Volume 41
Issue 3 *Volume XLI, Numbers 3 & 4, 1997*

Article 15

January 1997

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John G. Simon

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INTRODUCTION

JOHN G. SIMON, MODERATOR*

I am glad to be here with so many friends, former students, and colleagues from the Yale Program on Non-Profit Organizations. In fact, the Yale connection to this conference today is almost as strong as the Fried Frank connection to this conference.

It is splendid of the *New York Law School Law Review* to put on this meeting, and I say that for a special reason. In 1979 or 1980 at the Yale Program we held a miniconference of corporate folks, foundation folks, academics including Hayden Smith, who is here with us today, in order to chart a possible symposium on the subject of corporate philanthropy. I did a great deal of work on bibliographies and analytical outlines to get ready for this marvelous symposium, and it never took place. Seventeen years later, the eagle has landed, and my hat is off to the *New York Law School Law Review* for doing what we never quite got done up at Yale.

It has also been a great delight to participate in a meeting like this where so many provocative and iconoclastic things are being said. I disagree with about seventy percent, maybe sixty percent, of what was said in the last panel, and I think that is terrific.

I want to say one other thing about corporate philanthropy before we move to our panel. The subject of corporate philanthropy is important for its own sake in an era of devolution and a time when companies are being asked to shoulder more social tasks and yet a time when corporations are cutting back on vital in-house activities, such as research and development. We need to think about what corporations can or should be doing with respect to the health of the larger community.

The other reason I think it is particularly important to have this kind of inquiry is because examining corporate philanthropy is like looking through a window into other, larger questions that have to do with philanthropy, that have to do with the first sector. (You notice I don't call it the "third sector." Historically, it is more accurate to call it the "first sector.") Just by looking through the corporate philanthropy lens, one can see these other questions. This morning, for example, we had questions about what are the larger purposes of the tax treatment of nonprofits. Later this afternoon, we will address questions about the extent to which the law should permit, encourage or restrict various forms of philanthropic involvement in political activity. There are other questions this

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symposium may address, such as what kinds of private returns, private gains, from philanthropy are acceptable and what should the law do about them. There are also "accountability" issues, whatever that word means. In addition, there are "sunshine" issues—an expression that we know a little bit more about. All these questions transcend the field of corporate philanthropy, but all can be looked at through the corporate philanthropy window.

One other topic of this nature—and this brings us to our panel today—is the question of motivations, or incentives, for philanthropic activity. How can we understand the different forms of motivation, or incentives, for this activity?

This panel will consider this question in the corporate philanthropy setting. As I understand it, the panel will approach philanthropic giving from somewhat different perspectives. The Webb-Abzug paper deals with a set of theories, motivational theories, or theories growing from economics and management science, that tell us why there is philanthropic activity in corporations, and what forms it takes. The Sinclair-Galaskiewicz paper starts with a discussion of the modes of charitable involvement and how those interact with various factors that affect what corporations do. For example, there are various environmental factors that impinge on what corporations do. But both papers are trying to figure out "what makes Sammy run," so to speak, with Sammy being the business corporation engaged in philanthropic activity.

I want to say one other thing about this topic. The biggest missing piece in the field of nonprofit research is something we know very little about: the wellsprings of individual charitable giving. We have very good econometric studies of the effect of tax changes and other factors, but we really don't understand why, and how, decisions get made when it comes to giving. Let me say further, that, in general, we do not know very much about the motivational questions that are at the heart of the big policy dilemmas facing our country and other countries. We know very little about why people go on welfare, why they use or don't use pills or condoms when we think they ought to, how to reduce terrorism or gang violence, how to reduce the amount of behavior by lawyers or doctors that seems to violate their professional oaths, how to get people to invest more in small businesses, how to get children to learn more, and so on. These motivational or incentive questions are terribly important.

Now, moving back to today's panel, it faces these questions in the context of corporate philanthropy. I have asked each of the pairs of presenters to address three matters in their presentations or during the panel's question and answer session. One is the question of what kinds of empirical work would they do if they had the funds to do it. How would they supplement what you are going to hear today with empirical studies if they had the money? Incidentally, the empirical work, to the extent that it involves interviewing corporate executives about why they do philanthropic activity, may be misleading. A. A. Berle, the father of studies in corporate governance, thirty years after his original work in 1932, wrote an article in which he asked: isn't it interesting how people sitting around a corporate boardroom or management office, who really believe it would be important, good, helpful, socially useful, nice, decent, and humane to do something, spend a lot of time trying to figure out how they could conceivably argue that the company might make money out of it. In effect, he was suggesting the existence of reverse hypocrisy. I am not asserting that that is what's going on. When I hear people here say that when companies do philanthropic work, they are essentially looking for the bottom line, that may be right. But, I wonder, with Berle, if we're not being lied to.

The second thing I have asked our panelists to do as they discuss their papers is to speculate about the "real world" implications of the behavior that you describe. For example, what are the implications for regulatory policy or subsidy policy, for management practice in the nonprofit field or, for that matter, the corporate field? Finally, I have asked our panelists to address the implications for fund-raising strategies pursued by nonprofit groups.

So, with those requests ringing in their ears, we can turn to our panelists. Our first paper is presented by Rikki Abzug and Natalie Webb. Rikki Abzug is a professor at the Stern School of Business at New York University. Natalie Webb is a professor at the Defense Resources Management Institute in the Naval Postgraduate School. They have done extensive work in the nonprofit field, and in taxation and public finance. Their paper is entitled *Rational and Extra-Rational Motivations for Corporate Giving: Complementing Economic Theory with Organization Science*. Our second paper is presented by Joseph Galaskiewicz and Michelle Sinclair. Joseph Galaskiewicz is a professor at the University of Minnesota. Michelle Sinclair is a Master's degree candidate at the University of Minnesota. Their paper is entitled *Corporate-Nonprofit Partnerships: Varieties and Covariates*.

It is a pleasure to have these two papers presented here today.