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I. INTRODUCTION

Economist Milton Friedman has forcefully argued that the corporate social responsibility of business is to increase profits.[1] From this neoclassical economic perspective, spending money on corporate giving is wrong because it represents a waste of corporate assets. Furthermore, management that engages in such giving shirks its fiduciary responsibility to its principals—the firm's stockholders. If such rational economic theory tells a manager not to engage in this type of activity, how can we explain why this activity persists or grows? More pointedly, once we establish economic rationales for giving, how might we explain variability of giving behaviors across firms? We draw on theories from both economics and management science to explain how giving activity, itself, may also be a rational, or extra-rational, reaction to firm and environment conditions. First we draw on four economic theories to understand the (extra)rationality behind corporate giving: profit maximization, altruism, social responsibility, and managerial utility. We explore the conditions under which these economic theories affect firms differentially. Next, we explore four organizational theories—agency theory, institutional theory, stakeholder theory, and resource dependence theory—that complement the economic theories. We again discuss the conditions under which these theories help us explain the (extra)rational behavior of some firms' management. Finally, we assert that while some neoclassical economists may view corporate giving as irrational, other economists and organizational scientists have used organizational contexts to understand the (extra)rationality of firm managers' and owners' motivations to give.

If the social responsibility of business is to increase profits,[2] why would we have any corporate behavior that deviated from this goal? Neoclassical economics is very effective at prescribing what should happen for the sake of efficiency and profit, but not nearly as convincing when explaining differential adoption of such formulae. Where traditional economics is silent, we must look to other theories and other literatures to

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1. *See* MILTON FRIEDMAN, CAPITALISM AND FREEDOM 133 (1962).

2. *See id.*

explain widely observed behavioral phenomenon. In that spirit, this paper visits two different, but, as we will argue, complementary literatures.

The first section of the paper uses neoclassical concepts to forge an economic rationale for corporate giving behavior. We first establish an economic argument for corporate giving that is consistent with goals of profit maximization. Our next, and more difficult task is to question the variability in likelihood of giving among firms. If giving is economically rational, why don't all firms do so to the same extent? To begin to fashion an answer to this question we summarize the major theoretical perspectives developed by economists, and then we review extant empirical studies. To get us closer to answering our between-firm variability question, hypotheses are derived to explore when and where these corporate giving motivations become salient.

The second section of the paper opens the black box, that is the firm, and problematizes the idea of unitary action coming from that entity. The second section of the paper introduces four theories from managerial science and organizational sociology that may be used as lenses from which to view and evaluate variations in corporate giving behavior by individuals within organizational contexts. We pay particular attention to those theories, garnered from managerial science, that have complements in the economic literature.[3] Again, hypotheses are introduced that delimit the relevant ranges of such theories. To supplement the economic hypotheses, we also explore, from the management perspective, factors that help determine which firms make the (extra)rational choice to engage in corporate giving.

3. *See* ADOLF A. BERLE, JR. & GARDINER C. MEANS, THE MODERN CORPORATION AND PRIVATE PROPERTY 119 (William S. Hein & Co., Inc. 1982) (1933). *See also* Evelyn Brody, *Agents Without Principals: The Economic Convergence of the Nonprofit and For-Profit Organizational Forms*, 40 N.Y.L. SCH. L. REV. 457, 471 (1996); Eugene F. Fama & Michael C. Jensen, *Separation of Ownership and Control*, 26 J.L. & ECON. 301 (1983); Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 J. FIN. ECON. 305 (1976).

II. ECONOMIC THEORIES

Business donated $7.4 billion to charity in 1995,[4] a 7.5% increase over 1994 giving.[5] Company profits rose 11.9% last year, which appears to be the fuel for increased giving.[6] The *Chronicle of Philanthropy* indicated that top companies planned increases in charitable donations in 1996, while, at the same time, corporate-giving staffs and other expenses associated with charitable giving programs were being cut.[7]

Milton Friedman, and others, argue that corporate giving is not the responsibility of business.[8] One point of controversy is that corporate giving effectively subsidizes corporate after-tax income, because current tax policies allow deductions for these gifts.[9] In fact, if one assumes a corporate average tax rate of over 35% and marginal rates for large corporations of 34-38%, gift deductions may represent as much as $2.5 billion in lost tax revenue (34% of the $7.4 billion in profits donated, thereby avoiding taxation).[10] Economists and others may question whether corporations can better support activities that would traditionally be supported through direct expenditures by government or through government support of nonprofit organizations. Although economists, corporate executives, and nonprofit leaders have discussed the growth and propriety of, as well as the reasons for, corporate giving for over fifty years, many questions remain unanswered.

The reasons motivating corporate executives and stockholders to give to charity are not clear. Corporate executives often attribute their gifts to social responsibility, altruism, or "enlightened self-interest." Other

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4. *See* AM. ASSOC. OF FUND RAISING COUNSEL ANNUAL SURVEY, GIVING U.S.A. 1996: THE ANNUAL REPORT ON PHILANTHROPY FOR THE YEAR 1995 88 (1996) [hereinafter GIVING 1996]. For this article "charity" is used in the broadest sense. It includes all of the activities carried on by organizations in the nonprofit sector covered in § 170(c) and all organizations covered in § 501(c)3 of the Internal Revenue Code of 1986. These organizations are all entities that are exempt from federal income tax under the principal exemption statute, § 501 of the Internal Revenue Code.

5. *See id.* at 89.

6. *See id.* at 90.

7. *See* Susan Gray & Jennifer Moore, *Big Gifts from Big Business*, CHRON. OF PHILANTHROPY, July 11, 1996, at 7.

8. *See* FRIEDMAN, *supra* note 1, at 133-36 (arguing that the social responsibility of business is to increase profits for shareholders).

9. *See* CHARLES T. CLOTFELTER, FEDERAL TAX POLICY AND CHARITABLE GIVING 184 (1985); *see also* Natalie J. Webb, *Corporate Profits and Social Responsibility: 'Subsidization' of Corporate Income Under Charitable Giving Tax Laws*, 48 J. ECON. & BUS. 401, 402 (1996) [hereinafter Webb, *Subsidization*].

10. *See* Webb, *Subsidization*, *supra* note 9, at 402.

observers may consider gifts to be only in the interest of the firm, or in the interest of firm management or owners.[11] Rarely are corporate gifts seen to be completely altruistic or completely in the interest of society; rather, they are often thought to be beneficial to others, but still in the "interest" of the corporation.

The economics literature on corporate giving offers four possible motivations: altruism, corporate social responsibility or duty, managerial utility, and profit maximization. Each of these motivations is discussed in a section below, followed by a section which ties the motives together. In this section, "enlightened self-interest" is considered through the intangible asset of corporate "goodwill" gained from making gifts to charitable causes. Incorporating goodwill into an economic model of profit maximization allows us to include several motivations for giving in one theoretical context.

A. *Altruism*

A simplistic explanation for corporate giving is that corporate owners care not only about how the corporation benefits them financially, but also about how actions of the corporation affect others. Altruism, an "unselfish concern for or devotion to the welfare of others,"[12] likely describes the actions of very few corporate owners or managers.[13] Corporate owners who may be thought of as altruistic have three good reasons to contribute through the firm. First, a corporation—as opposed to an individual—may be able to make larger gifts to a single organization. These gifts may be more effective and may better serve the purposes of both nonprofits and firm owners. In this case, however, individuals no longer maintain control over allocation of the resources. Second, a corporate "altruist" may avoid the problem of free-riding. When the corporation decides to make a donation, all shareholders donate corporate profits in proportion to shares held. Finally, because corporate dividends are subject to double taxation—one round on corporate income and the other on individual income earned in dividends—it is cost-effective for the firm to make contributions. The firm avoids taxes on profits donated, making the value of the contributions larger.

Although possible, it is unlikely that corporate executives are completely altruistic. In addition to the benefit that society receives from a donation, the corporation nearly always benefits from the added goodwill

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11. *See* W.J. Baumol, *Enlightened Self-Interest and Corporate Philanthropy, in* FOUNDATIONS, PRIVATE GIVING, AND PUBLIC POLICY 262 (1970).

12. Random House Dictionary of the English Language 62 (2d ed. 1987).

13. *See* Louis W. Fry et al., *Corporate Contributions: Altruistic or For-Profit?*, 25 ACAD. MGMT. J. 94, 99 (1982).

it creates, even if the donation is not highly publicized.[14] The recipient of the grant nearly always knows the source of the gift, and, inevitably, some employees, as well as others outside the firm, must know about the gift. Corporate contributions, even if partially motivated by altruism, may also serve the firm's "enlightened self-interest."[15]

B. *Corporate Social Responsibility*

Corporate social responsibility ("CSR") is often cited by corporate executives as their motive for making donations.[16] Archie Carroll defines corporate social responsibility as companies' economic, legal, ethical, and philanthropic responses to the community's expectation that corporations are good citizens.[17] Corporate executives say that supporting philanthropic agencies is a way for the corporation to distribute some of the corporation's gains, or to "give something back" to the community. They may also include comments about conducting business in a socially acceptable way, for example, caring about the health, safety, education, development, and quality of life of not only employees and their families, but their neighbors and local institutions.

Although researchers in economics, sociology, and other fields suggest that social responsibility or duty motivates corporate executives to donate, economists tend to believe that nearly all donations benefit the corporation in some way.[18] Burlingame suggests three benefits accruing to companies who practice CSR: public relations, financial performance, and employee issues.[19]

Increased positive relations with the public come about in many ways. Cause-related marketing and other promotional appeals have become a standard way for corporations to link marketing with giving. Research has shown that use of coupons, or other schemes, may be beneficial to both corporations and charities because some consumers are motivated by altruism and financial incentives. The benefit to the firm is increased sales

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14. *See* CLOTFELTER, *supra* note 9, at 172.

15. *See* Edward J. Stendardi, Jr., *Corporate Philanthropy: The Redefinition of Enlightened Self-Interest*, 29 SOC. SCI. J. 21, 22 (1992).

16. *See generally* Dwight F. Burlingame, *Empirical Research on Corporate Social Responsibility: What Does It Tell Us?*, 4 NONPROFIT MGMT. & LEADERSHIP 473, 473-80 (1994) (describing motivations of corporate executives in philanthropic decision-making).

17. *See* Archie B. Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, 34 BUS. HORIZONS 39, 40 (1991).

18. *See* Katherine E. Maddox & John J. Siegfried, *The Effect of Economic Structure on Corporate Philanthropy*, *in* THE ECONOMICS OF FIRM SIZE, MARKET STRUCTURE, AND SOCIAL PERFORMANCE 202, 203-05 (John J. Siegfried ed., 1980).

19. *See* Burlingame, *supra* note 16, at 474.

or other benefits accruing because the corporation appears to be "socially minded." In addition, Galaskiewicz and Atkinson suggest that corporate CEOs use company donations to build public relations by earning respect and approval in a community.[20]

Some evidence suggests that firms with higher levels of social responsibility experience higher rates of return on assets and stock-market returns, while other evidence suggests no correlation between giving and corporate financial performance.[21] Shareholders may be interested in holding stock in corporations that exhibit social responsibility.[22] Generally, levels of corporate giving and firm financial performance are correlated. What is not clear is whether higher profits allow larger gifts, or larger gifts lead to higher profits. No studies conclusively prove causation between higher levels of giving and better financial performance.

Finally, practicing CSR may result in greater employee respect. When employers provide matching gifts and support to local organizations, employees may react by showing a greater degree of pride in their work, or higher morale. The benefit to the corporation may be increased public relations, increased productivity, or both. CSR may provide direct benefits to company production or sales, or may reduce the costs of hiring, training, and keeping employees.

Although CSR represents firms' responses to the call to be good citizens, it may be the case that corporate executives are not motivated by social responsibility. They may, in fact, feel pressure to support charitable causes. In some areas, corporations are part of a community where giving clubs or other groups "dictate" a socially acceptable amount to be donated. If firms must contribute in order to be viewed as socially acceptable, then corporate contributions are a necessary business expense, and donating may be a profit-maximizing activity. Contributions made in this sort of business environment are a necessary part of promoting the firm's image.

Although executives may claim CSR as motive for giving, they likely keep in mind that most gifts provide benefits—albeit intangible in many cases—to the firm. Galaskiewicz and Rauschenbach note that reciprocity, when applied to nonprofits, may account for the range of philanthropic

20. *See* Allison Zippay, *Corporate Funding of Human Services Agencies*, 37 SOC. WORK 210, 212 (1992); Maddox & Siegfried, *supra* note 18, at 202.

21. *See* Charles Peter Corcoran, Corporate Philanthropy: Attitudes of Institutional Shareholders, Individual Shareholders, and Corporate Philanthropy Executives (1987) (unpublished Ph.D. dissertation, University of Minnesota) (on file with author).

22. *See* Maddox & Siegfried, *supra* note 18, at 204-05.

motives attributed to corporate giving.[23] Zippay notes that nonprofits receive donations or in-kind goods from firms, and in exchange the firms receive "increased sales, heightened prestige, a healthier business climate, and social approval."[24]

C. *Managerial Utility*

In many large corporations, defining and monitoring the roles of managers and owners is quite difficult. Williamson asserts that since managers cannot separate their individual interests from occupational decision-making, it cannot be assumed that firms are being operated to maximize profits.[25] Where managers behave as agents, they may maximize their own utility, which is a function of their personal goals.[26]

Managers may give because they are altruistic or because they enjoy the prestige associated with being a big giver. Alchian and Kessel state that "business contributions . . . are attempts to acquire status, prestige, and goodwill for management and the firm."[27] As noted above, managers may want to participate in local civic and social organizations. To be able to participate, and to be seen as good citizens, it may be the case that corporate management executives feel pressure to support charitable causes. One aspect of the agency problem is how to view the contributions: should they be viewed as altruism or CSR, or should they be strictly categorized as a "perk" or part of the compensation package for upper management?[28]

Clotfelter posited a model of managerial utility where management "sacrifices" profits in order to make contributions.[29] In his model management values two "goods": after-tax profits and corporate contributions.[30] If managers are more productive because of their higher

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23. *See* Joseph Galaskiewicz & Barbara Rauschenbach, *The Corporation-Culture Connection: A Test of Interorganizational Theories*, *in* COMMUNITY ORGANIZATIONS: STUDIES IN RESOURCE MOBILIZATION AND EXCHANGE 119, 120-21 (Carl Milofsky ed., 1988) (describing the motivations behind the "Exchange Theory").

24. Zippay, *supra* note 20, at 210.

25. *See generally* OLIVER E. WILLIAMSON, ECONOMICS OF DISCRETIONARY BEHAVIOR: MANAGERIAL OBJECTIVES IN A THEORY OF THE FIRM (1964) (identifying the division between ownership and management, and the differing goals of each).

26. *See id.*

27. Armen A. Alchian & Reuben A. Kessel, *Competition, Monopoly, and the Pursuit of Pecuniary Gain*, *in* ASPECTS OF LABOR ECONOMICS 156 (1962).

28. *See* Jensen & Meckling, *supra* note 3, at 308-10.

29. *See* CLOTFELTER, *supra* note 9, at 190-92.

30. *See id.* at 190.

level of utility, and/or the firm benefits from the gift, then the contributions are in the firm's self-interest.[31] One possible way for owners to deal with the agency problem, then, is to structure incentives such that managers minimize the costs of the donations—or at least maximize their benefits to the corporation.[32] We will turn to discussions of the "bottom line," enlightened self-interest, and agency theory, below.

D. *Profit-Maximization*

In a 1982 study, Fry, Keim, and Meiners, reported that profit is the prime impetus for the contributions of most top firms, with charitable giving serving as a marketing tool in which sales are increased through enhanced corporate image and visibility.[33] From a profit-maximizing standpoint, why would a firm contribute to charity? At first glance, contributions represent another expense. They are treated for tax purposes the same as any expense, where the cost of a dollar of giving is still the complement of the marginal tax rate. If profit-maximizing firms make contributions, it must be the case that managers and owners believe that the benefits from contributing outweigh the costs or that gifts are in the firm's long-run self-interest.

An economist's profit-maximization equation for a firm in any given time period may be expressed as a function of the firm's costs (expenses), the price the firm charges for its product (price X quantity sold = sales), the cost of donations, and potential benefits and costs of the actual donations (offsets). This type of profit-maximization model may explain the motivation of corporate executives in allowing various types of corporate contributions. If contributions affect both the expense and sales of the firm, then expenditures, which affect either, or both, input or output sales, may increase firm profits.

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31. Managerial utility may affect a firm's decision to have a corporate foundation. Managers may oppose a foundation if they feel that they will have less power and prestige when they are no longer in charge of giving decisions. However, many foundation programs allow managers to be actively involved in corporate giving decisions, and some direct programs have no manager involvement. The managers whose needs must be met are usually senior personnel who may become trustees of the foundation or have significant influence with foundation managers. *See id.* at 185-87.

32. *See id.* at 185.

33. *See* Fry et al., *supra* note 13, at 105.

A basic representation of firm profits is:
Profits = Sales - Expenses

The effects of giving on firm profits may be represented:
Profits = Sales - Expenses - Cost of donations + Offsets

The offsets for a company with a direct giving program include:
Offsets = Tax deductions + Sales increases + Returns on Investments

When a firm uses a corporate foundation to manage some or all of its charitable donations, other benefits and costs from giving through the foundation accrue. In 1995, approximately one-fourth of corporate donations, or about $1.5 billion, came through corporate foundations.[34] This paper does not deal with the differences between direct giving programs and corporate foundations. With regard to economic theory and profit-maximization, it is adequate to say that policy differences in the treatment of corporations and nonprofit private corporate foundations, and analysis of various tax regulations provide some insight into why corporate executives make specific types of gifts in certain ways.[35]

From the standpoint of "strict" profit-maximization, corporate executives choose to make contributions only if they either increase sales or lower expenses. In the following section, we discuss an updated version of the profit-maximization model where firm image or reputation enter into the theoretical model.

E. *Profit-Maximization: The Bottom Line and Goodwill*

Current views suggest that corporate giving, even if motivated by managerial utility, altruism, or CSR, must be attuned to the bottom line.[36] Gray and Moore noted that "[t]he push in corporate America to justify every expense has translated into tough questions about how charitable

34. *See* GIVING 1996, *supra* note 4, at 89.

35. The major issues are: firms may either make contributions directly, or may make them through a corporate foundation. Differences exist in deductibility for foundation and direct corporate gifts. In any year, the tax deduction is the sum of direct gifts to charity and to the company foundation, but gifts actually received by charities depend on direct gifts and gifts made by the company foundation. For more on deductibility, and on advantages and disadvantages of company foundations see Webb, *Subsidization*, *supra* note 9.

36. *See* Natalie Jeannete Webb, Company Foundations and the Economics of Corporate Giving (1992) (unpublished Ph.D. dissertation, Duke University) (on file with author).

donations support companies' drive to become more profitable."[37] Chrysler, for example, is narrowing its education grants towards those that improve skills of people preparing to enter the workforce, ideally at Chrysler.[38] Rebecca King, manager of corporate giving at Enron, states, "We're re-evaluating our whole program and deciding if it can fit better into our strategic plan."[39] Timothy McClimon, executive director of the AT&T Foundation, similarly states, "We've had to rethink our philanthropic strategy to make sure it's in line with our business strategy."[40] Nancy Dube, manager of corporate community relations for Digital Equipment Corporation, says the giving program is "a partner with our marketing department."[41]

All four of the economic theories explaining corporate giving have at least one common theme: corporate executives, employees, shareholders, customers, and the public are influenced by the firm's reputation or image. No matter what the reason for corporate giving, if one believes that image translates to sales and costs, firm profits are affected by corporate contributions. And, as shown by anecdotal evidence, profits may be the most important factor in explaining levels of funding for corporate giving. Economists would argue that executives care about the effects of their donations because they are mindful of benefits on long-term corporate productivity, costs of giving, and the quality of their charitable investments.[42] The economic theories of corporate giving may be expanded by incorporating into the profit-maximizing equation the effects of reputation or image and the consequences of acting in the firm's "enlightened self-interest."

How might contributions benefit the firm? Expanding upon Burlingame's benefits—public relations, financial performance, and employee satisfaction—we can link many corporate gifts to efforts to increase demand or improve the local cultural or business environment in which the firm operates. It is useful to think about how corporate contributions enter the profit-maximizing firm's decision. Contributions may enter the demand and cost functions of the firm, though perhaps only indirectly. One way to think about how contributions enter these functions is that they build up firm reputation or a stock of corporate goodwill.

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37. Gray & Moore, *supra* note 7, at 16.

38. *See id.* at 16, 18.

39. *Id.* at 18.

40. *Id.*

41. *Id.*

42. *See, e.g.*, Richard Steinberg, *Should Donors Care About Fundraising?*, *in* THE ECONOMICS OF NONPROFIT INSTITUTIONS 347 (Susan Rose-Ackerman ed., 1986).

In cases where contributions are directed at increasing demand, their effectiveness results in an increase in goodwill in the consumer market (sales). On the other hand, some contributions benefit employees, their families, and the quality of life they enjoy, both at work and in the community. Contributions may also benefit the firm in the eyes of creditors or regulators that make decisions about the firm. Additionally, some corporate giving, such as support for youth service or literacy, improves both the corporate image and the quality of the labor force. These expenditures may be made to generate or increase a sort of "internal goodwill." These gifts are also made in order to lower the wages and benefits required to find, hire, and keep qualified employees, or to lower some other cost associated with the firm's business operations. By making these assumptions about how various charitable activities affect firm goodwill, the analysis takes into account philanthropic, or enlightened self-interest motives for giving, as well as profit-oriented motives.

The concept of goodwill is extremely important to adequately explaining the corporate giving function because it captures the intangible public relations aspect of corporate gifts, and should be included in any explanation of corporate giving. Perhaps the most useful economic theory is profit maximization, modified to include gifts that only tangentially, or over a long period, have positive benefits to the firm.[43] If corporate giving is indeed consistent with profit maximization, the question then becomes, why do some firms choose *not* to engage in such activities? To begin to explore this question, we turn to the empirical evidence.

III. THE EMPIRICAL RECORD

Empirical studies of corporate giving concentrate primarily on the amount and timing of aggregate contributions in relation to the price of giving, corporate income, firm size, industry structure, and advertising.[44] Clotfelter provides a summary of the economics studies of aggregate data, employing both theoretical models and empirical work.[45] Maddox and Siegfried, Navarro, and Stotsky used firm-specific data to address corporate giving.[46]

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43. *See* CLOTFELTER, *supra* note 9, at 188-90.

44. *See id.* at 194-95; *see also* Peter Navarro, *Why Do Corporations Give to Charity?*, 61 J. BUS. 65, 84-86 (1988).

45. *See* CLOTFELTER, *supra* note 9, at 194-95.

46. *See* Maddox & Siegfried, *supra* note 18, at 202-25; Navarro, *supra* note 44, at 65-67; Janet Stotsky, The Determinants of Giving by Corporate-Sponsored Foundations (1991) (unpublished manuscript, U.S. Department of the Treasury, Washington, D.C.).

The existing literature looks at the level of corporate giving, either total gifts, average gifts, or a ratio of gifts to income.[47] In general, all models have been designed to study the amount of corporate giving, by industry or asset size. All four of the previously mentioned motivations for corporate giving are studied by at least one researcher. Important empirical studies testing the profit-maximization and altruism motivations for giving were performed by Navarro, Clotfelter, Maddox and Siegfried, Bennett and Johnson, Whitehead, Nelson, Schwartz, and Johnson.[48] Oliver Williamson originated the idea that the primary motives of management have a systematic and significant impact on business behavior.[49] Navarro, Clotfelter, and Goldberg employ models of managerial utility in their work.[50] All of these studies, with the exception of Orace Johnson's, employed econometric analysis to examine the problem of how much corporations give. Stotsky's study applied the corporate giving problem to corporate-sponsored foundations.[51] Some empirical evidence is found for all the hypotheses. This empirical work has shown behavior consistent with each of the four motivations. Thus, it is not exactly clear from the empirical literature what motivates corporate contributions.

There are many variables used to explain giving. Some of these include: price, income and scale, industry structure, trend, industry concentration, market power, rivalry in the market place, advertising, research and development expenditures, officers' compensation, indexes of managerial utility, and measures of employment, including the number of employees and the labor-to-capital ratio.

Price variables measure the responsiveness of corporate giving to the cost of making contributions. Tax policy affects this cost because the statutory marginal tax rate sets the price of a dollar of giving at the complement of the marginal tax rate ("MTR").[52] Policy also affects the after-tax income available to the firm. Empirical studies of price variables have not shown whether the response to changes in the price of giving is elastic or inelastic—as measured by changes in the MTR.

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47. *See* CLOTFELTER, *supra* note 9, at 194-95.

48. *See id.* at 193-221; Navarro, *supra* note 44, at 77; Maddox & Siegfried, *supra* note 18; James T. Bennett & Manuel H. Johnson, *Corporate Contributions: Some Additional Considerations*, 35 PUB. CHOICE 137 (1980); RALPH L. NELSON, ECONOMIC FACTORS IN THE GROWTH OF CORPORATION GIVING (1970); R. A. Schwartz, *Corporate Philanthropic Contributions*, 23 J. FIN. 479, 479-97 (1968); Orace Johnson, *Corporate Philanthropy: An Analysis of Corporate Contributions*, 39 J. BUS. 489 (1966).

49. *See* WILLIAMSON, *supra* note 25.

50. *See* Navarro, *supra* note 44, at 70-76; CLOTFELTER, *supra* note 9, at 193-221.

51. *See* Stotsky, *supra* note 46.

52. *See* CLOTFELTER, *supra* note 9, at 198-200.

The MTR is hypothesized to be a good measure of the altruism motive because it captures the cost to the firm of making donations. Since donations are fully deductible, a firm effectively pays I-MTR for every dollar it donates. The government's share is the MTR. When the MTR rises, it costs less for the firm to donate. If firms maintain relatively stable giving during periods when marginal tax rates rise or fall (i.e., they do not respond to changes in the marginal tax rate), then the motivation for contributions may be altruism.

Net income before taxes is most commonly used to measure income or scale of a corporation. Net income is readily available from IRS data, and, as Clotfelter notes, seems to correspond to the economic definition of profit, at least gross profit.[53] However, Clotfelter also notes that net income, as defined by the tax law, may not necessarily be the same as economic profit because depreciation allowances may diverge from true economic depreciation.[54] Another income measure used is cash flow income, which includes depreciation allowances. Cash flow might better measure a corporation's ability to contribute since it includes depreciation allowances, or it might simply be a more accurate representation of economic profit than net income. Finally, after-tax net income has been used in some studies.

Industry structure can be measured in different ways, via industry dummies, looking at giving data by industry, looking at a proxy for the amount of competition in an industry, or finding variables that are specific to certain industries such as advertising and concentration ratios. It is well documented that different industries contribute different percentages of income. Thus, some measure of industry is nearly always included in econometric analyses of corporate giving.

Trend variables are always included in time-series analyses in order to capture the effect of changes in other (excluded) variables over time. Other variables such as advertising expenditures, firm size, research and development expenditures, population, and contributions by firms in the same city or geographical region have been included in past econometric analyses. Each of these serves a different function. Advertising and contributions may be similar expenditures. One may substitute or complement the other. Research and development may be thought of as an expenditure that signifies a firm in a growth stage. Contributions may or may not be made by growth firms, depending on the profits the firm earns, and whether or not all extra earnings are reinvested in research and

53. The price of giving is the complement of the marginal tax rate as long as the firm has taxable income. The price of $1 of giving for a firm with no taxable income is $1 unless the deduction for the gift is carried forward (or back) to offset future (or past) income. *See id.* at 200.

54. *See id.* at 199-200.

development. Firm size is thought to affect contributions, and the smallest and largest classes of firms donate a higher percentage of their incomes than do middle-sized firms.[55] Finally, contributions by firms in the same city or geographical location may be a measure of the pressure firms must respond to in order to stay in business in a local area. The Minneapolis-St. Paul business community, for example, exerts tremendous pressure on firms to contribute up to 5% of their taxable income.[56]

Empirical research shows that the income elasticity of giving is positive and ranges between 0.44 and 1.17.[57] Price elasticity is negative and varies from -0.27 to -2.0, though most studies find values between -0.27 and -0.4.[58] This signifies that contributions fall when the cost of giving rises. These results are intuitively satisfying, and measurement or specification errors notwithstanding, provide insight into proposed legislative changes on corporate charitable giving policies.

Other results that have implications for government or business are that advertising and research and development are positively related to giving, which implies that contributions are a complement to these expenditures, the size of the firm has a "U-shaped" relationship to the percentage of net income contributed, and certain industries, such as consumer products and service industries, give generously, while the utilities and mining industries donate the least.[59]

IV. HYPOTHESES DERIVED FROM PROFIT MOTIVATION

What comes out of our review of the economics literature is that there are good reasons consistent with profit-maximization goals to explain why firms actually engage in corporate giving. Having established economic justification for this behavior, the question changes from "why corporations give?" to "why don't all organizations give to the same extent?" It is the latter question that motivates the rest of this paper. Now that we have established a credible economic rationale, we draw upon the economics literature, and especially the empirical studies, to hypothesize when firms are more likely to give. Bringing together the empirical evidence and the theoretical streams that devolve into profit maximization in the last instance, and assuming that owners, managers,

55. *See* Maddox & Siegfried, *supra* note 18, at 202-25.

56. *See* Joseph Galaskiewicz & Ronald S. Burt, *Interorganizational Contagion in Corporate Philanthropy*, 36 ADMIN. SCI. Q. 88, 88-105 (1991).

57. *See* CLOTFELTER, *supra* note 9, at 202-05.

58. *See id.*

59. *See id.* at 176, 178-79.

and stakeholders care about profits, we can suggest that firms give more if:

Hypothesis 1. Corporate income or profits are high (corporate income may be "relative" income - taxable income normalized by sales).

Hypothesis 2. Taxable income or the expected tax bill is high (the effective tax rate may be positively related to giving).

Hypothesis 3. They have greater asset bases (scale or size is important), or because they are larger, they are "expected" to do more (it may be the case that asset age is as important or more important than asset base).

Hypothesis 4. They require extensive advertising to maintain or gain market share and sales.

Hypothesis 5. They provide consumer goods or services.

Hypothesis 6. Their owners or managers are leaders in the community and must be seen as socially responsible, and/or tithing clubs exist in the geographic area.

Hypothesis 7. They are labor intensive, have a large number of employees, and training, recruiting, and retention are relatively expensive.

To examine some of these factors, we would look at the relationship between a firm's giving and its profits, taxes, assets, concentration ratios, advertising ratios, and other industrial characteristics. In particular, this might provide insight into giving strategy and the relationship between industry type (or product type) and giving. In addition, market concentration and share, advertising expenditures, importance of brand name recognition, and substitutability (or other proxies for competition) might be examined against the amount and types of gifts made by firms in various industries.

We might expect firms that intend to exist for many years to view corporate giving as an investment. Firms producing a fad item or those whose products are becoming outdated may not be interested in corporate giving. In a related fashion, the views of CEOs or other high-level figures might depend on their own discount rates and time horizons. Generally, firms with long product life-cycles, patents, younger management, and non-rapidly changing technologies might give more, or might participate in more joint-giving ventures. Finally, firms with very large physical capital investments, or those constrained geographically (utilities, cable companies, and those depending on natural resources specific to a certain area) might participate to a greater extent in certain types of giving, such as localized giving or employee-related giving.

Examining the reasons for and extent of corporate participation in employee-matching grants programs and employee-designated (corporate) gifts might provide evidence of corporate goodwill, or increasing long-run profits. The amount and types of gifts made to "public" concerns might show a relationship to the relative wages paid, recruitment costs, or retention costs.

In all of the above cases, we can comfortably make the argument that firms' decisions about corporate giving are consistent with their goals of profit maximization. The hypotheses are designed to help us understand when corporate giving is differentially correlated with profit maximization. We will be interested in elaborating upon this inter-firm differential through a review of organizational science and sociological theories addressing these same phenomena.

V. INSIDE THE BLACK BOX WITH ORGANIZATION SCIENCE

"Many economists argued that there was no need to look carefully into the black box called the firm: firms maximized profits (stock market value); if managers didn't, they would be replaced; and firms that didn't maximize value wouldn't survive."[60]

This emphasis on markets "relegated the study of organizations to business schools, or worse still, to sociologists."[61] It is to business school and sociological theories that we now turn. Having suggested some hypotheses that derive from a profit-maximization focus, we complement these with hypotheses developed from theories that privilege the internal mechanisms of the firm and begin to dispense with the idea of unitary interest in profit maximization. We do not dislodge the idea that at least some actors in a firm are interested in profit maximization, but we will focus, again, on why some firms give while others do not.

A. *Organizational Theories*

1. Corporate Giving From an Agency Theory Perspective

One of the first steps involved in peering into the black box of the firm is the realization that the modern joint-stock company is most often

60. Joseph E. Stiglitz, *Symposium on Organizations and Economics*, 5 J. ECON. PERSP. 15, 15 (1991).

61. *Id.*

characterized by the separation of ownership from control.[62] In law and legal tradition, and in modern organization theory, the fact of dispersion of stock ownership and the concomitant rise of a professional managerial class has led to the notion of the agency problem as a key to understanding the actual behavior within the black box. Neoclassical economic theory, in its promulgating of the profit motive as the sole purpose of the corporation, tends to discount the agency problem. That problem is characterized by a class of managers acting in their own self-interest as variably aligned with the interests of owners.[63]

The class of agency problems arises in general because management may pursue a number of goals in the operation of the organization, including but not limited to: profits, long and short term growth, stability, security, and innovation. The problem arises when these goals conflict with the often short-term profit interests of the owners of stock. Yet the great dispersion of stock ownership since the 1930s has virtually assured that the owners will remain atomized and unable to exert a collective will over the manager's control.[64] Even in the face of the rise of institutional ownership, which has concentrated shares into bigger players' hands, large and small owners alike are halted in their tracks by the wall of management protections that legislatures and judiciaries have helped to construct over the past century.[65] Managers, protected by the law's Business Judgment Rule, are therefore able to call the organizational shots with little worry that owners will be able to attain legal remedy for unpopular decisions. The exceptions are cases of extreme fraud or negligence.

It has been further theorized that because of the dispersed ownership of stock in the United States—European and Asian countries often offer a counterpoising view—control rights, rather than ownership rights, become most important in for-profit companies.[66] This is in direct contrast to a system, such as feudalism, where benefit, or ownership rights, trumped the control or usage rights of the peasants. To the extent that we can talk

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62. *See* BERLE & MEANS, *supra* note 3, at 119-125; *see generally* Fama & Jensen, *supra* note 3; Jensen & Meckling, *supra* note 3.

63. *See* Brody, *supra* note 3, at 471-73.

64. *See id.* at 473-78.

65. *See generally* Mark J. Roe, *A Political Theory of American Corporate Finance*, 91 COLUM. L. REV. 10 (1991); Roberta Romano, *Public Pension Fund Activism in Corporate Governance Reconsidered*, 93 COLUM. L. REV. 795 (1993); Rikki Abzug and Daniel Forbes, An Institutional and Agency History of the Contest for Corporate Control: Bringing the Employees Back In, (Feb. 1996) (on file with New York University Leonard N. Stern School of Business).

66. *See* RALF DAHRENDORF, CLASS AND CLASS CONFLICT IN INDUSTRIAL SOCIETY 41-48 (1959).

about the modern joint-stock corporation as manager controlled, we may be able to loosen assumptions about the profit motive directing areas such as corporate giving. Indeed, with managers in charge, agency problems around corporate giving shift to economic theories of management altruism or utility maximization rather than the straight profit maximization of the firm. Therefore, we might then expect that:

Hypothesis 8. In firms with high degrees of stock dispersion there is greater managerial discretion in corporate giving.

Of course, this discussion reverts back to the theory of managerial utility elaborated upon in section II above. While stock diversion may give managers increased discretion, managers are still making choices between after-tax profits and corporate contributions, and the latter may still lead to profit maximization through increased managerial utility as in the Clotfelter model.[67]

2. Corporate Giving From a Stakeholder Perspective

Once we have split managers apart from owners, it is just one more small theoretical step to tease out other organizational constituencies whose interests may not be perfectly aligned with the interests of either owners or managers. In 1984, Richard Freeman introduced the model of stakeholder management to suggest the idea that, even within the black box, managers must satisfy many different constituents or organizational stakeholders.[68] According to Freeman and Reed, the very simple concept is derived from the notion that corporations are responsible to the groups upon whose support the organization depends. Stakeholder theory developed to distinguish primary stakeholders who have formal, official, or contractual relationships with the focal organizations, from a more diverse class of secondary stakeholders who are not directly engaged in a firm's economic activity.

The implications of such modeling (and prescribing) for understanding corporate giving are varied. From within the organization, constituencies such as employees as a whole, or divided into professional, occupational, or other industry groups, can put pressure on organizational managers to allocate funds outside the organization. Organizational interest groups upon whom a focal organization is dependent may be seen to be pressuring

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67. *See* CLOTFELTER, *supra* note 9, at 190-93.

68. *See* R. EDWARD FREEMAN, STRATEGIC MANAGEMENT: A STAKEHOLDER APPROACH (1984); R. Edward Freeman & David L. Reed, *Stockholders and Stakeholders: A New Perspective on Corporate Governance*, 25 CAL. MGMT. REV. 88, 89 (1983) [hereinafter Freeman, *Stockholders*].

that focal organization to engage in more giving. Conceivably, organizational management can use corporate giving as a way to placate various internal constituencies to the extent that those constituencies have outside interests. In general the process would operate as such:

Hypothesis 9. If an organization is dependent on powerful internal constituencies then its giving practices will reflect the interests of that constituency.

Perhaps more important for our purposes are not the internal stakeholders to whom management is beholden, but rather the external stakeholders who can variably manifest themselves as threats or opportunities. In this case, two major players in the corporate giving arena might be local nonprofits and local communities as a whole. While it may be obvious how a focal organization may perceive a local community as a threat or an opportunity, it may be less obvious how an organization may be contractually, or formally related to any particular nonprofit. Knauer makes the argument that corporate transfers to nonprofits that help produce a "halo effect" lead to the same organizational relationships that organizations have with their advertising or marketing agencies.[69] The focal organization may "contract" with local nonprofits to obtain the goodwill of the consuming (and supplying) community. This potential stakeholder relationship explains certain types of targeted corporate giving and sheds light on cause-related marketing in general. To the extent that the organization was interested in maintaining a mutually beneficial relationship with that nonprofit, it might find itself catering to the organization's needs for funds, promotion, or perhaps talent. The nonprofit would be able to impose upon the organization for funds and other resources to the extent that it is seen as a legitimate stakeholder.

Again, the idea of the community as an organization's stakeholder may be easier to fathom. Indeed the local community working collectively can put more pressure on organizational actors than most nonprofit organizations competing for funding. Where local community power is high, vis a vis a geographically entrenched organization, the community's will might provide management with rationales for corporate giving. But just because the community put demands on the organization, there was, until recently, no reason to expect that organizational management would comply. With the recent enactments of state constituency laws, the idea of local communities, and presumably nonprofits, as stakeholders deserving of organizational attention and resources, has been codified at

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69. *See* Nancy J. Knauer, *The Paradox of Corporate Giving: Tax Expenditures, the Nature of the Corporation, and the Social Construction of Charity*, 44 DEPAUL L. REV. 1, 57-64 (1994).

the level of individual states.[70] Twenty-nine states allow, and one state requires, managers to make decisions based on the needs and interests of these other constituencies.[71] Stakeholder theory suggests that managers will pay attention to the needs of these constituencies to the extent that they pose a threat or offer an opportunity. The likelihood that a constituency will provide a threat or an opportunity is directly related to the depth of the focal organization's relationship with that constituency. The preceding discussion leads us to expect:

Hypothesis 10. If an organization is dependent on powerful external constituencies, such as nonprofits and local communities, then its giving practices will reflect the interests of those constituencies.

The constituency focus that stakeholder theory allows us may be a special case of the previously discussed goodwill notion. Organizational management uses corporate giving to placate internal and external stakeholders as a way of generating goodwill for the firm. As we have seen in the previous section, the maximization of goodwill may be perfectly consistent with goals of profit maximization given the right environmental conditions.

3. Corporate Giving From a Resource Dependence Perspective

While various stakeholders make demands on organizational management, it is possible, if not desirable, to push stakeholder theory to understand the demands that organizational management makes on its stakeholders. Indeed, while stakeholders are dependent upon organizations, organizations may themselves be dependent upon stakeholders for access to resources. Given this line of thinking, we may introduce resource dependency theory as the province of the recursive relationship of organizational management to stakeholders—the other side of the stakeholder theory coin.[72]

Stakeholder theory makes distinctions between stakeholders who are threats and those who are not.[73] Dependency is the key variable. Resource dependency suggests that focal organizations will engage in activity not only because stakeholders demand that it be so, but also

70. *See* Eric W. Orts, *Beyond Shareholders: Interpreting Corporate Constituency Statutes*, 61 GEO. WASH. L. REV. 14 (1992).

71. *See id.* at 27-28, nn.53-58.

72. *See generally* JEFFREY PFEFFER & GERALD R. SALANCIK, THE EXTERNAL CONTROL OF ORGANIZATIONS: A RESOURCE DEPENDENCE PERSPECTIVE (1978).

73. *See* Freeman, *Stockholders*, *supra* note 68, at 90.

because the dependency runs in the opposite direction as well.[74] If the focal organization needs the stakeholder for access to resources, organizational behavior might be more proactive than reactive. Again, the two external stakeholders we pinpointed above become key players in the resource dependency scenario. Organizations may find themselves dependent upon local communities for employees, services, economic and social climate, etc., and they may find themselves dependent upon particular nonprofit organizations for their halos. This leads us to suggest, according to resource dependence theory, that:

Hypothesis 11. If an organization is particularly tied to a geographic position, it will be more active in corporate giving, particularly in that geographic region.

Hypothesis 12. If an organization is in need of image improvement or refinement, it will be more active in corporate giving.

Resource dependency theory gives us an organizational rationale to understand some of the differences we observe in the levels of giving between firms. Again, it is consistent with the hypotheses that we suggested arise from the goodwill and profit maximization theories of economists. Resource dependence helps us to understand the environmental context for firms' decisions *not* to give in light of the profit maximizing benefits of increases in goodwill.

4. Corporate Giving From an Institutional Theory Perspective

Once agency and stakeholder theory have effectively split managers and their goals apart from the profit goals of owners, we can use other organizational theories to explore further alternative motivations of managers. Over the past twenty years, an impressive neo-institutional literature has been built based on the idea that organization decisions often defy economic (profit-seeking) rationales.[75] Seeking to answer the question of what makes managers veer from the straight and narrow of profit seeking, the neo-institutionalists have looked for other engines of rationalization which they find in the form of actions of government, other

74. *See id.* at 91-92.

75. *See, e.g.*, JOHN W. MEYER AND RICHARD W. SCOTT, ORGANIZATIONAL ENVIRONMENTS: RITUAL AND RATIONALITY (1983); THE NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS (Walter W. Powell and Paul J. DiMaggio, eds. 1991); John W. Meyer and Brian Rowan, *Institutionalized Organizations: Formal Structure as Myth and Ceremony*, 83 AM. J. SOC. 340 (1977).

organizations, and norms and rituals.[76] Neo-institutionalists argue that, especially in environments characterized by high uncertainty where the profit-seeking path is not always clear, managers will seek legitimacy.[77] To ensure company survival and access to resources, if not necessarily market leadership or above-normal rents, managers will play to various audiences, making decisions that signal their worthiness to these alternative arenas of attention. This may be akin to goodwill.

Institutionalists focus, then, on the environments surrounding managers as the source of alternative rationalizations. Specifically, institutionalists focus on the nation-state and its laws and legal environment, organized actors such as unions, and the ritualized norms and symbols characteristic of professional actors, as the important engines driving managerial allocation decisions. DiMaggio and Powell have suggested that these three sources give rise to three mechanisms for achieving organizational isomorphism in the face of competitive differentiating pressures: coercive, mimetic, and normative.[78]

On the question of coercive isomorphism as a driving force for corporate giving we would have to look at government mandates and the legal environment encouraging or constraining such actions. Robert Clark has argued that the "high idealism" we might expect to guide the giving manager is not embodied in current statutes and case law,[79] however, "modest idealism" would be acceptable to the courts.[80] Clark notes that despite a few exceptions, courts remain committed to the assumption that the primary purpose of the organization is to make profits for its shareholders, and managers' actions must be rationalized in that context.[81] Indeed, historically, corporate giving had been antithetical to corporate law in many states.[82] It took Congress' enactment of the corporate charitable contribution deduction provisions in 1935 to change local jurisdictions' prohibitions of corporate contributions.[83] Kahn also notes the reversal of

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76. *See* Frank R. Dobbin et al., *The Expansion of Due Process in Organizations*, *in* INSTITUTIONAL PATTERNS AND ORGANIZATIONS (Lynne G. Zucker ed., 1988); James N. Baron et al., *War and Peace: The Evolution of Modern Personnel Administration in U.S. Industry*, 92 AM. J. SOC. 350 (1986); Paul J. DiMaggio and Walter W. Powell, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, 48 AM. SOC. REV. 147 (1983).

77. *See* DiMaggio & Powell, *supra* note 76.

78. *See id.* at 150-54.

79. *See* ROBERT CHARLES CLARK, CORPORATE LAW 690 (1986).

80. *See id.* at 686.

81. *See id.* at 682.

82. *See generally* Knauer, *supra* note 69.

83. *See id.*

current state law on the issue of corporate charitable giving.[84] She suggests that modern philanthropy laws contrast with the traditional wealth maximization spirit of state corporation law.[85] It is exactly the point at which the legal environment gives ambiguous signals, when managers have the room to mediate their compliance.[86] While state corporate law may not specifically encourage corporate giving, at the national level, the IRS's deduction provisions provide legitimacy to this kind of organizational behavior. Institutionalists might then predict that:

Hypothesis 13. Where national tax policy is bolstered by state and local laws in support of corporate giving, we can expect to find higher levels of corporate giving.

Just because the law permits, does not suggest that managers will submit. Other institutional forces might drive managers from the hypothetical to the actual. DiMaggio and Powell suggested that within organizational sets, organizations look to market leaders or otherwise successful companies as models to follow.[87] Presumably, if such companies engaged in corporate giving activities, other organizations facing uncertain environments would attempt to legitimate themselves through the mimetic process of imitating the successful company. In this way, one organizational prospector could set the corporate giving trend for a host of industry followers.[88] Institutionalists would then expect that:

Hypothesis 14. In industries with corporate giving market leaders, periphery firms will soon adopt corporate giving practices.

As previously mentioned, economists in this field have been particularly sensitive to inter-industry differences in giving trends. The institutionalists help explain why we might find such differentials. Institutionalists might further suggest that to the extent that corporate giving ideologies are embodied in individuals or even whole professions, these ideologies may be transferred through normative processes. When

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84. *See* Faith Stevelman Kahn, *Pandora's Box: Managerial Discretion and the Problem of Corporate Philanthropy*, 44 UCLA L. REV. 579 (1997).

85. *See id.* at 584.

86. *See* Lauren B. Edelman, *Legal Environments and Organizational Governance: The Expansion of Due Process in the American Workplace*, 95 AM. J. SOC. 1401 (1990); Lauren B. Edelman, *Legal Ambiguity and Symbolic Structures: Organizational Mediation of Civil Rights Law*, 97 AM. J. SOC. 1531, 1538-41 (1992).

87. *See generally* DiMaggio & Powell, *supra* note 76.

88. *See* RAYMOND E. MILES & CHARLES C. SNOW, ORGANIZATIONAL STRATEGY, STRUCTURE, AND PROCESS 49-67 (1978).

managers who engage in corporate giving move from one company to another, they may take with them corporate giving precedents. Likewise, some professionals may be imbued with altruistic motivations that may be realized at the level of corporate practice. Thus, institutionalists might predict that:

Hypothesis 15. Where altruistic professionals dominate an industry, organizations in that industry may be expected to have higher levels of corporate giving than comparable organizations in other industries.

In sum, the institutionalists have given teeth to many of the corporate giving predictions that arise from the economists' interest in profit maximization through whatever means available. While none of the organizational theories embraces the overarching goals of profit maximization as a management incentive in corporate giving, all of the theories can be thought to be amenable to such a reading. The main contribution of the hypotheses we developed through both economic theory and organization science, is how to predict existence and levels of corporate giving while keeping profit-maximization goals constant.

VI. RAPPROCHEMENT

The preceding hypotheses, derived from organizational sociology and management science, provide the conditions under which some firms will choose to engage (or not) in corporate giving behaviors. These hypotheses might obtain whether profit maximization is an actual or idealized goal. In this way, the hypotheses can be joined with the hypotheses from the previous section delineating the economic perspective as a way to introduce organizational contingencies into the study of determinants of corporate giving as an (extra)rational approach to profit maximization.

All of these hypotheses may be used to motivate additional empirical research on the topic of corporate giving. While corporate giving may indeed be consistent with profit maximization, it would be quite helpful to tease out those instances when such a relationship does not exist. Similarly, it would advance knowledge in the field to understand the environmental conditions under which corporate giving does, indeed, lead to profit maximization in both the short term and the long term.

We hope that we have demonstrated that organization science theories can be used in conjunction with economic theories to shed light on internal and external contexts of the pursuit of long and short term profits. In so doing, we hope that we have opened up a pathway for economists to talk to organizational theorists about motivations for firm behaviors. More work is needed, but we are glad to be able to shed light on the motivations of corporate giving in such a way that economists and organization theorists can begin the critique together.