
University of Pennsylvania



Institute for Environmental Studies

presents

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Capital Markets and Corporate Environmental Performance Evidence of a Link?

Numerous empirical studies report a negative relationship between the financial value of a firm and its rate of pollution, implying that investors systematically respond to information on corporate environmental performance. Based on this evidence, many money managers and policymakers have concluded that environmental behavior has a direct impact on financial performance and can inform managerial and investment strategies. Dina Kohler's review of these studies reveals that there are several methodological flaws that cast doubt on the validity of these findings. In particular, measurement error, omitted variables bias, contemporaneous correlation, and multi-colinearity between variables require more careful consideration in this research. Deriving a meaningful measure of environmental performance, of particular concern to the industrial ecology community, continues to be a challenge in this literature. The difficulty of empirical analysis is reflected in the multitude of modeling approaches. Future research will benefit from application of recent financial economics methods and other areas, such as behavioral finance.

Date: March 3, 2004
Time: NOON - 1:30 pm
Place: Carolyn Hoff Lynch Auditorium
On Penn campus: Chemistry Building:
34th & Spruce St (enter on 34th St)

NO REGISTRATION REQUIRED

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