CHAPTER 1

The Revival of Corporate Social Responsibility

What does it mean to be a virtuous company? Are companies becoming more virtuous? Is there a market for virtue? Consider some of the changes in business that have taken place since the beginning of the 1990s.

—Nike, along with numerous other American and European firms that produce or sell apparel, footwear, sporting equipment, and toys, monitors working conditions in its supplier factories in developing countries.

—Ikea requires its rug suppliers in India to prohibit the employment of children and provides families with financial assistance to help keep their children out of the labor market.

—Starbucks, as well as many other major coffee distributors and retailers, sells coffee bearing the Fair Trade label, which guarantees coffee producers an above-world-market price for their products.

—Home Depot, along with major retailers of wood products in the United States and Europe, no longer sells products harvested from old growth or endangered forests.

—British Petroleum, along with scores of other major firms in the United States and Europe, has significantly reduced its greenhouse gas emissions.

—Shell, along with many other major international extractive industry firms, has adopted policies to address human rights and environmental abuses associated with its investments in developing countries.

—Citibank, along with other major financial institutions, has developed criteria for assessing the environmental impact of its lending decisions in developing countries.

—PepsiCo, along with more than a dozen oil companies and consumer goods manufacturers, has withdrawn its investments from Burma because of human rights concerns.

—McDonald's has adopted the European Union's restrictions on the use of growth-promoting antibiotics for its suppliers of beef and chicken in the United States.

—Chiquita has implemented stringent environmental practices for its suppliers of bananas in Central America.

—Timberland allows its employees to take one week off with pay each year to work with local charities.

These are all examples of corporate social responsibility (CSR) or business virtue—that is, practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do.[1] What do these activities signify? Do they support Jeffrey Hollender's claim that "Corporate Social Responsibility [is] . . . the future of business. It's what companies have to do to survive and prosper in a world where more and more of their behavior is under a microscope"? Or, as argued by Joel Bakan, does corporate social responsibility amount to nothing more than a "new creed" designed to mask the fact that "the corporation . . . [remains] designed to valorize self-interest and invalidate moral concern"? Alternatively, is corporate social responsibility "[not] merely undesirable but potentially quite dangerous," as columnist Martin Wolf claims, because it can "distort the market by deflecting business from its primary role of profit generation"?[2]

The Market for Virtue examines these claims by analyzing the forces driving CSR and their impact on current and future business behavior. There are many reasons why some companies choose to behave more responsibly or virtuously in the absence of legal requirements. Some are strategic, others are defensive, and still others may be altruistic or public-spirited. The leadership of many of the businesses spearheading the contemporary CSR movement—a group that includes the Body Shop, Marks & Spencer, Patagonia, Starbucks, Statoil, Interface, and BP—may be genuinely motivated by a commitment to social or environmental goals. Not every business expenditure or policy need directly increase shareholder value, and many of the benefits of CSR are difficult to quantify. But in the final analysis, CSR is sustainable only if virtue pays off. The supply of corporate virtue is both made possible and constrained by the market.

Consequently, this book focuses on the market forces that encourage and limit the practice of corporate social responsibility or business virtue. Among the most important dimensions of such "civil regulation" are consumer demand for responsibly made products, actual or threatened consumer boycotts, challenges to a firm's reputation by nongovernmental organizations (NGOs), pressure from socially responsible investors, and the values held by managers and other employees.[3]

How effective are such forces? Based on the record since about the early 1990s, we can conclude that there is a market for virtue. Corporate social responsibility may be, in the words of the *Economist,* "the tribute that capitalism everywhere pays to virtue."[4] Nonetheless, it has led many firms to make important changes in their social and environmental practices, not only in the United States and Europe but also in the developing world. As John Ruggie, a former United Nations official active in this field, observes, "Although it remains contested, the principle is taking hold that transnational firms . . . ought to be held accountable not only to their shareholders, but also to a broader community of stakeholders who are affected by their decisions and behavior."[5]

But there are important limits to the market for virtue. The main constraint on the market's ability to increase the supply of corporate virtue is the market itself. There *is* a business case for CSR, but it is much less important or influential than many proponents of civil regulation believe. CSR is best understood as a niche rather than a generic strategy: it makes business sense for some firms in some areas under some circumstances. Many of the proponents of corporate social responsibility mistakenly assume that because some companies are behaving more responsibly in some areas, some firms can be expected to behave more responsibly in more areas. This assumption is misinformed. There *is* a place in the market economy for responsible firms. But there is also a large place for their less responsible competitors.

CSR reflects both the strengths and the shortcomings of market capitalism. On the one hand, it promotes social and environmental innovation by business, prompting many firms to adopt new policies, strategies, and products, many of which create social benefits and some of which even boost profits by reducing costs, creating new markets, or improving employee morale.[6] Perhaps most important, it enables citizens to both express their own values and possibly influence corporate practices, by "voting" their social preferences through what they purchase, whom they are willing to work for, and where they invest. This politicization of the market can also help shape public debate and public policy.

On the other hand, precisely because CSR is voluntary and market-driven, companies will engage in CSR only to the extent that it makes business sense for them to do so. Civil regulation has proven capable of forcing *some* companies to internalize *some* of the negative externalities associated with *some* of their economic activities. But CSR can reduce only some market failures. It often cannot effectively address the opportunistic behaviors such as free riding that can undermine the effectiveness of private or self-regulation.[7] Unlike government regulation, it cannot force companies to make unprofitable but socially beneficial decisions. In most cases, CSR only makes business sense if the costs of more virtuous behavior remain modest. This imposes an important constraint on the resources that companies can spend on CSR, and limits the improvements in corporate social and environmental performance that voluntary regulation can produce.

What Is Corporate Social Responsibility?

Many ambiguities surround the concept of CSR, including what business practices count as responsible behavior. Activities associated with corporate virtue typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits. But some companies may label as "CSR" initiatives they were planning as part of their normal business activities—reducing energy use, for example—while for others a business decision may have multiple causes, some more narrowly market-driven and others reflecting social pressures or ethical concerns.

Thus, not surprisingly, there is no consensus on what constitutes virtuous corporate behavior. Is sourcing overseas to take advantage of lower labor costs responsible? Are companies morally obligated to insist that their contractors pay a "living wage" rather than market wages? Are investments in natural resource developments in poor countries with corrupt governments always, sometimes, or never irresponsible? Are environmental expenditures necessarily welfare-enhancing? Is it irresponsible to produce weapons or nuclear power or to make money from gambling? More broadly, is it ever responsible for companies to use their shareholders' resources to provide public goods if doing so makes them less profitable? Or are corporations acting most responsibly when they seek to maximize shareholder wealth?

Similar questions arise when rating individual firms. Should Wal-Mart be considered a responsible company for providing consumers with low-priced goods or an irresponsible one for paying its employees low wages and driving out independent merchants? Was Monsanto's introduction of genetically modified seeds a contribution to sustainable agriculture or a threat to public health and ecological integrity? Should BP be praised for recognizing the problem of global climate change or criticized for its continued development of fossil fuels? Is McDonald's a responsible firm because it uses environmentally friendly packaging or an irresponsible one because it contributes to mass agricultural production? Is Union Oil acting responsibly by improving working conditions on its pipeline construction project in Burma or irresponsibly by continuing to do business in a country with a repressive military government?

As if these questions were not difficult enough, CSR's multidimensional nature further complicates the task of evaluating firms. Companies, like individuals, do not typically exhibit consistent moral or social behavior. They may behave better in some countries than in others or have more responsible environmental policies but less responsible labor practices. Hewlett-Packard, for example, might be considered responsible by some because of its environmental and community development initiatives, while other observers might label the company irresponsible for abandoning HP's long-standing policy of guaranteeing job security. Many of the same firms that have improved their social practices in developing countries have also cut back on health benefits to employees and retirees in the United States. Enron undertook a number of commendable social and environmental initiatives, while also defrauding its investors.

Finally, just as corporations need not engage in CSR in order to produce social benefits, not everything firms do in the name of CSR should be considered responsible.[8] Some firms have undermined the welfare of poor families—and of poor children in particular—by attempting to prohibit child labor. Some decisions made in response to NGO and consumer pressures may have increased, not reduced, the potential for harm to the environment—consider Shell's decision to dispose of its Brent Spar oil platform on land. In short, voluntary regulation can be as welfare-distorting as either government regulation or the pursuit of shareholder value without adequate legal or social constraints.

Despite these ambiguities, the term "corporate social responsibility" remains a useful one, if for no other reason than that it is employed so frequently. Nonetheless, the reader should feel free to imagine quotation marks every time he or she encounters the word "responsible" or its synonyms "ethical," "virtuous," or "social."

Behind the Resurgence of Corporate Social Responsibility

Some of the principles and practices of corporate social responsibility date back more than a century, but a major resurgence of interest in this dimension of corporate behavior took place in the United States during the 1960s and 1970s. Many contemporary strategies of civil regulation were developed during this period, including voluntary codes of conduct, social audits, public interest proxy resolutions, social investment funds, assessments and rankings of corporate social and environmental performance, and more generally the use of corporations as sites for political activity.[9] The protests and boycotts directed against Dow Chemical around 1970 prefigure those that targeted Nike and Shell in the 1990s, while the campus-led campaign pressuring firms to divest from South Africa during the 1970s parallels contemporary civic challenges to corporations with investments in Burma and Sudan.

But since the early 1990s, the importance of CSR has grown considerably. A recent search on Google for "corporate social responsibility" found more than 30,000 sites. More than 15 million pages on the World Wide Web address dimensions of corporate social responsibility, including more than 100,000 pages on corporate websites. Amazon lists 600 books on the subject. More than 1,000 corporations have developed or signed codes of conduct governing dimensions of their social, environmental, and human rights practices, and more than 2,000 firms now issue reports on their CSR practices. In the mid-1980s there were a handful of social mutual funds in the United States. In 2005 there are more than 200, and since 1995 their assets have increased tenfold.

International organizations, such as the United Nations, the World Bank, and the Organization for Economic Cooperation and Development (OECD), actively promote CSR, as do several European governments and the European Union. Numerous organizations and publications regularly monitor, report, and rate aspects of corporate social performance, and several give awards to companies they consider to be the most virtuous. Many leading business schools in both the United States and Europe offer courses on CSR. Numerous academic and professional conferences address the subject, the largest of which attract several hundred participants. Many NGOs now devote a significant portion of their resources to monitoring and pressuring corporations. In response, most large and brand-sensitive corporations have established internal systems to manage stakeholder relations, including their interaction with NGOs. As the *Economist* has observed: "CSR is thriving. It is now an industry in itself, with full-time staff, websites, newsletters, professional associations and massed armies of consultants. This is to say nothing of those employed by the NGOs that started it all."[10]

The Growing Reach of CSR

In addition to having become more institutionalized, the contemporary resurgence of CSR is distinctive for its new focus and for its spread around the world. Substantively, CSR continues to address domestic corporate policies such as community relations, environmental practices, and diversity, but its primary focus is now the conduct of global corporations, especially in developing countries. In particular, corporate responsibility for the labor and human rights practices of their supply chain partners has become among the most salient dimensions of contemporary CSR. And the geographic center of gravity of CSR has shifted from the United States to Europe, in particular to Great Britain.

While some of the earliest examples of corporate responsibility date from nineteenth-century Britain, corporate responsibility was disproportionately if not almost exclusively an American phenomenon through the 1980s. This reflected in part the American reliance on corporations to deliver social services, such as pensions and medical care, that are primarily provided by the government in other capitalist countries. It also reflected the strategies of the U.S. civil rights and antiwar movements, which focused much of their political activity on pressuring corporations to integrate their retail operations and workplaces, stop producing war materials, and withdraw from South Africa.

Today more conferences on this subject are held in London than any other city, and the London-based *Financial Times* and *Economist* cover CSR more extensively than the New York–based *Wall Street Journal*, *Fortune,* or *Business Week*. Since the mid-1990s, many of the most important publications on CSR, including influential critiques, have come from British-based organizations and individuals.[11] The *Journal of Corporate*

Citizenship and *AccountAbility Forum* are published in Britain, and UK-based Greenleaf and Earthscan are the major publishers of books on the subject. While ethical investment funds and advisers are more likely to be American, largely because of the larger size of U.S. capital markets, ethical consumerism is much more widespread in the United Kingdom.

Interest in CSR has also spread to the European continent. "Ethical" mutual funds, as well as ethical indexes and rating services, now exist in every European country and capital market. Socially labeled products have a larger market share in much of Europe than in the United States. Fair Trade coffee labeling began in the Netherlands; Rugmark, a human rights label for carpets, was developed in Germany; and eco-marketing has been especially influential in northern Europe. In France, historically a country in which morality and capitalism were regarded as separate spheres, corporate social responsibility has become increasingly salient in the business and investment community.[12]

On many dimensions, European companies are now more engaged in CSR than their American counterparts.[13] European firms are more likely than U.S. firms to have signed on to the UN Global Compact, which in 2001 established a set of global norms for responsible corporate conduct; they are also more likely to have adopted the nonfinancial reporting standards of the Global Reporting Initiative (established in 1997), to issue detailed and comprehensive social reports, and to have their social reports audited.

The Links between CSR, Globalization, and Regulation

What explains the growing importance of CSR since the early 1990s? Much of the answer is linked to the expansion of global and national markets. At the international level, the trend is driven by the growth of world trade and investment. At the national level, it reflects increasing privatization and economic deregulation. While these developments have produced many economic benefits, they have also generated dissatisfaction with some of the consequences of globalization and liberalization—as reflected most dramatically in the demonstrations mounted by protesters at many international business and political meetings.

For some critics of globalization, corporations are the most powerful institutions on the international stage. Because of their global scope and influence, such observers argue, multinational businesses can no longer be effectively monitored or controlled by national governments.[14] These critics also see little effective international regulation. Civil regulation represents an effort to fill the governance gap between the law and the market. It represents a dimension of what political scientists have characterized as a process of "global regulatory privatization . . . through a growing reliance on markets and market based strategies" and regulatory mechanisms that do not derive their authority from governments. [15] Civil regulation constitutes a "soft" form of regulation in that it does not impose legally enforceable standards for corporate conduct. [16]

By applying pressure directly to companies, activists and organizations seek to foster changes in business practices that national governments and international law are unlikely or unwilling to bring about. Often these initiatives seek to export more stringent standards from developed to developing countries. In a sense, much civil regulation represents a private, market-based version of "trading up."[17] It seeks to influence business practices in developing countries by leveraging the preferences for more stringent corporate practices shared by activists—and to some degree by consumers, employees, and investors—in the developed world. Most NGOs and many supporters of CSR might prefer that global firms be governed by more effective and extensive regulation at both the national and international levels, and many favor the use of trade policies to restrict imports of irresponsibly produced products. But to the extent that neither expansion of public authority appears likely or politically feasible, then civil regulation represents a second-best alternative.

Growing interest in making global capitalism more humane may be the most visible link between globalization and the rise of CSR, but it is not the only one. Globalization has not only stimulated interest in civil regulation; by creating global brands, it has also given this strategy added bite. Large multinational firms are more vulnerable than ever to pressures from consumers and activists throughout the world.[18] Many NGOs have taken advantage of this vulnerability—and of new communications technologies, such as the Internet—to target such companies by organizing or threatening boycotts and demonstrations or more generally by "naming and shaming" them into changing their policies. Global brands provide a market-based vehicle for activists in one country to affect corporate practices in another, a strategy that effectively bypasses the WTO's restrictions on governmental trade sanctions.

CSR can also represent an alternative to government action at the national level, particularly in the United States. Virtually every NGO demand, ranging from reducing carbon emissions to protecting forests to reducing the use of antibiotics in beef and chicken, could in principle be addressed through additional government regulation. But because the increased political influence of business has made the enactment of such regulations more difficult, many activists have chosen to lobby executives instead of politicians. Getting some large corporations to change their policies is often easier than changing public policy.

But this does not mean that government and civil regulation operate in isolated spheres. Firms facing civil pressures may seek government regulation to create a more level playing field or, alternatively, adopt socially responsible practices in order to avoid state intervention. In some cases, civil regulation has facilitated the expansion of government regulation, and in others it has impeded it.

Governments may also promote CSR as an indirect form of regulation. The Apparel Industry Partnership, for example, a coalition of companies, NGOs, and universities that seeks to improve working conditions overseas, emerged from a Clinton administration initiative. But governments in Europe have been far more active in this field—possibly because of their stronger traditions of business-government cooperation. Britain has had a minister for corporate responsibility since 2000, and a reform of company law has expanded company nonfinancial reporting requirements. Six European governments require that pension funds consider social practices in making investment decisions, and six countries in Europe have mandatory social or environmental disclosure requirements for firms that operate in their countries or are listed on their stock exchanges.[19]

The Rise of the Business Case for CSR

Globalization and liberalization may explain why interest in CSR among Western governments and NGOs has grown. But why are so many major corporations following suit?

CSR has attracted at least some corporate adherents by taking a more expansive view of business's potential contribution to society. Many executives want to believe that their companies *can* play a more constructive role in addressing a wide range of social and environmental problems and take considerable pride in their CSR initiatives, not all of which are undertaken in response to NGO demands. Such executives participate in organizations like the World Business Council for Sustainable Development, which was established by 170 companies from thirty-five countries following the UN-sponsored environmental summit of 1992 in Rio de Janeiro. The UN Global Compact has more than 1,300 corporate signatories. Other national and international business organizations active in promoting CSR include the International Business Leaders Forum, the Business Leaders Initiative on Human Rights, the Conference Board, Business in the Community, and San Francisco–based Business for Social Responsibility.[20]

However, the most important driver of corporate interest in CSR is the argument that good corporate citizenship is also good business. Oceans of ink have flowed to support the claim that corporate virtue delivers financial rewards. For example, a report for the Global Corporate Citizenship Initiative undertaken by the consulting firm Arthur D. Little concludes:

> Companies that take corporate citizenship seriously can improve their reputations and operational efficiency, while reducing their risk exposure and encouraging loyalty and innovation. Overall, they are more likely to be seen as a good investment and as a company of choice by investors, employees, customers, regulators and joint venture partners. . . . The range of business benefits that can result should be sufficient to make *any* forward-thinking organization see increasing corporate citizenship as an integral part of good business management.[21]

Similarly, a recent corporate report maintains: "If we aren't good corporate citizens as reflected in a Triple Bottom Line that takes into account social and environmental responsibilities along with financial ones—eventually our stock price, our profits and our entire business could suffer."[22] More broadly, the growing use of the term "sustainability" in connection with business performance reflects the belief that financial, social, and environmental goals can all be pursued at the same time. According to the Dow Jones Sustainability Index, an influential ethical fund index, corporate sustainability is "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."[23]

Since the late 1990s, the primary message of the numerous books, articles, and reports published on CSR is not simply that more responsible firms can also be profitable. Nor are they primarily interested in showing how behaving more responsibly can make a firm more profitable. Rather, many proponents of CSR have a broader and more ambitious agenda:

they want to both encourage and herald a new era of business practices driven by linking financial goals and social purposes.[24] As Michael Hopkins predicts in *The Planetary Bargain,* "In time, it will not be possible to conduct business without being socially responsible. . . . New rules or corporate laws may well be unnecessary, because corporations will see for themselves—and many have seen this already—the need to behave more responsibly in the social arena."[25]

Corporate Social Responsibility and Its Critics

Notwithstanding the growing popularity of CSR, it is not without its critics. Writing in 1973, during the most recent previous period of heightened interest in corporate responsibility, Neil Chamberlain concluded that "every business . . . is in effect 'trapped' in the business system it helped create. . . . Hence the dream of the socially responsible corporation that, replicated over and over again, can transform our society is illusionary."[26] Nearly thirty years later, Milton Moskowitz wrote in the fifteenth-anniversary issue of *Business Ethics,* "Looking over the history of corporate social responsibility, I can see it has consisted of 95 percent rhetoric and five percent action."[27] This negative assessment is echoed in a 2004 publication by the UK-based NGO Christian Aid entitled *Behind the Mask: The Real Face of Corporate Social Responsibility*, as well as by critics of business such as David Korten, who believe global competitive pressures are increasingly driving corporations to become less responsible, not more.[28]

Others criticize CSR for the opposite reason: they argue it has made corporations too risk-averse and redirected management time and financial resources away from the corporation's core economic mission.[29] According to Arthur Laffer, "What corporate social responsibility really means, in my view, is irresponsibility. The modern corporation is meant to be a vehicle to create wealth for its shareholders, and that is what CEOs must always keep in mind."[30]

The first group of critics regards CSR as a flawed concept because it fails to appreciate the importance firms continue to place on maximizing shareholder value; the second regard CSR as flawed because it encourages companies to neglect that very same goal.[31] Clearly, both criticisms cannot be valid. In fact, neither is.

The argument that companies cannot be expected to behave more responsibly reflects two misconceptions. First, it assumes that all those who manage companies only care about one objective: maximizing profit. But managers, like any other group of individuals, have diverse preferences. Some managers sincerely want their companies to promote civic purposes as well.[32] Their ability to achieve nonfinancial objectives can be constrained by competitive pressure, but this does not make their personal commitments unimportant or inconsequential: they can and do matter. One striking business development over the past two decades has been the emergence of social entrepreneurship—the practice of starting companies whose purpose is to achieve social or environmental goals. The fact that many of these "companies with a conscience" have also been profitable suggests that it *is* possible for some firms to achieve both financial and nonfinancial objectives and that the two can reinforce one another. Similarly, some consumers, employees, and investors also have objectives other than financial self-interest

Second, this criticism mistakenly assumes that it cannot be in a business's financial interest to act more responsibly. But many companies have been effectively pressured by activists, consumers, employees, and investors to make significant changes in corporate policies. These targeted firms have done so not so much because their managers are public-spirited, though some may be, but because the managers of many highly visible firms believe that it is in their firms' interest to be responsive to these pressures. In other words, civil regulation has frequently changed the strategies firms pursue to maximize shareholder value.

If some critics of CSR from the left do not take the rhetoric of CSR seriously enough, then some conservative critiques of CSR take it too seriously. It is, of course, possible to find companies that publicly proclaim their commitment to objectives such as sustainable development, the reduction of global poverty and inequality, and human rights, and place them on a par with the creation of shareholder value. But if these firms actually took such nonfinancial objectives too seriously, then presumably investors—virtually all of whom only care about financial returns—would respond by selling their shares. In fact, this has rarely occurred.

More responsible firms are not necessarily more profitable, but neither are they less so. Most of the resources companies have devoted to CSR since the mid-1990s have been guided by the belief that such expenditures are in their shareholders' interest. The managers who authorized these expenditures may have occasionally been mistaken, but that does not distinguish investments in CSR from any other business strategy or decision.

Scope and Plan of the Book

The rest of this book combines statistical evidence and case studies to analyze CSR's true potential and limitations. It examines some of the most salient dimensions of contemporary CSR: efforts to improve labor conditions and promote human rights in developing countries, and efforts to improve environmental performance globally. It does not address corporate governance issues, which are associated with very different legal and political dynamics.

However, it is worth noting that some of the recent failures of corporate governance, accompanied in some cases by civil and criminal proceedings against corporations and senior executives, hardly suggest that we are entering a new era of good corporate conduct. Arguably, the net social losses stemming from the financial frauds at the beginning of the twenty-first century outweigh the net social benefits from many CSR initiatives. The substantial increases in senior executive compensation since the early 1990s—many given to executives irrespective of their contribution to the creation of shareholder value—far exceed the additional resources companies have devoted to CSR over a similar time period.[33]

It is difficult to generalize about trends in business ethics or corporate responsibility. Both are multidimensional and continually changing. At any given time, some firms and managers are behaving badly on some dimensions and better on others. This has been true since the origins of capitalism and will likely remain true: there have always been more and less responsible firms. Consequently, the objective of this study is not to determine whether corporations or managers are finally behaving "better." Its goal is more modest: to assess the impact of civil regulation, or the market for virtue, on important corporate policies and practices that are associated with contemporary definitions of corporate social responsibility.

Toward this end, chapter 2 places the business case for CSR in historical perspective and puts it to the test. This chapter asks and answers a critical question: does virtue pay? Its central conclusion is that the business case for CSR has little empirical basis. Chapter 3 examines the business case in greater detail by analyzing three critical drivers of CSR—namely, pressures from consumers, employees, and investors. The results of this analysis are more nuanced. While few consumers, investors, and employees are actually willing to "vote" for CSR in the marketplace, CSR does make business sense for a subset of companies. Specifically, the business case for virtue is strongest for firms that have made CSR part of their strategy for attracting and retaining customers, employees, and investors, and for highly visible global companies that have been targeted by activists. Most firms, however, fall into neither category.

Chapters 4 through 6 turn from the demand for virtue to business's ability and willingness to supply it. These chapters focus on three broad areas: corporate policies toward manufacturing and agricultural workers in developing countries; corporate environmental performance; and business responses to concerns about the impact of foreign investment on human rights and economic development in the developing world. These areas do not exhaust contemporary definitions of CSR, which also include policies in areas as specific as drug distribution and pricing and as broad as corporate philanthropy and community relations. But they are among its most important and visible dimensions. They are also sufficiently representative and important to permit an informed assessment of the potential and limits of the market for virtue.

The concluding chapter assesses the overall impact of civil regulation on corporate practices and then explores the critical relationship between corporate responsibility and public policy. It argues that while civil regulation has forced some improvements in corporate practices, for it to have greater impact public regulation must also be strengthened. The scope of CSR needs to be broadened to include the role of business in shaping public policy.

CSR is a global phenomenon, but this book primarily examines developments in the United States and Europe because these regions continue to play a leadership role. Because its focus is on the contemporary revival of CSR, it emphasizes developments since the early 1990s.