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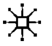

Introduction

Social issues in the study of management

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Abstract
The last 30 years have seen an explosion of activity in the areas of corporate social responsibility (CSR) and social enterprise. With these emergent corporate practices has come a significant amount of attention among scholars and practitioners to how we should understand this phenomenon. What forces have driven managers and owners to re-think their responsibilities as extending beyond profit maximization and increasing shareholder value? In this paper, we introduce some of the key issues that have guided research on the social issues of management over the last 30 years. We argue that, despite the growing strength of research in this area, there are four key ways in which we would like to see scholarship in this area develop further: (i) Scholarship in this area should incorporate a greater appreciation for the institutional history in which these practices have emerged. Research in this area tends to be ahistorical, and it is often the case that corporate social practices have emerged because of deep-seated institutional struggles. (ii) Scholarship should rely more on comparative analysis to illuminate the importance of the contexts in which these practices emerge. (iii) Scholarship should engage more thoroughly with the legal and finance literatures on corporate governance. Many of the issues that fall under the 'social issues of management' rubric are fundamentally issues of corporate governance, and while some management scholars have embraced the corporate governance literature, research on the social issues of management rarely draws upon this important body of work. (iv) Methodological plurality is key to thinking through the mechanisms that drive organizational practices, and we would like to see more work in this area that employs multi-method approaches to examine the organizational practices.
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Introduction

Over the last quarter century, there has been a wild proliferation of activities surrounding the concept of corporate social responsibility (CSR). Today, the CSR industry has grown to include a wide array of trade publications; it has spawned new research centers and teaching initiatives; it has given rise to entire funding streams in powerful foundations like the Ford Foundation, influential nonprofit organizations like Business for Social Responsibility, nongovernmental accreditation agencies such as Social Accountability International. Perhaps most famously, it has been connected to the United Nations' Global Compact, developed by the UN and proposed as an international standard for corporations at the World Economic Forum by Kofi Annan in January of 1999. It is even safe to say that it has given rise to new business practices and the pursuit of new markets for some corporations. More recently, the concept of 'social enterprise' has emerged and differentiated itself from CSR. Venture philanthropy funds in Silicon Valley have emerged with what they claim is a very different funding model from classical philanthropy; social entrepreneurs around the world have sought to define new models of public–private partnerships.

In light of all the activity surrounding these concepts what do we really know about CSR and Social Enterprise? What does the research have to say about these issues? What do we really know about how corporate practices and managers' decisions are shaped by the concepts and all the activity surrounding them? In this essay – and the Special Issue of EMR it introduces – we cannot provide any definitive answers to these key questions but aspire to tackle two much more limited, but related, goals: we introduce some of the trends surrounding how the academic literature has treated the concepts of CSR and

of social enterprise, and we argue for greater and better inclusion of critical dimensions for future research to be conducted on the social issues of management.

While some useful treatments of these phenomena have emerged, we identify four key gaps that future studies should address. First, research in this area tends to be somewhat ahistorical: the field does not have a clear enough appreciation for the institutional histories in which corporate power is embedded and through which it has been transformed over the last 150 years. As such, the understandings of CSR that have emerged tend to miss some of the key features that define it. Second, research in this area must be more comparative. Developments in Europe and the United States have followed very different trajectories with respect to this issue. However, as the concept of CSR is increasingly applied in similar ways to all global corporations, there is a convergence on how multinational corporations are facing the pressures surrounding CSR. Understanding the tension between different institutional environments and the convergence among them in this area is crucial for a nuanced understanding of this phenomenon. Third, research in this area tends to respect the usual dividing line between the social sciences and legal literatures. This general lack of cross-disciplinary fertilization is unfortunate, but it is especially so in this case, because CSR practices are intimately tied to corporate governance issues, and the legal literature has much to say on the topic. Fourth, as with all research in the management field, the work has tended to become balkanized along methodological lines.

In this introductory essay, we present a brief review of some of the work conducted in this field. This review is by no means exhaustive; rather, it is simply meant to introduce some of the key themes that have emerged from some of the better studies. We then illustrate each of the above points through a specific discussion of an example that helps illustrate the issue. With respect to the last point, we present an alternative history to the current thinking on the emergence of the CSR phenomenon, one that appreciates the institutional transformation of corporate power and the ways in which that transformation is tied to the emergence of CSR. For this discussion we focus primarily on the United States, as this is really where the evolution of the concept has been anchored, though it also represents trends where, we believe, Europe and the rest of the world are headed.

Before we delve into our discussion, we would like to clarify our use of the key terms we have mentioned above:

- *Corporate social responsibility*: According to *Benchmarks: Principals for Global Corporate Social Responsibility*, released by the Steering Group of the Global Principles Network, CSR is defined as 'the decision-making and implementation process that guides all company activities in the protection and promotion of international human rights, labour and environmental standards and compliance with legal requirements within its operations and in its relations to the societies and communities where it operates. CSR involves a commitment to contribute to the economic, environmental and social sustainability of communities through the ongoing engagement of stakeholders, the active participation of communities impacted by company activities and the public reporting of company policies and performance in the economic, environmental and social arenas.' We think this definition is adequate, though, as we will argue below, it is somewhat ahistorical. The first point here is that, although the term CSR did not officially emerge until the late 1960s, corporations and business leaders have been engaging with this topic and shaping its meaning since the late 1880s. Thus, we would argue that CSR also has to include the ways in which corporations and business leaders have shaped societies through philanthropy and influenced the institutional environments in which corporations are embedded through lobbying. The second issue we would highlight here is that the highlighting of 'international' human rights and labor standards reflects a curious bias in the field, a bias that signals the hidden hand of the corporate sector in shaping the CSR agenda: the emergent field of CSR is more interested in issues of human rights and labor abroad than it is the issue of union contracts and the fair treatment of unions in their home countries (especially in the US). As we will describe below, this issue is at the heart of the struggle that has given rise to the CSR movement over the last century.
- *Social enterprise*: Social enterprise, which is often linked to social entrepreneurship, refers to organizations that are driven by a social mission, aspiring to provide a social service or a public good that is linked to a given social, environmental, or financial issue. Its strong association with the nonprofit sector means that the term derives its analytical lineage from the large body of work on the so-called 'third sector' (see esp. Salamon, 1992, 2002, 2003; Salamon and Anheier, 1997; Salamon *et al*., 2004). However, social enterprise and social entrepreneurship tend to differentiate themselves from classic nonprofit organizations in that they are much more focused on finding innovative financially sustainable solutions to social issues, where many nonprofit organizations are not (Guthrie, 2004). Classic examples of the social enterprise movement include the Grameen Bank and The Ashoka Organization.[1] Because of the term's lineage and its focus on the nonprofit sector, this concept might have less to do with the issues we are exploring in this volume than CSR. However, due to the growing number of MBA students that will end up working in the nonprofit sector and the professionalization of nonprofit organizations in general, we would be remiss in omitting this category of work from our discussion here.
- *Social issues in management*: We use this phrase as an umbrella that incorporates both of the concepts described above. Whether the subject is a manager in a large corporation thinking about the changing pressures of CSR or a manager in a nonprofit organization seeing financially sustainable solutions to a given social problem, both are captured by our concept of social issues in management.

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Research on corporate social engagement

We begin this discussion with a few examples of the phenomenon in question: In 1992, ExxonMobil, one of

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the largest and most influential corporations in the world launched a campaign to save the world's tigers. Long a mascot and preferred symbol of the corporation, tigers are on the brink of extinction (especially in Asia). With considerable fanfare, the corporation announced the success of this campaign in 2002:

> Ten years ago, after realizing that the number of tigers in the wild was rapidly declining, ExxonMobil decided to accept long odds and help restore wild populations of this most significant animal. And the odds were long indeed. Tigers have already disappeared in many locations where they once thrived. At the same time, some conservationists estimated that without special efforts to protect tigers and their habitat, tigers would survive only in zoos by 2000. This has not happened, thanks in large part to the joint efforts of the 'Save the Tiger Fund' established by the ExxonMobil Foundation. Many international partners and the public have been enlisted in the effort to save the tigers…. 'Save the Tiger' has devoted more than $10 million to tiger conservation and recently has provided almost 30 percent of field-based tiger conservation funding worldwide….[2]

But this is not all that ExxonMobil does. Also in 2002, with equal fanfare the corporation launched a philanthropic program to contribute to research on climate change, donating $100 million to Stanford University's Global Climate and Energy Project.[3] And, over the years, ExxonMobil has invested many millions on issues of health in Africa. This agenda is a high profile and largely international one, focused primarily on causes that either help the corporation gain credibility in places where it needs it most – namely, its record on the environment – or on issues that have high-profile return as philanthropic causes in the international community (e.g., HIV/AIDS). The corporation has long been opposed to environmental legislation that is tied to sustainable development (including open opposition to the Kyoto Accord), but has countered this position by giving generously in areas that relate to the environment. It is important to note that this is not a local agenda; indeed, a relatively small amount of ExxonMobil's charitable resources are directed to Irving, Texas, Dallas, or Houston where the corporate headquarters lie.[4] Rather, ExxonMobil's socially responsible agenda is one with truly global reach – from the tigers of Asia to the suffering children of Africa, the world's largest oil corporation has become a significant advocate and backer of many social causes.

Another American corporation, General Mills, which is headquartered in Minneapolis, MN, quietly directs most of its giving to the rebuilding of the local communities in which the corporation is headquartered. Focusing its CSR programs on issues of local crime prevention and the reinvigoration of inner city life, General Mills' work in the CSR arena is much more local, much lower profile, and much less tied to issues that are typically associated with the CSR agendas of most large-scale corporations. As Christine Shea, President of the General Mills Foundation recently put it, 'We take as innovative an approach in giving back to our communities as we do in our business.'[5] While corporations in the United States have long been engaged in philanthropic activity, the level of philanthropic commitments from the corporate sector has risen steadily since the middle of the 20th century and most rapidly since the 1970s (Useem and Kutner, 1986).[6] In 2000, the Fortune 100 group alone donated over $2 billion in cash gifts.[7] Corporate philanthropic giving to support local organizations is a key feature of the flow of resources that has redefined the funding and provision of public goods in the United States.

Yet, corporate social engagement is not only about philanthropy. Beginning in the mid-1990s, a number of corporate scandals began to place the question of the corporation's responsibility to society in graphic relief. Corporations like Royal/Dutch Shell became associated with issues of environmental degradation and human rights abuses through events like the sinking of the Brent Spar and the Nigerian government's execution of Ken Saro-Wiwa; Shell launched an entirely new organizational design that would factor in social accountability (Paine, 1999, 2004, 2006). In 1996, the media star and owner of the clothing company Global Fashion, Kathie Lee Gifford, came face-to-face with labor activist Charles Kernaghan and found that off-shoring could have serious risks associated with it and that a CEO's lack of knowledge of sweatshop conditions was not enough to claim plausible deniability. While many corporations believed they were immune from culpability surrounding such social issues, shareholders, armed with more access to information than ever before, made it abundantly clear that they could indeed affect the market capitalization of a global giant by producing bad press or simply voting with their feet and selling off stock. Phil Knight, the CEO of Nike, would learn this the hard way in 1997, as he found that the public would not accept his argument that Nike did not own or run the factories that produced their goods so the labor conditions were not his responsibility; he would watch his company's stock (and thus his personal net worth) plummet as a result (Spar, 2002). The Gap, Liz Claiborne, Reebok, and many other companies would quickly learn from these missteps and adjust their corporate practices as a result. Corporate scandals took on another form in 2001 with the accounting scandals of Enron, WorldCom, Arthur Andersen, and many other economic giants at the heart of the US economy. With the declining value of so many US corporate giants, the role of the corporation in society becomes impossible to ignore – even for shareholders.

Literature and research: explaining the phenomenon

How do we explain this activity? Over the last two decades, there have been several excellent reviews of CSR and the social issues of management. Wood (1991), for example, wrote one of the early reviews of the emerging literature on what she called corporate social performance, raising a number of insightful questions that have helped guide research for the last decade and a half. More recently, Margolis and Walsh (2003) summarized key issues that firms have faced in this area over the last 30 years, and open the door for organization scientists to step into the debate. In this section, after a brief review of the literature and a discussion of the three original articles included in this special issue, we discuss four key elements that we believe are underrepresented in most research on the social issues

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of management: a deep understanding of institutional history, a comparative research framework, a appreciation for the importance of corporate governance, and methodological plurality.

Most accounts of these CSR and related phenomena begin with the 1970s and a number of studies track the changes that have occurred in corporate practice from that point on (e.g., Paine, 2004; Vogel, 2005; Hirschland, 2006; Freeman *et al*., 2007; Williams and Aguilera, 2008). The earliest discussions of social responsibility can probably be traced to Bowen (1953) followed by Davis (1960), Fredrick (1960), McGuire (1963), and Walton (1967). However, it is important to note that these discussions referred to the responsibilities of 'businessmen' and not to corporations (Flack and Heblich, 2007). Davis (1967) and Friedman (1962, 1970) would be the ones that truly place this discussion in corporate terms. Indeed, most popular and academic accounts of the phenomenon trace the beginning of the CSR discussion to Milton Friedman's famous statement in *The New York Times Magazine* in 1970.[8] According to Friedman, the issue CSR was simple: corporations have one responsibility and one responsibility alone – to make money. A corporate executive's only responsibility, Friedman wrote 'is to conduct the business in accordance with [the owners'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society.' Over the course of the 1970s, as stagflation set in and the economy foundered, people began to pay more and more attention to this view. A decade later, Friedman would have his own television show and a companion book – *Free to Choose* – which espoused the virtues of a libertarian mindset and narrowly defined corporate goals and responsibilities; the book was an international bestseller in 1980. He would also become Ronald Regan's economic advisor, ushering in the decade of shareholder capitalism on *Wall Street*.

A number of scholars followed Friedman's view, framing CSR issues in profit-maximizing terms (Fry *et al*., 1982; Navarro, 1988; Piliavin and Charng, 1990). Others have focused on the economic tradeoffs related to tax incentives: a number of econometric studies have shown that as taxation declines, so does philanthropic giving (Schwartz, 1966; Levy and Shatto, 1978; Bennett and Johnson, 1980; Bakija and Steuerle, 1994; Bakija and Slemrod, 1996, 2001; Bakija and Gale, 2003; Bakija *et al*., 2003). In one of the early in-depth examinations of CSR behavior, Ron Burt (1983a, b) argued that corporations engage in philanthropic activity as a public relations strategy – what he called 'cooptation': for corporations competing in industries that depend on close ties with consumers, philanthropy becomes a useful tool for marketing to those consumers. Burt viewed corporate philanthropy and advertising as closely related, as both expenditures are tax deductible and therefore governed by the same set of tax incentives. Further, based on his comparative analysis of the spending of profits on advertising and philanthropy, Burt argued that both modes of spending reveal that corporations use these expenditures toward the end of making connections with consumers. In all of these studies, the focus is on attempting to understand the economic motivations of corporate giving. In this body of work, there is little consideration of the strategic actions of corporations (beyond profit-maximizing behavior), and, with the exception of the focus on tax incentives, there is little examination of the complex and ever evolving institutional environments in which corporations are embedded.

There were voices pushing back against this view to be sure. Most famously, Edward Freeman's 'stakeholder' view of the firm argued for a more holistic and socially embedded view of the corporation, one in which corporations are subject to the interests of the many different constituents that held a 'stake' in their operation.[9] While economic considerations may indeed be central, it may also be the case that corporations attempt to connect with constituencies in a variety of other ways. For example, corporations may respond to profit-oriented incentives, but they may also respond to other signals from the institutional environment in which they are embedded. As such, some scholars have argued that there are institutional factors shaping corporate philanthropic activity as well: Economic and institutional forces may combine to drive the decisions that corporations make surrounding corporate philanthropy, corporate investment in local communities, and a commitment to having an impact on the localities in which they are embedded (e.g., Galaskiewicz and Wasserman, 1989; Galaskiewicz and Burt, 1991). Joseph Galaskiewicz's (1979, 1985a, b, 1989, 1991, 1997) work has been among the most systematic at interrogating questions surrounding local commitments of corporations. Focusing on network and reputational effects for corporations as well as the business elites that run these institutions, Galaskiewicz (1985a) identifies a number of different categories of giving, which include giving-as-public-relations strategy, giving-as-social-currency, and giving-as-enlightened-self-interest. Galaskiewicz's study has drawn upon the insights of institutional analysis, mostly tracking the ways that individuals and organizations within an organizational field influence one another in strategy and behavior (e.g., Galaskiewicz, 1985a, 1991; Galaskiewicz and Wasserman, 1989; Galaskiewicz and Burt, 1991). Galaskiewicz conceives of the urban grants economy as a network of collective action, where normative pressures from within the community shape corporate giving practices.

The spotlight on CSR practices of firms has also spawned a flurry of activity among monitoring agencies as well as a stream of research examining them (e.g., Spar, 1998; Santoro, 1999; King and Lennox, 2000; Spar and Yoffie, 2000; Gereffi *et al*., 2001; Sassen, 2002; Martin, 2003; Meidinger, 2003; Ruggie, 2003; Paine, 2004; Vogel, 2005). For many observers, the tussle was between global corporations and the nonprofit sector. For others, the issue has been about the intersection between CSR and corporate strategy (Porter and Kramer, 2002, 2006; Zadek, 2004). As corporate scandals have reshaped global perspectives of the role of the corporation in society, the activities of many companies have often been held up as reflecting the stakeholder view of society. Many accounts of these corporate practices place the nonprofit organizations and accreditation agencies at the center of a legitimacy system with its own selective pressures and legitimizing strategies (Durand and McGuire, 2005). Indeed, as Clive Cook lamented in *The Economist* in 2005, 'On the face of it, this marks a significant victory in the battle of ideas. The winners are the charities, nongovernment organisations

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and other elements of what is called civil society that pushed for CSR in the first place.'[10] Porter and Kramer (2006: 3) maintain that 'Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities… Activist organizations of all kinds, both on the right and the left, have grown much more aggressive and effective in bringing public pressure to bear on corporations.'

Scholars studying the phenomenon from this perspective remain ambivalent about the privatization of accountability standards. Hirschland (2006), for example, has argued that dynamic networks of businesses, nongovernmental organizations, and other types of multilateral institutions have really driven the CSR agenda. In the global economy, where multinational corporations often occupy extra-legal positions *vis-à-vis* any one nation-state, these networks have taken on the agenda of governance of the multinational corporation. These networks are a weak substitute for true governance, but there is little choice in the matter at this point, according to Hirschland. Bartley (2005, 2007) similarly argues that the CSR movement has given rise to a number of monitoring and accountability solutions, but the private nature of these solutions renders them inadequate replacements for public and legal regulation. Nevertheless, the key feature of much of this literature places the rise of CSR at the feet of nonprofit, accreditation, and advocacy organizations, which have grown significantly in power over the last quarter century.

Developing research and presenting this special issue's articles

In this sub-section, we discuss the key elements that, according to us, need to be more systematically included in future research on the social issues of management: institutional history of corporate power, comparative research, corporate governance influence, and methodological plurality. We introduce and comment the three articles that constitute the Special Issue, stressing their contributions but also replacing them in the context of what future research should add to provide a richer picture of what really drives variations in CSR and social issues in management.

Institutional history of corporate power

One of the biggest problems with research in this area lies in the extent to which it is detached from the institutional history of corporate power. As we noted above, most accounts of CSR begin with the late 1960s and early 1970s, when a significant amount of CSR activity began to emerge, and it is most often viewed as being a response to the growing power of advocacy and nonprofit organizations. However, the power struggles between corporations and state regulatory bodies that would eventually culminate in CSR outcomes date back more than a century (at least). In the case example we introduce below, we show explicitly a deeper appreciation for the institutional history of the emergence of CSR in the US gives a very different view of CSR's origins and the forces that are truly behind it.

One of the papers of this Special Issue points toward this gap, but also illuminates how a deeper appreciation for institutional history would make for a much richer analysis. In his paper on the negative association between CSR practices and nonwage benefits, Justin Miller finds that in the USA (1) corporate giving is inversely related to the more expensive programs of extensive health care packages and paid sick leave, and (2) local union power is also negatively tied to these outcomes. These findings are intriguing, because they point to the consequences of corporate governance on social issues. One could interpret Miller's findings – and he suggests this analytical view – as indicating that CSR decisions (like corporate philanthropic giving) are tied to other corporate power struggles, such as struggles with unions. Corporations, in other words, use CSR strategies as a diversion from or defense against more expensive programs. However, in order to further validate this argument, more investigation must be conducted with reference to the legal and historical context in which these variables evolved. As we discuss below, influential legal decisions like the Wagner Act and the Taft-Hartley Amendment were central to the power struggles between corporations, unions, and the state, and it is in this context that corporations adopted the approach of making trade-offs between CSR and nonwage benefits. It is odd, for example, to introduce institutional variables like 'Right-to-Work' and 'Union Density' and not even mention the Taft-Hartley Amendment (which paved the way for states to adopt Right-to-Work amendments and which fundamentally undercut the power of unions). A deeper historical discussion could contribute to and shed light on Miller's very interesting findings.

Comparative research

The second element relates to the fact that, for instance, US history and the institutional environments that have emerged surrounding social issues in management are considerably different than European history and institutions. There is therefore an urgent need to include more studies that compare independent institutional characteristics of countries and regions. So far, the literature on social issues in management has been imbued by an agent-centric, philanthropy-oriented view of social enterprise, leaving out too many political and institutional factors. One way of illuminating the importance of political and institutional factors is through carefully constructed comparative analysis.

As an established methodology in the social sciences, comparative-historical analysis has been around for decades. Most scholars trace this method to the work of Barrington Moore, Jr., with his path-breaking book, *The Social Origins of Dictatorship and Democracy* (Moore, 1966) and have used the method to explore different political outcomes.[11] Since then, many scholars have written on the comparative method (e.g., Smelser, 1976; Skocpol, 1979; Tilly, 1984; Ragin, 1987, 1991, 1994), establishing it as a legitimate method for explaining divergent social, economic, and political outcomes. Some scholars have employed this method to show the ways in which industries and ultimately national economic policies are organized. For example, Dobbin (1994) shows the ways in which cultural understandings of efficiency and rationality vary in France, Britain, and the United States and that these difference have profound difference for the emergence of specific core

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industries (the railroads) and more general economic policies in each country. Others have used the method to make the explicit link between national structures and managerial practices. For example, Guillen (1994) showed the ways in which managerial mindsets in different cultural and institutional environments (United States, Great Britain, Germany, Spain) use technology and bring about organizational change. In an example of implicit comparison, Kogut and Walker (2001) compare Germany to other advanced industrialized nations on the structure and resilience of the ownership networks among German firms. Suffice it to say that comparative research allows for an analytical approach that exposes the institutional and cultural underpinnings of a given phenomenon, and the next in position should be social issues in management. Unfortunately, few studying the social issues of management have taken up the challenge of organizing a comparative study of CSR outcomes across nations, regions, or cultures.

The second paper included in this volume, by Jean-Philippe Bonardi, is, in many ways, an excellent paper for highlighting issues of comparison across a variety of institutional contexts. The study includes telecom operators from Austria, Belgium, the UK, Germany, France, Ireland, the Netherlands, Norway, Portugal, Greece, Switzerland, Denmark, Spain, and Sweden – perfect fodder for examining the impact of cross-national institutional contexts on the 'nonmarket' strategies of firms. Bonardi's study shows that firms influence liberalization of their markets, but also that they face a trade-off between fostering their market activities to increase their competitiveness and slowing the liberalization of their market policy to defend their privileged positions. Despite these clear contributions, the study nevertheless has followed the convention of trying to capture complex institutional variables of corporate governance in the blunt variables that are typical of more macroeconomic cross-national research. In future steps, more descriptive detail about the cross-national differences in the key institutions (specific aspects of legal, political, and ruling telecom authorities) would contribute to enrich the outcomes of Bonardi's study.

Corporate governance

In calling for comparative institutional analysis, we could spend a significant amount of space discussing many more institutional differences – corporate tax rates, corporate lobbying practices, and the power of unions would be excellent candidates. And we can imagine interesting comparative studies that would examine these issues in a comparative framework. More critically, however, we choose to focus on the institutional underpinnings of corporate governance in Europe and the United States because corporate governance is in many ways intimately tied to the ways in which managers within firms engage in social issues. Thus, the third significant gap in the literature is that few scholars take seriously the issues of corporate governance using an institutional or legal perspective.[12]

There is an extensive literature on the issue of corporate governance in general and comparative corporate governance specifically, which spans the fields of law, finance, economics, political science, and, more recently, sociology. A significant amount of this literature has been presented in a straightforward fashion in law and finance on the mechanics of governance (see, e.g., Lease *et al*., 1983, 1984; Schleifer and Vishney, 1986a, b, 1988, 1989, 1990, 1992, 1993, 1994, 1997; Ryngaery, 1988; Morck, 1988a, b, 1989). However, a significant amount of this literature across all of these disciplines has been framed in theoretical terms from the principal-agent perspective (e.g., Ross, 1973; Jensen and Meckling, 1976; Kornhauser, 1982; Jensen, 1986; Tirole, 1986; Stiglitz, 1987; Hart, 1989, 1993; Kiser, 1999; Shapiro, 2005). While there has been a significant amount of comparative work in this area, there has been less specific focus on the ways in which corporate governance varies between the Anglo-American system (most of Britain and the United States) and Continental Europe and their consequences of social issues. Among the most extensive reviews of these issues is the comprehensive comparative analysis on corporate governance and accountability by Bradley *et al.* (1999; see also Sullivan and Conlon, 1997). One of the key differences in corporate governance between Europe and the United States has to do with whom the governance system favors. Scholars of law and corporate governance working in this area define a variety of ideal-types of corporate governance models, which shape the case and civil code law on corporate law around the world; these ideal-types essentially sit on a continuum from the 'contractarianism' or 'property' model to the 'communitarian' model.[13] The communitarian (also sometimes referred to as the 'coordinated') model is one that fits most clearly with Freeman's (1984) notion of a stakeholder-oriented corporation. As Sullivan and Conlon describe it: 'Managers' roles as trustees make the interests of directors, shareholders, and stakeholders coextensive. Equality prevails as the presumption of justice obviates the need to create a hierarchy of fiduciary duties among classes of the community.' In contrast, in the property model, 'Stockholders are the sole risk bearers of the corporate enterprise and as such they and they alone are entitled to make claims on corporate directors' fiduciary duties…' (1997: 716).

In the United States, it is not surprising that the system is heavily weighted toward the property model, placing the interests of shareholders above all others. Indeed, as we discuss below, the chartermongering[14] by New Jersey beginning in 1890 – pursued even more aggressively by Delaware since 1900 – was predicated on the protection of shareholder rights first and foremost. Even when New Deal legislation would be set in place to govern corporate action in America, these institutions of monitoring and external governance had at their very core the protection of shareholders' rights. Over the course of the 20th century, behind the leadership of the Chancery Court of Delaware, the primacy of shareholder's rights would grow in the United States. In 1979, this position would be further institutionalized in the corporate governance agenda through the American Law Institute's Corporate Governance Project, which confirmed that 'A corporation should have as its objective the conduct of business activities with a view to enhancing corporate profit and shareholder gain' (quoted in Bradley *et al*., 1999: 47).

In Continental Europe, by comparison, corporate governance veers much more toward the communitarian model. In German corporate law, for example, shareholders were

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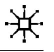

not even mentioned in the corporate Civil Code until it was amended in 1965, and only then are they mentioned as one of many constituencies that the corporation must serve (Bradley *et al*., 1999). The Code also ensures that if a corporation endangers the public welfare in any way, it may be dissolved by the state. Although there are currently many changes underway in the French system (Goyer, 2008), the system has long been one that views corporations from the communitarian perspective of corporate governance.

Corporate governance is not only about the legal system in which a corporation sits, it is also directly about the ways in which the corporation is led from within. As is discussed above, in the US system, corporate boards are charged with representing shareholders' interests. Despite the higher level of regulatory oversight that US boards have been put under since the passage of Sarbanes–Oxley, they are still generally fraught with conflicts of interest, including insider appointments and it is not uncommon that the CEO is also the chairperson of the board (Denis and McConnell, 2003). Boards in Europe are often two-tier structures, in which there is a managing board and a supervisory board; the chairperson and CEO roles are most often split; there are generally requirements specifying a greater percentage of outside directors.

While all of the issues outlined above (and many more in the area of corporate governance) have received a significant amount of attention across a variety of different fields, scholars working in the social issues of management literature have not drawn upon these literatures as much as they might. Whether a corporation is embedded in a communitarian- or contractarian-oriented society has radical consequences for how the corporation and its management approach social issues, as do the issues of board structure and accountability.

Incorporating different methods of research

The fourth issue we would like to raise with regard to research in this area relates to the need to incorporate a multi-disciplinary take at CSR via either data-gathering techniques and analyses or cross-fertilization between management and other fields, like economics, sociology, or psychology. One of the studies we have included in this special issue makes a valiant attempt to bridge the macro–micro divide. Crilly, Schneider and Zollo's paper investigates the critical antecedents of CSR at the individual level, within multinationals. This kind of study is much needed as it stresses the explicit links between individual traits and dispositions (values, affects, and reasoning types) and the socially responsible behavior. It delves deep at the core of human motives for (organized) action, and as such would benefit to accounting for multi-level dimensions, comparing organizational context with more fine-grained data than just country and including controls for several governance aspects of firms. Presumably, complementary research methods shall be used to grasp subtle aspects of values, affects, and cognition involved in CSR practices, and help compare their respective influences. One insight that requires further testing would be that individuals use organizations to satisfy their needs, align their values, and transform the world, hence raising the question of alienation and subservience between individuals and the organizations they create or work for. Ethnographic research or experimental research design could help disentangle the causes and effects and establish the relative importance among them. We thus advocate for more cross-fertilization between fields and methods.

All together, the three papers of this Special Issue pave the way for what could be an advanced research agenda on CSR, social enterprise, and social issues in management. Two of these studies are multi-country, underscoring the importance of comparative research; they look at corporate effects on firm behavior; they combine diverse sets of theories (economics, sociology, and psychology). These studies integrate the corporations' motivations to circumscribe direct competition and favor nonmarket activities (Bonardi), they give evidence of substitutive effects of corporate philanthropy (Miller), and point to individualistic characteristics that spur socially responsible behavior (Crilly, Schneider, and Zollo).

An alternative historical account: institutional and historical gaps in the literature

Let us now return to the discussion of the CSR practices we introduced above. While many scholars and popular writers have given much attention to the rise of CSR practices since the 1970s, we believe these accounts of the rise of CSR are incomplete. How has it come to be that philanthropy and the treatment of workers abroad are issues that are defined as being front stage in the world of CSR, fair wages and employment practices at home have been pushed back stage? How has it come to be that corporations could gain CSR 'credit' for saving wildlife, while they aggressively oppose progressive environmental legislation? How is it possible that a corporation can have awards bestowed upon it for 'social responsibility' (for its philanthropic practices) while having one of the most aggressive anti-stances of corporations in the world (Wal-Mart). The argument we advance here is simple, though somewhat counterintuitive: While most accounts of the CSR movement frame its evolution as being one in which nonprofit, accreditation, and advocacy organizations pushed for a more socially responsible agenda for corporations, we believe if you look closely at the institutional history of struggles among corporations, unions, regulation and the state, the reality is that corporations have had a heavy hand in defining what is CSR behavior and what is not. In doing so, they have followed a more general logic that has spread across the fields of corporate law and economics that business decisions need to be decoupled from issues of social impact.

We therefore argue that firms play a key role in generating the new selection criteria through which their actions can be assessed. Echoing a view of strategic management that includes those strategic choices that may (or may not) impact the selection mechanisms governing an industry (Durand, 2006), we portray CSR as a series of current and symbolic practices that displace the pressures from genuine strategic assets to more reputational effects (Philippe and Durand, 2007). In this sub-section, we not only chart the historical argument about the corporate role in the evolution of CSR but we also examine

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the ways in which CSR has transformed in recent years. We show that this agenda has not only broadened, but it has also developed to form deeper partnerships between corporations and the communities in which they are embedded and to bring about a new logic of community involvement and sustainable development as making good business sense.

The roots of the CSR movement in the US can be traced back as far as the late 1880s, but it should probably be placed back as far as the penning of the US Constitution itself. When the Founding Fathers wrote the US Constitution, corporations were purposely left out of the discussion. This was a decision to give individuals more rights in the Constitution – in effect to favor individuals at the Federal level – and to allow states to figure out the status of the corporation. However, in 1819, the Supreme Court, in a decision penned by Chief Justice John Marshall, forever changed the status of corporations, granting them the status of legal personhood (Phillips, 1992). This landmark decision made clear both the legal personhood of the corporation and the fact that states, through their individual corporate charters, would define the status of the corporations within their boundaries.[15] In 1890, individual states began to tinker with their charters in order to attract corporations to their jurisdictions. Unleashing the so-called 'race to the bottom,' states competed for economic assets (i.e., corporations and corporate investment), corporations were given greater and greater rights in the areas of liability and taxes. The 'race' began in New Jersey (Grandy, 1989).[16] With the backing of a behind-the-scenes corporate strategizing for a deregulatory environment, a lawyer named James Dill convinced the New Jersey Governor to pass the most liberal laws in the nation for corporations and corporations will flock to incorporate there. As one writer described the impact of this legislation: 'Soon, Standard Oil, US Steel, and other major companies were lining up for New Jersey charters. Prompted by the permissive new laws, there was an orgy of mergers and combinations, which hastened America's transition from a nation of entrepreneurs to one of corporate employees. [P]olitically, the New Jersey regime reaped its reward. By 1905 the state was running a surplus of almost $3 million' (Rowe, 1996: 2).

Around this time, one of America's most prominent business figures, Andrew Carnegie, the businessman who created the conglomerate US Steel, published his short but pointed essay, 'Wealth' (later published under the more widely known name 'The Gospel of Wealth'), calling on wealthy businessmen to see as their core responsibility the support of the public good.[17] (It should be noted here that, while Carnegie was writing publishing his essays on philanthropy, he was also part of the lobby that was lobbying for – and benefitting from – the liberal laws that would create chartermongering in New Jersey.) Carnegie argued that, through philanthropy, 'the problem of rich and poor to be solved. The laws of accumulation will be left free; the laws of distribution free. Individualism will continue, but the millionaire will be but a trustee for the poor; intrusted [*sic*] for a season with a great part of the increased wealth of the community, but administering it for the community far better than it could or would have done for itself' (Carnegie, 1889: 24). However, it is relevant to note that the backdrop of Carnegie's exhortation for the wealthy to give was a deeper concern that his class could lose everything. Troubled by the Communist movement that was gaining popularity in parts of Europe, Carnegie also wrote, '[In philanthropy] we have the true antidote for the temporary unequal distribution of wealth, the reconciliation of the rich and poor – a reign of harmony – another ideal, differing, indeed, from that of the Communist in requiring only the further evolution of existing conditions, not the total overthrow of our civilization.' Carnegie's explicit reference to communism is significant here as it signals the real tensions that would eventually drive the CSR debate and practice forward. Carnegie saw philanthropy as a way of signaling the business elite's commitment to providing for the public good and thereby staving off a more radical revolution that would reduce the business elite's autonomy and control over their corporate assets. This is a perspective that would guide the evolution of CSR over the next century.

Other notables in the business community followed Carnegie's lead, most notably John D. Rockefeller, Sr., who began hiring staff in 1891 to organize his philanthropic endeavors. Carnegie would set up his first foundation in 1903, Rockefeller (the founder of Standard Oil) in 1913. At the time, the issue of *corporate* social engagement was not on the table. The prominent philanthropists of the era (Frederick Goff, of Cleveland, Margaret Olivia Slocum Sage, wife of the late financier Russell Sage, Henry Ford, among others, would also soon join this elite group) saw the issue of how they ran their businesses and how they managed their private wealth as being quite separate. Indeed, this was still the era of Taylorism (Taylor, 1905, 1911) and the notion that individual workers needed to be driven by the discipline of management. Corporations were to be organized around efficiency and profits, while the business elite would be responsible for finding ways to redistribute wealth.[18] Over the course of the next 100 years, the notion of *corporate* philanthropy and eventually CSR would become a much more central part of the discourse.

The century following 1890 was defined by the pendulum swings between corporate autonomy and state regulation, beginning with the Sherman Anti-Trust Act of 1890. This Act was the first US federal statute to limit cartels and monopolies, and it would lay the groundwork for the Clayton Act (1914), which would allow individuals to sue corporations directly for such behavior and secure damages if their case prevailed. Further, as some scholars have argued (e.g., Fligstein, 1990), this period of antitrust legislation gave way to new economic strategies and new 'conceptions of control' that guide the economic strategies of firms. But where Fligstein focuses on the direct economic responses to antitrust legislation (e.g., vertical integration), we argue that a more behind-the-scenes set of strategies was emerging as well.

Even with the anti-trust legislation of 1890 and 1914, corporations maintained a relatively autonomous place in the US economy for the next 40 years, in part because of the state-level statutory activity of New Jersey and Delaware.[19] However, the Great Depression and the New Deal legislation that would follow would radically change this autonomy, as a flurry of legislation would seek to shift the balance of power back from the corporate sector to the

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general public. For example, the Securities and Exchange Act of 1934 brought about the establishment of the Securities and Exchange Commission, which would become the primary regulatory body for US publicly-traded firms. The Social Securities Act of 1935 coupled with the Federal Insurance Contributions Act set in place a tax burden that US corporations had never before experienced. And, perhaps most significantly, one of the pieces of New Deal legislation struck directly at the power of corporations: In 1935, the federal government passed the National Labor Relations Act (Wagner Act), guaranteeing workers the rights to unionize and engage in collective bargaining. The key issue here is that these pieces of legislation all sought to limit corporate power and emphasize the extent to which corporations were beneficiaries of this society and were therefore responsible to contribute to the public good by striking a balance with the stakeholders (i.e., labor) with which they were working.[20] For 12 years, this Act defined labor relations in the United States, but corporations did not passively accept this new regulatory regime: After 12 years of lobbying from the corporate sector, Congress pushed forward the Taft-Hartley Amendment (over Truman's veto), a provision that then established the framework for states to pass right-to-work statutes, effectively limiting union power in their jurisdictions, an institutional change that 21 states had taken advantage of by 1965.[21]

As corporate power would come under attack (in the pieces of legislation described above – most significantly, the Sherman Antitrust Act, the Clayton Act, the Wagner Act), corporations would fight back through lobbying (e.g., advocating the Taft-Hartley Amendment) and by making a very public play for the self-regulating approach of CSR. Thus, when CSR comes into the public discourse in 1967, it is not simply the public advocating a sense of responsibility that corporations are reluctantly adopting. Indeed, the corporate sector had spent 70 years shaping this self-regulating movement, and it had shaped it in a way that is most advantageous for the corporation – self-regulating environmental policies were kept in, while state-driven environmental legislation was left out; human rights and labor costs abroad were kept in, while union contracts were left out; workplace safety (which promotes efficiency) was kept in, while pension plans were left out. The irony of this history is that Milton Friedman, libertarian that he was, misunderstood the true forces driving this debate forward.

To summarize our alternative account to the rise of the CSR movement in the United States: many current accounts, which credit the pressure from 'civil society' with transforming corporate behavior, are ahistorical and do not appreciate the institutional history that has been intertwined with corporate governance in general and CSR more specifically. We have argued here that, in order to truly understand the ways in which management has incorporated social issues into its daily agendas, we need to embed this discussion in the social and institutional history in which corporations have evolved. Thus, while it is certainly true that the public conversation over the CSR topic really began in earnest in the late 1960s and early 1970s, and while it might be true that some corporations were caught off guard by the high-profile pressures that emerged around CSR in the 1990s, the phenomenon is rooted in institutional and social dynamics that go back more than a century. Understanding what is occurring today in the public dialogue and corporate practice surrounding the issue requires an understanding of the institutional history in which this phenomenon is embedded. Further, corporations did not simply play a passive role in the shaping of this dialogue; some corporations have had a very strong and steady hand in shaping the CSR agenda, as this agenda has benefitted them in two fundamental ways.

First, at a theoretical level, CSR is fundamentally about self-regulation and selection of firms. Concurrent with the rise of CSR pressures, over the last century corporations have been engaged in a systematic project of emancipation from locally defined legal and regulatory selective pressures. Corporations increase the strategic value of their managerial practices, the rent-potential of their resources, and the competitive advantage of their organizational arrangements when they define the norms and the expectations of the social audiences impacted by their actions (Durand, 2006). As such, they are better off living under a normative regime of social responsibility than under the more standard government-driven regulatory regime. The CSR debate has been as much driven by corporate interests in deregulation and expansion as it has by 'civil society's' interests in corporate accountability. CSR is a product of a new corporate conception of control, where corporations have selectively defined the terms over what constitutes socially responsible business practices and what does not. Corporations have fashioned/crafted a normative and voluntary framework for the definition of business practices in part to pre-empt a more aggressive regulatory one but also to preserve what has been the sources of their competitiveness and power at home.

Second, very concretely, some corporations have helped characterize the actual content of the CSR agenda. In turn, they benefit from the current CSR agenda in that labor relations, accounting practices, environmental regulation, and a variety of other organizational decisions were conveniently not seriously included as part of CSR activity. In a nutshell, it is much cheaper to talk about wages of workers in Asia than it is to discuss declining union wages in the United States or Continental Europe; it is much cheaper to talk about workplace safety than it is to talk about declining pension plans; it is much cheaper to talk about corporate philanthropic efforts to facilitate research on the environment than it is to talk about environmental regulations that will curb economic growth.

This historical account also sheds light in turn on why it took more years for CSR to become a subject disputed in Europe. The national traditions, definitions of wealth and state, the conception of ruling and governing authorities, and elite vary significantly from country and regions. It is only when the European Union stepped in to create EU-wide regulatory policies and, concurrently, when corporations' economic and strategic influence became meaningful at a broader scale than locality, community, or state that the co-definition of CSR content and practices began to emerge as a relevant and strategic theme in European countries. Before that point, debates vaguely touched upon corporate governance, legal aspects of fraudulent behavior, or generic

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environmental principles, but the notion of socially responsible behavior was not a topic that received much attention.

Conclusions

Through an examination of the social and institutional history of the CSR agenda as well as the current practices of corporations in the area of CSR today, this introductory article has two basic goals. The first is to call for a new rigor in the study of CSR. Historical research, comparative analysis, corporate governance, and broad methodological approaches are the paths through which CSR research will gain in relevance, both theoretically and practically. Second, while a spate of writings on social issues in management has emerged in recent years, these writings tend to be intellectually simplistic and disconnected from social realities. By grounding the evolution of this concept in the institutional history that has shaped it, we chart the social forces that have given rise to this concept and the practices that are associated with it. By recasting CSR in a more general evolutionary framework wherein organizations define advantageously the selection criteria of the environments in which they compete (Durand, 2006), we portray the directions toward where CSR could lead corporations. Viewing firms' CSR choices as preserving or challenging prevailing selection criteria offers a new lens through which to conceive of social issues of management: as a sociologically built-in strategy that pertains to a theory of competitiveness. In pulling back the curtain on the issue of CSR, we show that CSR may not primarily be the response to social pressure for corporations to engage in responsible business practices that we often imagine it to be. Rather, we contend that it is just as much the product of a new conception of corporate control established to serve the interests of the global corporation.

This reality has negative and positive features. On the negative side, CSR has shifted the debate over what constitutes socially responsible business away from the truly costly topics of fair treatment of workers to the high-brow (and often cheaper) topics of human rights, philanthropic behavior, and wages for the third-world poor. No one would deny the importance of these issues, however, embedded in the very notion of CSR (how corporations behave responsibly wherever they are) is an acceptance of the terms of the current stage of globalization. In an ideal world, we would hope that corporations would both be fair to US communities as well as the overseas communities in which they operate. On the positive side, CSR has brought about and engagement between the business and nonprofit communities on issues that have sorely needed the help of a business-savvy community. And along the way, new research spaces open up that management research ought to occupy, provided that researchers be not oblivious of social, historical, and institutional forces that shape corporate power.

Notes

1 The Grameen Bank is a microfinance organization that, along with its founder, Economics Professor Muhammad Yunus, was awarded the Nobel Peace Prize in 2006. In the June of 2007, *BusinessWeek* named Yunus one of the greatest entrepreneurs of all time. Ashoka is a global nonprofit organization that aspires to foster social entrepreneurship to solve existing social problems. According to Ashoka's social mission 'Ashoka strives to shape a global, entrepreneurial, competitive citizen sector: one that allows social entrepreneurs to thrive and enables the world's citizens to think and act as changemakers.'

2 'Clawing Back,' *The New York Times*, Op-Ed page, 28 November 2002.

3 'ExxonMobil plans $100 million investment in Stanford University's Global Climate and Energy Project.'

4 *2003 ExxonMobil Contributions Report*.

5 Quoted in *Businessweek*, 'Special report, Philanthropy 2003: the corporate donors,' 1 December 2003.

6 Overall, for the last quarter century, there has been a significant rise in philanthropic activity from a number of different sectors of the economy, with philanthropic activity increasing by over 1200% overall and nearly 400% in inflation-adjusted dollars since 1975. Private foundations have been the most significant force in this distribution of resources – more than doubling in number since 1975 – however, corporate philanthropic giving has also risen significantly during this time period as well (Foundation Yearbook, 2002).

7 The *Chronicle of Philanthropy* 13(19), 26 July 2001. The issue of corporate philanthropic giving in the current era is especially significant, given the power of the corporation in society today. Among Global 500 corporations (i.e., the largest 500 corporations in the world), the collective revenues, profits, and assets of these institutions are $14 trillion, $667 billion, and $45 trillion, respectively, and they employ 45 million employees (the corresponding figures for Fortune 500 companies are $7 trillion, $443 billion, $17 trillion, and 24 million).

8 'The social responsibility of business is to increase its profits,' by Milton Friedman, *The New York Times Magazine*, 13 September 1970. Friedman was somewhat of an extremist in the 1950s and early 1960s. He found intellectual homes in the University of Chicago Department of Economics and on the staff of the National Bureau of Economic Research, but outside of those venues, his ideas had little influence in the early years of his career in the areas of economic policy (though he would later win the Nobel Prize for his work on monetary history, which began during this time). A decade before his rise to prominence in America, Friedman's position on the role of the corporation in society would become a harbinger for the end of the Keynesian-style mixed economy that define the US economy in the post-Depression era.

9 Later Freeman (1991) would argue that he had revised his position and that he has now 'come full circle to agree with Milton Friedman that the concept of corporate social responsibility is a dangerous idea.' This self-representation rings a little hollow, however, and was likely meant more to be provocative and to make a specific point about the failures of the CSR movement. Regardless of the failures of the CSR movement, Friedman and Freeman argue from two very different normative positions about the potential for markets to provide solutions for the delivery of public goods.

10 Clive Cook, *The Economist*, 20 January 2005. It was interesting to see *The Economist*, which had long held up the importance of shareholder value above all else, conceding the centrality of CSR for today's corporation.

11 In this book, Moore studied the social and institutional underpinnings of political outcomes in England, France, the United States, Japan, China, Russia, and Germany, systematically

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comparing the cases across the dimensions and variables he identified as crucial to the divergent outcomes. Moore's student, Theda Skocpol (1979), refined this method in *States and Social Revolutions*, and helped give rise to a field of scholarship in the social sciences that sought ways to explain divergent outcomes based on variation in institutional contexts.

12 One key distinction in comparative corporate governance might begin with the Anglo-American Common Law system and Continental Civil Law. Comparisons of Civil Law and Common Law have long been of interest to the field of legal scholarship (see, e.g., Lee, 1915). In very basic terms, the Common Law system derives abstract principles from cases, while the Civil Law system, which has its roots in Roman and Germanic traditions, makes decisions based on a statutorily defined civil code. A true comparison of these systems is beyond the scope of this discussion. However, we will make reference to these different traditions as we briefly discuss some key difference in corporate law and corporate governance between Europe and the United States.

13 Bradley *et al*. (1999), who give the most extensive review of these issues from the comparative legal perspective simply focus on the comparison between contractarian and communitarian approaches. Sullivan and Conlon (1997) discuss seven ideal types that make up this continuum, including along this continuum are the communitarian, multifiduciary, political action, relational, natural entity, and contractarian. While Sullivan and Conlon do make a distinction between property and contractarian models, the main difference is that the property model, according to them, is more explicit about shareholders sitting atop the fiduciary hierarchy. However, for all intents and purposes, the contractarian model fits this approach as well, as it is the main model that has influenced the field of Law and Economics and the most liberal case law coming out of institutions like the Delaware Court of Chancery (Bradley *et al*., 1999). The main distinction is between models of corporate governance that place a primacy on shareholder interests and those that 'balance' the interests of multiple stakeholders.

14 'Chartermongering' is the practice in which state's attempt to aggressively attract corporate charters to their jurisdictions.

15 In the words of Chief Justice Marshall: 'A corporation is an artificial being, invisible, intangible and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it.' *Trustees of Dartmouth College v. Woodward*, 17 US (4 Wheat) 518, 636 (1819).

16 Delaware's aggressive pursuit of corporations through liberal charters would begin in 1899.

17 Andrew Carnegie, 'Wealth,' *North American Review* **148**(391): 653–665, June 1889. (Later published as Part I of *The Gospel of Wealth*.) Actually, the modern era of philanthropy probably began with entrepreneur George Peabody in 1867, with the establishment of the Peabody Fund. Peabody set aside funds to aid development in the poor south; however, his actions were not nearly as high profile as Carnegie's in part because of Carnegie's public position and his public discussion of the issue of philanthropy.

18 While members of this elite often emphasized the moral component and the goal of helping to solve social ills, there were political and class-based self-interest involved here as well. Note, for example, that Carnegie's reference to Communism is significant in this context. A Communist Revolution would upend the economic and political structures that have allowed these individuals to become economic elite. While normative pressures are surely at work here, also at work are the anxieties over potential class warfare.

19 It should be noted that even in this time, corporations were gaining ground on the myopic shareholder-above-all-else view of their mission, even, at times, to their own chagrin: For example, in 1919, the Michigan Supreme Court held that corporations were obligated to maximize and distribute shareholder profits. In *Dodge v. Ford*, (1919), Ford planned to invest profits in the building of more factories and the selling of more cars at a deep discount – both seen as ways of orienting themselves toward more stakeholders and catering to the public good. Instead, the Michigan Supreme Court required the corporation to adhere to the mission of a profitable corporation and distribute dividends to shareholders.

20 This Act was accompanied with a fig leaf to corporations, in which Congress created an economic incentive for corporations to give: In 1935, when Congress passed the Wagner Act, they also created the first set of incentives for philanthropic action by corporations, allowing corporations to write off up to 5% of net income (Fremont-Smith, 1972). This amount was raised to 10% of taxable earnings during the Reagan Administration as a provision of the Economic Recovery Act of 1981.

21 There is a large literature and longstanding debate over the actual effects of Taft-Hartley and right-to-work statutes on state economies (Witte, 1948; Green, 1951; Palomba and Palomba, 1971; Lumsdon and Petersen, 1975; Cebula, 1983; Reynolds and Edwards, 1986). However, because Taft-Hartley allows states to pass right-to-work legislation, a statutory provision that directly undermines the collective bargaining power of unions (in right-to-work states, corporations are allowed to hire workers who refuse to join the union, whereas in non-right-to-work states, if an organization is unionized, all workers must join the union before they can work and thus are bound to the collective bargaining agreements of the union).

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