The Market for Virtue

THE POTENTIAL AND LIMITS OF CORPORATE SOCIAL RESPONSIBILITY

David Vogel
The principles and practices of corporate social responsibility date back more than a century, but the current wave of global interest is unprecedented. With The Market for Virtue, David Vogel has provided the most comprehensive analysis to date of the contemporary CSR movement in both the United States and Europe.

Growing awareness of CSR is evident in the growth of social and ethical investment funds, voluntary codes of corporate conduct, and companies’ self-reporting on social and environmental practices. Deep grassroots interest can be seen in boycotts, protests, and the growing number of organizations monitoring corporate social and environmental performance. A renowned authority on business-government relations, Vogel offers a thoughtful and balanced appraisal of the movement’s accomplishments and limitations, including a critical evaluation of the business case for CSR.

While acknowledging the movement’s achievements — most notably in labor, human rights, and environmental conditions in developing countries — Vogel also demonstrates that CSR’s potential to bring about a significant change in corporate behavior is exaggerated. While corporate social responsibility can be a useful tool alongside laws and regulations, it cannot completely replace them.

The Market for Virtue explores the extent to which improvements in corporate conduct can occur without more extensive or effective government regulation — in the United States, Europe, the Far East, and developing nations. In other words, what is the long-term potential of business self-regulation? The improvement that can be expected is far more modest than recent breathless writing on CSR would indicate. At some point, many businesses

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The Potential and Limits of Corporate Social Responsibility

David Vogel
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When I was in graduate school in the late 1960s and early 1970s, there was considerable public and academic interest in the subject of corporate responsibility. In 1978 I published *Lobbying the Corporation: Citizen Challenges to Business Authority*, which chronicled the emerging politicization of consumers and investors in the United States. In subsequent years, my research interest shifted to other areas more in the mainstream of political science. I did, though, continue to follow both academic research and popular writing on corporate social responsibility (CSR).

About five years ago I became aware of a major revival of CSR. Reading through the large and steadily growing volume of books, articles, and reports on this subject, I was struck by the weakness of many of the claims about the potential of CSR to make firms more virtuous. I began writing an essay to critically evaluate the business, academic, and professional literature on corporate social responsibility and in the process realized that, in addition to criticizing the arguments of others, I needed to offer my own analysis of what CSR could and could not accomplish. Hence, thanks to the encouragement of Christopher Kelaher at the Brookings Institution Press, an extended literature review grew into this book.

In discussions with colleagues and those outside academia unfamiliar with CSR, I discovered that they had a rather different view of this subject. Their typical response was: Corporate social responsibility? Does such a thing exist?

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So I find myself writing for at least two audiences. For those who think that the contemporary reemergence of CSR heralds a major transformation in the social role and values of business, I hope to provide a view that is somewhat closer to reality. And for those who believe corporations cannot behave more responsibly in the absence of more government regulation, I hope to show that they are unnecessarily pessimistic. CSR is real and substantive and deserves to be taken seriously by anyone interested in politics, business, or the relationship between the two. For those unfamiliar with but interested in this subject, I hope this book serves as a useful overview of the contemporary reemergence of CSR and some of the ongoing issues surrounding its impact and role.

This has proven a difficult topic about which to write. The amount of material in books, scholarly essays and papers, newspaper and magazine articles, reports, and conference proceedings, to say nothing of websites, is enormous—far beyond the capacity of anyone to absorb. The quality of writing on CSR is highly uneven, and much of it has a strong normative bias, making its value difficult to assess. And its quantity keeps growing. A substantial portion of the material I refer to was published quite recently, often as I was completing the final draft of the manuscript.

I am a political scientist who primarily studies public policy. There are a limited number of governmental institutions, their output takes the form of discernible laws and regulations, and much of their decisionmaking process is relatively transparent. By contrast, there are literally thousands of businesses with a wide range of social and environmental policies, and their decisionmaking processes are rarely public. Moreover, while there is a rich tradition of public policy analysis that evaluates the costs, benefits, and impact of government decisions, nothing comparable exists for the realm of “private policy” in which CSR is located.

My analysis makes no claim to be exhaustive or conclusive. I have omitted much, and I am sure that at times I have been either insufficiently critical or too critical of both firms and nongovernmental organizations (NGOs). I have attempted to present a coherent and informative overview and analysis of the potential and limits of CSR in the hope that it will both contribute to public discussion and improve the quality of future studies of this important subject. In particular, there is a dearth of research on CSR’s actual impact on the social and environmental problems it has sought to address. And while much has been written about the business benefits of CSR, there have been relatively few analyses of its costs, or of the relationship between the two.
CSR is very much a moving target. It is now much different than it was five or ten years ago, and it will continue to evolve. It remains to be seen how prescient my analysis will prove. But I do want to confess a bias that comes from following the subject for more than thirty years. The argument I hear most in response to skeptics of the potential of CSR (such as myself) is that as a new generation of more socially committed managers moves into positions of responsibility, we can expect corporations to become increasingly responsible.

I remember first hearing this claim at a conference I attended at Princeton in 1970. Then the argument was that as the sixties generation moves into positions of responsibility, companies will act more responsibly. I believe my skepticism of this claim has proven well founded. The Wall Street scandals of the 1980s, many of which involved this generation, hardly suggested that we had entered a new era of business morality, let alone corporate social responsibility.

I remain skeptical. Important social and political forces encourage firms to behave more responsibly, and they have accomplished much more than almost anyone would have predicted a decade ago. But there are also important restraints on more responsible business behavior. CSR has played a part in and will continue to influence the practices of some companies, but little is to be gained by exaggerating its accomplishments or potential.

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