David Vogel is Professor of Business Ethics at the Haas School of Business at the University of California, Berkeley. He is editor of the *California Management Review* and author of several books, including *Trading Up: Consumer and Environmental Regulation in a Global Economy* (Harvard) and *Kindred Strangers: The Uneasy Relationship Between Politics and Business* (Princeton).

*The Market for Virtue* is one of the better and more important business books to come along in recent years. While David Vogel confesses up front his skepticism about various claims and aspects of the corporate social responsibility movement, he cannot be accused of any sort of special pleading or ideologically-biased research and writing. He seems to have read almost everything ever written about his topic and tracked down all significant studies of its impact. His arguments are well-grounded and his insights are illuminating.

A major reason for researching and writing this book is the rapid growth of interest in corporate social responsibility not just among intellectuals, gadflies, and reformers but in the business world itself. Some corporations are issuing voluntary social and environmental self-audits and reports. Some corporate leaders are loudly proclaiming the business payoffs of social and environmental responsibility.

David Vogel tries to find out if there is any hard evidence of the costs and/or payoffs of embracing corporate social responsibility. In particular, do customers and investors support businesses that make commitments to CSR? Vogel finds some evidence of positive customer responses to CSR practices such as (say) buying more expensive Fair Trade coffee from otherwise impoverished growers and voluntarily providing health care benefits to one’s workers. But he makes a strong case that these are, at present anyway, only niche markets with minimal impact on the broader market. Furthermore, these practices often actually cost companies more, thus cutting potential profits to investors. In sum, there may remain an ethical, philosophical, or religious case for CSR, but the business case is doubtful.

Socially responsible investing (SRI) is a growing but still miniscule activity, Vogel points out. The various screens used to measure “social responsibility” are inconsistent; a company might be ethical and responsible from one point of view, but not another. Of course, brand reputation can have a significant impact and social or environmental policies can have a major impact (e.g., Shell’s problem of disposing of an oil drilling platform in the North Sea), at least temporarily. The problems remain: what really is responsible behavior (e.g., disposing of the oil platform on land may be more environmentally-destructive than at sea after all)? How will this behavior affect business success?

Vogel is especially bothered by grandiose claims for the business benefits of voluntary CSR programs. He argues that in cases where business behavior is truly destructive to people and planet the most responsible thing to do would be to support government legislation and regulation. Why leave it to voluntary compliance if it is really an issue of ruining our water or exploiting children, for example? Vogel is not calling for a regulatory nightmare but for a healthy minimum structure that governs the playing field.

There is one aspect of Vogel’s book that may not be as clear as it could be. Most of the time he refers to “corporate social responsibility”—but not infrequently he uses the more general term “virtue.” “Is There A Business Case for Virtue?” asks the title of Chapter Two. “What is the
Demand for Virtue?” is the title of Chapter Three. “Beyond the Market for Virtue” is the concluding Chapter Seven.

But there are really two levels to most questions about ethical virtue in business. The first, not really Vogel’s topic, concerns the impact of a company’s ethics on its stakeholders in a primary sense. If you cheat your customers, sell them defective products, sell their personal information to telemarketers without their permission, and make it impossible for them to get customer service . . . will they continue to shop at your company (if they have an alternative)? No way. The same arguments can be made regarding employees (how will they perform if you cheat and exploit them?), investors (will they give you their money if you cook your books?), and others.

People are often pretty foolish, banging their head against the wall for unknown reasons, putting up with tyranny in the family or country long after observers left shaking their heads. But, really, do we need an empirical study to make the case that your employees will work harder and better if they are treated well and fairly? That your customers will stay loyal if you treat them well, give them quality products and services, and don’t cheat them? That your investors will leave their money with you if you are honest, hard working and deliver a fair return on investment?

What Vogel is addressing is a second order of experience. His study is not, for example, about whether your customers will abandon you if you cheat them; it is about whether your customers will abandon you if you cheat your employees. Too bad that it is probably only a minority of customers who care about the welfare of the workers who produced what they purchase, but Vogel shows that this is the case. Same for investors: you must not cheat them (this is the “Golden Straightjacket” argument of Tom Friedman’s Lexus and the Olive Tree)—but beyond that, only a minority of investors, evidently, care whether they are making money off vice, violence, or grinding worker poverty.

It does no good to live under an illusion. The Market for Virtue is a fine contribution to our clarity of vision.