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Crime, Punishment and the Halo Effect of Corporate Social Responsibility

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Three reasons are often cited for the value of corporate social responsibility: product quality signalling, delegated giving, and the halo effect. Previous tests cannot separate these channels because they focus on consumers, who value all three. We focus on prosecutors, who are only susceptible to the halo effect. Using Foreign Corrupt Practices Act enforcements, we find that social responsibility is associated with 2 million dollars less in fines, though it is uncorrelated with bribe characteristics and cooperation, which should entirely determine sanctions following Becker (1974). We show that this bias is likely a halo effect and not prosecutorial conflict of interest.

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