systems are based on the belief that businesses and other organizations will improve their performance if they monitor, assess, critique and commit to improving their own performance. A corporation that adopts an EMS is committed to assess its environmental impact, developing plans to lessen it, to evaluate progress at specified intervals (e.g.
annually) and to commit to further targets for improvement thus re-launching the cycle. ISO 14001 provides external validation of the integrity of this system. Companies can apply to the International Organization for Standardization for a certificate saying that they have established a credible, coherent environmental management system. Internal monitoring systems are not limited to environmental policy, however, but can also be used to monitor compliance with other non-monetary goals such as human rights, treatment of consumers or avoiding “sweat shop” conditions among suppliers. Internal monitoring systems do not specify any performance levels, however; the constant improvement that an EMS requires could be improvement from a very high or very low standard or environmental performance. It is therefore entirely a process approach.

*Self Regulation* involves the setting of targets and levels of performance by a body (usually a corporation) or a body such as a trade association. Companies that go “beyond compliance” and achieve superior levels of performance than the law mandates are awarded a badge, certificate or logo that they can use to promote their images, products or desirability to investors. Companies may commit to improving the conditions of workers in suppliers’ plants (e.g. Nike and manufacturers of its products in Vietnam.) Entire industries may commit to codes of practice covering the safety of consumers, workers and nearby communities; in the United States, the American Chemistry Council’s “Responsible Care” is the most developed self regulation conducted by a trade association. In Germany, EMAS is conducted and enforced largely by trade associations. In contrast with EMSs, EMAS mandates performance levels as well as process reforms.

*Certification and recognition* programs seek to provide effective incentives for improved performance. The effectiveness of these incentives is often linked to the
perceived increase in the importance of the brand in contemporary commerce. For products in which an image independent of the physical properties of the product is essential to its pricing, a favorable brand image is essential. It is the belief that Nike athletic shoes make one “Like Mike” that transforms them from a product that costs about $20 to manufacture and ship to one retailing for $120. Brand image is also crucial to competing effectively in markets such as gasoline/petrol in which consumers believe (rightly or wrongly) that there is no real difference between one corporation’s product and another’s. Certification programs are likely to be successful to the degree that they provide corporations with adequate incentives such as increased earnings or diminished costs. Having a certificate or award marking a corporation out as having a distinguished environmental record might allow it to charge more its product; Whole Foods can charge higher prices than Walmart and wood certified as being produced with sustainable forestry practices retails for higher prices than wood that is not. Corporations that are recognized as meeting higher performance levels can also be rewarded by regulators with a reduction in inspection or greater tolerance for occasional mistakes or violations of regulations. This is in a sense a codification of the imprecise, veiled but common use of discretion in traditional command and control settings.

Transparency and participation can also be used as alternatives to regulation. Both the Environment Agency in the UK and the EPA in the United States publish on web sites (“What’s In Your Backyard?” in the UK) that allow citizens or activists to see what pollutants corporations located near them are releasing. The bad publicity and increased opportunities for activists to exert pressure on polluters create incentives for them to improve their performance. This strategy can be implemented at the national
level by requiring corporations to publish environmental and social responsibility reports as well their annual financial reports. Interestingly, the more imaginative NGOs such as Green Peace in London have forged alliances with the financial sector and accountants to demand that this practice be followed even if not required by law. Aviva, a giant insurance corporation whose financial arm, John Morley is responsible for a significant proportion of total trades on the London Stock Exchange, will vote its shares against the adoption of any corporation’s annual financial report that is not accompanied by an environmental report. Such reports if done honestly and comprehensively both provide an incentive for better performance for fear of shaming and help activists by providing them with evidence from the corporation itself on inadequate performance in terms of the environment or social responsibility.

Trading is another popular alternative to command and control. Corporations are given set allowances for the quantity of some social harm they can [produce (air pollution, discharges of pollution into lakes and rivers.) Those who can get by with less than their allowance can sell the surplus to those who need more; both the ability to sell surplus allowances and the requirement to purchase permits if the initial allowance is insufficient create economic incentives to reduce pollution or the other social harm for which a permit has been issued.

Finally, the basic framework of company law can be used to provide an incentive for superior performance. A requirement that company directors implement “best practice” has implications in all areas, not just the financial. It is possible that this requirement under British law, for example, would mandate the use of practices such as EMSs or equivalent.
Issues

Public administration is notoriously a practice governed by proverbs. “Many hands make light work” versus “Too many cooks spoil the broth” has its counterpart in strictures on the desirability/dangers of delegation, the benefits or dangers of contracting out et cetera. Far from reflecting badly on scholars in the field, the proverbial nature of the discipline reflects reality. Nearly every strategy in public administration has both advantages and disadvantages; often they are opposite sides of the same coin. The defects of command and control were noted above and yet few would doubt that the strategy has major accomplishments to its credit in terms of enhanced environmental performance. Similarly, while no one would deny the attractiveness of alternatives to regulation, it is highly probable that these approaches also have disadvantages as well as advantages. We turn now to examining the nature and extent of these disadvantages.

Internal Monitoring

Like many management ideas, internal monitoring systems such as EMS seem like common sense. Indeed, one may ask why corporations need any encouragement to adopt them especially as reducing social harms such as pollution might not only be good citizenship but reduce costs. From a governance perspective, however, the question is how far self monitoring systems such as EMS or ISO 14001 actually contribute to the public good. For all their popularity, the answer may be “less than one would hope.” A study by the UK Environment Agency, for example, suggested that the environmental performance of corporations that had adopted EMSs was no better than those that had
not. Ironically it seems that internal monitoring systems particularly if certification is involved replicate the problems of command and control. Anecdotal evidence suggests that workers perform compliance tasks to meet formal criteria rather than to make a genuine improvement in the organization’s performance. Workers may be encouraged to memorize formulaic responses to questions about policy in time for the annual evaluation rather than to pursue higher performance levels consistently. Goals that are specified are accorded higher importance than they may deserve while those that are not may be neglected even if of greater intrinsic importance. None of this should have been surprising. As Michael Power demonstrated brilliantly in *The Audit Society*, the fact that inspections and audits are carried out by private sector professionals such as accountants or even staff form the organizations itself does not guarantee that the behavior encouraged will be any more sensible than the behavior encouraged by government inspectors. Potoski and Prakash offer a more encouraging conclusion. ISO 14001 certified plants spend less time out of compliance with regulations than comparable plants that are not, even controlling for past compliance histories. However, they found modest (7%) improvements in time out of compliance for ISO 14001 certified firms and also reported that firms were more likely to obtain ISO14001 certification if they were subject to frequent government inspection than if they were not. It would be reasonable to conclude therefore that the likely effects of EMSs are either modest or uncertain.

*Self Regulation* has attracted considerable and until recently largely favorable attention. Again, however, there are potential problems. There is no reason to suppose that firms that self-regulate are the problem firms; indeed it would seem reasonable to assume the opposite. Self regulation may therefore produce modest and desirable
improvements in the behavior of better performing firms rather than changes in the behavior of the worst. Self regulation may also be much easier to achieve in countries such as Germany with strong trade associations that can set industry standards and to some degree enforce them than in countries in which trade associations are weak in terms both of the proportion of potential members they recruit and in the authority of the association in relation to constituent firms. Self regulation may therefore be better suited to countries with a tradition of “organized capitalism” than to countries characterized by liberal market economies. Finally – as the example of the chemical industry in the United States suggests – self regulation may flourish best in the shadow of a plausible threat of government regulation. Even if self regulation is achieved, it is not necessarily the case that the level of protection offered by the industry is the level that is favored by society as a whole. In the absence of effective means for dialogue with stakeholders or government as representative of the community, self regulation could be assumed to offer a cheaper and lower level of protection than government regulation would seem to provide. However this too must be balanced against the real possibilities that the alternatives to self regulation might not be more stringent government regulation but in reality either ineffective government regulation or not regulation at all.

The fundamental problem that self regulation must overcome is one that it shares with certification and recognition strategies. Why should anyone believe that the company in question is actually meeting the regulatory goals it has set for itself? Inspection by regulators employed by a trade association might provide some further assurance that the evaluation of company performance is credible yet is also not “arms length” in nature. In terms of both self regulation and certification, a crucial question
therefore is whether or not there is adequate third party verification. So far, the record of third party verification is spotty. The Enron Affair and demise of Arthur Anderson had ambiguous implications for third party verification. One interpretation of the affair is that it demonstrated the wisdom of the adage that he who pays the piper calls the tune; Enron paid Anderson to deliver validation of the accounts that it wanted. A conflicting interpretation is that the demise of Arthur Anderson demonstrated the catastrophic consequences for those who deliver verification – of accounts, environmental or corporate responsibility reports et cetera – if they compromise their integrity. The fall of Arthur Anderson will deter verifiers from compromising their integrity for some time to come. An additional concern is whether there external verifiers have the competence and ability to conduct their work. This in short links to the *quis custodiet* issue; who makes sure that external verifiers are sufficiently trained, equipped and honest? The UK Environment Agency’s doubts about EMSs included not only skepticism about the adequacy of the competence and reliability of external verifiers but also about the competence and ability of those charged with issuing the competence and reliability of those who oversee the external verifiers. Who is making sure that those who carry out environmental audits are capable and honest in their assessments?

Certification and recognition programs also suffer from doubts about whether or not corporations really benefit from such recognition to attract them into the programs. David Vogel’s recent book concludes that they do not. Critics argue that consumers are not willing to pay significantly higher prices for ethically or environmentally produced products. There is no market for virtue. Boycotts are unlikely to lead to significant declines in sales. While Vogel’s characteristic skepticism is valuable, it is perhaps like
the enthusiasm of proponents of this approach to encompassing. Some companies are indeed highly dependent on brand image. Others are not and indeed do not sell to final consumers (We don’t make the products you buy, we make the products you buy better” goes one corporate slogan.) There have been successful boycott threats that have targeted final users of a product and forced them to pressure early stage producers; threats of boycotts of German magazines caused them to pressure their paper producers to pressure pulp suppliers to demand sustainable forestry practices in Canada. the classic boycott remains the successful pressure on Shell to dismantle Brent Spar on land (Vogel mistakenly asserts the pressure was not to do this.) The licensing authority, the UK government agreed to Shell’s plan to sink the discarded oil storage platform. Although the UK government withstood considerable pressure on this topic, Shell caved in the face of boycotts of Shell stations in Germany and the Netherlands illustrating the vulnerability of sellers of undifferentiated final products to consumers. 8

It is also possible that commercial rewards are real even if hard to demonstrate. Studies have rarely demonstrated a clear relationship between any business activity (including advertising) and sales. It is plausible to suggest that a proven superior performance by a company might have indirect and therefore hard to measure impacts. These include not only the generally favorable impression with consumers but more advantageous rates from insurance companies and investors taking the corporation’s proven good citizenship as a sign that the business is well managed. NGOs in the UK have worked to mobilize insurance companies, for example, as natural allies. We may conclude that while Vogel is as ever stimulating, his skeptical conclusion is, to sue the old Scottish verdict, not proven.
What of more positive incentives that governments can provide? Regulatory agencies can in theory offer a variety of incentives. The first and least problematic is a single point of contact with the agency. This offers a business both simplicity (no chasing around to different parts of the agency) and the possibility that the agency official who is the single point of contact can be educated in the problems and issues of the business in question. A second incentive could be more flexible permitting so that the business in question could temporarily exceed limits or discharge more of X in return for an equivalent reduction in Y. A third incentive could be a reduction in the frequency of inspections perhaps coupled with a diminished propensity to impose sanctions. Businesses that performed well could expect to be inspected less often and if violations were discovered, could expect to be given advice and warnings rather than punishments.

Here, however, we run into some of the most fundamental problems of any program of self regulation or certification that is fostered by government action. These are problems of discretion and participation.

The problem of discretion arises form the uneasiness of some cultures, most notably that of the in the United States, with explicit discretion for government agencies. It is worth noting the word “explicit” here for as noted above, the idea that any regulatory agency or police force could avoid discretion is ludicrous; police officers and regulators must constantly decide where to place their efforts. It is making discretion an openly avowed aspect of public policy that causes unease. The unease with discretion is most obvious in the insistence of some Americans that frail Jewish grandmothers be subjected to the same searches at airports as an emotional Arab young man carrying a large backpack and muttering “God is great!” Many public interest groups in the US assume
that if regulatory agencies are given discretion, it will be used corruptly to favor underperforming businesses. Openly stating that regulators will leave high performing companies in peace and assume that a breach of regulations here and there is an accident was long an openly stated policy in the UK; it is hard to reconcile with American antipathy to discretion.

The problem of participation results from the inequalities of pluralism. In theory, as we have seen, the new regulation assures the integrity of the process through transparency and participation. The new governance guards against cozy deals between government and business by providing public interest groups/NGOs with more information through mandatory disclosure and more opportunities to influence events through mandatory requirements that “stakeholders” be given opportunities to participate. In fact these safeguards may be illusory. Public interests groups/NGOs simply lack the resources to be able to participate effectively in the new governance. In general, new governance exacerbates the problems of pluralism. Environmental groups, for example, may be able to overcome their relative lack of resources sufficiently to secure passage of a single law or the promulgation of a regulation. New governance approaches substitute for a single law or regulation the making of hundreds of agreements between a government agency and individual firms. Instead of a blanket law that mandates that everyone will do X, Y and Z, new governance suggests that we all sit down and work out on a case by case basis what works best. The capacity of under-funded, understaffed NGOs to monitor and assess the quality of these agreements is effectively zero.

Admittedly, new governance can also help NGOs by, for example, mandating that businesses release more information than in the past – for example in the environmental
or CSR reports discusses above. Certification programs can also mandate that businesses provide opportunities for consultation with “stakeholders” including NGOs. However, these mandates are likely to provide NGOs with more information than they can use and more meetings than they can attend. A possible solution to this problem is for government or the regulated to provide NGOs with subsidies. Yet such subsidies are difficult to sell politically; indeed the drives in recent decades by conservatives to “de-fund the left” has if anything taken public policy away from providing NGOs with government support. Faced with the problem of deciding exactly which NGO should receive exactly what share of resources provided, governments may prefer to fund none. It is not surprising, however, that NGOs in some countries such as the United States have opposed the spread of the new regulation, a form of governance that demands of participants that they have resources that NGOs typically lack.

It is also the case that the politics of disclosure and mobilization do not necessarily make for good policy. NGOs may be better able to mobilize against unpopular businesses than against the worst performers; major oil companies may be unpopular because of high petrol prices but their environmental record may be better than that of other businesses. The public may panic (or be encouraged to panic) over dangers in their back yards that are either remote or not very serious. Love Canal, long an emblem of environmental risk and degradation, turned out to be not the hazard that was supposed when its inhabitants were evacuated and their homes abandoned as a result of agitation by activists arguing that the lives of the people there were at risk. Love Canal has since been re-occupied and in the long term, the Love Canal story may be important primarily in discouraging the reclamation of “brown field” sites.
Company law and Trading also have limitations on their capacity to produce favorable results. Requirements to follow “best practice” in company law can have modest impacts until there is clearer understanding about what constitutes “best practice.” As we have seen, there is debate about the value of even such a modest measure as an EMS. It is therefore hard to imagine that there might be successful legal pressure on boards of directors to follow a particular approach.

Trading in emission rights has in contrast been hailed as one of the most cost effective measures ever to improve the environment. Again, however, there are problems. These include reliable measurement of emissions and the allocation on the appropriate level of permits. How dependable are claims that an enterprise or country possibly even on a different continent as reduced emissions by a precise amount that therefore allows an enterprise elsewhere to raise its emissions by an equivalent amount? Given the prevalence of corruption in much of the world, how credible are such claims? Moreover, how successful are regulators in identifying appropriate permit levels at the beginning of trading? Recent experience form the EU points to the danger that overly generous allowances can result in an ineffective market because the provision of permits at the start of the process is so generous that few enterprises need to purchase additional emission rights.

Conclusions

Alternatives to traditional regulation are often seen as a “third way” between laissez faire and command and control. As is often the case with compromise approaches, there is a risk of pleasing neither side. Businesses feel that the incentives to take part are
in alternatives to regulation are insufficient while NGOs doubt their ability given limited resources to make the new system work for them.

All forms of governance have their disadvantages as well as advantages. There is always a considerable risk that a reform will be perceived as having “failed” because there are difficulties. As Paul Light has noted, a new reform wave may sweep in before the previous reform has even been implemented fully. Alternatives to command and control regulation have their disadvantages and problems. Yet as their advantages are also clear, the challenge is to find ways to capitalize on the advantages and minimize the disadvantages.

One promising approach is to link reform approaches so that they are mutually reinforcing rather than separate initiatives. The State of Wisconsin’s Green Tier initiative for example combines several different alternatives to regulation. Participants are entitled to use a logo that recognizes their credentials as good stewards of the environment perhaps facilitating cheaper borrowing and supporting higher prices for their products. Yet the firms are also encouraged or required (depending in which level of Green Tier they are) to operate and EMSs and, if in the higher Tier, to engage stakeholders in discussions about their performance. If one approach does not work, another might and the combination of approaches and incentives may achieve more than a single initiative.

The two most important challenges that remain are to insure adequate incentives for companies and to legitimate the new approaches. Even the acclaimed Green Tier program has not experienced a flood of applications. Implementation of EMSs has varied significantly from country to country; in the United States, most of the growth came after Ford and General Motors mandated that their suppliers be ISO14001 certified. It might be
that incentives from outside the scope of the regulatory agency are required. For example, companies participating in schemes such as Green Tier might be offered a tax cut. Further success probably also requires not only larger incentives for each industry but incentives that are tailored to specific industries or even firms. An approach that attracts a printing company may not be as attractive to a builder.

Yet if business is to be offered greater incentives and packages tailored to its preferences, the problem of legitimacy will deepen. NGOs will doubt even further their ability to monitor alternatives to regulation if programs differ significantly on a firm by firm basis. How can the public interest in, for example, environmental protection be maintained in flexible systems of alternatives to traditional regulation? The two most obvious possibilities are through the bureaucracy or through NGOs. It might be possible to create a unit within government whose job it is to assist NGOs in governance networks. Yet it is hard to imagine what such a unit would look like. How could such as “intervener” unit itself have the expertise to cross multiple policy areas? And would it not adopt an adversarial spirit that would be entirely contrary to the spirit of the new governance and regulation? It might be better – though entirely contrary to the American political tradition – to assume that established government agencies could be trusted with protecting the public interest. At least regular agencies might themselves strike a balance between contending values rather than assuming that their task was to remorselessly promote the goals of the NGOs. The ideal solution might be to subsidize the NGOs themselves not so much by distributing money – which would raise multiple political challenges – as by providing specific services. One could imagine an NGO Reference Bureau that might seek to identify which agreements between businesses and regulators
had the greatest potential impact and that provided expert scientific and economic analysis of the implications of major agreements. NGOs would be left with the challenge of campaigning against agreements whose outcomes they found unacceptable but they would not themselves be left with the daunting challenge of identifying those agreements and their implications from their own limited resources.

The question remains under what circumstances even a combination of alternatives to traditional regulation might work well. Two hypotheses are worth considering.

The first is that although new approaches to regulation are an alternative to command and control, they flourish when there is a credible threat of additional regulation if alternatives are not implemented. Conversely, when the danger of additional command and control regulation is slight, alternative approaches will make less progress. The de-regulatory instincts of the Bush Administration create circumstances that are therefore less favorable to alternative to traditional regulation than were those of the Clinton Administration when there was at least some risk that new regulations might be adopted. The Blair government in the UK contained a healthy tension between the dominant enthusiasts for alternatives to regulation and those such as Michael Meacher who saw those alternatives as stepping stones to new command and control regulations.

The second is that the more organized forms of capitalism in general start out with a natural advantage on adopting alternatives to regulation. These countries have interest groups that are used to taking responsibility for public policy issues and have sufficient power vix a vix their members to help regulate their behavior. Countries with a neocorporatist tradition also have established traditions of “concertation” between...
business, government and other organized interests. Admittedly those other organized interests have generally been labor unions, not NGOs. However, there are fewer cultural barriers in the business world to overcome that see any breach in business autonomy and discretion as illegitimate. Even EMSs were adopted more slowly in the US than in other advanced democracies; only the push for ISO14001 by Ford and General Motors (perhaps because of concern about policy directions in the EU) overcame this hesitancy. Attempts to create partnerships between business and government in the US therefore face great challenges than in Europe. The officials trying to create Green Tier in Wisconsin have been involved in developing structures of collaboration and partnership between business, government and environmental policy that are foreign to the US. In contrast, the EMAS initiative in Germany fits easily within the traditions of both individual corporations and their trade associations accepting responsibility for social and economic problem solving.

Political scientists are prone to seeing both institutions and the social practices on which they depend as deeply rooted and dependent on long historical processes. Yet there are obvious and important cases in which institutions have been grafted onto societies to which they seem foreign. The history of state building is not as uniformly bleak as the situation in Iraq today might lead one to suppose. Of course many of those success stories are linked to the aftermaths of defeat in war. A cynical friend (an economist of course) once told me that there are two ways to get people to act as you wish; threaten to shoot them or pay them. In the case of new forms of governance and regulation, coercion is not likely to be a realistic option. The fundamental challenge therefore is whether appropriate
and sufficient incentives can be developed to induce the key actors to adopt and maintain new forms of collaboration and governance.


8 Grant Jordan Shell, Greenpeace and Brent Spar (Basingstoke: Palgrave, 2001.)