

## Effects of Environmental Regulations on Pollution Reduction and Firm Location

Kenichi Shimamoto<sup>1</sup>

### 【Abstract】

Urban pollution continues to be a crucial issue in cities across the globe, especially in developing countries. Examining the effect pollution tax has on a firm's decision to locate closer/further to the urban center will be worthy from an environmental preservation perspective. This paper analyses the relationship between pollution tax and the firm's location when considering the firm's efficiency of pollution abatement and its efficiency of production. The results find that a firm which has exhibited increasing returns to scale in pollution abatement performance in response to pollution tax increases its output level. It also shows that the firm's location depends on the efficiency of pollution abatement and production efficiency. The changes to pollution level at the urban center due to pollution tax depends on the changes to the firm's output level, the firm's location choice, and the firm's pollution abatement performance.

### 【Keywords】

firm location; environmental regulations; pollution abatement

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<sup>1</sup> Hirao School of Management, Konan University