Moral Values and
Corporate Social Responsibility

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Abstract

As firms' impact on society and the environment has increased, so too has interest in corporate social responsibility (CSR), the activities and policies that manage a firm's responsibilities for and its impacts on society and the environment. This paper studies the effect of the local community's moral values on the level and focus of firms' engagement in CSR. To study this connection, I link a county-level measure of moral values (the relative importance of universal versus communal moral values) to firm-level measures of CSR (Environmental, Social, and Governance (ESG) scores and corporate philanthropy metrics) by using the location of firms' headquarters. Three main findings emerge. First, I find that firms in more universal counties have higher total ESG scores, environmental scores, and social scores. Second, I find that foundations of firms in more universal counties engage more in philanthropy focused on universal and non-local issues, such as human rights, and less in philanthropy focused on communal and local issues, such as community and economic development. Third, I find that the effect of moral values on the level and focus of CSR is greater for financially successful and consumer-oriented firms. These results are some of the first to establish a connection between moral values and corporate behavior.

Acknowledgements

Contents

1 Introduction

Interest in corporate social responsibility (CSR) has grown over the past several decades. CSR consists of corporate activities and policies that manage a firm's responsibilities for and its impacts on society and the environment. While the economics literature has focused on whether firms should engage in CSR (Friedman, 1970; Bénabou & Tirole, 2010; Magill et al., 2015; Hart & Zingales, 2017) and the effect of CSR on corporate financial performance (McWilliams & Siegal, 2000; Cochran & Wood, 1984; Waddock & Graves, 1998), this paper addresses the novel question of how firms choose the *level* and *focus* of their engagement in CSR.

This paper tests the extent to which the local community's moral values explain the level and focus of firms' engagement in CSR. I define the local community to be the county in which a firm is headquartered. To measure moral values, I follow the methodology of Benjamin Enke (2018). I use survey data collected by the website www.yourmorals.org to construct a county-level summary statistic for moral values: the relative importance of universal versus communal moral values. To measure the level and focus of CSR, I use Environmental, Social, and Governance (ESG) scores and corporate philanthropy metrics. Combining the moral values and CSR datasets yields a sample of 407 counties and 2,802 firms for the ESG scores and a sample of 198 counties and 532 company-sponsored foundations for the corporate philanthropy metrics.

I hypothesize that firms in more universal counties engage more in CSR and in CSR focused on universal issues, which are issues that affect a broader community. As such, I predict that these firms will have higher total ESG scores, environmental scores, and social scores, and that the foundations of these firms will engage in more philanthropy and focus their philanthropy more on universal and non-local issues and less on communal and local issues. I predict the effect of moral values on the level and focus of CSR will be greater for financially successful

and consumer-oriented firms as they are more able to engage in CSR and more sensitive to public perception of their engagement in CSR.

I report several findings consistent with my predictions. In a cross-section of counties, the relative importance of universal versus communal moral values is significantly correlated with the level and focus of CSR. Firms in more universal counties have higher total ESG scores, environmental scores, and social scores. Foundations of firms in more universal counties focus their philanthropy more on human rights and less on community and economic development and sports and recreation. These foundations also focus their philanthropy less on the state or region in which their parent company is headquartered. The effect of moral values on the level and focus of CSR is greater for financially successful and consumer-oriented firms.

To check the robustness of my results, I consider several additional determinants of CSR. These include the size, financial performance, and industry of the firm, the total income and population of the county, the political affiliation of the governor, and the number of social clubs in the state. Some of these factors affect some measures of CSR, but they do not eliminate the significant effect of the relative importance of universal versus communal moral values on the level and focus of CSR.

This paper is one of the first to empirically analyze the effect of moral values on corporate behavior and invites further analyses of this connection. While previous research used case studies to explain variation in the focus of CSR, this paper proposes a systematic framework to explain this variation.

The paper proceeds as follows. Section 2 motivates the analysis and discusses its conceptual framework. Sections 3 and 4 describe the data and methods. Section 5 presents the

relationships between moral values and ESG scores and corporate philanthropy metrics, respectively, while section 6 discusses these results. Section 7 concludes.

2 Conceptual Framework

In recent decades, firms have grown to rival governments in size. According to their 2017 revenues, 69 of the largest 100 entities in the world are firms rather than governments (Global Justice Now, 2018). Firms have vast resources, power, and impact on society and the environment. As firms and their impact have grown, so too has support for the notion that firms have a responsibility to society.

CSR consists of corporate activities and policies that manage a firm's responsibilities for and its impacts on society and the environment (Christensen et al., 2019). CSR is based in the belief that a firm is responsible to a set of stakeholders that is broader than its shareholders and should have an objective that is broader than maximization of firm value (Magill et al., 2015). CSR can be aligned with shareholder interest and increased firm value as long as shareholders are willing to pay more for the shares of firms that pursue CSR (Bénabou & Tirole, 2010). Furthermore, shareholder interest need not be the maximization of firm value and could be maximization of shareholder welfare (Hart & Zingales, 2017). CSR is more than meeting the legal, regulatory, and contractual obligations of the firm and having good corporate governance (Christensen et al., 2019). CSR is defined broadly and encompasses a wide range of environmental, social, and governance activities and policies. I measure CSR using ESG scores and corporate philanthropy metrics.

The economics literature has thus far focused on whether firms should engage in CSR. Milton Friedman (1970) argued that the social responsibility of business is to maximize shareholder value and that shareholders, who have a legal right to the firm's profits, could

redistribute these profits and account for externalities if they so desire. It is the responsibility of governments, not firms, to account for externalities. This view was common throughout the United States during the 1970s and 1980s and resulted in an empirical literature that focused on the effect of CSR on corporate financial performance. This empirical literature has not reached a consensus on whether CSR increases or decreases profits (Cochran & Wood, 1984; Waddock & Graves, 1998; McWilliams & Siegal, 2000). Recently, others have argued that firms do have a social responsibility, especially in the case where a firm's ethical and money-making activities are inseparable (Hart & Zingales, 2017).

Regardless of whether firms should engage in CSR, they are increasingly doing so. Fortune 500 firms spend approximately $15 to $20 billion a year on CSR (Meier & Cassar, 2018). CSR reporting has become the norm, with more than 80% of the S&P 500 issuing a sustainability or corporate responsibility report in 2016, up from less than 20% in 2011 (Governance & Accounting Institute, 2016). Firms in the United States are engaging in CSR even as the government eliminates federal regulations and withdraws from the Paris Agreement (Popovich et al., 2019). Firms vocally criticized the decision to withdraw and recommitted to meeting the emissions targets proposed by the agreement (Abrams & Shen, 2017). Firms also engage in CSR that is not directly related to their core business, responding to issues such as transgender rights, police shootings, and executive orders on immigration (Chatterji & Toffel, 2019). Their engagement in CSR prompts the question of how firms choose the level and focus of their engagement.

This paper focuses not on the question of whether firms should engage in CSR, nor on the question of what is the effect of CSR on share prices, but rather on a question that has received much less attention in economics: how do firms choose the level and focus of their

engagement in CSR? There is a rich body of sociological work focused on explaining this choice (Galaskiewicz & Wasserman, 1989; Marquis et al., 2007; Marquis & Battilana, 2009). This work argues that the local community is a source of institutional pressure, influencing firms through its values, norms, and rules. This research has focused on the influences of peer firms in establishing norms (Marquis & Tilcsik, 2016) and governments in regulating activities (Reid & Toffel, 2009; Hoover & Fatafas, 2016). There has been scant attention given to the influence of the values of the local community. Arguably, the values of the local community motivate and underlie its norms and rules.

Following Ben Enke (2018), I measure moral values as the relative importance of universal versus communal moral values. Universal values apply irrespective of the identity of the people involved and assign relevance to concepts including individual rights, justice, impartial fairness, and avoidance of externalities. Communal values are tied to certain groups and assign relevance to concepts including community, loyalty, respect, and tradition. Per Enke, a "core tradeoff that characterizes these different values is that between an ethic of universal human concern versus loyalty to the local community" (Enke, 2018, p. 1). This basic distinction, though only recently introduced to the field of economics, has been debated by philosophers and studied by psychologists for decades.

There are several reasons to hypothesize that the local community's moral values are predictive of the level and focus of CSR. Enke shows this measure of moral values is predictive of policy preferences and political behavior (Enke et al., 2019). He finds that moral universalism is positively correlated with desired expenditure levels on universalist policies, including welfare payments, environmental protection, affirmative action, foreign aid, and universal health care. Researchers at the Yale Cultural Cognition Project find a correlation between a related measure

of moral values and support for environmental protection (Braman et al., 2012). Support for the universal policies of welfare payments and environmental protection is likely to be correlated with support for CSR, which also has a social and environmental objective. Relatedly, political theorists claim that social democratic values partly explain cross-country differences in support for CSR, specifically the view that firms should be responsible to a set of stakeholders that is broader than shareholders (Jacoby, 2001). Thus, moral values are likely to affect the desired level and focus of CSR, such that the moral values index is likely to be positively correlated with the desired level of engagement in CSR and in CSR focused on universal issues. I measure engagement in CSR with the total ESG score and the total amount of philanthropy funded and engagement in CSR focused on universal issues with the environmental and social scores and the relevant corporate philanthropy metrics.

Moral values are predictive of more than just beliefs. Enke finds that these values are correlated with voters' behavior and politicians' rhetoric (Enke, 2018). People act according to their values, rewarding actions that agree with them and punishing those that do not, and organizations recognize and respond to their values and actions.

A firm may set its level and focus of CSR in response to the values of the local community for three primary reasons (Bénabou & Tirole, 2010).

First, a firm may engage in the local community's desired level and focus of CSR to increase its profits. Firms may engage in CSR to increase sales to local consumers by marketing to them (Maignan & Ferrell, 2004). Firms are likely to customize their engagement in CSR to the preferences of local consumers as consumers respond negatively to low-fit CSR initiatives and positively to high-fit CSR initiatives (Becker-Olsen et al., 2006). Firms may also engage in CSR

to increase the productivity of local employees by improving their organizational commitment (Brammer et al., 2007; Ali et al., 2010).

Second, a firm may respond to the values of the local community to meet demands of local stakeholders for the firm to engage in philanthropy on their behalf. The stakeholder view of CSR is becoming increasingly common, with one justification of this view going so far as to propose the introduction of property rights for employees and consumers (Magill et al., 2015).

Third, a firm may respond to the values of the local community to satisfy the desires of local managers to engage in philanthropy. One study finds that executives' political ideologies, specifically conservatism vs. liberalism, affect their firms' engagement in CSR (Chin et al., 2013). Other studies show that CEO narcissism motivates their firms' engagement in CSR and examine the effect of peer influence on this motivation (Petrenko et al., 2014; Tang et al., 2017).

For these reasons, I expect that the local community's moral values are predictive of the level and focus of firms' engagement in CSR.

This correlation between moral values and the level and focus of CSR is likely affected by the financial success and consumer orientation of firms. Financially successful firms are less resource constrained and consequently more able to engage in CSR. Consumer-oriented firms may be more sensitive to public perception about their engagement in CSR and so are incentivized to appeal to their local community's moral values. These organizational moderators should strengthen the correlation between the moral values index and the level and focus of CSR.

To summarize this section, I hypothesize that the moral values of the local community affect the level and focus of CSR, such that the moral values index is positively correlated with engagement in CSR and in CSR focused on universal issues, and that this effect is stronger for financially successful and consumer-oriented firms. As such, I predict the following:

Prediction 1: Firms in more universal counties will have higher total ESG scores, environmental scores, and social scores.

Prediction 2: Foundations of firms in more universal counties will engage more in philanthropy and focus their philanthropy more on universal or non-local issues, such as human rights, and less on communal or local issues, such as community and economic development.

Prediction 3: Financially successful and consumer-oriented firms will have a stronger correlation between the moral values index and the ESG scores.

3 Data

The sample for the moral values and ESG scores covers 407 counties and 2,802 firms from 2009 to 2018. The sample for the moral values and corporate philanthropy metrics covers 198 counties and 532 company-sponsored foundations. The corporate philanthropy metrics are constructed from data on charitable giving by issue and by state from 2013 to 2018.

I use ESG scores and corporate philanthropy metrics to measure the level and focus of CSR. I use survey data to measure the relative importance of universal versus communal moral values. I control for a number of other determinants of CSR which come from several sources of data. In the following section, I discuss the details of these datasets and the construction of the measures for CSR, moral values, and other determinants.

3.1 Measurement of CSR

I use ESG scores and corporate philanthropy metrics to measure CSR. These measures cover the cases where money-making and ethical activities are inseparable (ESG scores) and where these activities are separable (corporate philanthropy metrics).

3.1.1 ESG scores

I obtain firm-level ESG scores from Sustainalytics, a firm that tabulates information on firm engagement in CSR. Sustainalytics has collected data since 2009, maintaining a set of regional universes of firms based on commonly used global and regional indices. Each firm has a total ESG score; environmental, social, and governance scores; and subcomponent scores. The total ESG score is a weighted average of the environmental, social, and governance scores. These component scores are a weighted average of their respective subcomponent scores. Subcomponent scores evaluate the activities and policies of the firm on a scale of 0 to 100.

Figure 1. Composition of the ESG scores
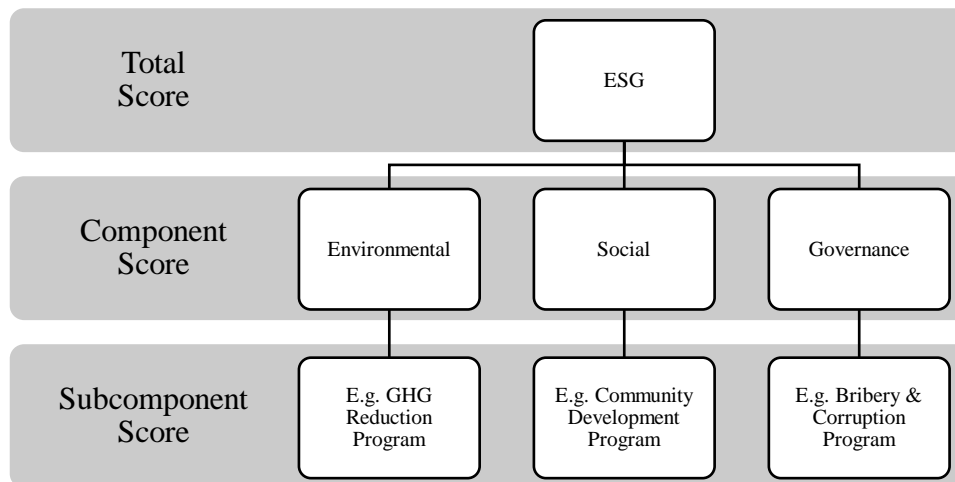
Notes: This figure presents the composition of the ESG scores. The total ESG score is a weighted average of the environment, social, and governance scores, which are weighted averages of their respective subcomponent scores. The ESG scores were provided by Sustainalytics.

Sustainalytics' index-based selection process results in a collection of firms that are larger and more successful than firms more generally. To compare the firms in this sample to firms more generally, see Appendix B. These indices, depending on their purpose, likely have thresholds for firm size, success, and level of engagement in CSR. A common view is that larger firms have a larger impact on society and are more likely to engage in CSR due to their greater

visibility, access to resources, and organization. Therefore, the Sustainalytics' database likely captures the economically important firms for an analysis of CSR, though investigating the engagement in CSR of small and medium sized firms is also important.

Sustainalytics' evaluation process is based on its own analysis of firms' engagement in CSR and does not consist of self-reporting, though firms can provide feedback after their evaluation. This process is comprehensive in its analysis of approximately 60-80 indicators for each firm. Hence, Sustainalytics' systematic and exhaustive collection of firm ESG data captures a level of scope and detail that prior analyses of firms' engagement in CSR have not.

3.1.2 Corporate philanthropy metrics

I obtain corporate philanthropy data from Foundation Directory Online, a platform that matches grantseekers to grantmakers. I compiled a dataset of the charitable giving by issue and by state of company-sponsored foundations that gave at least $1M and 100 grants from 2013 to 2018. Company-sponsored foundations are "independent foundations associated with and whose funds are derived primarily from a for-profit corporation" (Candid, 2019).

Using this dataset, I created corporate philanthropy metrics of the total amount funded, the issue focus, and the geographic focus.

The total amount funded is the total amount of philanthropy funded from 2013 to 2018. This metric measures the foundation's capacity for philanthropy.

The issue focus metric is an indicator for whether funds are given to an issue at any time from 2013 to 2018. Some issues appear to be universal, such as human rights, some communal, such as community and economic development, and still others uncertain and dependent on whether giving to these issues is local or non-local.

Figure 2. List of the issues

- Agriculture, fishing, and forestry	- International relations
- Arts and culture	- Philanthropy
- Community and economic development	- Public affairs
- Education	- Public safety
- Environment	- Religion
- Health	- Science
- Human rights	- Social sciences
- Human services	- Sports and recreation
- Information and communications	- Unknown or not classified

Notes: This figure presents the list of the issues covered by Foundation Directory Online.

The geographic focus metric is the share of funds given to the state or region in which the foundation's parent company is headquartered from 2013 to 2018. This metric is measured for the state and the region as the data showed that some firms gave predominantly to their own state while others also gave to nearby states. If more communal people see their state as an in-group, then foundations of firms in relatively more communal counties are more likely to give in-state. If more communal people see their region as an in-group, then foundations of firms in relatively more communal counties are more likely to give in-region. Political rhetoric and common usage indicate that people typically identify more with their region than with their state.

Figure 3. Examples of state focus and region focus
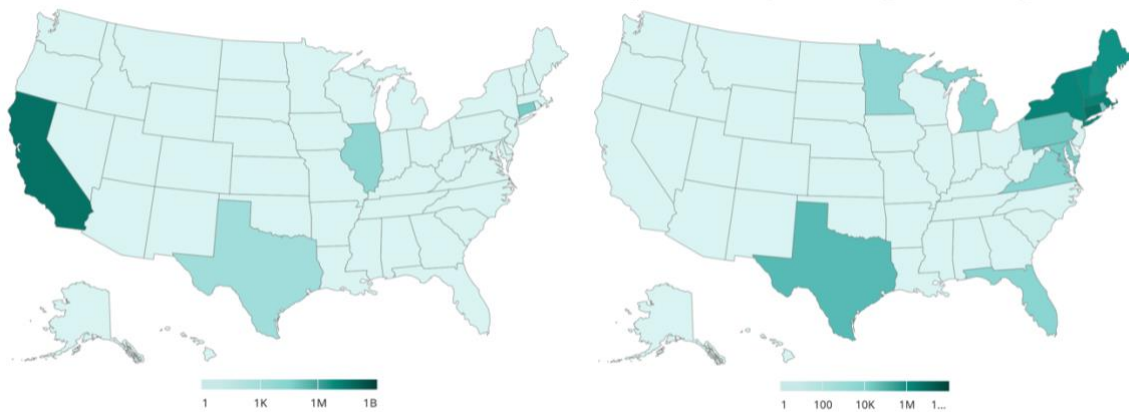
| Example of state focus: | Example of region focus: |
| The Copley Press | The People's United Bank |

Notes: This figure maps the giving by state for examples of the geographic focus metric. The example of the state focus is the Copley Press, a newspaper business headquartered in California that funded $31M of grants from 2013 to 2018. The example of the region focus is the People's United Bank, a full-service bank headquartered in Connecticut that funded $11M of grants from 2013 to 2018. The maps were provided by the Foundation Directory Online.

3.2 Measurement of moral values

I rely on survey data to measure county-level moral values. This survey, the Moral Foundations Questionnaire (MFQ) was posted by the psychologist Haidt and his collaborators to www.yourmorals.org and, since 2008, has been completed by almost 280,000 U.S. residents. While the respondents are not representative of a county's population, the large number of responses enables the computation of meaningful county-level measures of moral values. These measures, computed by Enke, consist of the absolute importance of universal moral values, the absolute importance of communal moral values, and the relative importance of universal versus communal moral values (Enke, 2018).

These measures of moral values are constructed from dimensions measured by the MFQ. These dimensions, the five "foundations of 'intuitive ethics,'" classify people's moral concerns and consist of:

1. "Care / harm: Measures the extent to which people care for the weak and attempt to keep others from harm.

2. Fairness / reciprocity: Measures the importance of ideas relating to equality, justice, rights, and autonomy.

3. In-group / loyalty: Measures people's emphasis on being loyal to the "in-group" (family, country) and the moral relevance of betrayal.

4. Authority / respect: Measures the importance of respect for authority, tradition, and societal order.

5. Purity / sanctity: Measures the importance of ideas related to purity, disgust, and traditional religious attitudes." (Enke, 2018, p. 11)

The score for each moral foundation is the sum over the responses to its set of questions. The questions are on a Likert scale and ask respondents to assess the moral relevance of concepts or their agreement with moral values statements.

The foundations of care / harm and fairness / reciprocity correspond to universal moral values and in-group / loyalty and authority / respect correspond to communal moral values. The county-level measures of moral values are computed using the foundations' scores:

- Abs. imp. universal values = Care + Fairness

- Abs. imp. communal values = In-group + Authority

- Rel. imp. universal vs. communal moral values = Universal - Communal

This moral values index, the relative importance of universal versus communal moral values, has significant variation when aggregated to the county level. Enke reduces measurement error by excluding counties with less than five respondents and shrinking moral values to the sample mean by its signal-to-noise ratio (Enke, 2018). This measure is relatively temporally

stable, as "county-level values computed separately for respondents in 2008-2012 and in 2013-2018 are strongly correlated with one another once counties with few respondents are ignored" (Enke, 2018, p. 16).

I use the moral values index from 2013-2018 to represent values at the county level, which I justify due to the stability of these values over time. I standardize this index to facilitate its interpretation.

3.3 Measurement of other determinants

I use firm-level, county-level, and state-level datasets from several sources to measure other determinants of CSR.

3.3.1 Firm characteristics

I obtain firm characteristics from the Compustat database maintained by S&P Global. This database covers the period from 2009 to 2018 and reports firm characteristics for public firms from filings with the SEC.

I use the headquarter address to link firms to counties. To get the county from the address provided by Compustat, I use the Google Maps Platform Geocoding API to get the county name and the Federal Communications Commission API to get the county FIPS code.

As larger firms are more scrutinized and thus thought to engage more in CSR, I control for firm size by using the log of annual sales, following the methodology of other studies of CSR (Reid & Toffel, 2009; Marquis et al., 2016). As employees are a powerful group of stakeholders and large employers may disproportionately affect the composition of moral values in a county, I control for the log of annual employment (Marquis et al., 2016). As standards for CSR vary across industries, I create dummies for each firm's one digit SIC code.

As successful firms are less resource constrained and consequently more able to engage in CSR, I measure financial performance using annual return on assets, calculated as net income divided by starting-year assets (Marquis et al., 2016).

As consumer-oriented firms are shown to engage more in CSR, I construct an indicator for consumer orientation that defines a firm to be consumer-oriented if the Global Industry Classification Standard (GICS) categorizes the firm as consumer discretionary or consumer staples (Marquis & Tilcsik, 2016).

3.3.2 Foundation characteristics

I obtain foundation characteristics from Foundation Directory Online. I control for the log of the total amount funded as this measure is correlated with an increase in giving to operating locations rather than the headquarters location (Mcelroy & Siegfried, 1986). I obtain the SIC code of the foundations' parent companies from online searches and create dummies for each parent company's one digit SIC code.

3.3.3 County characteristics

I obtain county characteristics from the Bureau of Economic Analysis (BEA), a U.S. government agency that provides official macroeconomic statistics. I control for the log of the total income, as the economic strength of the county is shown to affect engagement in CSR, and for the log of the population of the county (Marquis & Tilcsik, 2016).

3.3.4 State characteristics

I obtain state characteristics for political affiliation and number of social clubs from several sources.

I compile political affiliation of the governor and legislative majorities data from the State Partisan Composition Data aggregated by the National Conference of State Legislatures

and the State Partisan Balance Data aggregated by Carl Klarner. I control for the political affiliation of the governor as studies show that regulatory threat affects engagement in CSR (Reid & Toffel, 2009; Hoover & Fatafas, 2016). I control for regulatory threat as states do not differ substantially in their regulation for CSR. This control is an indicator for whether the governor is Republican. I also construct a measure for the political affiliation of the state that accounts for the political affiliation of the governor and the house and senate majorities. In my analysis, I use the former; my results are similar when using the latter.

Following the methodology of Tilcsik and Marquis (2017), I use Domhoff's list to control for the number of exclusive upper-class social clubs in the state (Domhoff, 2006). I control for the presence of social clubs as these clubs affect the level of corporate philanthropy (Marquis & Tilcsik, 2016).

3.4 Summary statistics

Tables 1A and 1B present the summary statistics of the moral values and ESG scores sample and the moral values and corporate philanthropy metrics sample.

Table 1A demonstrates that the total ESG score has a mean of 53.71 with a standard deviation of 8.325 and that the environmental, social, and governance scores have means of 50.26, 53.77, and 63.48 and standard deviations of 12.89, 10.13, and 9.03. These scores range from a minimum of 23 to a maximum of 100. Table 1A also shows that the firms in the sample have a relatively high level of sales, number of employees, and return on assets and that the counties in the sample have a relatively high total income and population. To compare the firms and counties in this sample to firms in the Compustat database and counties in the BEA database, see Appendix B.

Table 1A: Summary statistics of firms and counties
in the moral values and ESG scores sample

VARIABLES	(1) Obs.	(2) Mean	(3) SD	(4) Min	(5) Max
Total score					
Total ESG score	10,743	53.71	8.325	33	90.53
Component score					
Environmental score	9,131	50.26	12.89	23	100
Social score	9,131	53.77	10.13	23	92.50
Governance score	9,131	63.48	9.028	31.07	95
Relative importance of universal vs. communal moral values	10,743	0.612	0.666	-2.183	2.421
Sales (thousands)	9,718	11.28	28.87	0	511.7
Employees (thousands)	10,659	27.91	86.03	0	2,300
Return on assets	9,718	0.0281	0.162	-3.301	3.597
Total income (thousands)	10,743	1.070e+08	1.076e+08	777,702	6.288e+08
Population (thousands)	10,743	1,683	1,859	21.28	10,121
Republican governor	10,743	0.691	0.462	0	1
Number of social clubs	10,743	2.664	2.363	0	7

Notes: This table presents the summary statistics of the moral values and ESG scores sample.

Table 1B demonstrates that the total amount funded (thousands) has a mean of 45,943 and a standard deviation of 215,647; that the issue focus metrics have, on average, a mean of 0.902 and a standard deviation of 0.248; and that the state and region geographic focus metrics have means of 0.548 and 0.697 and standard deviations of 0.309 and 0.264. The distributions of the measures of moral values and other determinants resemble those in Table 1A.

Table 2 presents the pairwise correlations between the independent variables in the moral values and ESG scores sample. Importantly, this table shows the correlation between the moral values index and the other determinants of CSR.

Table 2 demonstrates that the moral values index is only marginally correlated with firm-level measures of size and financial success; positively correlated with county-level measures of

Table 1B: Summary statistics of foundations and counties
in the moral values and corporate philanthropy metrics sample

VARIABLES	(1) Obs.	(2) Mean	(3) SD	(4) Min	(5) Max
Total amount funded					
Total amount funded (thousands)	532	45,943	215,647	350.5	3.713e+06
Issue focus					
Agriculture, fishing, and forestry	532	0.735	0.442	0	1
Arts and culture	532	0.970	0.171	0	1
Community and economic development	532	0.985	0.122	0	1
Education	532	0.998	0.0434	0	1
Environment	532	0.951	0.216	0	1
Health	532	0.996	0.0613	0	1
Human rights	532	0.870	0.336	0	1
Human services	532	0.994	0.0750	0	1
Information and communication	532	0.893	0.310	0	1
International relations	532	0.810	0.393	0	1
Philanthropy	532	0.974	0.160	0	1
Public affairs	532	0.921	0.270	0	1
Public safety	532	0.962	0.190	0	1
Religion	532	0.850	0.358	0	1
Science	532	0.823	0.382	0	1
Social sciences	532	0.643	0.480	0	1
Sports and recreation	532	0.957	0.204	0	1
Geographic focus					
State	532	0.548	0.309	0	1
Region	532	0.697	0.264	0.000785	1
Relative importance of universal vs. communal moral values	532	0.686	0.712	-2.183	2.665
Total income (thousands)	532	8.947e+07	1.078e+08	80,620	5.782e+08
Population (thousands)	532	1,339	1,702	1.414	10,121
Republican governor	532	0.549	0.498	0	1
Number of social clubs	532	2.383	2.285	0	7

Notes: This table presents the summary statistics of the moral values and corporate philanthropy metrics sample.

total income and population; negatively correlated with the indicator for Republican governor;

and positively correlated with the number of social clubs. That counties with a larger population

Table 2: Pairwise correlations between independent variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Moral values index	1.000							
(2) Sales (log)	-0.032***	1.000						
(3) Employees (log)	-0.011	0.831***	1.000					
(4) Return on assets	-0.030***	0.380***	0.320***	1.000				
(5) Total income (log)	0.346***	-0.009	-0.035***	-0.063***	1.000			
(6) Population (log)	0.262***	0.003	-0.018*	-0.051***	0.944***	1.000		
(7) Republican governor	-0.211***	0.076***	0.068***	0.039***	-0.101***	-0.013	1.000	
(8) Number of social clubs	0.410***	-0.054***	-0.069***	-0.037***	0.511***	0.357***	-0.345***	1.000

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table presents the pairwise correlations between independent variables in the moral values and ESG scores sample.

are more universal is consistent with Enke's correlates of county-level values. That counties in states with a Republican governor are less universal also concurs with Enke's analysis of moral values and voting. Counties in states with more exclusive upper-class social clubs are more universal.

4 Methods

In the following section, I first discuss the details of the main specification and then those of the interaction specification.

4.1 Main specification

To determine the correlation between CSR measures of firms and moral values of the counties in which firms are headquartered, I run regressions of the form

$$(1) \; CSR_{j,t} = \beta_0 + \beta_1 \, M_{j,c,t} + F_t + I_j + \gamma \, Z_{j,c,t} + \varepsilon_{j,t}$$

where $CSR_{j,t}$ is the CSR measure for firm j at year t, $M_{j,c,t}$ is the moral values index for the

county c in which firm j is headquartered at year t, F_t and I_j are year and industry fixed effects,

$Z_{j,c,t}$ is a vector of firm, county, and state controls, and $\varepsilon_{j,t}$ is the error. I cluster standard errors at

the county level. I run this regression for the total, component, and subcomponent scores and the

total amount funded, issue focus, and geographic focus metrics. As corporate philanthropy

metrics are constructed from a cross-section of counties, the regressions for these metrics do not

include year fixed effects.

4.2 Interaction specification

To determine whether the correlation between ESG scores and moral values is different

for firms that are more successful or consumer-oriented than for firms that are less successful or

industry-oriented, I run regressions of the form

$$(2) \; CSR_{j,t} = \beta_0 + \beta_1 M_{j,c,t} + \beta_2 C_{j,t} + \beta_3 M_{j,c,t} * C_{j,t} + F_t + I_j + \gamma Z_{j,c,t} + \varepsilon_{j,t}$$

where $C_{j,t}$ is the condition of the firm, $M_{j,c,t} * C_{j,t}$ is the interaction of the moral values index for

firm j at year t with condition for firm j at year t and the other variables are as previously stated. I

run this regression for the total, component, and subcomponent scores and firm conditions of

financial performance and consumer-orientation.

5 Results

In the following section, I first present the results of the regressions of ESG scores and

corporate philanthropy metrics on the moral values index and then present the effects of the

organizational moderators of financial performance and consumer orientation.

5.1 Effect of moral values on the level and focus of CSR

5.1.1 Effect of moral values on ESG scores

Figure 4 plots a binscatter of the regression of total ESG score on the moral values index and shows a positive relationship. Table 3A, column 1 shows the result of this regression with year and industry fixed effects and confirms that the moral values index is positively and significantly correlated with the total ESG score. An increase of one standard deviation in the moral values index results in an increase of 0.555 in the total ESG score, which is equivalent to an increase of 0.069 of a standard deviation. Table 3B, column 1 shows that this correlation is robust to the inclusion of year and industry fixed effects and firm, county, and state controls. Table 3B, column 1 also shows that the total ESG score is positively correlated with log of sales, log of employees, indicator for Republican governor, and the number of social clubs and negatively correlated with return on assets.

The positive correlation between the moral values index and the total ESG score supports the prediction that firms in more universal counties engage more in CSR. The positive effect of firm size on the total ESG score is consistent with the view that larger firms are more likely to engage in CSR due to their greater visibility, access to resources, and organization. The positive effect of the number of social clubs on the total ESG score is expected as social clubs affect the level of corporate philanthropy (Marquis et al., 2011). The positive effect of the Republican governor is inconsistent with results showing that firms self-regulate less in Republican states, which pose less of a regulatory threat (Hoover & Fafatas, 2016). This positive effect is only significant at the 10% level for the total score and insignificant for the component scores. While the total ESG score speaks to the level of CSR, it does not address the components of CSR, which are represented by the environmental, social, and governance scores.

Figure 4. Binscatter of total ESG score on moral values index
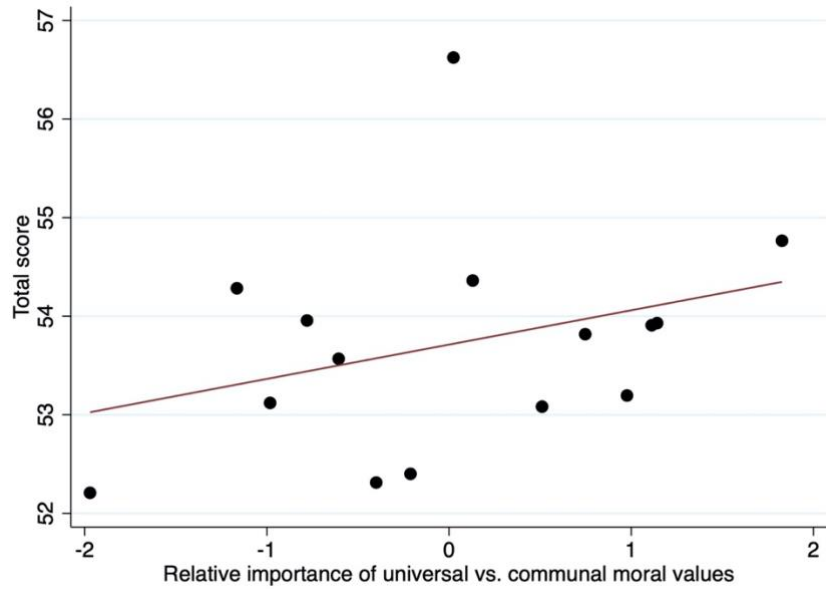
Notes: This figure plots a binscatter of the total ESG score on the relative importance of universal vs. communal moral values. The total ESG score measures the level of CSR.

Figure 5. Binscatter of component scores on moral values index
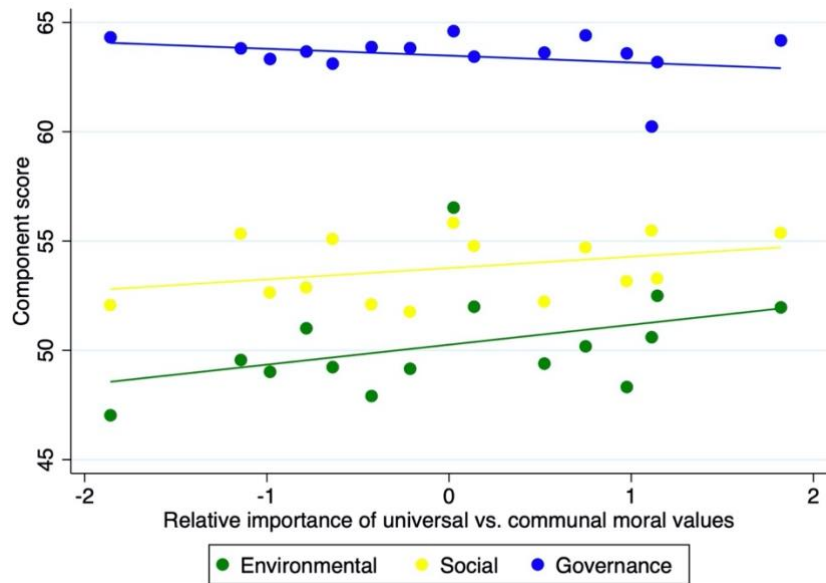
Notes: This figure plots a binscatter of the component scores on the relative importance of universal vs. communal moral values. The component scores, which consist of the environmental, social, and governance scores, measure the level and focus of CSR.

Table 3A: Effect of the moral values index on total and component scores

VARIABLES	(1) Total score	(2) Component score	(3)	(4)
	Total ESG score	Environmental score	Social score	Governance score
Relative importance of universal vs. communal moral values	0.555***	1.233***	0.671**	0.219
	(0.185)	(0.314)	(0.312)	(0.277)
Constant	49.41***	42.28***	49.39***	61.15***
	(1.339)	(1.173)	(5.044)	(1.162)
Observations	10,743	9,131	9,131	9,131
R-squared	0.162	0.144	0.100	0.253
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and do not include additional controls. Standard errors are clustered at the county level.

Figure 5 plots a binscatter of the regressions of environmental, social, and governance scores on the moral values index and shows positive relationships for the environmental and social scores. Table 3A, columns 2, 3, and 4 show the results of these regressions with year and industry fixed effects and confirm that the moral values index is positively and significantly correlated with the environmental and social scores and uncorrelated with the governance score. An increase of one standard deviation in the moral values index results in increases of 1.233 and 0.671 in the environmental and social scores, which are equivalent to increases of 0.098 and 0.067 of a standard deviation, respectively. Table 3B, columns 2 and 3 demonstrate that the correlations with the environmental and social scores are robust to the inclusion of fixed effects and controls, such that they are still significant at the 5% and 10% levels despite their

Table 3B: Effect of the moral values index on total and component scores

VARIABLES	(1) Total score Total ESG score	(2) Component score Environmental score	(3) Social score	(4) Governance score
Relative importance of universal vs. communal moral values	0.529**	0.775**	0.644*	0.441*
	(0.216)	(0.370)	(0.366)	(0.250)
Sales (log)	1.624***	2.951***	1.538***	0.184
	(0.177)	(0.562)	(0.316)	(0.246)
Employees (log)	0.688***	0.801*	0.620**	0.438*
	(0.152)	(0.422)	(0.262)	(0.225)
Return on assets	-1.050*	-2.275	0.479	1.514*
	(0.608)	(1.826)	(1.441)	(0.913)
Total income (log)	-0.364	1.525	-1.620*	-1.341*
	(0.799)	(1.841)	(0.904)	(0.700)
Population (log)	0.289	-1.491	1.463	0.985
	(0.790)	(1.810)	(0.938)	(0.690)
Republican governor	0.502*	0.820	0.604	0.235
	(0.286)	(0.513)	(0.386)	(0.375)
Number of social clubs	0.221*	0.355	0.317**	-0.0642
	(0.132)	(0.257)	(0.152)	(0.128)
Constant	35.07***	6.233	41.26***	68.15***
	(4.744)	(9.896)	(8.265)	(4.379)
Observations	9,578	8,186	8,186	8,186
R-squared	0.311	0.285	0.172	0.208
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and firm, county, and state controls. Standard errors are clustered at the county level.

coefficients decreasing to 0.775 and 0.644. Table 3B, column 4 demonstrates that the correlation with the governance score, while initially insignificant with only year and industry fixed effects, becomes significant at the 10% level with the inclusion of controls. For details on the effect of additional controls, see Appendix A for tables that add the controls by group. Table 3B, columns

2, 3, and 4 also show that measures of firm size are positively correlated with the component scores, that return on assets is positively correlated with the governance score, and that the number of social clubs is positively correlated with the social score.

The moral value index's positive and significant correlation with the environmental score, positive and less robust correlation with the social score, and lack of correlation with the governance score support the prediction that the moral values index is positively correlated with engagement in CSR focused on universal issues. While the social and environmental scores primarily measure activities and policies that manage a firm's responsibilities for and impacts on society and the environment, the governance score does not. As such, the lack of correlation with the governance score supports this hypothesis as CSR is more than good corporate governance. The positive effect of firm size on the component scores affirms the positive relationship between firm size and engagement in CSR. The positive correlation between return on assets and the governance score may be because firms with better governance are more successful. That the number of social clubs is only positively correlated with the social score, which is partly measured by engagement in philanthropy, suggests that the effect of the number of social clubs on CSR may be limited to philanthropy. While these scores demonstrate the focus of CSR, they do not show the activities and policies engaged in by firms, which are measured by the subcomponent scores.

Table 4 presents the correlations between the moral values index and the subcomponent scores. The moral values index is positively correlated with engagement in activities and policies that reduce GHG emissions and switch to renewable energy sources; that emphasize philanthropy, monitor the supply chain, and increase the diversity of employees; and that improve the board diversity and oversight of ESG issues. The moral values index is marginally

Table 4: Effect of moral values index on subcomponent scores

Environmental subcomponent	Coefficient	SE	P-value
Participation in Carbon Disclosure Project (Investor CDP)	3.99	(1.49)	***
Scope of Corporate Reporting on GHG Emissions	3.50	(1.40)	**
Programmes and Targets to Reduce GHG Emissions from own operations	3.34	(1.05)	***
Programmes and Targets to Increase Renewable Energy Use	2.52	(0.74)	***
Carbon Intensity	2.26	(1.32)	*
Environmental Management System	1.81	(0.98)	*

Social subcomponent	Coefficient	SE	P-value
Guidelines for Philanthropic Activities and Primary Areas of Support	4.33	(1.33)	***
Corporate Foundation	4.19	(1.84)	**
Supply Chain Monitoring System	3.05	(0.83)	***
Programmes to Increase Workforce Diversity	2.98	(0.57)	***
Percent Cash Donations of NEBT	2.69	(0.82)	***
Policy on Freedom of Association	2.44	(0.86)	***
Scope of Social Supply Chain Standards	1.84	(1.04)	*
Formal Policy on the Elimination of Discrimination	1.28	(0.60)	**
Social Supply Chain Incidents	-0.47	(0.17)	***
Employee Related Controversies or Incidents	-0.66	(0.25)	***

Governance Subcomponent	Coefficient	SE	P-value
Board Diversity	3.99	(1.15)	***
Oversight of ESG Issues	3.19	(1.04)	***
CSR Reporting Quality	1.88	(0.70)	***
Signatory to UN Global Compact	1.77	(0.62)	***
Policy on Bribery and Corruption	1.75	(0.82)	**
Disclosure of Directors' Biographies	0.76	(0.36)	**
Total Value of Political Contributions or Political Spending	-2.23	(1.20)	*

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of subcomponent scores on the relative importance of universal vs. communal moral values. This table only reports the estimates of the regressions that are significant and robust to the inclusion of year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and firm, county, and state controls. Standard errors are clustered at the county level.

and negatively correlated with social supply chain incidents and employee related controversies. The moral values index is also negatively correlated with the total value of political contributions.

These correlations demonstrate the specific activities and policies that are correlated with the moral values index and further support the prediction that the moral values index is positively correlated with engagement in CSR focused on universal issues. These correlations suggest that firms that engage more in CSR are also marginally more likely to have incidents related to CSR, possibly due to their increased monitoring and reporting of CSR. Furthermore, the finding that firms in more universal counties have more political contributions may relate to an emerging literature that examines the phenomenon of firms simultaneously engaging in CSR and lobbying for less regulation. For example, firms use corporate philanthropy as a tool for political influence (Bertrand et al., 2018).

5.1.2 Effect of moral values on corporate philanthropy metrics

Figure 6 plots a binscatter of the regression of the log of the total amount funded on the moral values index and shows a positive relationship. Table 5, column 1 presents the result of this regression and confirms this positive relationship. An increase of one standard deviation in the moral values index results in an increase of 0.127 in the log of the total amount funded, which is equivalent to an increase of 0.097 of a standard deviation. Table 5, columns 2, 3, and 4 test the robustness of this correlation by adding county, state, and all controls by group. Table 5 demonstrates that this correlation is rendered insignificant by the inclusion of county controls and is unaffected by the inclusion of state controls. In the specification including all controls, county-level controls of total income and population are positively and negatively correlated with the log of the total amount funded at the 1% level.

Figure 6. Binscatter of total amount funded on moral values index
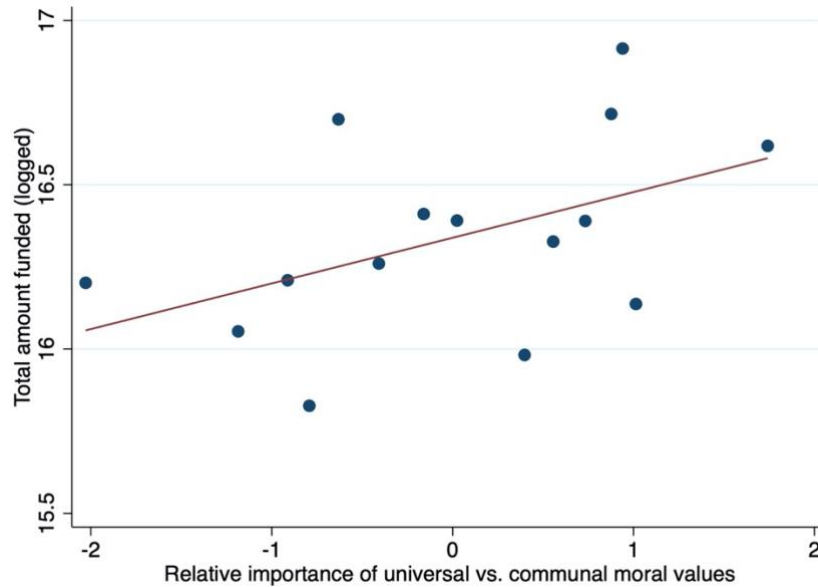
Notes: This figure plots a binscatter of the total amount funded on the relative importance of universal vs. communal moral values. The total amount funded measures the level of CSR.

The positive correlation between the moral values index and the log of the total amount funded supports the prediction that foundations of firms in more universal counties engage more in corporate philanthropy. That this correlation is rendered insignificant by the inclusion of county controls may be partially attributed to the small number of observations and the correlations between the moral values index and the county controls. That higher total income counties engage more in corporate philanthropy is intuitive, as these counties are more able to engage in corporate philanthropy. Lower population counties may engage more in corporate philanthropy as these counties have a stronger sense of community. While the total amount funded speaks to the level of corporate philanthropy, it does not address the focus of corporate philanthropy, which is represented by the issue and geographic focus metrics.

Figures 7A and 7B plot binscatters of the regressions of the issue focus metrics on the moral values index and shows positive relationships for the human rights, education, social

Table 5: Effect of moral values index on total amount funded

VARIABLES	(1) No controls	(2) County controls	(3) State controls	(4) All controls
Relative importance of universal vs. communal moral values	0.127**	0.0361	0.122**	0.0730
	(0.0604)	(0.0562)	(0.0537)	(0.0578)
Total income (log)		0.541***		0.793***
		(0.143)		(0.197)
Population (log)		-0.432**		-0.669***
		(0.180)		(0.219)
Republican governor			0.195	0.226
			(0.149)	(0.151)
Number of social clubs			0.0468	-0.0393
			(0.0381)	(0.0357)
Constant	16.57***	12.87***	16.40***	11.62***
	(1.229)	(1.402)	(1.309)	(1.513)
Observations	532	532	532	532
R-squared	0.026	0.057	0.031	0.068
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the total amount funded (log) on the relative importance of universal vs. communal moral values. These regressions include industry fixed effects, where industry is defined to be the one digit SIC code of the foundation's parent company, and add county and state controls by group. Standard errors are clustered at the county level.

sciences, and information and communications issue focus metrics and negative relationships for the community and economic development and recreation issue focus metrics. Table 6A shows the results of these regressions and confirms these positive and negative relationships. An increase of one standard deviation in the moral values index results in increases of 0.332, 1.988, 0.197, and 0.364 in the log-odds for the human rights, education, social sciences, and information and communications issue focus metrics and decreases of 0.732 and 0.498 in the log-odds for the community and economic development and sports and recreation issue focus metrics. Table 6B includes foundation, state, and county controls and demonstrates that the

Figure 7A. Binscatter of issue focus metrics on moral values index

Legend:
- Human rights
- Social sciences
- Education
- Information and communications
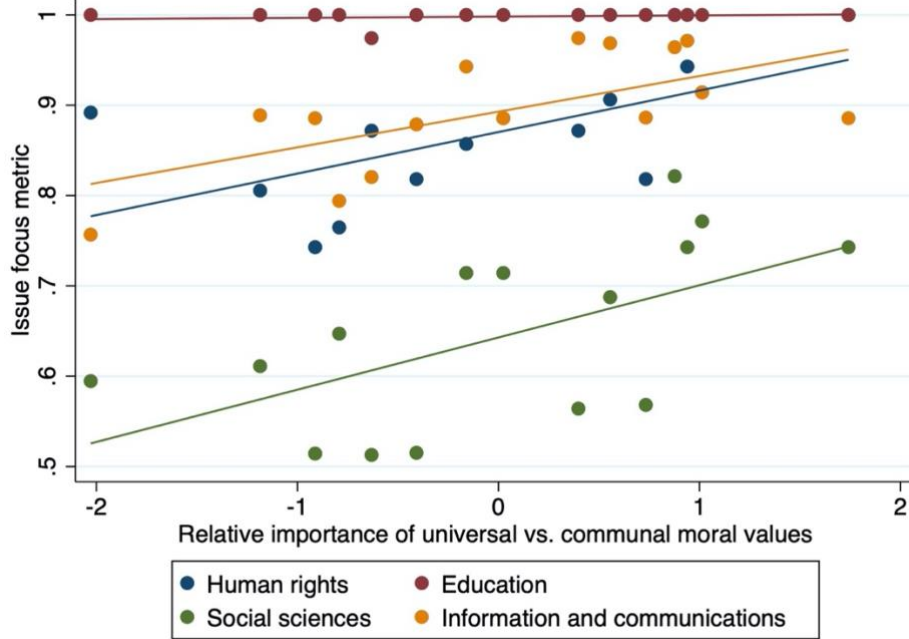
Figure 7B. Binscatter of issue focus metrics on moral values index

Legend:
- Community and economic development
- Sports and recreation
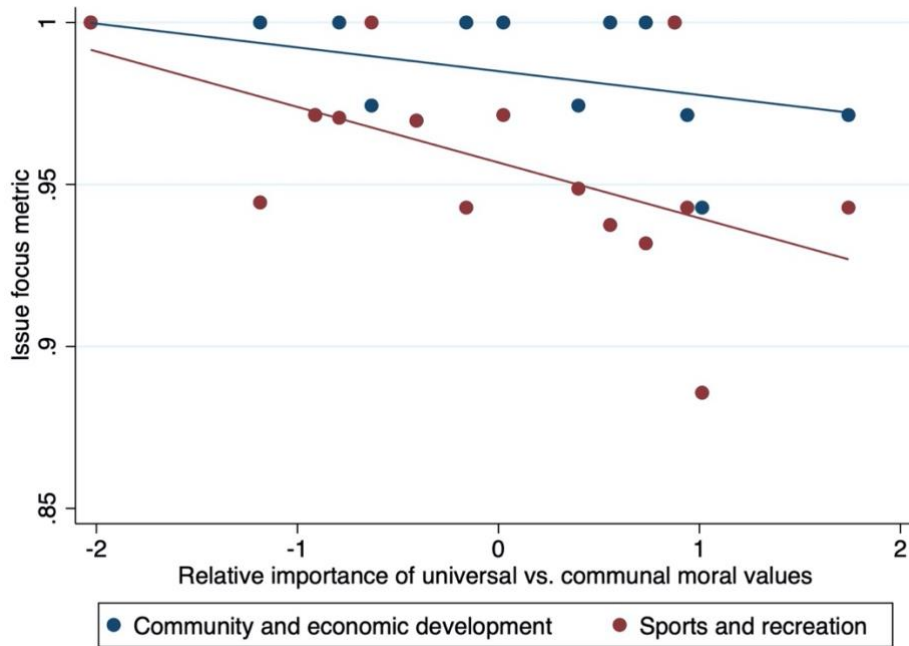
Notes: These figures plot binscatters of the issue focus metrics on the relative importance of universal vs. communal moral values. The issue focus metric is an indicator for whether a company-sponsored foundation gave to a subject area. The issue focus metrics included in the first figure are those that are positively correlated with the moral values index, whereas those included in the second figure are those that are negatively correlated with the moral values index.

Table 6A: Effect of moral values index on issue focus metric

VARIABLES	(1) Human rights	(2) Education	(3) Social sciences	(4) Information and communications	(5) Community and economic development	(6) Sports and recreation
Relative importance of universal vs. communal moral values	0.332***	1.988***	0.197*	0.364**	-0.732*	-0.498**
	(0.121)	(0.603)	(0.108)	(0.161)	(0.421)	(0.231)
Constant	0.167	4.316***	0.0992	0.183	4.106***	-0.250
	(1.468)	(0.963)	(1.452)	(1.477)	(0.986)	(1.348)
Observations	532	43	532	532	255	532
Industry FE	YES	YES	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from logit regressions of the issue focus metrics on the relative importance of universal vs. communal moral values. The issue focus metric is an indicator for whether a company-sponsored foundation gave to a subject area. This table only reports the estimates of the regressions that are significant and robust to the inclusion of industry fixed effects, where industry is defined to be the one digit SIC code of the parent company. Standard errors are clustered at the county level.

correlations with the human rights, community and economic development, and sports and recreation issue focus metrics are robust to the inclusion of fixed effects and controls. The other correlations are rendered insignificant by the inclusion of all controls. Table 6B, column 1 shows that the total amount funded is positively correlated with the human rights focus metric.

The positive, significant, and robust correlation with the human rights issue focus metric supports the prediction that the moral values index is positively correlated with engagement in CSR focused on universal issues. The negative, significant, and robust correlations with the community and economic development and sports and recreation issue focus metrics also support this prediction, as the moral values index should be negatively correlated with

Table 6B: Effect of moral values index on issue focus metric

VARIABLES	(1) Human rights	(2) Community and economic development	(3) Sports and recreation
Relative importance of universal vs. communal moral values	0.252*	-0.872*	-0.527***
	(0.133)	(0.460)	(0.204)
Total amount funded (log)	0.546***	-0.462	0.295
	(0.157)	(0.364)	(0.262)
Total income (log)	0.466	-0.741	-0.296
	(0.509)	(1.163)	(0.623)
Population (log)	-0.306	0.860	0.605
	(0.540)	(1.131)	(0.764)
Republican governor	0.579*	-1.176	0.267
	(0.342)	(1.012)	(0.500)
Number of social clubs	0.0420	-0.0231	-0.0201
	(0.0760)	(0.326)	(0.125)
Constant	-13.28***	13.90*	-8.262*
	(3.592)	(7.768)	(4.792)
Observations	532	255	532
Industry FE	YES	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from logit regressions of the issue focus metrics on the relative importance of universal vs. communal moral values. The issue focus metric is an indicator for whether a company-sponsored foundation gave to a subject area. This table only reports the estimates of the regressions that are significant and robust to the inclusion of industry fixed effects, where industry is defined to be the one digit SIC code of the parent company, and foundation, county, and state controls. Standard errors are clustered at the county level.

engagement in CSR focused on communal issues. The positive correlation between total amount funded and the human rights focus metric indicates that human rights may be perceived as a luxury issue that only the largest foundations can afford to fund.

Figure 8 plots a binscatter of the regression of the geographic focus metrics on the moral values index and shows a negative relationship, suggesting that foundations of firms in more universal counties engage less in corporate philanthropy focused on local issues. Table 7A shows the results of these regressions and confirms this negative relationship. An increase of one

Figure 8. Binscatter of geographic focus metrics on moral values index
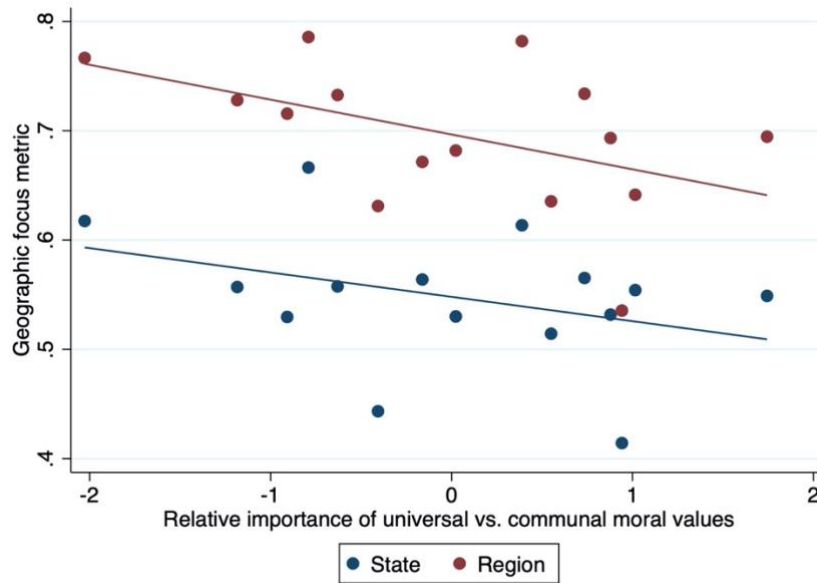
Notes: This figure plots a binscatter of the geographic focus metrics on the relative importance of universal vs. communal moral values. The geographic focus metric is the share of funds given to the state or region in which the foundation's parent company is headquartered.

standard deviation in the moral values index results in decreases of 0.025 and 0.036 in the state and region geographic focus metrics, which are equivalent to decreases of 0.082 and 0.135 of a standard deviation, respectively. Thus, a one standard deviation in the moral values index results in a decrease of approximately 2-4% in the share of funds focused on local issues. The correlation with the region geographic focus metric is more significant and robust to the inclusion of additional controls than the correlation with the state geographic focus metric, as shown by the tables that add controls by group in Appendix A. Table 7B, however, includes foundation, county, and state controls and shows that these correlations are not robust to the inclusion of all controls. The total amount funded and the number of social clubs are marginally correlated with the share of funds focused on local issues. The county-level measures of total income and population have larger coefficients of -0.232 and 0.214 for the state geographic focus metric, which are equivalent to coefficients of -0.751 and 0.692 of a standard deviation, and have

Table 7A: Effect of moral values index on geographic focus metric

VARIABLES	(1) State	(2) Region
Relative importance of universal vs. communal moral values	-0.0253*	-0.0355**
	(0.0151)	(0.0141)
Constant	0.343***	0.731***
	(0.114)	(0.0287)
Observations	532	532
R-squared	0.040	0.043
Industry FE	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the geographic focus metrics on the relative importance of universal vs. communal moral values. The geographic focus metric is the share of funds given to the state or region in which the foundation's parent company is headquartered. These regressions include industry fixed effects, where industry is defined to be the one digit SIC code of the parent company, and do not include additional controls. Standard errors are clustered at the county level.

similar coefficients for the region geographic focus metric.

The negative and significant correlations with the state and region geographic focus metrics support the prediction that the moral values index is negatively correlated with corporate philanthropy focused on local issues. The relatively greater robustness of the correlation with the region geographic focus metric suggests that communal people may be more likely to see their region rather than their state as an in-group. The negative effect of the total income of the county on the share of funds focused on local issues suggests that as total income increases, local demand for philanthropy decreases and foundations focus more on non-local issues. The positive effect of the population of the county on the share of funds focused on local issues suggests that as the population increases, local demand for philanthropy increases and foundations focus more on local issues.

Table 7B: Effect of relative moral values on geographic focus metric

VARIABLES	(1) State	(2) Region
Relative importance of universal vs. communal moral values	-0.00470	-0.00676
	(0.0155)	(0.0127)
Total amount funded (log)	-0.0461***	-0.0344***
	(0.00874)	(0.00878)
Total income (log)	-0.232***	-0.165***
	(0.0514)	(0.0430)
Population (log)	0.214***	0.135***
	(0.0552)	(0.0466)
Republican governor	0.0781	0.0387
	(0.0485)	(0.0386)
Number of social clubs	0.0347***	0.0113
	(0.0115)	(0.00915)
Constant	2.202***	2.358***
	(0.316)	(0.209)
Observations	532	532
R-squared	0.154	0.147
Industry FE	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the geographic focus metrics on the relative importance of universal vs. communal moral values. The geographic focus metric is the share of funds given to the state or region in which the foundation's parent company is headquartered. These regressions include industry fixed effects, where industry is defined to be the one digit SIC code of the parent company, and foundation, county, and state controls. Standard errors are clustered at the county level.

4.2 Effect of organizational moderators

I consider the organizational moderators of financial performance, which is measured by return on assets, and consumer orientation, which is measured by an indicator for whether GICS categorizes a firm as consumer discretionary or consumer staples.

Table 8A shows the results of the regression of the total and component scores on the moral values index, financial performance, and their interaction. Table 8A, columns 1, 2, and 3 demonstrate that financial performance increases the strength of the correlations between the

Table 8A: Effect of financial performance on correlation
between moral values index and total and component scores

VARIABLES	(1) Total score	(2) Component score	(3)	(4)
	Total ESG score	Environmental score	Social score	Governance score
Relative importance of universal vs. communal moral values	0.488**	1.014***	0.412	0.121
	(0.190)	(0.325)	(0.338)	(0.277)
Return on assets	3.278***	2.440	0.209	2.288*
	(1.007)	(1.796)	(1.616)	(1.346)
Interaction	4.901***	6.738***	9.639***	1.320
	(1.071)	(2.367)	(2.750)	(1.645)
Constant	49.10***	42.20***	49.26***	60.57***
	(1.342)	(1.296)	(5.010)	(1.208)
Observations	9,718	8,268	8,268	8,268
R-squared	0.175	0.143	0.107	0.197
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values, financial performance, and their interaction. Financial performance is measured by return on assets. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and do not include additional controls. Standard errors are clustered at the county level.

moral values index and the total ESG score, environmental score, and social score. Table 8B

adds firm, county, and state controls and shows that the effect of financial performance on the

correlations between the moral values index and the total ESG score and social score are robust

to the inclusion of fixed effects and controls, whereas the effect of financial performance on the

correlation between the moral values index and the environmental score is not. Table 8B also

shows that the effects of the moral values index and of financial performance are consistent with

the results derived in the previous section.

Table 8B: Effect of financial performance on correlation
between moral values index and total and component scores

VARIABLES	(1) Total score	(2) Component score	(3)	(4)
	Total ESG score	Environmental score	Social score	Governance score
Relative importance of universal vs. communal moral values	0.494**	0.728*	0.455	0.415*
	(0.214)	(0.404)	(0.372)	(0.250)
Return on assets	-2.084***	-3.133*	-2.915*	1.048
	(0.685)	(1.764)	(1.557)	(1.140)
Interaction	1.659*	1.614	6.386***	0.876
	(0.855)	(3.159)	(2.113)	(1.518)
Sales (log)	1.604***	2.939***	1.492***	0.178
	(0.182)	(0.568)	(0.314)	(0.247)
Employees (log)	0.696***	0.806*	0.639**	0.440*
	(0.153)	(0.424)	(0.262)	(0.225)
Total income (log)	-0.349	1.531	-1.595*	-1.338*
	(0.802)	(1.843)	(0.897)	(0.702)
Population (log)	0.270	-1.500	1.429	0.981
	(0.792)	(1.813)	(0.927)	(0.693)
Republican governor	0.502*	0.816	0.588	0.233
	(0.284)	(0.514)	(0.381)	(0.374)
Number of social clubs	0.221*	0.355	0.316**	-0.0643
	(0.132)	(0.257)	(0.152)	(0.128)
Constant	35.22***	6.331	41.65***	68.20***
	(4.756)	(9.906)	(8.283)	(4.383)
Observations	9,578	8,186	8,186	8,186
R-squared	0.312	0.285	0.174	0.208
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values, financial performance, and their interaction. Financial performance is measured by return on assets. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and include firm, county, and state controls. Standard errors are clustered at the county level.

Table 9A: Effect of consumer orientation on correlation
between moral values index and total and component scores

VARIABLES	(1) Total score	(2) Component score	(3)	(4)
	Total ESG score	Environmental score	Social score	Governance score
Relative importance of universal vs. communal moral values	0.351*	1.139***	0.346	0.190
	(0.199)	(0.369)	(0.325)	(0.297)
Consumer orientation	0.682	-1.405*	1.771**	0.987
	(0.541)	(0.824)	(0.720)	(0.617)
Interaction	0.971**	0.505	1.400**	0.0846
	(0.468)	(0.772)	(0.554)	(0.465)
Constant	49.28***	42.53***	49.15***	60.99***
	(1.356)	(1.367)	(4.997)	(1.096)
Observations	10,743	9,131	9,131	9,131
R-squared	0.165	0.145	0.106	0.254
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values, consumer orientation, and their interaction. A firm is defined to be consumer-oriented if GICS categorizes the firm as consumer discretionary or consumer staples. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and do not include additional controls. Standard errors are clustered at the county level.

Table 9A shows the results of the regression of the total and component scores on the moral values index, consumer orientation, and their interaction. Table 9A, columns 1 and 3 demonstrate that consumer orientation increases the strength of the correlation with the total ESG score and the social score. Table 9B adds firm, county, and state controls and shows that the effect of consumer orientation on correlations with the total ESG score and social score are robust to the inclusion of fixed effects and controls. Table 9B also shows that consumer

Table 9B: Effect of consumer orientation on correlation
between moral values index and total and component scores

VARIABLES	(1) Total score	(2) Component score	(3)	(4)
	Total ESG score	Environmental score	Social score	Governance score
Relative importance of universal vs. communal moral values	0.358*	0.744*	0.299	0.374
	(0.211)	(0.389)	(0.375)	(0.274)
Consumer orientation	-0.686	-2.865***	0.958	0.417
	(0.488)	(0.822)	(0.710)	(0.613)
Interaction	0.854**	0.417	1.414**	0.249
	(0.402)	(0.653)	(0.553)	(0.450)
Sales (log)	1.593***	2.785***	1.593***	0.208
	(0.178)	(0.557)	(0.310)	(0.255)
Employees (log)	0.736***	1.044**	0.540**	0.403*
	(0.158)	(0.423)	(0.264)	(0.237)
Return on assets	-0.942	-1.593	0.112	1.387
	(0.624)	(1.800)	(1.421)	(0.911)
Total income (log)	-0.389	1.466	-1.636*	-1.340*
	(0.784)	(1.740)	(0.901)	(0.711)
Population (log)	0.285	-1.447	1.415	0.972
	(0.771)	(1.707)	(0.935)	(0.703)
Republican governor	0.478*	0.782	0.572	0.232
	(0.284)	(0.513)	(0.380)	(0.375)
Number of social clubs	0.214*	0.331	0.326**	-0.0605
	(0.129)	(0.249)	(0.153)	(0.128)
Constant	35.98***	7.894	41.93***	68.15***
	(4.725)	(9.759)	(8.257)	(4.484)
Observations	9,578	8,186	8,186	8,186
R-squared	0.314	0.291	0.176	0.208
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of ESG scores (total ESG score and environmental, social, and governance scores) on the relative importance of universal vs. communal moral values, consumer orientation, and their interaction. A firm is defined to be consumer-oriented if GICS categorizes the firm as consumer discretionary or consumer staples. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and firm, county, and state controls. Standard errors are clustered at the county level.

orientation is negatively correlated with the environmental score and positively correlated with the social score.

These results support the prediction that financial performance and consumer orientation strengthen the correlation between the moral values index and the level and focus of CSR. These organizational moderators most affect the correlation between the moral values index and the social score, suggesting that responsiveness to the moral values of the local community is greater for social initiatives, as opposed to environmental initiatives, for financially successful and consumer-oriented firms. The positive effect of financial performance on engagement in CSR is consistent with previous results. That consumer orientation is negatively correlated with the environmental score and positively correlated with the social score suggests that consumers prefer for firms to engage in social initiatives rather than environmental initiatives.

6 Discussion

In the following section, I review my results and how they relate to the literature, discuss the limitations of my methodological approach, and propose further areas of research.

I find that the moral values of the local community affect the level and focus of CSR. Firms in more universal counties have higher total ESG scores, environmental scores, and social scores. The foundations of firms in more universal counties engage more in philanthropy focused on universal and non-local issues, such as human rights, and less in philanthropy focused on communal and local issues, such as community and economic development and sports and recreation. The effect of the moral values index on the level and focus of CSR is greater for financially successful and consumer-oriented firms, particularly for activities and policies measured by the social score. These findings are consistent with my predictions and robust to the inclusion of other determinants of CSR.

These findings establish a connection between moral values and corporate behavior. While previous research considered the effects of norms established by peer firms and regulation threatened by the government on corporate behavior, these findings indicate that the moral values of the local community may motivate and underlie these norms and rules. It is also possible that these norms and rules affect the moral values of the local community. Relatedly, a firm's engagement in CSR may affect the moral values of the local community. However, given the temporal stability of these moral values, this possibility seems unlikely and limited to reinforcement of the moral values of the local community.

These findings do not reveal the ultimate motivations of firms for engaging in CSR nor the channels by which the moral values of the local community affect the level and focus of CSR. These motivations are difficult to measure and to differentiate. Firms may engage in CSR to appeal to consumers and employees and thereby increase profits, to meet demands of stakeholders for the firm to engage in philanthropy on their behalf, or to satisfy the desires of managers to engage in philanthropy. While this paper does not differentiate between these motivations, my findings do indicate that the motivation for CSR is not solely to meet the demand of shareholders for the firm to engage in philanthropy on their behalf, as shareholders are not local. Furthermore, this paper presents suggestive evidence that the motivation for CSR is not solely to satisfy the desires of managers to engage in philanthropy, as consumer-oriented firms have a stronger correlation between the moral values index and the social score. Thus, the moral values of consumers seem to be considered by firms, though whether to increase profits or to meet consumers' demand for firms to engage in philanthropy on their behalf is unclear.

Further research is necessary for better understanding the motivations for CSR and the channels by which the moral values of the local community affect the level and focus of CSR.

Studies of firms that relocate their headquarters may show whether firms are responding to the moral values of the local community or satisfying the desires of managers to engage in CSR. Unfortunately, there are no firms that changed headquarters in my sample of data. Additionally, the decision to relocate may be partly motivated by the moral values of the local community.

7 Conclusion

This paper examines the effect of moral values on CSR. I link a county-level measure of moral values, the relative importance of universal versus communal moral values, to firms through the location of their headquarters. I measure the level and focus of engagement in CSR by using ESG scores and corporate philanthropy metrics.

I find that firms in more universal counties have higher total ESG scores, environmental scores, and social scores; that foundations of firms in more universal counties engage more in philanthropy focused on universal and non-local issues, such as human rights, and less in philanthropy focused on communal and local issues, such as community and economic development; and that the effect of moral values on the level and focus of CSR is greater for financially successful and consumer-oriented firms. These findings are robust to the inclusion of year and industry fixed effects and firm, county, and state controls.

This paper is one of the first to empirically analyze the effect of moral values on corporate behavior. While this paper focused on CSR, it is likely that other forms of corporate behavior are affected by the moral values of the local community. I hope that this paper inspires further analyses of this connection.

Appendix A: Tables

This appendix consists of tables that check robustness by adding the controls by group.

A1 Robustness checks for effect of moral values on ESG scores

A1.1 Total score

Table A1: Effect of moral values index on total ESG score

VARIABLES	(1) No controls	(2) Firm controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	0.555***	0.615***	0.486**	0.483**	0.529**
	(0.185)	(0.178)	(0.226)	(0.221)	(0.216)
Sales (log)		1.642***			1.624***
		(0.193)			(0.177)
Employees (log)		0.659***			0.688***
		(0.156)			(0.152)
Return on assets		-1.061*			-1.050*
		(0.626)			(0.608)
Total income (log)			0.360		-0.364
			(0.635)		(0.799)
Population (log)			-0.269		0.289
			(0.614)		(0.790)
Republican governor				0.495	0.502*
				(0.351)	(0.286)
Number of social clubs				0.128	0.221*
				(0.106)	(0.132)
Constant	49.41***	33.49***	46.72***	48.79***	35.07***
	(1.339)	(1.420)	(3.989)	(1.506)	(4.744)
Observations	10,743	9,578	10,743	10,743	9,578
R-squared	0.162	0.309	0.162	0.163	0.311
Year FE	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the total ESG score on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and add firm, county, and state controls by group. Standard errors are clustered at the county level.

A1.2 Component scores

Table A2: Effect of moral values index on environmental score

VARIABLES	(1) No controls	(2) Firm controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	1.233***	1.205***	0.766**	0.850**	0.775**
	(0.314)	(0.322)	(0.368)	(0.350)	(0.370)
Sales (log)		3.072***			2.951***
		(0.595)			(0.562)
Employees (log)		0.693			0.801*
		(0.439)			(0.422)
Return on assets		-2.318			-2.275
		(1.855)			(1.826)
Total income (log)			3.097**		1.525
			(1.367)		(1.841)
Population (log)			-2.757**		-1.491
			(1.321)		(1.810)
Republican governor				0.493	0.820
				(0.503)	(0.513)
Number of social clubs				0.448**	0.355
				(0.179)	(0.257)
Constant	42.28***	13.45***	25.28***	40.48***	6.233
	(1.173)	(4.898)	(7.570)	(1.289)	(9.896)
Observations	9,131	8,186	9,131	9,131	8,186
R-squared	0.144	0.278	0.151	0.149	0.285
Year FE	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the environmental score on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and add firm, county, and state controls by group. Standard errors are clustered at the county level.

Table A3: Effect of moral values index on social score

VARIABLES	(1) No controls	(2) Firm controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	0.671**	0.650**	0.693*	0.587	0.644*
	(0.312)	(0.300)	(0.369)	(0.367)	(0.366)
Sales (log)		1.538***			1.538***
		(0.335)			(0.316)
Employees (log)		0.591**			0.620**
		(0.267)			(0.262)
Return on assets		0.535			0.479
		(1.495)			(1.441)
Total income (log)			-0.455		-1.620*
			(0.945)		(0.904)
Population (log)			0.570		1.463
			(0.982)		(0.938)
Republican governor				0.650	0.604
				(0.484)	(0.386)
Number of social clubs				0.149	0.317**
				(0.124)	(0.152)
Constant	49.39***	34.14***	49.45***	48.64***	41.26***
	(5.044)	(4.315)	(7.873)	(5.242)	(8.265)
Observations	9,131	8,186	9,131	9,131	8,186
R-squared	0.100	0.169	0.100	0.101	0.172
Year FE	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the social score on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and add firm, county, and state controls by group. Standard errors are clustered at the county level.

Table A4: Effect of moral values index on governance score

VARIABLES	(1) No controls	(2) Firm controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	0.219	0.113	0.506**	0.468*	0.441*
	(0.277)	(0.269)	(0.250)	(0.273)	(0.250)
Sales (log)		0.0983			0.184
		(0.255)			(0.246)
Employees (log)		0.498**			0.438*
		(0.225)			(0.225)
Return on assets		1.680*			1.514*
		(0.907)			(0.913)
Total income (log)			-1.506**		-1.341*
			(0.623)		(0.700)
Population (log)			1.132*		0.985
			(0.631)		(0.690)
Republican governor				0.217	0.235
				(0.389)	(0.375)
Number of social clubs				-0.240**	-0.0642
				(0.121)	(0.128)
Constant	61.15***	58.09***	72.51***	61.96***	68.15***
	(1.162)	(2.181)	(3.884)	(1.148)	(4.379)
Observations	9,131	8,186	9,131	9,131	8,186
R-squared	0.253	0.201	0.258	0.256	0.208
Year FE	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the governance score on the relative importance of universal vs. communal moral values. These regressions include year and industry fixed effects, where industry is defined to be the one digit SIC code of the firm, and add firm, county, and state controls by group. Standard errors are clustered at the county level.

A2 Robustness checks for effect of moral values on corporate philanthropy metrics

A2.1 Total amount funded

The robustness check for the total amount funded is in the results section.

A2.2 Geographic focus metrics

Table A5: Effect of moral values on state focus

VARIABLES	(1) No controls	(2) Foundation controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	-0.0253*	-0.0184	-0.00450	-0.0202	-0.00470
	(0.0151)	(0.0143)	(0.0164)	(0.0158)	(0.0155)
Total amount funded (log)		-0.0543***			-0.0461***
		(0.00819)			(0.00874)
Total income (log)			-0.190***		-0.232***
			(0.0482)		(0.0514)
Population (log)			0.184***		0.214***
			(0.0517)		(0.0552)
Republican governor				0.0852*	0.0781
				(0.0477)	(0.0485)
Number of social clubs				0.0111	0.0347***
				(0.0116)	(0.0115)
Constant	0.343***	1.242***	1.195***	0.286*	2.202***
	(0.114)	(0.220)	(0.276)	(0.148)	(0.316)
Observations	532	532	532	532	532
R-squared	0.040	0.092	0.085	0.052	0.154
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the state geographic focus metric on the relative importance of universal vs. communal moral values. The state geographic focus metric is the share of funds given to the state in which the foundation's parent company is headquartered. These regressions include industry fixed effects, where industry is defined to be the one digit SIC code of the parent company, and add foundation, county, and state controls by group. Standard errors are clustered at the county level.

Table A6: Effect of moral values on region focus

VARIABLES	(1) No controls	(2) Foundation controls	(3) County controls	(4) State controls	(5) All controls
Relative importance of universal vs. communal moral values	-0.0355**	-0.0301**	-0.00887	-0.0224	-0.00676
	(0.0141)	(0.0130)	(0.0121)	(0.0141)	(0.0127)
Total amount funded (log)		-0.0429***			-0.0344***
		(0.00875)			(0.00878)
Total income (log)			-0.169***		-0.165***
			(0.0312)		(0.0430)
Population (log)			0.141***		0.135***
			(0.0352)		(0.0466)
Republican governor				0.0366	0.0387
				(0.0402)	(0.0386)
Number of social clubs				-0.00929	0.0113
				(0.00916)	(0.00915)
Constant	0.731***	1.442***	1.814***	0.733***	2.358***
	(0.0287)	(0.146)	(0.159)	(0.0325)	(0.209)
Observations	532	532	532	532	532
R-squared	0.043	0.088	0.113	0.059	0.147
Industry FE	YES	YES	YES	YES	YES

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Notes: This table reports estimates from OLS regressions of the region geographic focus metric on the relative importance of universal vs. communal moral values. The region geographic focus metric is the share of funds given to the region in which the foundation's parent company is headquartered. These regressions include industry fixed effects, where industry is defined to be the one digit SIC code of the parent company, and add foundation, county, and state controls by group. Standard errors are clustered at the county level.

Appendix B: Data descriptions

This appendix consists of tables that show summary statistics for the datasets obtained for the firm and county characteristics. These tables, when compared to the summary statistics tables in the data section, demonstrate how the firms and counties in the samples compare to firms and counties generally. I find that the firms in my sample are larger and more successful and that the counties have higher total income and population than firms and counties generally.

B1 Firm characteristics

Table B1: Summary statistics of firms in Compustat database

VARIABLES	(1) Obs.	(2) Mean	(3) SD	(4) Min	(5) Max
Sales (thousands)	261,208	2.073	11.18	0	511.7
Employees (thousands)	230,730	7.782	35.84	0	2,545
Return on assets	260,232	-2.453	279.8	-130,077	2,538

Notes: This table presents the summary statistics of the firms in the Compustat database from 2009 to 2018.

B2 County characteristics

Table B2: Summary statistics of counties in the Bureau of Economic Analysis dataset

VARIABLES	(1) Obs.	(2) Mean	(3) SD	(4) Min	(5) Max
Total income (thousands)	158,464	8.868e+06	1.685e+08	183	1.781e+10
Population (thousands)	158,464	332.4	5,189	0.0550	327,167

Notes: This table presents the summary statistics of the counties in the Bureau of Economic Analysis database from 2009 to 2018.

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