C O R P O R A T E  S O C I A L  R E S P O N S I B I L I T Y  A N D  F I R M  R I S K:  
T h e o r y  &  E m p i r i c a l  E v i d e n c e

This paper presents an industry equilibrium model where firms can choose to engage in corporate social responsibility (CSR) activities. We model CSR activities as an investment in customer loyalty and show that CSR decreases systematic risk. This effect is stronger for firms producing differentiated goods and when consumers’ expenditure share on CSR goods is small. We find supporting evidence for our predictions. In our empirical tests, we address a potential endogeneity problem by instrumenting CSR using data on the political affiliation of the firm’s home state and data on environmental and engineering disasters and product recalls.

Friday, May 15
10:00 am
530 Drake Centre

GUEST SPEAKER:
Dr. Art Durnev
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Henry B. Tippie Research Fellow and Ph.D. Director at the Henry B. Tippie College of Business at the University of Iowa