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ENTRY, GROWTH AND LOCALIZATION OF ENVIRONMENTAL REMEDATION FIRMS

Abstract:

Since the introduction of the Environmental Kuznets Curve in the early 1990s, there has been interest in the relationship between income and environmental quality. However, finding a theoretical explanation of this inverted U-shaped relationship has been difficult. For environmental quality to improve as income, and consumption, increase, *ceteris paribus*, there must be an increase in abatement activity. In this paper, we investigate the relationship between the employment, entry and exit of the remediation/abatement industry at the census tract-level and a set of co-variates, including income. We find evidence of a positive relationship between per capita income and total employment and the likelihood of entry in this industry. The most important factors in entry and growth in this industry are the presence of other firms in the remediation industry and the presence of establishments in industries in which Toxic Release Inventory firms are found. Thus, localization economies and a localized industrial demand appear to play the most significant roles. We extend the analysis to consider exit probabilities of remediation firms, finding that only greater density of similar firms and establishment age and size have statistically significant effects.

Keywords:

Environmental economics, Agglomeration economies, firm entry, spatial economics.

JEL Classification: Q50, A10