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POLLUTION, HUMAN CAPITAL, MIGRATION AND INNOVATION

BY ROSS LEVINE

When a firm starts polluting, does this cause highly-skilled workers at neighboring firms to leave for “greener” environments, hurting innovation and corporate valuations?

Although researchers have intensively examined the health consequences of pollution, we are unaware of research that identifies the impact of pollution on the migration of highly-valued employees and the implications of such migrations on firm innovation and profitability. The proposed research will start to fill that gap. Empirically, the key challenge to identifying the impact of toxic emissions on executive migration and firm innovation is omitted variable bias. An omitted factor could account for both toxic emissions in a locality, executive migration from that locality, and corporate innovation. Based on past work, I will use a series of empirical strategies to address this concern.