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# Socially responsible firms

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## ABSTRACT

In the corporate finance tradition, starting with Berle and Means (1932), corporations should generally be run to maximize shareholder value. The agency view of corporate social responsibility (CSR) considers CSR an agency problem and a waste of corporate resources. Given our identification strategy by means of an instrumental variable approach, we find that well-governed firms that suffer less from agency concerns (less cash abundance, positive pay-for-performance, small control wedge, strong minority protection) engage more in CSR. We also find that a positive relation exists between CSR and value and that CSR attenuates the negative relation between managerial entrenchment and value.

JEL classifications: G30, G31, G35, K22, L21, M14

Keywords: corporate social responsibility, agency costs, corporate governance

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