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Note: At the time of publication, author Femida Handy was affiliated with York University. Currently, January 2007, she is a faculty member of the School of Social Policy and Practice at the University of Pennsylvania.

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Femida Handy, York University, Toronto, Ontario, Canada

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*Every reform was once a private opinion* (Emerson, 1841).

## Introduction

By all counts the environmental movement has been successful in bringing about change in the way we view the world and how we live in it. Since the publication of Silent Spring (Carson, 1962) there has been a deep and persistent interest in environmental matters at all levels of society. Individuals, small informal neighborhood groups, larger formal environmental organizations, research institutions, government, businesses, and international regulatory organizations have all taken a role in environmental issues. Much of the initial impetus towards change for protecting environmental quality came from concerned individuals who have often come together and formed voluntary nonprofit associations to collectively address environmental concerns. Their persistent lobbying and advocating for environmental protection has changed public sentiment, thereby convincing government and businesses to pay attention to their demands. Some of these voluntary associations have mobilised into large formal not-for-profit organisations and were sustained by donations and memberships, whilst others remained small and informal, and yet others disbanded. Nevertheless, many environmental nonprofit organisations continue to play an important role in advocating a better environmental quality[1].

In this paper, I wish to argue that environmental nonprofits are the best suited organizations to advocate environmental quality. Furthermore, I argue that they will do best by promoting policies contingent on the net costs to the stakeholders and paying attention to the crowding-out effects of monetary incentives. The paper proceeds as follows: the section below examines reasons why lobbying for environmental quality is a role well suited to the environmental nonprofit organisation (also referred to as environmental non-governmental organisations (ENGOs)). Next, I discuss why ENGOs

are successful in their advocacy role in promoting environmental quality. ENGOs advocating better environmental quality must often choose what policies to advocate and support. Following that, I argue that ENGOs will do best by designing strategies of advocacy contingent on the net costs of behaviour modification to the relevant stakeholders. In the next section, I argue that the strategy chosen should pay attention to the crowding-out effects of monetary incentives on existing intrinsic motivations to protect the environment. I then report on a survey in which I investigated the policies of 50 environmental organizations in Canada to determine how ENGOs conduct their advocacy and whom they target. I conclude with a discussion of the findings and their relevance to the theory presented in the earlier sections.

## The role of environmental organizations

Governments provide many essential environmental goods and services in society. However, there also exists a fairly large and unsatisfied demand for environmental quality that is not met by the government. One way to meet an unfulfilled demand for public goods[2] is through nonprofit organisations in which like minded individuals voluntarily get together to collectively provide the public good (Weisbrod, 1988). In the case of environmental quality, ENGOs are a vehicle through which individuals can attempt to make up the shortfall. However, in many cases ENGOs cannot provide environmental goods and services directly due to financial and legislative reasons. They find it far more efficient to lever their relatively small resources by lobbying and influencing governments to either directly or indirectly provide for better environmental quality. Given the fairly significant costs of providing better environmental quality, it is rational that ENGOs choose not to bear the costs themselves and lobby for governments or business to pick up the costs. I will return to this point later.

A survey of public opinion polls from the late 1960s to the present decade shows environmental issues ranking high on the list of most important problems facing the country, both in Canada and the USA (Dunlap and Mertig, 1992). This concern cannot be regarded simply as cheap talk; it is matched by the voluntary donations received by environmental nonprofits, whose aim is to increase the level of environmental quality. For example, the combined budgets of five major environmental organisations exceeded $203 million in 1990[3], whereas the sum of donations made to all ENGOs was estimated in 1991 to be $2.5 billion. The total membership in the major ENGOs exceeded 20 million in 1991 (Sale, 1993, p. 94). In 1993, the average household contribution in the USA to registered ENGOs was $89 (Hodgkinson and Weitzman, 1994, Table 1.3).

Governments frequently respond to public sentiment as well as the lobbying done by ENGOs in deciding the quantity and quality of environmental goods and services provided: directly, or indirectly through regulations and economic incentives that modify behaviour detrimental to environmental quality. However, if the response by government was sufficient, then it could be argued that ENGOs would not attract donations, and public sentiment would subside. It is clear that this has not been the case. Public opinion polls and the real resources given to ENGOs both show that government does not respond adequately to the demand for environmental quality. The advocacy role undertaken by

environmental nonprofits, funded voluntarily by the general public, represents (unmet) excess demand for environmental goods and services.

ENGOs are effectively able to lever relatively small efforts in lobbying and advocacy into substantially large results. By spending several million dollars a year on advocacy, ENGOs are probably responsible for a large part of the tens of billions of dollars a year spent on pollution control, as well as the opportunity cost of foregone production. For example, in 1978, in the USA, the total budget of ENGOs involved in political advocacy was estimated to be about $10 million, whereas politically mandated pollution abatement at the national level cost about $23 billion. This implies that a dollar's worth of lobbying resulted in approximately $2,000 worth of pollution abatement (Hardin, 1982). Advocacy by ENGOs has helped pass many pro-environment regulations in the USA. For example, the Sierra Club and other ENGOs co-coordinated their efforts in the early 1960s to commence lobbying legislators to confirm the Wilderness Act, and at the same time launched a large public awareness program to generate public support for the conservation of wilderness lands. In1962, the US Congress was receiving more mail on the proposed Wilderness Act than on any other piece of proposed legislation. This public pressure led Congress to pass a bill in 1964 by an overwhelming majority after it had been languishing in the US Congress since 1957 (Sale, 1993).

In the USA 90 million acres of land has been set aside and 9,260 miles of river are protected thanks to the efforts of ENGOs such as the Wilderness Society and the Sierra Club (Chiras, 1990). In response to public protests led by environmental scientists and ENGOs in the wake of the accidents at the Three Mile Island and Chernobyl nuclear power plants, few new nuclear plants are being approved in North America, and Sweden vowed to phase out its existing nuclear plants (Chiras, 1990). Environmental nonprofits spend a considerable part of their resources disseminating information to the public and exhorting people both to donate and to become more environmentally conscious. They now reach out to minorities, senior citizens, children, and the religious community in an effort to build mainstream environmentalism. For example, programs on reuse, recycling and conservation of resources are not only finding support in middleclass neighbourhoods, but are enthusiastically adopted by entire communities and are supported by children, senior citizens, church groups and small businesses. Educational and advocacy programs have resulted in dramatic changes in the behaviour of consumers and producers (Chiras, 1990). Further examples of the efficacy of ENGOs' lobbying can be seen in the effects on the World Bank's lending policies (Nelson, 1997), and the cancellation of Shell's marine waste disposal (Huxham and Sumner, 1999).

Governments can be pressured and lobbied by ENGOs for change in three distinct ways: to change or modify existing legislation and regulations; monitor and critique government agencies responsible for enforcing environmental legislation or providing environmental services as mandated; and attempt to change the public attitudes on environmental issues through education. In the latter case, a successful change in public sentiments may further pressure government, as politicians are sensitive to voter demands[4]. Legal statutes governing the behaviour of nonprofits limit the roles they can play in directly influencing political decisions. Thus, the reference to the lobbying done

by ENGOs refers to the legally sanctioned activities that include a certain amount of direct lobbying, and all information dissemination for educational purposes which can influence and direct public sentiment towards environmental issues.

**Why is lobbying by ENGOs successful?**

Governments do respond to the lobbying efforts made by individuals and organisations. Businesses and private interests recognise this and constantly lobby for changes in regulations that may increase their profits [5]. Many scholars have suggested that demands of such lobbying have produced a crisis in democracy (Jenkins, 1987, p. 298) [6]. However, if the benefits are not private but are public benefits, they cannot be entirely captured by the group incurring the costs, then such action is unlikely to be undertaken by profit maximizing firms. In short, business would not engage in lobbying unless the benefits directly reflect on potential earnings. Hence lobbying for environmental quality done by for-profit organisations is suspect. It is often interpreted as lobbying for changes that increase profits at the expense of environmental quality. Who will lobby governments for change where the benefits are public and not private? Governments themselves cannot be expected to engage in lobbying against their own policies or act as credible watchdogs of their own actions. Indeed, if they were to engage in such behaviour their motives would be suspect. Agencies and organisations created and funded by governments may operate at arm's-length from the government, however, the perception of potential interference would impede the credibility of such organisations ± a crucial point in this analysis.

Governments are in the business of making and implementing public policy, therefore it stands to reason that the information given to the public by the government regarding its own policies and their implementation will be biased in a positive way. After all, since politicians are judged by voters to be responsible for public policy, any negative information may undermine the politician's ability to be re-elected. Thus, information put out by the government is likely to be mistrusted.

Opposition political parties form critics of government policy, however, they cannot be entirely trusted to perform the watch-dog role in a non-partisan way. They may be perceived to choose issues that render them certain political advantages and thus their motives may be suspect. As opposition parties they have something to gain in the role of a critic, and the criticism may be discounted. The plurality of interests that opposition parties must respond to also suggests that they make compromises on issues. This further discounts their efforts as credible critics and watchdogs of governments. The incentives faced by the leaders of the opposition party, such as maintaining party solidarity and garnering support from a wide variety of minority groups, may also distort their efforts in the role of the watchdog and critic. The media may also serve as a credible watchdog in many cases. However, in some cases their efforts may be discounted and seen to be “sensationalized” in order to capture public attention and increase sales.

ENGOs organised as not-for-profit organisations lack the profit motive of for-profit organisations and political motives of government. Thus, in the provision of many goods

and services that require “trust”, not-for-profit organisations are perceived to be more trustworthy and hence have an advantage over other types of organisations (Hansmann, 1980)[7]. Thus ENGOs are perceived by the general public to be credible when they critique government policy and lobby for change. They may make fewer compromises as they are concerned with relatively fewer issues than political parties and do not have to worry about profitability like businesses as not-for-profits are subject to the legal non-distribution constraint on profits. ENGOs enjoy greater credibility in promoting the environmental protection and disseminating information regarding the health and welfare effects of pollution than the public or the for-profit sectors (Porrit and Kelley, 1990). Federal Environment Minister of Canada, Tom McMillan, told an audience of chemical industry professionals:

> . . .not even one in four persons accepts the word of the government on environmental, health or safety issues. By contrast, nearly seven out of ten Canadians credit information from environmental and consumer groups. Put crudely, with all the resources at our disposal, neither your sector of society nor my own has been able to convince our fellow citizens that we speak honestly and reliably about one of the most important matters [pollution and health] affecting them and their children (Macdonald, 1991, p. 45).

However, ENGOs are not immune from skepticism. There have been critiques of the prophecies of doom professed by some ENGOs. Simon (1995) suggests that statements of impending crises or doom elicit donations in fund-raising letters, and thus it is to the economic advantage of ENGOs to make statements regarding the environmental issues that are critical of status quo and therefore should be suspect. He also suggests that scientists who bolster the environmental discourse will benefit by eliciting funding to research environmental problems, and thereby should also be suspect.

## Choice of strategies

As there exist many ways in which environmental quality objectives can be attained, in this section I examine the choices of strategies for ENGOs. The broad choices facing ENGOs include lobbying major stakeholders: governments, business, and the general public. For example, they can lobby governments for policy changes, lobby business to adopt safer and cleaner ways of production, and persuade consumers and the general public to adopt environmentally ethical behaviour. ENGOs can also engage in other forms of advocacy to achieve their goals: acting as a watchdog to ensure those who are responsible for monitoring and enforcing environmental legislation do so, engaging in litigation, and conducting research into the causes of environmental problems and their solutions.

In this paper, I focus on the lobbying efforts by ENGOs to government to provide increased environmental quality. This is achieved by directly lobbying governments to change their policies, or indirectly by increasing a demand for environmental quality in the voting public through information and educational programs. In the direct approach,

ENGOs will have to make choices regarding the kinds of polices they advocate and support since there are several alternatives, each of which have different outcomes. The goal to protect environmental quality can arguably be achieved through different policy instruments available to the government. Economists often divide the alternative policy instruments into two categories. Policies that give polluters little flexibility in achieving pre-determined goals, frequently referred to as the “command-and-control” policies, which include standards, regulations, prohibitions and public disclosure; and the market-based policies that provide greater flexibility by relying on economic incentives to motivate cost-effective ways to reduce and control pollution. The economic incentives include taxes, subsidies, and tradable permits.

Based on theoretical arguments involving efficiency, economists have largely favored market-based incentives over command-and-control approaches as being more cost-effective and providing dynamic incentives for the development of new and improved pollution abatement technology (Tietenberg, 1988). Furthermore, arguments have also been made to suggest that market-based incentives avoid infringements of human liberties (Pearce, 1992). However, there is an acceptance that the gains from market-based incentives over the command-and-control approaches are not always achieved due to the transaction costs, political constraints and regulatory distortions (Hahn and Stavins, 1992). Nevertheless, economists have widely recommended market-based incentives over conventional command-and-control approaches. They have been successful in persuading some governments to adopt market-based incentives in OECD countries, and recently in developing countries, particularly in Latin America and East Asia (Hanrahan, 1997).

Market-based incentives do not, on the other hand, enjoy a similar kind of popularity as command-and-control approaches with environmentalists, who have largely eschewed monetary incentives as a guise of putting a “price” on the environment. Command-and-control approaches often advocated by ENGOs include safety standards, effluent and emission standards, and prohibitions. Kelman (1981) writes that ethical considerations in market-based incentives are radically different from command-and-control approaches. Command-and-control approaches stigmatize polluting behaviour, which gives it an advantage over the market-based approach when advocating and promoting the objectives of environmental quality to an audience of no economists ± the general public and politicians ± who wish to control pollution. Furthermore, Kelman (1981) argues that by introducing market-based policies there is a down-valuation for the environment. Market-based polices such as taxes and tradable permits explicitly put a price on pollution that polluters will have to pay to continue their polluting behaviour. Putting a price on the sacred or “priceless” thing removes any intrinsic value from it, argues Kelman, and makes it a commodity that can be traded against its utilitarian value. Having agreed to put a “price”, the discourse rapidly turns to what the appropriate “price” is in the context of other market goods and services. This discourse leads to commodifying environmental quality and away from the discourse of ethical behaviour and intrinsic values. Such a framework leads to a down valuation as it does not accept an intrinsic valuation and relies on an instrumental valuation, which is subject to trade-offs[8].

Another option for ENGOs is to increase government provision of environmental quality by increasing the demand in the voting public. Such advocacy attempts to change attitudes and preferences of the general public towards the environment by means of educational or informational programs that appeal to moral values, or civic duties to persuade individuals and firms on the value of protecting and enhancing environmental quality. Such programs of moral suasion rely on various forms of communication: the news media, letter writing, advertisements, appearances at public forum, etc. ENGOs have been successful in changing public attitudes and norms regarding many issues such as recycling, littering, and energy conservation and in affecting public policy by creating public awareness. Litigation undertaken by ENGOs is also useful for the public attention it generates about environmental degradation and who is responsible. For example, litigating for damages caused by pollution has been successfully used and garnered favourable publicity for ENGOs, and helped gain credibility and mobilise support for stricter environmental regulations (Sale, 1993). At the same time, a highly publicised conviction for environmental damage can harm the popularity and reputation of the businesses involved, thereby affecting their sales.

Another option that is available to ENGOs is advocating governments to aggressively pursue a program of making a public disclosure of the polluting activity and the names of the polluters. Public disclosure by government (or ENGOs) on polluting activity is a recent idea that has shown promise in changing polluting behaviour. Information strategies that widely disseminate information regarding pollution have helped pollution control through market forces, albeit in a different way than market-based strategies. This idea draws on the strength of public opinion and the ensuing economic harm negative public opinion can cause. Disclosing information on polluting activity to workers, consumers, shareholders, and the public at large can hurt the polluter in economic terms ± consumers can boycott the product, shareholders may choose to invest elsewhere, and lower worker morale can reduce productivity. In Indonesia a public disclosure program was instituted. In the first phase only those companies that achieved a high ranking in their efforts to control pollution were publicly rated. Those receiving a low ranking were privately notified and were given six months to improve their performance before the ratings were made public. Over half those that were ranked lowest made successful efforts and were moved up (Tietenberg, 1997). Underlying the success of making public disclosure, a credible threat is the assumption that the general public has normative views on pollution and values environmental quality sufficiently.

The choice of strategies is complicated by the fact that many ENGOs rely on private donations as a source of revenue. Thus strategies chosen by ENGOs need to appeal to their members and potential members (general public). Membership in ENGOs was shown to be motivated by emotions and values; similarly, successful fundraising must emotionally engage potential donors (Burlingame, 1997)[9]. Furthermore, it may be due to the lack of information on the efficacy of market-based instruments, or the distrust of business to continue to pollute for a “price”, that market-based strategies do not resonate with the public. Market-based strategies relying on rational logic of economic incentives will not appeal to values and emotions, however, strategies based on command-and-control approaches, especially those dealing with setting strict standards or prohibitions,

would be more palatable as they acknowledge values, norms and ethical considerations for meeting the environmental objectives. Thus, it is likely that advocacy for environmental objectives based on moral and ethical grounds will attract more donors than the advocacy of economic incentives.

This is not to suggest that ENGOs choose to advocate non-market-based strategies simply to optimise levels of donations. There exists a genuine concern for promoting the environmental cause on ethical grounds, as discussed earlier, despite an understanding of market-based incentives. The choice of strategies may also be a consequence of self-selection amongst the leaders of ENGOs, many of whom are attracted to the environmental movement due to the environmental values they hold. Such values would favour arguments based on ethical considerations and values rather than monetary incentives[10].

**Net costs and crowding-out**

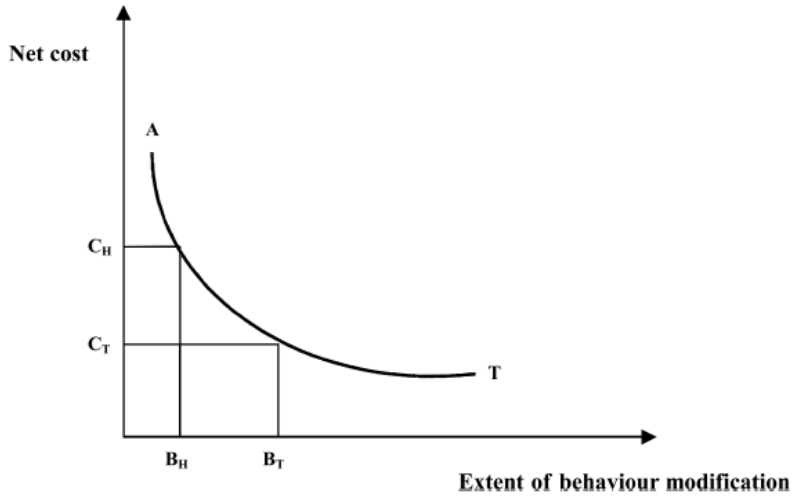
If the goal of advocacy by ENGOs is to enhance environmental quality over a long term, it is necessary to choose strategies that not only get the appropriate action in the short term, but also strategies that are sustainable. Thus, to choose an optimal strategy for advocacy it is important to consider all the implications of the available strategies, not only the net costs to the relevant stakeholders but also how the strategy may affect behaviour in general towards environmental protection. It would be unwise to control polluting activity in one arena without being cognisant of how this may exacerbate the problem in another.

To reverse or resist trends that cause environmental degradation some modification of current consumption or production patterns is indicated. Such changes are often costly to individuals, businesses, and society in the short-term. If net costs of change are high it is likely that those incurring the costs will be reluctant to change their behaviour in order to reverse or resist trends leading to environmental degradation. Net costs are calculated as the total costs minus all the potential benefits to the individual or firm pursuing such change. Since many of the gains from controlling environmental pollution accrue to the public, and are often only after a long term, these benefits are not included in the cost calculus of those incurring the costs. Moral suasion to change behaviour may convince some whose net costs are relatively low, but it is unlikely to do so for those whose costs are high and whose survival may depend on not incurring further costs.

Frey (1997) suggests that the net costs individuals (or firms) face create a price effect of changing behaviour. When the net costs are small, more individuals are likely to make the behavioural change that is required. When the net costs are larger, only individuals with a high environmental morale will likely make the behaviour modifications. The behaviour modification subject to environmental morale (B) can be seen as a function of net cost (C). As C decreases B increases, this suggests a downward sloping curve relating B to C, as seen in Figure 1.

For example, in regions of extreme poverty where individuals are concerned with immediate survival, it would be very costly for them to refrain from

**Figure 1. Behaviour modification due to environmental morale**




cutting down trees used for fuel in order to conserve and protect the environment. In this case it is highly unlikely that any amount of moral suasion would convince them to stop cutting trees to enhance environmental quality. If, however, relatively cheap alternative fuels were made available, then it is likely that persuading people to not cut trees would be effective. This argument is also true for firms in a competitive economy. They would not likely be persuaded to use costly pollution control equipment if it meant that they would not survive due to competitive pressures. If, however, the net costs to the firms are lowered by the use of economic incentives, legal sanctions or measures, then it is likely that they would be persuaded to modify their behaviour.

**Two cases**

**Case 1**: low net costs. First I consider the case where net costs are positive but relatively low. For example, there are many circumstances in which individuals (or firms) pursue environmentally friendly behaviour that is motivated by social norms and morals. Individuals separate their garbage to promote recycling, cut down on the usage of energy, and willingly pay extra for green products without being bribed or threatened by sanctions. Firms may eschew production techniques that may produce toxic waste, avoid using animals for the testing of their products, use ethical business practices, and voluntarily follow ecological norms. Most types of such voluntary behaviour can be initiated and encouraged through moral suasion. Educational and informational programs can change attitudes and preferences towards more environmentally friendly behaviour.

Consider the case where well mounted educational campaigns for certain forms of environmental protection has been successful in changing attitudes and preferences towards the environment, resulting in a proclivity for environmentally friendly behaviour. Figure 2 represents the change in the relationship between net costs C and the extent of behaviour modification B due to a successful program of moral suasion. The original

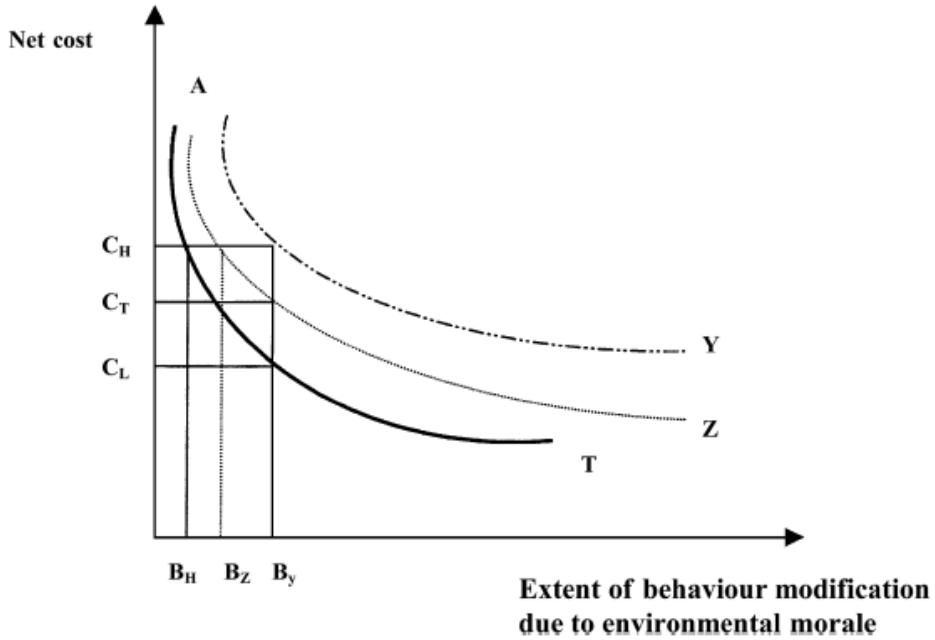
curve AT has moved outwards to AZ. For the net costs CH individuals are prepared to engage in greater ethical behaviour, a change from BH to BZ. The more effective the moral suasion, the further the curve moves to the right AY, and the greater the extent of behaviour modification BY.

Another way to look at this is the reduction in net costs required to obtain a given behaviour modification BY. If a behaviour modification required is from BH to BY the net costs reduction will be smaller as the preferences change. Preference changes are depicted by the changes to the curve AT to AZ, and AY. In the first situation AT, external intervention will be required to reduce the net costs from CH to CL. In the case where the curve has shifted to AZ the intervention required will be smaller: CH to CT. When the curve has shifted to AY, no intervention will be required. If the behaviour modification is obtained by policies using external intervention, then the results may be subject to crowding-out. This case is examined next.

**Case 2**: high net costs. In those cases when net costs of environmentally ethical behaviour are high, individuals (firms) will resist change and external motivators may be necessary. If external intervention to reduce net costs is not taken, and the costs of change remain high, then a strategy of moral suasion may fall on deaf ears. In these cases the first step for successful change must be some external motivators to reduce net costs, such as regulation, sanctions, direct or indirect subsidies, taxes, or fines. This may then be followed by a strategy of moral suasion. In such a case ENGOs must lobby to reduce the net costs (either by reducing costs or increasing benefits of taking the desired action) using external motivators. This can be achieved using market-based incentives or command-and-control strategies.

The choice between market-based incentives or command-and-control strategies is important as they rely on different incentives. Furthermore, as discussed in the previous section, market-based approaches may reduce social norms and values about environmental quality and affect behaviour in different ways than the command-and-control approaches. However, both types of strategies share one thing in common: they rely on external motivators induced by the intervention of the government or courts to modify behaviour. External motivators in some situations can lead to some negative impacts on behaviour according to Frey (1997). He argues that extrinsic behaviour modification strategies may result in crowding-out the intrinsic motivation individuals (or firms) have to behave in non-polluting ways. In particular, introducing monetary incentives via pricing (effluent tax) debases moral values and crowds-out intrinsic motivations of individuals who would be willing to comply with ethical behaviour because it is the right thing to do (Deci and Ryan, 1985).

**Figure 2. Effect of different strategies on behaviour modification**




Consider a firm that practices ecologically friendly behaviour and produces less effluent by using a labour intensive procedure. This has a positive net cost to the firm but low enough to allow the firm to remain competitive, although the net cost decreases the firm's profitability. Now the local municipality, wishing to change behaviour, introduces an effluent fee. All firms react to this monetary incentive and produce less effluent. The aforementioned firm's careful behaviour based on ecological norms is now reduced to behaviour to avoid a monetary fine. This invalidates the firm's ethical behaviour and it is vulnerable to being perceived as behaviour motivated by pecuniary gain. If the effluent fee is less than the cost to the firm of reducing effluent, the firm will pay the effluent fee and thereby increase its effluence and profitability. The extrinsic motivator such as an effluent fee has a crowding-out effect on the intrinsic motivation, as the firm's earlier environmentally responsible behaviour is now regarded as being motivated by money. The firm's intrinsic motivation is relinquished as it is no longer recognized or valued (Cameron and Pierce, 1994).

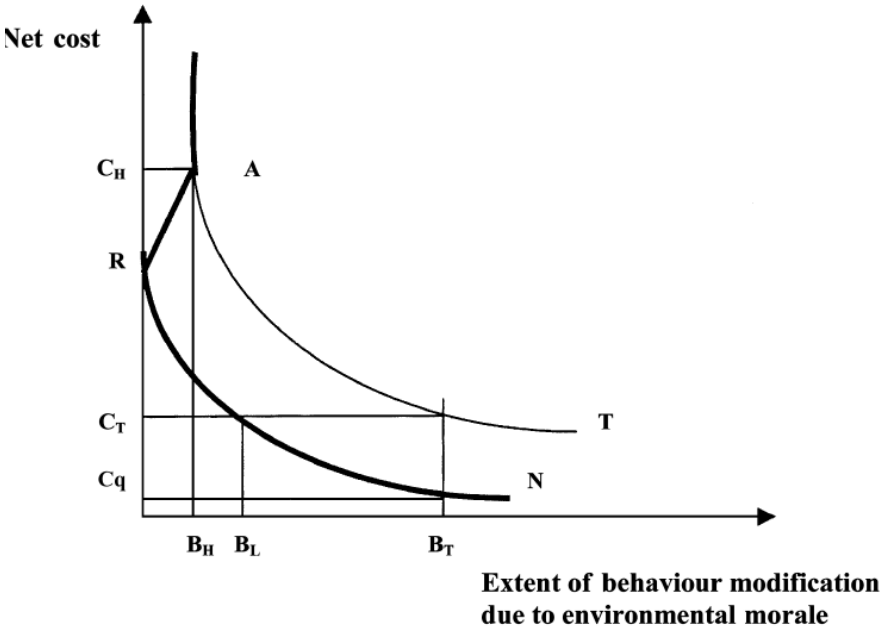
Figure 1 suggests that for a net cost CH individuals are willing to modify behaviour based on environmental morals to the extent BH. This net cost CH will be a function of costs and benefits of behaviour modification. For example, if the desired behaviour modification is BT, external intervention that reduces the net cost from CH to CT will achieve the desired change from BH to BT. Depending on how net-costs are reduced, there can be different outcomes. If net costs are reduced using market-based incentives or other external motivators then this may result in a crowding-out phenomenon[11].

Figure 3 shows the effect of crowding-out. Depending on whether the net cost or crowding-out effect dominates, different results will ensue. Figure 3 gives a version of a weak crowding-out effect. Due to the crowding-out effect the relationship between net cost and behaviour modification changes. If the crowding-out effect dominates, the curve changes and shifts to the left till R, as there exists little or no behaviour modification due

to intrinsic motivation. At R, net costs dominate and the curve takes on the usual downward slope RN. The curve ARN represents the relationship. On this curve, a net cost decrease from CH to CQ will be required to increase the extent of behaviour modification from BH to BT. The crowding-out effect distorts the change required, and to achieve the same behaviour modification (BT), a greater intervention is required: CH to CQ instead of CH to CT. In the case where the net cost of pursuing environmentally ethical behaviour is high, external intervention is necessary for behaviour modification. The crowding-out phenomenon suggests external motivation increases the required reduction in net costs to achieve the same output. To minimize a crowding-out behaviour due to external intervention it is necessary to choose carefully between the two kinds of external interventions. External intervention in terms of regulations and standards or public disclosure entails a moral condemnation and includes ethical considerations (Kelman, 1981). This is singularly absent in market-based strategies. Economic incentives are often interpreted as direct or indirect "licenses to pollute". Firms paying the taxes or buying the permits have no reason to see their activities as harmful or negative. Thus any ethical reasons for controlling pollution are removed and replaced by a market transaction. Frey (1997) suggests that external intervention that acknowledges the individual's intrinsic motivation may not result in a crowding-out of intrinsic motivation, but rather may foster it. This would suggest that command-and-control approaches, which contain ethical and moral considerations (i.e. public disclosure), would have lower crowd-out effects than market-based strategies.

This analysis suggests that the external interventions of command and control may create less of a crowding-out phenomenon than market incentives. Using economic incentives such as emission taxes implies no fundamental change in business ethics. If there is no fundamental change in the values, it is not expected that firms will respond any differently than by a straightforward economic calculation. After having paid the price, the pollution created is morally justified. This creates no motivation for finding ways to deal with environmental issues collectively for the collective good.
Furthermore, crowding-out of intrinsic motivation may have spill-over effects in other behaviour that is dependent on intrinsic motivation. This could prove disastrous if behaviour motivated by environmental morale would diminish in other related areas due to the spill-over effect. For example, once subsidies are available to curb one kind of pollution, firms may stop efforts of voluntarily curbing other kinds of pollution hoping to receive subsidies as well before they do so. The optimal policy that suggests itself is one of moral suasion when the net costs are low. A reduction of net costs is imperative in cases of high net costs.

**Figure 3. The effect of crowding-out**




The best strategy would be to reduce net costs that did not produce a crowding out effect. If external motivators are to be used, they should be chosen to minimize the crowding-out effect. For example, making available required technology to firms, and reducing the effort required for compliance by providing assistance in setting up environmentally friendly protocols. If this is not applicable, then a command-and-control approach should be chosen over a monetary incentive since the former is less subject to the crowding-out phenomena than the latter. However, alongside all interventions, it is necessary to disseminate information and make available educational programs. This may serve to dampen the crowding-out consequences and in the long term prove less susceptible to pressures to decrease net costs to the firm.

**Some empirical observations**

An exploratory survey of local ENGOs was made to determine the nature of advocacy they engage in and their attitudes towards different types of policies. Given the discussion above, we may hypothesize that it is likely that ENGOs will be involved in advocacy rather than directly providing environmental quality. They would target governments as the largest producer of environmental goods and services. ENGOs would be cognizant of reducing net costs of behaviour modification and would espouse intervention based on external factors.

There would be a heavy reliance on moral suasion via educational programs and the dissemination of information as this strategy would also serve another purpose: to elicit donations and recruit new members. ENGOs' choice of advocacy will be moral suasion through educational and informational programs. However, in cases where there are high

costs of compliance, ENGOs will advocate the reduction of net costs by a command-and-control approach that espouses ethical behaviour. ENGOs are less likely to support market-based incentives for two reasons: first, they lack the ethical considerations and are therefore less palatable to their members and donors (and potential donors) than market-based incentives. Second, the market-based incentives are based on utilitarian and efficiency arguments that do not sufficiently acknowledge the normative and inherent values fundamental to the framing of discourse for environmentalists.

It has sometimes been argued that ENGOs generally do not advocate market-based strategies because of a professional bias against economics, or that they simply "do not get the implications of efficiency embodied in the economic incentives". This is a rather simplistic view. In a survey by Kelman (1981) of individuals involved in environmental policies in government and ENGOs, he found that environmentalists were by far the most knowledgeable about charges; 32 percent of environmentalists were knowledgeable about the efficiency arguments for charges as compared to 0 percent of industrial respondents and 10 percent of the congressional staff[12]. Thus, the findings below will be interpreted as intentional and informed choices made by ENGOs.

## Methodology

The Environmental Resource Book 1996-1997 published by the Ontario Environment Network provided a listing of all nonprofit organizations that were in some way related to environmental causes in Ontario, Canada (Ontario Environmental Network, 1996). We selected all 155 organizations located in the Greater Toronto area as our sample. Only 124 nonprofits were currently in operation, others having either closed or moved, and of these, 23 organizations did not qualify for inclusion in our sample as their missions were not directly related to the natural environment. We contacted the 101 remaining organizations, ENGOs, by telephone and mail, and 60 organizations agreed to participate in our survey. This gave us an approximate response rate of 60 percent. The survey elicited information on the nature of their work and whether they engaged in advocacy, the kinds of advocacy they undertook, and to whom it was targeted. The survey was primarily conducted by telephone and in a few cases this was followed with mail questionnaires to complete the missing information. We received literature from 24 (40 percent) organizations that pertained to their work; we scanned this to triangulate the data received by the mail or phone survey.

## Findings

Our findings are based on self-reporting done on the mail/phone survey. In most cases the respondents were the directors or managers of the organization. We asked questions regarding the nature of their work, whether this included lobbying, to whom the lobbying was directed, and what strategies they employed. In particular we asked if they advocated market-based strategies or command-and-control strategies. We also asked if they used educational or informational programs, the types of programs, and to whom these were directed. Almost all organizations, 58 out of 60 (97 percent), reported that they were

involved in some form of advocacy. However, only 40 of 58 organizations (69 percent) targeted governments with their advocacy. This was aimed at all levels of government: federal, 60 percent; provincial, 82 percent; municipal, 75 percent; and international, 38 percent.

Our entire sample, 60 ENGOs, used educational and informational programs to raise environmental consciousness. Of these 38 percent were involved in education programs aimed at business, 30 percent at governments, and 97 percent at the general public. Of the 69 percent of ENGOs that lobbied governments, almost all (95 percent) advocated the use of command-and-control types of legislation such as regulations, bylaws and standards. A surprising 45 percent supported market-based incentives. However, a closer look at the responses revealed that the monetary incentive that was supported most frequently was the removal of existing subsidies that promoted environmental degradation. There was little support (12 percent) for emission taxes or other market-based incentives for the control of pollution. Of all the ENGOs involved in advocacy, 50 percent targeted politicians, 40 percent participated in public hearings, 21 percent were involved in litigation, 26 percent were involved in letter writing campaigns, and 26 percent used the press to communicate their concerns. Our findings are consistent with theoretical predictions; 97 percent of the ENGOs are involved in some form of advocacy, only 3 percent do not but are involved in projects. The advocacy is targeted at all sectors of society ± business, government and the general public.

All ENGOs involved in advocacy used moral suasion through educational and informational programs to educate and change behaviors that are detrimental to environmental quality. This suggests that ENGOs are involved in raising environmental consciousness as well as believing in modifying behaviour by appealing to morals and norms. In lobbying governments, almost all (95 percent) recommended the use of command-and-control strategies, suggesting that ENGOs are mindful of reducing the net costs of compliance towards achieving environmental goals. An overwhelming majority favor no monetary incentives in meeting environmental objectives via regulations and standards, suggesting that market-based incentives did not receive much support from their membership or staff. Moral suasion through educational programs forms the bulk of the advocacy practiced by all ENGOs in our sample.

## Conclusion

The purpose of this article was to argue that the best-positioned institutional form to lobby for environmental goods and services is the nonprofit organisations. Of the three sector institutional forms, I argued why the nonprofits would be the most trusted and credible source for advocacy. Environmental advocacy involves lobbying governments (directly or indirectly) to bring about change in behaviour that could help extricate or prevent society from the environmental problems. These desired changes may be motivated by external interventions such as regulations, sanctions, economic incentives, and intrinsic intervention such as moral suasion. In cases of high net costs to the firm (or individual) undertaking the change, external motivators can help reduce the net costs of the desired changes. In these cases, as well as cases with low net costs, a policy of moral

suasion helps change individual value systems and preferences, which is key in sustaining any behaviour change.

There is some evidence (Frey, 1997) that intervention that focuses on external and internal motivators has different results. External motivators may crowd-out internal motivators, resulting in unwanted consequences. Furthermore, there is a risk of spillover effects that result from monetary incentives on behaviour prompted by environmental morals, and this may produce undesirable results in the long term. Nevertheless, when external interventions are warranted to reduce high net costs, an intervention strategy that addresses internal motivators will be better than one that does not. Command-and-control strategies that make reference to the normative and ethical considerations may cause less crowding-out than market-based strategies as the latter removes any ethical or normative considerations in reaching environmental objectives. A policy of moral suasion alongside any policy instrument can play an important part in dealing with many environmental problems ± especially those problems that cannot be easily resolved by external motivators or to dilute the crowding-out effects of external motivations.

The findings of the survey conducted to examine the advocacy policies of Canadian ENGOs show that they lobby to reduce net costs. Most ENGOs favoured the command-and-control approach over market-based incentives. However, ENGOs almost always use moral suasion through the dissemination of information and educational programs, which is helpful in changing preferences, as well as countering the effects of crowding-out by external motivators. This also furthers their goals of fundraising and elevating environmental consciousness.

The environmental movement has promoted the preservation and conservation of the environment, largely based on values and norms. It has had an enormous impact on the way businesses, government, and the general public regard the environment some 40 years later. Many social movements are successful because the leaders in the movements have addressed fundamental beliefs and values. Through moral suasion, and working through a variety of large and small nonprofit organisations, they have been successful in bringing about change. History has proved that moral suasion is effective in the most intractable of cases: slavery, civil-rights and gaining political independence from colonial rule. For example, in the latter case, Mahatma Gandhi brought about the successful non-violent struggle for independence in India using “satyagraha”, whose fundamental premise was the moral suasion of the oppressed and the oppressor.

**Notes**

1. See Sale (1993) for a detailed account of the changes brought about by ENGOs.

2. Many environmental goods and services exhibit degrees of public good characteristics such as non-excludability and non-diminishability. A pure public good or service is one from which once provided, it is difficult or impossible to exclude non-payers. And the use by any one individual does not diminish its availability for others.

3. These ENGOs include the Sierra Club, National Audubon Society, Wilderness Society Federation, Environmental Defence Fund, and the National Resources Defence Council (see Sale, 1993, pp. 23, 33, 80).

4. These functions are similar to those undertaken by many other types of advocacy nonprofit organisations. For example, human rights groups lobby governments for changes, educate the general public regarding human rights issues and monitor the conduct of governments and other organisations in fulfilling their pledges regarding human rights.

5. This behaviour is referred to as “rent-seeking” in economics and occurs frequently and continuously in the for-profit sector (Buchanan et al., 1980).

6. Such lobbying also takes place international level. For example, there exist, according to a recent estimate, 3,000 organisations and 10,000 lobbyists in Brussels actively engaged in influencing European Community policy outcomes (Mazey and Richardson, 1993).

7. Smith (1985) provides a rationale for the existence of ENGOs when there exists a basis for influencing the provision of public goods.

8. As a society we accept the intrinsic value and the sacredness of many things and thus castigate attempts to ``price'' them ± for example slavery, prostitution, and selling of children are unacceptable since we hold human freedom, love and children as having intrinsic values.

9. For example, in a how-to-write manual for direct mail fund raising the instructions are clear on engaging the reader on an emotional level (Torre and Bendixen, 1988).

10. Similar non-instrumental values are found among senior policy advisors in governments in a study by Craig et al. (1963) which may suggest a proclivity to adopt non-market based incentives as well.

11. Several studies have shown that neither market-based nor command-and-control have resulted in outcomes predicted by theory (Hahn, 1989; Cropper and Oates, 1992). This is attributed to a host of reasons including political, social and technological factors. It is not unreasonable to suggest that some of this failure may have resulted from the crowd-out phenomena whereby firms achieving higher levels of pollution abatement than

required have ceased to do so due to a crowd-out of the intrinsic factors that motivated them.

12. A total of 23 percent of all those interviewed favored charges. Most of them did so on an ideological grounds ± less government interference and preference for the marked over the government (Kelman, 1981).

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