

TEACHING CORPORATE SOCIAL RESPONSIBILITY IN AN MBA CLASSROOM

by

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This paper discusses techniques for teaching the topic of Corporate Social Responsibility (CSR) in an MBA classroom. One of the authors (Ostas) has taught CSR in an MBA class in business law. The authors have, on several occasions, jointly taught an MBA course in business ethics.¹ In either setting, the topic of CSR remains the same, but adaptations are made in the way the construct is taught.

The paper begins by reviewing the concept of CSR as it has evolved in the management literature. Our review suggests that CSR is best conceived as a normative concept, calling upon managers to embrace legal and economic uncertainty and to exercise their managerial discretion in the face of that uncertainty.

Asking MBA students to embrace uncertainty can be a difficult pedagogical task. The second part of the paper discusses several techniques that the author(s) have used for teaching CSR (and “uncertainty”) in business law and business ethics classrooms. The paper concludes with some brief reflections.

EVOLUTION OF AN ACADEMIC CONSTRUCT

Notwithstanding repeated attempts at clarification, CSR remains a somewhat nebulous construct. There is no single definition of CSR.² The general proposition is that (1) society is replete with social ills such as discrimination, environmental degradation, and poverty, (2) corporations have the power to alleviate these social ills, and (3) corporations should do so.³ So stated, CSR rests on a *normative* proposition that power implies responsibility.

Of course, the above proposition is incomplete. It says nothing about the normative principles that generate business responsibility or define its scope. Nor does the proposition address *positive* questions, such as how a corporation best fulfills its social obligations, or how success or failure is to be measured. It also says nothing about the interplay between profit and CSR or the relationship between law and business responsibilities. Each of these issues can be contentious. We begin with a review of the literature. The review is offered as a resource for professors wishing to include or expand coverage of CSR in their classrooms. It also helps ground the pedagogical section that follows it.

The “Collapse of Laissez Faire”: CSR in the 1950s

Scholarly writings on CSR begin in the 1950s.⁴ Reviewing the literature of that decade, Professor William C. Frederick explains the newfound interest.⁵ He writes: “[T]he heightened interest in the problem of business responsibility can be explained in terms of two developments.... One of these developments is intellectual, the other is institutional in character—and both are related to the collapse of *laissez faire*.”⁶

Frederick reports a “disintegration” of *laissez faire* institutions beginning early in the twentieth century.⁷ This disintegration, accelerated by the First World War and the monetary panics of the 1920s, culminates in the great depression.⁸ Frederick argues that by the close of the 1930s, *laissez faire* institutions were largely a relic of the past, with the New Deal emerging as “the symbol of institutional reform on a grand scale.”⁹

Frederick emphasizes that an intellectual transformation accompanied this institutional one.¹⁰ An early salvo came from Adolf C. Berle and Gardiner C. Means whose monumental study chronicled the separation of ownership and control, thereby challenging the legitimacy of corporate decision-making.¹¹ One year later, economists Robinson and Chamberlain challenged traditional notions of free competition that had been the linchpin of *laissez faire* thinking.¹² Other social scientists followed suit. Psychologists questioned the concept of a rational “economic man;” sociologists challenged the individualistic “Robinson Crusoe” theory of behavior, and anthropologists cast doubt on the belief in “natural rights”—each of these concepts had underscored *laissez faire* philosophy.¹³

Writing in 1960, Frederick felt free to declare that the collapse of *laissez-faire* institutions and intellectual underpinnings had created a philosophical vacuum with regard to CSR. He summarized:

Under *laissez-faire* philosophy, there had been a social theory by which private interests could be harmonized with the interests of society at large. This meant that there was no need to be concerned deliberately with the social responsibility of private businessmen; it would be produced automatically. But now there was no such theory. Quite plainly, the older rubrics no longer furnished an adequate intellectual system for explaining the social

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consequences of business activities. Hence, the collapse of *laissez faire* posed a giant intellectual conundrum for social theorists.¹⁴

We quote Frederick at some length because we feel that his views are representative of the early literature. A review of the scholarship in the 1950s reveals various attempts to explain why businesspeople need to concern themselves with more than merely obeying the law and producing goods and services at a profit.¹⁵ Such scholarship appears unnecessary if law abiding private pursuit of wealth automatically optimized social welfare.

At the close of the 1950s, Professor Keith Davis discussed power and responsibility.¹⁶ He argued that if businesspeople refuse to accept their responsibilities they would lose their power,¹⁷ concluding that businesspeople must accept responsibility if corporate America is to remain viable.¹⁸

Milton Friedman Responds: CSR in the 1960s

CSR scholarship in the 1960s was largely sympathetic with the visions offered by Frederick and Davis,¹⁹ but not everyone was convinced. *Capitalism and Freedom*, Milton Friedman's well-known defense of *laissez faire*, was published in 1962,²⁰ followed in 1970 with his oft-cited *New York Times* article.²¹ Friedman provocatively titled this article "The Social Responsibility of Business is to Increase Its Profits." The piece provided a sharp and direct response to CSR advocates of the previous two decades.

For Friedman the sole responsibility of a corporate executive was to maximize shareholder wealth subject only to law and widely shared ethical norms.²² For Friedman, more ambitious notions of CSR were nonsensical at best and perhaps even pernicious.²³ Such critiques are now familiar. Any attempt to incorporate public interests into business decisions threatens the efficiency of the firm and thereby violates fiduciary duties managers owe to shareholders.²⁴ Furthermore, an executive's attempt to address social concerns poses serious questions on grounds of both technical competence and the social legitimacy.²⁵

Given Friedman's response, Frederick's claim that *laissez faire* had "collapsed" may overstate the case. Although the early twentieth century witnessed widespread institutional change accompanied by an intellectual assault of *laissez faire* thinking, *laissez faire* as a social norm had not collapsed. In fact, appeals to *laissez faire* whether defended on libertarian or on utilitarian grounds continue to resonate within American society.

By the close of the 1960s the normative debate had been fully engaged. Professor Lee E. Preston reviewed of the burgeoning literature, dividing the scholarship into three categories: "institutional," "organizational," and "philosophical."²⁶ The first two categories were concerned with the positive "is" and "do" of CSR.²⁷ Institutional works described the relationship between the corporation and society; organizational works described how corporate management address social concerns.²⁸ Preston's third category, "philosophical," was normative, addressing the both source and scope of business responsibilities.²⁹ Reviewing two decades of CSR scholarship, Preston concluded that the normative branch dominated.³⁰

Preston dated contemporary CSR scholarship to 1953, citing Howard R. Bowen's *Social Responsibility of the Business* as the first important work.³¹ Writing in 1975, Preston also offered a lament. He wrote: "A careful review of Bowen's book leaves one impressed and somewhat dismayed that so little conceptual and analytical progress has been made in the intervening years."³² Preston observed that Bowen's book had largely set forth the pro and the con of normative CSR debate, anticipating Friedman's arguments and setting forth, at least implicitly, the "collapse of *laissez faire*" and "power implies responsibility" frameworks described above.³³ It seems that little advance had been made on the normative front. To move the debate forward, Preston argued for a more rigorous and comprehensive "theoretical conception and methodological base."³⁴

Business and Society as a Sub-Discipline of Management: CSR in the 1970s

The 1970s witnessed a conscious effort to institutionalize CSR scholarship under the rubric "Business and Society," and to establish the latter as a sub-discipline within the field of management. To this end, the "Social Issues in Management" (SIM) section of the Academy of Management was formed, and two new research outlets became available, first, the *Business and Society Review*, followed three years later by the first issue of *Research in Corporate Social Performance and Policy*, a research series. The series, initially edited by Preston, specifically invited scholarship addressing the positive aspects of CSR. Topics listed as needing further study included: "environmental scanning, organizational change, policy development and implementation within organizations, and interorganizational adaptation."³⁵ These topics largely correspond to the "organizational" category of CSR that Preston had cited in his literature review as being in need of clarification.

Notwithstanding this call for positive CSR scholarship, the most significant advance to CSR thinking in the 1970s was normative. The 1975 publication of *Private Management and Public Policy* by Professors Preston and James E. Post marks a highly successful attempt to render normative discussions of CSR more rigorous.³⁶ Preston and Post address the two key aspects of normative CSR: (1) the scope of business social duties, and (2) criteria for assessment of business social involvement.

Preston and Post argue that the scope of a business's social duties should be confined to areas directly or indirectly related to or impacted by the specialized function of the corporation.³⁷ For example, an auto manufacturer would have a primary concern with auto safety and air pollution.³⁸ It would also be properly concerned with the welfare of its employees and its method of marketing its product. General philanthropic support for low-income housing or societal concern with general price inflation, by contrast, would be too far afield.³⁹ So limited, normative CSR answers some of the competency and legitimacy concerns raised by Friedman, removes the manager's idiosyncratic whims from the equation, while still leaving scope for a modicum of managerial discretion.

The primary contribution of the work, however, comes from the authors' treatment of the second issue—the normative source of social obligations. They identified a single criterion for guiding and evaluating corporate social performance: “public policy.”⁴⁰ For Preston and Post, the concept of public policy goes beyond the legal rules found in statutes, regulations and judicial pronouncements to the principles and social mores that generate these manifestations of law.⁴¹ Thus, public policy includes not only the letter but also the spirit of the law, as well as the societal values and commitments reflected in that spirit.⁴² So conceived, the notion of public policy “provides a guide for managerial behavior more objective than individual moral or ethical insights and more general than the literal texts of statutes and regulations.”⁴³ Recasting in our own words, the central normative proposition of CSR becomes: Corporate managers should discover and cooperate with the social and ethical values that guide public policy governing the corporation's business operations.

At first blush, the above proposition may appear to conflate to something akin to Friedman's CSR admonition to maximize profit subject to law.⁴⁴ Professor William D. Oberman recently voiced such a concern.⁴⁵ Oberman suggested that the Preston and Post formulation might unjustifiably assume that a consensus on public policy exists, is legitimate and is known.⁴⁶ So conceived, it seems to reduce to Friedman's follow the law formulation, leaving no role for managerial discretion.⁴⁷ Preston and Post respond: “Our point was—and still is—that the ‘rules’ that govern economic life in democratic societies are neither exogenous nor immutable. Instead, they evolve within society itself, changing over time in response to various developments, and—in particular—in response to the initiatives of those governed by them.”⁴⁸ Hence, CSR calls upon managers to scan the public policy landscape and to play an active role in developing evolving legal norms and cooperating with those norms.

The early 1970s witnessed the establishment of the Environmental Protection Agency (EPA), the Equal Employment Opportunity Commission (EEOC), the Occupational Safety and Health Administration (OSHA), and the Consumer Product Safety Commission (CPSC).⁴⁹ By the mid-1970s, national public policy formally recognized the environment, employees, and consumers as corporate stakeholders of business.⁵⁰ Firms inevitably interact with these and other government bodies in the formulation of legal policy. At the start of the twenty-first century, it appears that virtually every interesting aspect of corporate social performance is touched by public policy in one fashion or another. So framed, we believe that the Preston and Post formulation offers a workable guide to normative CSR concerns.

The Development of Positive CSR: The 1980s and 1990s

Recent work in the field of Business and Society has tended to relegate the language of CSR to a relatively lesser role, preferring instead a less provocative nomenclature. We suspect that this trend may reflect a conscious desire to move CSR issues beyond the normative debates characteristic of the earlier era. In a 1999 review of the CSR literature, Professor Archie B. Carroll summarizes the recent trends.⁵¹ We address each. Carroll writes:

[T]he evolution of the CSR construct begin[s] in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks.⁵²

Stakeholder theory, originating in the works of Professor R. Edward Freeman, is now a staple of management education.⁵³ The model provides an orientation for strategic management aimed at profit maximization. Standing alone, the theory contains no normative principles.⁵⁴ When combined with the concept of CSR, however, it can help frame normative inquiries. It also provides a tool for positive descriptions of the business and society relationship.

One of the earliest uses of the term corporate social performance (CSP) appears in Professor Prakesh Sethi's 1975 formulation.⁵⁵ Sethi writes: “Social responsibility implies bringing corporate behavior up to a level where it is congruent with prevailing social norms, values, and expectations of performance.”⁵⁶ He then draws a distinction between social obligation, which he viewed as proscriptive, CSR, which is prescriptive and normative, and CSP, an empirically verifiable adaptation of corporate behavior, which is classified as preventative and anticipatory.⁵⁷ In a following article Sethi examined the related topic of “responsiveness,” classifying corporate actions as “reactive,” “defensive,” and “responsive.”⁵⁸ The terms CSP and corporate responsiveness have been widely adopted in the literature.

In 1987, Professor Edwin M. Epstein sought to coordinate the terms CSP, CSR and corporate responsiveness with the growing field of business ethics.⁵⁹ He begins by listing a set of business performance issues: “foreign bribery; affirmative

action for women and minorities in employment, advancement and procurement; ... product quality and safety; [and] corporate environmental practices.”⁶⁰ Epstein writes: “The critical point is that identical business social performance issues continue to be raised under three conceptual rubrics [CSR, business ethics, and corporate responsiveness] typically, with little explicit recognition of the commonalities among the three.”⁶¹ His goal is to coordinate the three perspectives, creating what he refers to as the Corporate Social Policy Process.

To Epstein, the twin notions of “moral reflection” and “choice” are central to business ethics scholarship.⁶² Ethics highlights the role of managers, “traditionally individually but increasingly in collective settings.”⁶³ CSR literature, by contrast, “relates primarily to achieving *outcomes* from organizational decisions concerning specific issues or problems which (by some standard) have beneficial rather than adverse effects on pertinent stakeholders.”⁶⁴ Finally, corporate social responsiveness pertains to the development of “*processes* whereby, consistent with the limitations of incomplete information, corporate decision-makers collectively anticipate, respond, and manage the total ramifications of organizational policies and practices.”⁶⁵ Taken collectively, these three perspectives can address performance issues in a tractable and exhaustive way.

We close our literature review with a particularly thorny question. Does normative CSR demand that corporate managers sacrifice profit in the name of the public good? Writing in 1960, Davis defined CSR as business decisions that “go beyond the firm’s direct economic or technical interest.”⁶⁶ He noted, however, that most such actions could be justified in terms of long run and somewhat nebulous concepts.⁶⁷ Davis illustrated with reference to a business decision to retain an old employee even though that employee’s productivity was waning.⁶⁸ Although costly in the short run, the decision could be justified (or rationalized) with more circuitous reasoning referencing nebulous concepts as building employee loyalty.⁶⁹ Today, we note, it may also preempt an age discrimination lawsuit.

Carroll observes that the view that socially responsible actions generate long run, if not short run, economic gain became commonly accepted in by the late 1970s and 1980s.⁷⁰ Carroll’s own efforts to define CSR emphasize this point, depicting the concept first as a quadrangle that tapers toward the top,⁷¹ and later as a “pyramid,”⁷² each of which had profit economic concerns as a base. In 1984, Professor Peter F. Drucker suggested that social concerns posed profit opportunities and should be viewed as such.⁷³ Preston and Post’s idea of managing through inquiry into public policy appears consistent with long-run notions of profit maximization as well. More empirical work testing the proposition that heightened sensitivity to CSR leads to long-run economic gain is needed.⁷⁴

Summary

In summary, we note that CSR remains a normative concept calling upon businesspersons to recognize the power incumbent in their business roles and to accept the social responsibilities that that power implies. We also believe that managers must construct their own view of CSR in a world replete with evolving and conflicted legal norms and economic uncertainties. In such a world, neither legal nor economic reasoning can provide a singular external referent upon which CSR can rest. Though we favor the public policy formulation and stakeholder orientations discussed above, neither model, nor a combination of the two, completely removes managerial discretion from the equation. Ultimately, responsible business conduct requires a process by which managers reflect upon the consequences of their actions, both personal and organizational, and make a choice as to which path, among many to follow. In the end, a manager is on his or her own.

PEDAGOGICAL IMPLICATIONS

Teaching uncertainty can be difficult task. We have found that many MBA students prefer pat answers, the mastery of which will assure a good grade. Yet if uncertainty is truth, then we do a disservice to our students if we pretend otherwise.⁷⁵ In teaching CSR, our goal is to have students internalize and embrace the proposition that a manager must accept responsibility for his or her own decisions.

In teaching CSR, we have noted three potential short cuts to thought each of which serves as a means of deflecting introspection and personal responsibility. The first is the desire to equate CSR with legal compliance. Pose a CSR dilemma to a student and that student is likely to respond with the inquiry: what does the law require? Implicit in this response is a conception that the law provides a clear and precise command and that that command defines CSR.⁷⁶ To get beyond this hurdle, the student needs to discover that law is typically not so precise.

The second short cut to thought comes from economics. Most MBA students have had at least one course in micro theory. The model they master teaches them that market demands are exogenous, that is, outside their control.⁷⁷ So trained, the student is likely to defer responsibility to market pressures, assuming implicitly or explicitly that market economics dictate CSR decisions. To get beyond this hurdle, the student must discover that managers create market opportunities rather than react to market demands. The market is largely internal, not external, to the decision-making process.

The final impediment to thought relates to the former two. We have noted a tendency in many MBA students to view ethical concerns as relatively minor matters as compared to legal or economic concerns. Many students may perceive law and economics as “hard,” “rigorous,” “obligatory,” “determinate,” “social” and “important.”⁷⁸ Ethical responsibilities are more likely to be characterized as “soft,” “intuitive,” “discretionary,” “vague,” “personal” and “relatively less important.”⁷⁹ Given such a view, it may be difficult to get MBA students to see ethical introspection as central to their roles as managers.⁸⁰

To get beyond this hurdle, one needs to remove the former two. That is, once the uncertainties of law and economics are revealed, all that remains is introspection and ethical inquiry. So viewed, ethical inquiry becomes central to the business operation, not collateral to it.

This section will discuss techniques for that we have used to teach CSR. We begin with our treatment of law and then turn to economics. We close with a few reflections.

Teaching Legal Uncertainty

In our jointly taught course in business ethics, we introduce the topic of CSR on the first or second day of class followed immediately with the topic of legal uncertainty, identifying each as a theme of the course.⁸¹ In the business law class, the topic of CSR is deferred to after the midterm exam. The difference in timing is driven by course content and student expectations. But in either case, we believe that the notion of legal uncertainty is central to CSR and should be addressed at an early stage.⁸² In both classes the treatment of law centers on two themes: legal reasoning and jurisprudence (legal philosophy).

Legal reasoning is introduced under the label: “Fundamental Tension in Law.” This tension refers to the competing demands in law to be simultaneously predictable *and* flexible.⁸³ Turning first to predictability we ask students to identify various sources of legal rules—statutes, regulations, treaties, etc. Once these are listed on the board, we argue that these countless rules are only the starting point to law. A mature understanding of law requires one to recognize the flexible nature of legal reasoning.

We advance three reasons why legal reasoning *is* flexible: (1) concerns with individual justice, (2) the inherent limits of language, and (3) the need for change. The first notion refers to the tension between law and equity and the human desire to do justice in the individual case. The second refers to the over-inclusive and under-inclusive nature of linguistic formulation of legal commands. The third refers to the need to update legal rules in the light of changing social mores and technologies. We illustrate each point with several examples. This discussion is presented in a positive way, explaining that this is the way the law is and the way it must be. We then explain the normative implications of the tension. Predictability has virtues (e.g. controls the arbitrary caprice of the decision-maker) and so does flexibility (e.g. assures fairness in the individual case). Justice demands attention to both sets of virtues.

The key point, here, is not to suggest *the method* to introduce the concept of legal reasoning and its incumbent uncertainties, but rather to suggest that *a method* be found. This is particularly important if the class is reading from a traditional business law text with its uniform rule-and-exception-to-rule format. More importantly, once the notion of legal flexibility is introduced, it provides a segue into our second theme—jurisprudence.

Once the students have begun to accept that legal reasoning requires discretion (at least allows for divergent viewpoints), they need a means of exercising that discretion. To this end, we introduce the various schools of legal philosophy—natural law, positive formalism, legal realism (including sociological jurisprudence), legal instrumentalism (particularly economic analysis of law), and critical legal studies. If the students are reading from a business law text, the schools will be presented at least in a cursory fashion. In a business ethics class, we present a hypothetical case study illustrating the role of legal philosophy in guiding judicial outcomes.⁸⁴ The point is to illustrate to the students that legal outcomes depend on how the decision-maker views his or her judicial role.

What comes next depends on whether one is teaching business law or business ethics. The law class proceeds first to procedural law and then various areas of substantive law. Throughout these discussions, the instructor continuously directs the students’ attention to the themes of the class (Fundamental Tension and Jurisprudence), asking them to critically analyze cases employing each of the five legal philosophies outlined above. The law class also requires at least one written case analysis employing this framework. The law class then has a midterm before moving to the topic of CSR explicitly.

In the business ethics class, by contrast, the introduction of our first two themes (CSR and Law) is followed by a third and final theme, labeled “Individual Ethical Decision Making.”⁸⁵ After these three themes are introduced, the class turns to various applied topics such as whistleblowing, employment discrimination, and insider trading for the remainder of the semester. Students are required to examine each topic with reference to the three themes.

Teaching Economic Uncertainty

As noted above, the topic of CSR is introduced in our business ethics course during an early class period; in business law it is deferred in law till after the midterm. In either case the topic of CSR is addressed in a similar fashion and is identified as a “theme” that will run throughout the remainder of the semester.

We introduce CSR, in part, with a critical analysis of Friedman’s proposition that the CSR means maximized profits subject to the law. By the midterm, the students in the law class will understand that a prescription to follow the law is at least a bit flexible, because the law itself is flexible. They also have been exposed to the idea that corporation power helps to shape the law itself (a critical legal studies perspective which they have addressed both in class and in the written case analyses), suggesting that Friedman’s proscription may even be a bit circular. The business ethics students will be exposed to

these ideas in the following class. In the business ethics class we introduce and foreshadow this perspective during the introduction to CSR.

We also use Friedman's formulation to question how a firm earns a profit, thereby introducing the topic of economic uncertainty. We present the stakeholder model, which most MBA students will have encountered elsewhere, asking the question of whether the model reflects reality (positive statement of how firms operated), is normative wishful thinking (firms have an ethical obligation to stakeholders), or is sound economic advice on how to earn of profit? Students will typically note that the model helps identify threats to the firm, particularly legal threats posed by various stakeholders. It would seem that profit maximization would require steering clear of potential lawsuits, which may mean cooperating with the social spirit of public policy.

Economic uncertainty is also addressed by contrasting neoclassical economic answers to the profit query with answers provided by more holistic economic approaches. For example, we typically ask the students for a neoclassical response to issues of comparative worth (wage discrimination is impossible if one assumes rational profit maximizing behavior), or to specify the optimum level employee privacy rights in the workplace using neoclassical tools. On the latter point, we point out that many companies afford a lot of privacy rights, others very a little. Are they all "maximizing profits?"

Our key point, once again, is not to suggest *the method* of introducing economic uncertainty, but rather, to emphasize that *a method* be found. CSR only has meaning if managers exercise judgement over profit maximizing decisions. They do exercise that judgment, even if neoclassical economics suggests that they do not.

REFLECTIONS

We believe that CSR instruction provides an essential component to managerial education. Ideally the topic is covered in several classes, including both ethics and law, but also elsewhere in the business curriculum. Business ethics and business-and-society courses will by necessity address the topic. We suspect, however, that these courses are typically electives. Business law, by contrast is typically a required course, at least in undergraduate programs. Examining past issues of the *Journal of Legal Studies in Education* we count about fifteen articles addressing the teaching of business ethics, and none expressly on the topic of CSR. Hopefully our paper will aid business law professors who wish to include or expand coverage of the topic of CSR in their classrooms. It is offered in that spirit.

Footnotes

¹ See generally Stephen E. Loeb & Daniel T. Ostas, *The Team Teaching of Business Ethics in a Weekly Semester Long Format*, 4 TEACHING BUS. ETHICS 225 (2000) (describing our team-teaching efforts).

² See Archie B. Carroll, *Corporate Social Responsibility: Evolution of a Definitional Construct*, 38 BUS. & SOC'Y 268, 268-69 (1999).

³ Cf. Keith Davis, *Can Business Afford to Ignore Social Responsibilities?*, 2 CAL. MGMT. REV. 70, 71 (1960) (observing that responsibility is proportionate to power).

⁴ See Carroll, *supra* note 2, at 268-70; Lee E. Preston, *Corporation and Society: The Search for a Paradigm*, 13 J. ECON. LITERATURE 434, 435 (1975).

⁵ William C. Frederick, *The Growing Concern Over Business Responsibility*, 2 CAL. MGMT. REV. 54 (1960).

⁶ *Id.* at 54.

⁷ *Id.*

⁸ *See id.*

⁹ *Id.*

¹⁰ *Id.* at 55.

¹¹ See ADOLF C. BERLE, JR. & GARDINER C. MEANS, *THE MODERN CORPORATION AND PRIVATE PROPERTY* (1932).

¹² See JOAN ROBINSON, *THE ECONOMICS OF IMPERFECT COMPETITION* (1933); EDWARD CHAMBERLIN, *THE THEORY OF MONOPOLISTIC COMPETITION* (1933).

¹³ See Frederick, *supra* note 5, at 54.

¹⁴ *Id.* at 55.

¹⁵ Frederick provides numerous examples. *See id.* at 57-59. For further citation to CSR works of the 1950s see Carroll, *supra* note 2, at 269-70 and Preston, *supra* note 4.

¹⁶ Davis, *supra* note 3, at 71-74.

¹⁷ *Id.* at 73.

¹⁸ *Id.* at 74.

¹⁹ *See supra* note 15.

²⁰ MILTON FRIEDMAN, *CAPITALISM AND FREEDOM* (1962) (providing the classic statement of Friedman's economic philosophy).

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- ²¹ See Milton Friedman, *The Social Responsibility of Business is to Increase Its Profits*, N.Y. TIMES MAG., September 13, 1970, at 32.
- ²² *Id.* at 32.
- ²³ *Id.*
- ²⁴ See CHRISTOPHER D. STONE, WHERE THE LAW ENDS: THE SOCIAL CONTROL OF CORPORATE BEHAVIOR 74-87 (1974) (summarizing the arguments advanced against an expansive view of CSR).
- ²⁵ *See id.*
- ²⁶ *See* Preston, *supra* note 4.
- ²⁷ *See id.* at 443.
- ²⁸ *See id.*
- ²⁹ *See id.*
- ³⁰ *See id.*
- ³¹ *See id.* at 435.
- ³² *Id.*
- ³³ *Id.*
- ³⁴ *Id.* at 445.
- ³⁵ *See* Lee E. Preston, *Introduction*, in 1 RESEARCH IN CORPORATE SOCIAL PERFORMANCE vii, vii (Lee E. Preston ed., 1978).
- ³⁶ LEE E. PRESTON & JAMES E. POST, PRIVATE MANAGEMENT AND PUBLIC POLICY (1975).
- ³⁷ *Id.* at 10-11.
- ³⁸ This example is borrow from Professor Wood. *See* Donna J. Wood, *Corporate Social Performance Revisited*, 16 ACAD. MGMT. REV. 691, 698 (1991).
- ³⁹ *See id.*
- ⁴⁰ *See* PRESTON & POST, *supra* note 36, at 100.
- ⁴¹ *See id.*
- ⁴² *See id.*
- ⁴³ *Id.*
- ⁴⁴ *See supra* notes 21-23 and accompanying text. Friedman also referred to “ethical customs” but did not explain the reference. *See* STONE, *supra* note 24, at 76 (offering the same observation). Friedman’s later discussions of CSR dropped the reference to ethical norms altogether. *See e.g.* Milton Friedman, *Playboy Interview*, PLAYBOY, Feb. 1973, at 59. We follow the conventional practice of associating Friedman’s name with the proposition that CSR means maximize profits subject to law. *See generally* STONE *supra* (following this convention).
- ⁴⁵ *See* William D. Oberman, *Preston, Post, and the Principle of Public Responsibility*, 35 BUS & SOC’Y 465, 474 (1996).
- ⁴⁶ *See id.*
- ⁴⁷ *See id.* at 476.
- ⁴⁸ Lee E. Preston & James E. Post, *Author’s Response*, 35 BUS & SOC’Y 479, 480 (1996).
- ⁴⁹ *See generally* Archie B. Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, 34 BUS. HORIZONS 39, 39 (1991) (offering the same observation).
- ⁵⁰ *See id.*
- ⁵¹ *See* Carroll, *supra* note 2.
- ⁵² *Id.* at 268.
- ⁵³ *See generally* R. EDWARD FREEMAN, STRATEGIC MANAGEMENT: A STAKEHOLDER APPROACH (1984) (articulating the notion of corporate “stakeholders”).
- ⁵⁴ *See* Marianne M. Jennings, *Teaching Stakeholder Theory: It’s For Strategy, Not Business Ethics*, 16 J. LEGAL. STUD. EDUC. 203, 204 (1998).
- ⁵⁵ *See* Carroll, *supra* note 2, at 279 (citing Sethi’s as among the earliest uses of the term). *See generally* S. Prakesh Sethi, *Dimensions of Corporate Social Performance: An Analytic Framework*, 17 CAL. MGMT. REV. 58 (1975).
- ⁵⁶ Sethi, *supra* note 55, at 62.
- ⁵⁷ *See id.*
- ⁵⁸ *See* S. Prakesh Sethi, *A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Patterns*, 4 ACAD. MGMT. REV. 63 (1979).
- ⁵⁹ *See* Edwin M. Epstein, *The Corporate Social Policy Process: Beyond Business Ethics, Corporate Social Responsibility, and Corporate Social Responsiveness*, 29 CAL. MGMT. REV. 99 (1987).
- ⁶⁰ *Id.* at 103.
- ⁶¹ *Id.*
- ⁶² *Id.* at 104.
- ⁶³ *Id.*
- ⁶⁴ *Id.* (parentheses in original, emphasis added).
- ⁶⁵ *Id.* (emphasis added).

⁶⁶ Davis, *supra* note 3, at 70.

⁶⁷ *Id.* at 70 n.3.

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ See Carroll, *supra* note 2 at 271.

⁷¹ See Archie B. Carroll, *A Three Dimensional Conceptual Model of Corporate Performance*, 4 ACAD. MGMT. REV. 497 (1979).

⁷² See Carroll, *supra* note 49.

⁷³ See Peter F. Drucker, *The New Meaning of Corporate Social Responsibility*, 26 CAL. MGMT. REV. 53 (1984).

⁷⁴ See generally Carroll, *supra* note 2, at 286-87 (citing empirical work seeking to test this proposition).

⁷⁵ See generally Art Wolfe, *Business Education, The Rule of Law and Ethics*, 9 J. LEGAL STUD. EDUC. 97 (1990) (voicing a similar opinion).

⁷⁶ Professor Paine refers to the notion that legal compliance defines CSR as the “correspondence view” of law and ethics. See Lynn Sharp Paine, *Law, Ethics, and Managerial Judgment*, 12 J. LEGAL. STUD. EDUC. 153, 156 (1994).

⁷⁷ See Daniel T. Ostas, *Deconstructing Corporate Social Responsibility: Insights from Legal and Economic Theory*, 38 AM. BUS. L.J. 261, 279-85 (2001).

⁷⁸ See Paine, *supra* note 76, at 155. The words quoted in the text are from Professor Paine. See *id.*

⁷⁹ See *id.* The words quoted are Professor Paine’s. See *id.*

⁸⁰ Paine observes an opposite bias among scholars trained in ethics or theology. *Id.* She notes that ethicists tend to minimize the role played by law, assuming that CSR refers to objective moral criteria that can only be discovered by rigorous and objective philosophical reasoning. *Id.* To many ethicists, law (or public policy) is contingent on politics, power and irrational compromise; hence, it cannot provide a reliable guide to responsible actions. See *id.*

⁸¹ See generally Loeb and Ostas *supra* note 1 (describing our team-taught course).

⁸² The word “we” used here in the text and elsewhere refers to our joint experiences and opinions in teaching CSR in a business ethics class, and solely to Ostas’ experiences and opinions in teaching CSR in a business law class. Loeb has not taught the latter class, and claims no opinions as to how CSR should be addressed in that context.

⁸³ See generally BENJAMIN N. CARDOZO, *THE NATURE OF THE JUDICIAL PROCESS* (1923) (providing a classic expression of legal pragmatism largely sympathetic to the view offered here).

⁸⁴ We typically used a hypothetical case study penned by one of the authors with this pedagogical purpose in mind. See generally Daniel T. Ostas, *Teaching Legal Philosophy in the Business Law Classroom: The Case of the Windblown Widow*, 11 J. LEGAL STUD. EDUC. 209 (1993).

⁸⁵ See Loeb & Ostas, *supra* note 1.