THE MARKET FOR VIRTUE: THE POTENTIAL AND LIMITS OF CORPORATE SOCIAL RESPONSIBILITY

by David Vogel; Brookings Institution Press, Washington, D.C., 2005; 222 pp., $28.95 cloth (ISBN 0-8157-9076-7).

The time is ripe for critical thinking about corporate social responsibility (CSR) because there are few topics in the environmental realm where discussions feature a greater ratio of emotion to knowledge. The main issue is the appropriate role of business with regard to environmental protection and other public goods.

Everyone agrees that firms should obey the law. But beyond the law—beyond compliance with regulations—do firms have an additional responsibility to commit resources to environmental protection?

The two extremes of the debate—the passionate CSR advocates on one hand and the diehard CSR skeptics on the other—will not like this book, which is precisely why they and the rest of us should read it. Author David Vogel brings a refreshing breath of fresh air and objective reporting to a polarized debate.

For those who are not already familiar with CSR debates, this book provides a superb introduction, with abundant references to the claims and hypotheses of the advocates, empirical data with which those claims and hypotheses can be tested, and statistical evidence and case studies. *The Market for Virtue*'s examination of CSR (and its potential implementation by the business sector) is broader than the environmental realm. Vogel gives equal attention to corporate policies toward workers in developing countries and to the effects of foreign investment on human rights and economic development in the developing world.

Vogel, a well-known professor of business ethics at the Haas School of Business and professor of political science at the University of California, Berkeley, is most interested in whether—and, ultimately, under what conditions—there is a business case for "virtue," his shorthand for corporate social responsibility. His conclusion is that there is a business case to be made, but it is much less important than many have claimed. He sees CSR not as a generic strategy for business but as a niche for certain firms. In Vogel's words, CSR "makes business sense for some firms in some areas under some circumstances."

Much of what has previously been written on corporate social responsibility has been both confused and confusing. Advocates as well as academics have frequently entangled what ought to be four distinct questions about corporate social responsibility: may they, can they, should they, and do they. *May* firms sacrifice profits in the social interest—given their fiduciary responsibilities to shareholders? This is fundamentally a legal question, which Vogel's volume does not address.

Can firms sacrifice profits in the social interest on a sustainable basis, or will the forces of a competitive market render such efforts transient at best? Much of Vogel's analysis works toward answering this question, although he assumes that firms will only undertake CSR if profits are *not* sacrificed.

Even if firms may carry out such activities, and can do so, does social welfare suggest that they *should*? Is this likely to lead to an efficient use of social resources? To be more specific, under what conditions are firms' CSR activities likely to be welfare-enhancing? The key element for Vogel's book is the baseline for comparison, but Vogel does not focus on this important social welfare (and public policy) question.

Finally, *do* firms behave this way? Do some firms reduce their earnings by voluntarily engaging in environmental stewardship? Or, taking Vogel's broader and considerably looser view of CSR, are firms being virtuous? His answer will not please the advocates, because the evidence is decidedly mixed.

Definitive answers to these four questions await the results of additional, rigorous, empirical research. In the meantime, Vogel has made an important contribution and has advanced scholarship in this realm with his book.

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