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From CSR to RSC – A contribution to the critique of the political economy of Corporate Social Responsibility

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Abstract

The task of this paper is to trace the academic discourse on CSR by discussing how CSR approaches and models relate profit goals and social goals of the corporation. I show that CSR approaches that dominate the academic discourse either instrumentalize the social, idealize the corporate or separate the corporate from the social. Based on a critical political economy perspective I argue that it is necessary to consider mutual interrelations between profit goals and social goals. This perspective reveals an antagonism between the corporate and the social that points at the impossibility of CSR. Critical CSR research thus far has failed to draw the necessary conclusions from its own analysis: despite acknowledging the structural flaws of the concept of CSR, critics have hardly made any attempts to overcome it. I argue that despite its ideological character CSR contains a rational

element. Realising this rational kernel however requires going beyond CSR. I therefore suggest a new concept that turns CSR off its head and places it upon its feet.

Keywords

Corporate Social Responsibility, critical political economy, communism

1. Introduction

Traditionally there exist two competing assumptions about how the common good can be achieved through and within capitalism: One is based on the principle of laissez faire and a belief in the self-regulating capacity of the market, while the second stresses the need for government regulation. The former hypothesis dates back to Adam Smith's description of an "invisible hand" that leads self-interested individuals without knowing it to promote the public interest (Smith 1759/1976, 185; 1776/1976, 456). The latter assumption has one of its origins in the work of John Maynard Keynes, who pointed at the "inadequacy of the theoretical foundations of the laissez-faire doctrine" (Keynes 1936/1967, 339) and argued that it is in the public interest if governments deliberately intervene into certain

domains of the economy. Both approaches have found ardent supporters and influence economic theorizing until today. While advocates of the first view argue that individual self-interested behaviour creates socially desirable outcomes, supporters of the second view counter that macro-economic policies are necessary to ensure that capitalist economic operations lead to general social well-being. Both approaches however were originally based on the assumption that the primary goal of corporations is profit maximization.

The concept of Corporate Social Responsibility (CSR) cuts across both approaches by positing that corporations, i.e. individual economic actors, have the responsibility to take the social consequences of their behaviour into account. On the one hand demanding that corporations should act socially responsible implies doubts regarding the actual self-regulating capacity of the market. On the other hand arguing that corporations are socially responsible actors implies that government control of corporations has become obsolete. CSR thus challenges traditional assumptions regarding the role of the corporation and the state. It raises new questions about the relation between the corporate and the social.

By focussing on this relation this paper critically questions the assumption that CSR can lead to a more socially just, equitable and thus responsible economy. I show why despite CSR, tensions between corporate and social goals remain

irreconcilable and argue that in order to realise CSR's promise we need to go beyond CSR.

In the following I first systematically discuss possible ways of relating economic and social goals of the corporation (section 2). Based on a critical political economy perspective I argue that the relationship between profit goals and social goals is antagonistic and CSR therefore impossible. I suggest an alternative concept that turns CSR off its head and places it upon its feet (section 3) and conclude with some remarks about how to promote its implementation (see section 4).

2. A Typology of Approaches to Corporate Social Responsibility

The question how economic and social goals of the corporation are related has during the last years been an important topic within CSR research. A vast amount of empirical studies have investigated how acting socially responsible and maximizing profits affect each other (for a review see Margolis and Walsh 2003; Orlitzky, Schmidt and Rynes 2003). Questions that are addressed in these studies include: "Does social performance influence financial performance; does financial performance influence social performance; or, is there a synergistic relationship (either positive or negative) between the two?" (Preston and O'Bannon 1997, 419). The relation between the corporate and the social is however not only an empirical question, but also lies at the heart of CSR theory. It is surprising that attempts to

map the academic discourse on CSR (see for example Preston 1975, Sohn 1982, Garriga and Melé 2004, Windsor 2006, Secchi 2007) never focussed on this relation. Within the discourse on CSR diverging viewpoints exist regarding the question how the new goal of acting socially responsible relates to the traditional corporate goal of maximizing profits.

A systematic description of different views of how to align the corporate and the social can be based on a typology of four ways of thinking, introduced by the Austrian philosopher of information Wolfgang Hofkirchner. He distinguishes four possible ways of relating two phenomena with different degrees of differentiation: Reductionism, projectionism, dualism and dialectics (Hofkirchner, 2003, 133): Reductionism reduces the higher differentiated phenomenon to the lower differentiated one. Projectionism in contrast projects the higher degree of differentiation on the lower differentiated side. Dualism separates both phenomena from each other and does not recognise any interrelations. Dialectical thinking on the contrary considers how both sides mutually shape each other[1].

[1] In regard to profit goals and social goals of the corporation, the former can be considered as the lower and the latter as the higher differentiated phenomenon: Profit is a goal of a single corporation within the economic sub-system of society. Caring for social issues on the contrary means contributing to the functioning of society as a whole and not just to the success of one of its parts. Doing social good and contributing to the well-being of society can thus be described as a more complex and higher differentiated goal than generating profit and contributing to the well-being of the corporation.

Reductionist approaches to CSR thus reduce the engagement in social activities to a means for advancing profit goals (see section 2.1). Projectionism on the contrary projects ethical principles or social consciousness onto corporate profit goals (see section 2.2). Dualism treats economic and social goals of the corporation as disjunctive and argues that companies should simultaneously achieve both, being economically successful and acting socially responsible (see section 2.3). A dialectical perspective describes the relation between the corporate and the social as inherently conflictual (see section 2.4).

Table 1 summarizes reductionist, projectionist, dualist and dialectical approaches to CSR.

Reductionism	Reduces social responsibilities to profit goals: *Social problems as profitable business opportunities*
Projectionism	Projects social responsibilities onto profit goals: *Responsible profit generation*
Dualism	Separates profit goals and social responsibilities from each other: *Generating profit and acting socially responsible*
Dialectics	Describes profit goals and social responsibilities as

	contradictory: *Structural irresponsibility of profit generation*

Table 1: Ways of thinking about CSR

2.1. Reductionism – Instrumentalizing the social

A first possible way of theorizing the relation between the corporate and the social is to reduce CSR to a means for advancing corporate profit goals. Such approaches stress that CSR is beneficial for businesses through opening up new markets, preventing government regulation, attracting employees, or improving relationships with stakeholders and creating public trust in the corporation. Advocates of a reductionist approach do not question the assumption that the purpose of a corporation is to make as much profit as possible. However they argue that maximizing profit does not contradict engaging in CSR activities – as long as social issues are addressed in a profitable way. The goal of reductionist CSR approaches thus is to find ways of capitalizing on CSR activities.

One way in which CSR is perceived as beneficial for business goals is through preventing government regulation. Almeder (1980) for example argues that for reaching business goals refraining from dealing with social issues is counterproductive. Quite on the contrary, companies would have to make sure that they behave in a way that renders government intervention obsolete (Almeder

1980, 13). Almeder therefore radically criticises what he calls “Friedman doctrine“ and emphasizes that it “will most likely undermine capitalism and motivate an economic socialism by assuring an erosive regulatory climate in a society that expects the business community to be socially responsible in ways that go beyond just making legal profits“ (Almeder 1980, 13).

Other representatives of a reductionist approach further exaggerate this argument. They highlight that engaging in CSR activities is not only helpful for preventing further regulation but for fostering deregulation and privatization. According to this view social problems should be regarded as “business opportunities” and thus as potential spheres for capital accumulation. Peter Drucker (1984) for example argues that the social problems of the future “can be solved only if seen and treated as opportunities. And the economic realities ahead are such that ‘social needs’ can be financed increasingly only if their solution generates capital, i.e. generates a profit” (Drucker 1984, 55). The task would be to privatize domains of social needs, with which governments can, according to Drucker, not deal adequately. He suggests that governments should make sure to identify social problems and provide the financial resources for dealing with them, while the actual task is performed by businesses on a competitive basis (Drucker 1984, 58). This means that companies should deal with social issues and the necessary money should be provided by the public. This in fact means that government is

funding private initiatives that primarily aim at maximizing profits. Public money is thus turned into private profit.

Similar to Drucker also Davis stresses that dealing with social issues can be beneficial for a company's primary task of generating profit. He for example highlights that social problems such as high prices for HIV/AIDS drugs in developing countries or increasing obesity due to unhealthy food and the environmental devastation have created profit opportunities through generic drugs, health meals and cleaner fuels (Davis 2005, 107).

Cogman and Oppenheim (2002) have advanced a similar reductionist approach to CSR that regards social issues as potentially profitable spheres of investment: "many of today's most exiting opportunities lie in controversial areas such as gene therapy, the private provision of pensions, and products and services targeted at low-income consumers in poor countries" (Cogman and Oppenheim 2002, 57).

The described reductionist understandings of CSR recommend dealing with social issues not because they consider it as a moral obligation or social necessity, but because they regard them as potential areas for profit accumulation. Instead of incorporating aspects of social well-being into business operations, this perspective argues for extending the logic of business to all further domains of social life such as education, health care, the pension system, etc. Within the framework of the welfare state, these domains of social welfare were, due to their

fundamental importance for social security and inclusion, consciously protected from the competitive logic of the market. The logic of the market always means that on the one hand profit is generated through the appropriation of surplus value and on the other hand that access to products and services is restricted to those who have enough money to afford them and thus is inherently exclusive. Privatization, which means the extension of the market logic on areas that were until then regulated though other mechanisms, thus means an extension of the already existing unequal access to means of economic, social and cultural life. Privatizing in the domain of education and health care thus means that basic social welfare is not guaranteed to every member of society, but only to those who can afford it. In the case of health care, exclusion can literally be a matter of life and death. A private health care system that works according to market principles is a system in which winning means profit and loosing can mean death. The idea of solving social problems by imposing on them the competitive logic of markets thus seems paradoxical and cynical.

Other arguments why engaging in CSR activities is in the self-interest of corporations are related to creating competitive advantages through establishing stakeholder trust and good corporate reputation. One example is Thomas M. Jones (1995) “instrumental theory of stakeholder management”. He argues that taking into account social issues from a business perspective at the first sight might seem

irrational, but in the long run lies in the self-interest of a company as it is "quite compatible with economic success" (Jones 1995, 429).

In this context Falck and Heblich (2007) point out that "companies have an opportunity to do well by doing good" (Falck and Heblich 2007, 252). Burke and Logsdon (1996) term such an approach strategic corporate social responsibility (S-CSR) as it focuses on "substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission" (Burke and Logsdon 1996, 496). Following such a strategic orientation, many CSR consulting books for mangers are based on reductionist arguments. The consulting literature includes titles such as "When principles pay: Corporate social responsibility and the bottom line" (Heal 2008); "Just good business: The strategic guide to aligning corporate social responsibility and brand" (McElhaney 2008); "CSR strategies: Corporate social responsibility for a competitive edge in emerging markets" (Urip 2010); "The HIP investor: Make bigger profits by building a better world" (Herman 2010); "Green to gold: How smart companies use environmental strategy to innovate, create value, and build competitive advantage" (Esty and Winston 2009); "Stirring it up: How to make money and save the world" (Hirshberg 2008). These titles try to establish a connection between profit and CSR that creates the impression of maximizing the former by means of the latter: These titles promise to achieve

"bigger profits *by* building a better world", explain how to use "Corporate social responsibility *for* a competitive edge" of how "smart companies" should "*use* environmental strategy" for creating a competitive advantage. A common motif for the instrumental view of social responsibility is also incorporated in the ambiguous meaning of the phrase "good business", which contains the idea of the good as the profitable business. Furthermore, the fact that books that supposedly are about social responsibility, in their titles all use buzzwords for economic success and profit, such as "bottom line", "competitive edge", "competitive advantage", "bigger profits", "make money", highlights their instrumental approach.

Based on this logic it is most likely that companies, which follow an instrumental reductionist approach will drop the idea of CSR as soon as cost outweigh benefits, that is as soon as CSR can only be pursued at the expensive of profit. Thus, this way of thinking about CSR might successfully contribute to sustainable economic growth, but not to achieving a sustainable society.

For reductionists, CSR is not an end in itself but a means for maximizing profit. CSR is thus conceived as a mere instrument, the use of which is subject to strategic considerations under the primacy of the bottom line. It thus incorporates what Max Horkheimer (1947/2004) called "instrumental reason" as the reduction of reason from a means for defining ends, to the "mere regulation of the relation

between means and ends" (Horkheimer 1947/2004, 7), to an "executive agency concerned with the how rather than with the what" (Horkheimer 1947/2004, 38). In a similar way, reductionist CSR does not engage in a discussion whether ethical and socially responsible behaviour is desirable, it just uses it as an instrument for achieving a given end: profit. The idea of social responsibility is degraded to "a tool, for it derives its meaning only through its connection with other ends" (Horkheimer 1947/2004, 25).

The reductionist approach feeds on the ideological argument that markets are more effective than governments and that their unregulated operation guarantees best possible outcomes not only for business, but for society as a whole. The reductionist version of CSR serves as an ideological underpinning for the neoliberal desire for the expansion of markets and the search for new spheres of profit accumulation. The reductionist view of CSR thus perverts the idea of social responsibility. Instead of increasing social justice it reinforces inequality and injustice.

2.2. Projectionism – Idealizing the corporate

Another way of thinking about CSR is to regard the corporation as an organization that should contribute to the common good. This projectionist view is based on the assumption that profit can be generated in a socially responsible way.

Representatives of this approach do not question the profit motive, but want to tame it through imposing on it certain values and a concern for society and the environment. Corporations should act and generate profit in a way that is beneficial for society in general and not just for the interests of its shareholders. Such an orientation characterizes early accounts of CSR. Howard Bowen, whom Carroll called "the Father of Corporate Responsibility" (Carroll 1999, 270), argued that the decisions taken by businessmen have far-reaching consequences and that they therefore are obligated to consider social issues and responsibilities (Bowen 1953). He defined the social responsibility of the businessman as follows: "It refers to the obligations of businessman to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953, 6).

Other early theorists of CSR followed Bowen's approach. Frederick (1960, 60) stressed that businessmen should ensure that their activities meet "the expectations of the public"; Davis and Bloomstrom (1966, 12) argued that companies have obligations towards "the whole social system", Keith Davis (1967, 46) highlighted that social responsibility means considering the affects of business activities on "the whole social system" (Davis K. 1967, 46), and Carroll (1979) pointed out that "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a

given point of time" (Carroll 1979, 500). Caroll describes a pyramid of corporate social responsibility, which starts with economic responsibilities, followed by legal responsibilities, ethical responsibilities, and the responsibility to be a good corporate citizen (philanthropic responsibility) (Carroll 1991, 8). He argues that the intention of this pyramid is to show that "the total CSR of business comprises distinct components that, taken together, constitute the whole" (Carroll 1991, 8). Carroll's approach to CSR can be described as projectionist as they subsume profit generation under the "unified whole" of social responsibility.

Another example for a projectionist approach is Edward Freeman's stakeholder approach (1984) and in particular his idea of a "stakeholder capitalism" (Freeman and Phillips 2002). It proposes a transformation of capitalism towards the equal recognition of all stakeholders (Freeman 1994, Freeman and Phillips 2002). Freeman and Phillips (2002) stress that the model of stakeholder capitalism is about "the possibility that business becomes a fully human institution" that creates "value for all stakeholders" (Freeman and Phillips 2002, 345). This equal recognition of all stakeholders would abolish the separation between business and ethics (1994, 1999, Freeman and Phillips 2002). The model of stakeholder capitalism embraces this idea of blending together business and ethics: "we can reorient capitalism toward an ethics of freedom and responsibility - one that inherently marries business and ethics" (Freeman and Phillips 2002, 345).

Freeman highlights that every management decision and operation at the same time has business-related and ethical implications. The idea of turning business into "a fully human institution" and of abolishing the distinction between business and ethics is similar to Carroll's approach of subsuming financial goals under the concept of social responsibilities. Both approaches are projectionist as they impose ethics and social responsibility on the corporate profit goals.

One important characteristic of Freemans version of stakeholder theory is the principle of voluntarism: "Voluntarism means that an organization must on its own will undertake to satisfy its key stakeholders. A situation where a solution to a stakeholder problem is imposed by a government agency or the courts must be seen as a managerial failure" (Freeman 1984, 74). Freeman's stakeholder model aims at overcoming the separation between business and ethics and at achieving a more responsible capitalism, by suggesting to managers to voluntarily integrate the demands of all stakeholder into their decisions. While Freeman advocates pure voluntarism, other representatives of a projectionist approach stress that imposing ethics and social compatibleness on profit generation requires going beyond purely voluntary initiatives. Epstein (1987, 2007) for example argues that voluntary self-regulation is insufficient. He emphasizes that additional instruments are needed such as law, affinity group regulation, ethical precepts, vigilant and responsible media and civil society. Epstein notes that for achieving a "better

capitalism" it is indispensable to have both, responsible companies and effective laws (Epstein 2007, 222).

Similarly McInerney stresses that voluntary CSR is insufficient and that government regulation is necessary (McInerney 2007, 172). He argues that fiscal policy "with its ability directly to effect corporate profits, can potentially be much more powerful than CSR, which depends on reputational damage, and any subsequent indirect effects on corporate profits, as its incentive mechanism" (McInerney 2007, 190).

In this context Andreas Georg Scherer and Guido Palazzo (2007) advocate a shift towards a more political approach to CSR (Scherer and Palazzo 2007, 1111). Based on Habermas' concept of "deliberative democracy" they propose that rather than demanding an alternative to capitalism, the aim should be to "(re)establish a political order where economic rationality is circumscribed by democratic institutions and procedures" (Scherer and Palazzo 2007, 1097). The projectionist orientation of this approach is illustrated by the fact that it does not dismiss the profit principle as such but wants to subordinate it under the common good. Scherer and Palazzo aim at developing a normative approach to CSR that is based on a political analysis instead of philosophical principles (Scherer and Palazzo 2007, 1098). In their view this requires to exert democratic control over corporate decisions (Scherer and Palazzo 2007, 1109). Measures they suggests for

implementing this deliberate concept of CSR include: “developing corporate codes of behaviour in collaboration with critical NGOs, exposing corporate CSR performance to third party control, linking corporate decision making to civil society discourses, and shifting corporate attention and money to societal challenges beyond immediate stakeholder pressure” (Scherer and Palazzo 2007, 1115).

Representatives of a projectionist approach put forward the idea that corporate social responsibility is a means for reforming capitalism and reducing its negative social and environmental effects. While some argue that this can be achieved based on voluntary corporate initiatives (Freeman), others argue for stronger public control over corporations (Epstein, Scherer and Palazzo).

Projectionism assumes that it is possible to tame the profit motive by imposing ethical norms or social pressure on it. It points at the importance of pursuing non-profit goals but fails to problematise their relation to profit interests. Thus it overlooks existing power structures and problems that result from profit generation as such: It overlooks injustices that arise from the fact that capitalism is always based on the separation of individuals in owners and non-owner of means of production; that every profit rests on exploitation in the form of appropriating surplus value produced by workers; that as a competitive system capitalism necessarily has to produce winners and losers; that capitalism always has to follow

an expansive logic because for its preservation capital has to be constantly accumulated and thus capitalism has to expand, to strive for growth and to permanently find new spheres of accumulation; that those who are not willing to follow the capitalist logic are most likely to lose in the competition and thus will be excluded, etc.

Projectionist approaches to CSR see a necessity to reform capitalism. They aim at establishing a more "just", "sustainable" or "better" capitalism through the help of business ethics and CSR. Such approaches challenge the growth based and profit maximizing logic of capitalism without questioning private property and capital accumulation. The desired changes in the way the economy operates are thus always constrained by the framework of capitalism. This means that projectionists want to reform capitalism, but not transcend it.

According to this view it is possible to resolve the relation between profit and social responsibility through making profit socially responsible by subjecting it to public expectations (Bowen, Davis, Frederick, Carroll), a concern for society as a whole (Davis K. and Blomstrom), ethical consideration (Freeman), ethics and law (Epstein), or democratic control (Scherer and Palazzo). Following this perspective companies should equally respect the needs and interests of all stakeholders ranking from shareholders to employees to local communities to society in general. However different stakeholders are likely to have opposing interests. Thus

when deciding about corporate strategies, conflicts between different stakeholder groups are likely. Within the framework of a corporation decision power is not equally distributed among the various stakeholders. Owners of a corporation have much more power than for example local communities and are thus more likely to influence corporate decision in way that satisfies their interests. The projectionist idea of realizing equal respect for a stakeholder interests and stakeholder democracy within questioning the framework of a privately owned cooperation is idealistic because it ignores actual existing power structures.

In particular, arguments for voluntary CSR fail to take into account material foundations of capitalist social relations and their effects and thus run the risk of reducing problems of capitalism to a lack of morality and social responsibility. The idea that problems of capitalism can be resolved by introducing business ethics and CSR overlooks and mystifies the structural immorality of the capitalist system. Representatives of a projectionist approach that argue for a voluntary CSR contribute to a moralizing ideology, which has been a central argument in the context of the 2008 financial crisis. Žižek (2009) highlights the ideological dimension of this moralizing argument: "Over the last several months, public figures from the pope downwards have bombarded us with injunctions to fight against the culture of excessive greed and consumption. This disgusting spectacle of cheap moralization is an ideological operation if there ever was one: the

compulsion (to expand) inscribed into a system itself is translated into a matter of personal sin, a private psychological propensity“ (Žižek 2009, 37).

2.3 Dualism – Separating the corporate and the social

Dualist CSR approaches argue that corporations should do both: maximize private profit and do good for society. These two goals remain however unrelated: The profit goal and the goal to contribute to the common good are regarded as two separate aims of the corporation. Doing good for society is addressed as an additional goal beyond the goal primary goal of profit maximization. This means that dualist approaches do not consider interrelations between the process of maximizing profit and the common good. The concept of philanthropy best exemplifies this approach. 19th century industrialist and philanthropist Andrew Carnegie in a paper known as The Gospel of Wealth (1889) argued, that capitalist accumulation has brought about great wealth and progress alongside great inequality: “We accept and welcome, therefore, as conditions to which we must accommodate ourselves, great inequality of environment, the concentration of business, industrial and commercial, in the hands of a few, and the law of competition between these, as being not only beneficial, but essential for the future progress of the race” (Carnegie 1889, 655).

Based on this observation Carnegie concludes that instead of changing the social relations that bring about inequality, the wealthy should use their wealth in the best interest of society: Carnegie argued that it is the "duty of the man of Wealth" to use his wealth leading a modest life, to provide for those dependent on him, and use all further income for the benefit of the community (Carnegie 1889, 661f). According to Carnegie the solution to "the problem of the Rich and the Poor" is that "the millionaire will be but a trustee for the poor; intrusted for a season with a great part of the increased wealth of the community, but administering it for the community far better than it could or would have done for itself" (Carnegie 1889, 664).

Carnegie's perception is still present in the views of contemporary philanthropists. George Soros for example stressed: "When I had made more money than I needed for myself and my family, I set up a foundation to promote the values and principles of a free and open society"[2]. Philanthropy is based on the idea to generate profit first and then devote parts of it to promoting the common good. This perspective accepts that the way profit is generated might have negative

[2] GeorgeSoros.com. Philantropy FAQs. Retrieved from http://georgesoros.com/faqs/entry/georgesorosphilanthropyisunprecedented/ on August 4, 2012.

effects on the common good, as long as parts of the profit are afterwards used to do good.

Bill Gates addressed this dualism in the first talk he gave about the work of the Bill and Melinda Gates Foundation. He said that one might find the "idea of mixing the mentality of making money and giving money [...] schizophrenic". Gates continued with stressing that in order not to mess up both its important to keep making profit and doing good separate from each other: "I admit, you've got to be careful not to bring one approach to one thing. If you mix them up you'll going to get it all messed up so I try to keep those two things separate" (Gates 2000). Separating between generating profits and contributing to the common good leads to a strategy of taking with the one hand while giving with the other hand.

The main characteristic of dualist approaches to CSR is that they postpone the socially responsible behaviour to a point after profit goals have already been reached. How these profit goals are reached and whether reaching them has negative affects on society or the environment is secondary. Žižek (2006) described this reasoning as the ethics of "Liberal Communists" - the CEOs of Google, IBM, eBay etc: "According to liberal communist ethics, the ruthless pursuit of profit is counteracted by charity: charity is part of the game, a humanitarian mask hiding the underlying economic exploitation" (Žižek 2006). In "hiding the underlying exploitation" charity and philanthropic giving portray the wealthy as

generous benefactors while hiding how the creation of their fortune might have meant other people's misery. Dualist approaches are based on the logic of giving back with one hand what had been before been taken with the other hand.

2.4. Dialectics – Problematizing the relation between the corporate and the social

Dialectical approaches to CSR problematize the relation between economic goals of the corporation and its social responsibilities. Based on a critical analysis of capitalism they argue that profit generation inherently creates social and environmental problems. From this perspective the structural irresponsibility of profit generation can neither be resolved through turning social problems into business opportunities (reductionist CSR) or through imposing ethical norms or a social consciousness on profit generation (projectionist CSR), nor be balanced through charitable giving (dualist CSR approaches). According to this view a more fundamental societal alternative is inevitable in order to create a socially responsible economy and society.

The insight, that profit goals conflict with social goals is based on Karl Marx's critique of the political economy of capitalism. Marx described capitalism as a system that is based on the division between owners and non-owners of means of production, whereby those who posses means of production exploit the labour

power of those without property in order to accumulate profit (Marx 1867/1990). This relation of capital and labour lays the foundation for fundamental injustice: "Political economy starts from labour as the real soul of production; yet to labour it gives nothing, and to private property everything" (Marx 1844/2007, 81).

A defining feature of capitalism is its constant drive for accumulation, which Marx described in the general formula of capital M-C-M' (money–commodity–money plus surplus). What is crucial is that the production of surplus that later is turned into capital depends on the value creating qualities of human labour power (Marx 1867/1990, 270). Thus, all accumulation of capital is based on the exploitation of labour power. Increasing accumulation therefore also means to increase exploitation. According to Marx the driving force of capitalist production is "the greatest possible production of surplus-value, hence the greatest possible exploitation of labour power by the capitalist" (Marx 1867/1990, 499). Capital's desire to accumulate thus can only be satisfied at the cost of workers. Increasing surplus value is either possible through extending the total time of work, which means an absolute prolongation of surplus-labour time (absolute surplus-value), or through increasing intensity and productivity of labour so that more value can be produced during the same time (relative surplus-value) (Marx 1867/1990, 645). As the only way to increase the accumulation of capital consists in increasing the rate of exploitation, the relationship between capital and labour can be

described as fundamentally antagonistic: the more capital is accumulated the more labour-power is exploited.

While the relation between capital and labour is based on exploitation, the relation between capitalists is structured through competition. Competition forces the individual capitalist, by threat of loosing his/her business, to join the continuous pursuit of increasing profits and accumulating capital. Marx therefore described competition as an coercive force external to the individual capitalist: “But looking at the things as a whole it is evident that this does not depend on the will, either good or bad, of the individual capitalist. Under free competition, the immanent laws of capitalist production confront the individual capitalist as a coercive force external to him” (Marx 1867/1990, 286).

Based on Marx’s analysis contemporary political economists point out that due to its competitive character, exploitation and accumulation are necessary qualities of capitalism (Callinicos 2003, 36; Harvey 2010, 43; Holloway 2003, 231): For avoiding to lose in the competition every corporation is forced to follow the logic of increasing productivity and reducing production cost in order to sustain high level profits that can partly be reinvested in order to ensure further accumulation. Capitalist competition would make it almost impossible for the individual corporation to resist the logic of exploitation: “A benevolent capitalist who paid his workers wages that broadly correspond to the amount of value that they created

would soon find himself out of business" (Callinicos 2003, 37). Similarly David Harvey (2010) argues: "If I, as a capitalist, do not reinvest in expansion and a rival does, then after a while I am likely to be driven out of business. I need to protect and expand my market share. I have to reinvest to stay a capitalist" (Harvey 2010, 43).

Trapped within the forces of competition individual corporations engage in socially irresponsible practices that create problems in all domains of social life. Callinicos for example stresses: "The major problems facing humankind – poverty, social injustices, economic instability, environmental destruction, and war – have the same source, in the capitalist system: the solution to these problems must, accordingly, be a radical one" (Callinicos 2003, 66). Saad-Filho (2003) argues that some contemporary problems of capitalism such as a lack of corporate responsibility and absolute poverty can be solved from within the system, while others are rooted in the way capitalism operates as an economic system (Saad-Filho 2003, 21). Among the latter problems are "unemployment, exploitation of the workforce, economic inequality, the encroachment of work upon free time, systematic environmental degradation, the lack of economic democracy, and production for profit rather than need" (Saad-Filho 2003, 21). Wright in his book "Envisioning Real Utopias" (2010) shows in great detail that a number of contemporary problems are structural problems of capitalism, generated by

"capitalism as a system of production with class relations defined by private ownership and propertyless workers, and economic coordination organized through decentralized market exchanges" (Wright 2010, 38).

Capitalist economies, despite CSR, cannot overcome social injustice as matters of distribution and participation are necessarily shaped by questions of class (Marx 1844/2007, 81).

Form a dialectical perspectives CSR approaches that do not critically questions the profit motive are ideological, because they hide how it inherently creates social and environmental problems. According to this view a fundamental shortcoming of the concept of CSR is that it never challenges the primacy of profit and the interests of capital (Sklair and Miller 2010, 475). CSR has thus been described as "a deliberate strategy to mystify and obscure the reality of capitalist globalization" (Sklair and Miller 2010, 492), that it functions "an ideological 'smoke screen' designed to either soften the image of firms engrossed in the rampant pursuit of profit (at any cost) or a way to deflect attention away from an unsavoury core business model" (Hanlon and Fleming 2009, 938). Similarly Shamir highlights that "corporations transform the idea of social responsibility into a marketing device and into a commodity that conceals the power relations that underlie the relationship between global capitalism and social inequality, social harm, and social wrongs" (Shamir 2004, 684). In this context Banerjee stresses that the

discourse on sustainability has been “hijacked by corporate interests” (Banerjee 2008, 64). Fleming and Jones (2013, 94) point out that apart from being propaganda CSR furthermore is a “parasitical instrument of commodification”. The same points of criticism have been raised regarding business ethics in general. Roberts fears “that all this talk of ethics is just that – talk“ (Roberts 2003, 250); Boje stresses that it “serves as a shield to hide unethical practice” (Boje 2008, 8), that it forms “ideologies imposed upon the oppressed” (Boje 2008, 19), and constitutes “ideological masks to cover up dirty business and market forces with ethics plaques” (Boje 2008, 19). Roberts in this context talks of an ”ethics of narcissus“, which means that CSR is used for creating an image of ”corporate goodness”, while “operational practices remain entirely untouched” (Roberts 2003, 257) and thus constitutes a “corporate response serve only to facilitate ‘business as usual’” (Roberts 2003, 257).

Taking into consideration this integration of CSR in profit-maximizing pursuit of business, it has been criticised as being part of the problem instead of the solution to social and environmental problems (Sklair and Miller 2010, 483). Sklair and Miller for example stress that CSR “can be seen as a set of globalizing practices carried out by the four fractions of the TCC [Transnational Capitalist Class] in the interest of capitalist globalization” (Sklair and Miller 2010, 484). Regarding CSR, Roberts stresses that “the prime beneficiary of this manufacture of appearance is

the corporation itself“ (Roberts 2003, 257). Similarly Hanlon emphasizes that “CSR will help to make money from the problems businesses have helped to create, thereby improving shareholder value” (Hanlon 2008, 169). Fleming and Jones stress that “CSR must be viewed as an obstruction to genuine progressive change rather than its harbinger” (Fleming and Jones 2013, 6). According to these criticisms, CSR functions as a strategy of resistance against all solutions to these problems that might negatively affect corporate profit interests.

Dialectical approaches to CSR thus highlight the necessity of a fundamental critique of the profit motive and capitalism: Corlett for example takes a dialectical perspective when arguing that “fundamental moral problems with capitalism” exist (Corlett 1998, 103). He highlights: “In other words, the private ownership of the means of production is morally wrong because it enables capitalists to extract value from what workers alone produce” (Corlett 1998, 102). Boje stresses that “It is not enough to try to be good and ethical as individuals when it is the systemic processes that must be dealt with” (Boje 2008, 22). Showing how corporate practices systematically undermine social responsibility is thus an important task for critical CSR research. This needs to include both the theoretical reflection about capitalism and the role of the corporation, as well as concrete empirical examples that expose corporate social irresponsibility.

Apart from exposing corporate social irresponsibility, critical CSR research needs to identify alternative pathways that seem more promising for realizing a socially responsible economy. Banerjee stresses that for critically approaching CSR "new questions need to be raised not only about the ecological and social sustainability but of the political economy itself" (Banerjee 2008, 73).

Thus far, critics remain rather unclear in regard to the question what possible alternatives to CSR could look like. Critical CSR research gives a pessimistic outlook regarding the potentials of reconciling profit goals and social responsibility. Fleming and Jones for example stress: "CSR scholarship needs to abandon the idea that business and ethics might someday be married" (Fleming and Jones 2013, 99). However, a lack clarity regarding the conclusion that needs to be drawn from this analysis is one shortcoming of most critical CSR research.

It seems evident that rethinking political economy in a way that resolves the contradiction between profit and social responsibility requires thinking towards a fundamental social alternative. In the following section I propose a counter-concept to CSR that looks beyond capitalism.

3. Transcending the corporate: From CSR to RSC

The mainstream debate on CSR (reductionist, projectionist, and dualist approaches) suggests that social and environmental problems of contemporary

society can be entirely resolved without calling into question the structural foundations of the present capitalist system. If all problems that contemporary society is facing are solvable within capitalism, looking beyond it becomes obsolete. By taking for granted the existence of capitalist social relations, CSR contributes to the naturalization of capitalism and makes it appear fixed and unchangeable. In its present form CSR strengthens capitalist hegemony: ”In contemporary global capitalism, ideological naturalization has reached an unprecedented level; rare are those who dare even to dream utopian dreams about possible alternatives“ (Žižek 2009, 77). A debate about CSR that does not think beyond capitalism forestalls the question whether an alternative way of organizing the economy might be more compatible with social and environmental sustainability. A counter discourse about CSR thus needs to transcend this ideological naturalization through conducting and further advancing a dialectical critique of CSR.

The discussion in section 2 shows that the dominant discourse on CSR naturalizes capitalism, hides irresponsible business practices, legitimizes corporations and neoliberal deregulation and depoliticises the quest for a responsible economy. It thus rather strengthens corporate power than subverting it.

However, during the past decade social movements and corporate watchdogs have increasingly put corporations under pressure by exposing corporate wrongdoings.

Many companies feel obliged to justify their activities and publish CSR reports. Describing profit maximization as the only corporate goal no longer seems legitimate. CSR is an ideology. But even ideologies entail, as Marx argued, a rational element: “Reason has always existed but not always in rational form. The critic, therefore, can start with any form of theoretical and practical consciousness and develop the true actuality out of the forms inherent in existing actuality as its ought-to-be and goal” (Marx 1843/1997, 95). CSR reflects the desire to make profit compatible with the common good, to make profit more social. However, the way CSR is understood and practiced today does not contribute to this goal. CSR proposes to make profit social through either extending its reach (reductionism), taming it through imposing values upon it (projectionism), or balancing it through supporting social projects (dualism). Rather than identifying the constant drive for profit maximization as a major cause of existing social and environmental problems, the dominant CSR discourse uses the social desire for a socially responsible economy for creating new markets for supposedly ethical and responsible products.

In order to realize the rational element entailed in CSR, it is necessary to go beyond CSR. For that purpose one can employ a technique that Marx suggested for discovering the “rational kernel” in Hegel’s idealist understanding of dialectics. Marx argued that Hegel’s dialectics “is standing on its head. It must be inverted, in

order to discover the rational kernel within the mystical shell" (Marx 1867/1990, 103). The same holds true for CSR. In order to discover its "rational kernel" within the "mystical shell", CSR must be turned from its head to its feet - turned from its head to its feet, Corporate Social Responsibility (CSR) turns into the Responsibility to Socialize Corporations (RSC).

RSC is the logical continuation of a dialectical perspective on CSR that considers conflicts between the profit motive and social responsibility: in order to become truly social, capitalist corporations need to be socialized, so that private wealth turns into common wealth. Private profit is based on the principle of feeding on the common resources of society (labour power, natural resources, knowledge resources etc) and turning them into private property. Generating profit thus means that private wealth is maximized at the cost of general social wellbeing. The sublation of the antagonisms between profit and social responsibility requires an alternative economy and society in which economic and social goals are not longer opposed, but coincide with each other. Thus, only if the creation of economic wealth no longer takes on the form of private profit, that is only if general economic wealth supersedes private profit, the conflict between economic goals and social responsibility can be resolved. This requires the socialisation of the societal logic from private property to common property, from elitist decision-making to participatory decision-making and from particularist values to universal

values.

RSC points towards visions of societal alternatives that are based on democratic ownership of the means of production and a participatory organization of politics. At the level of individual corporations, establishing worker owned cooperatives is a means for realizing RSC. At the macro level this corresponds to a fundamental social alternative as it has recently been described by Hardt and Negri (2009), Douzinas and Žižek (2010), Wright (2010), J.K. Gibson-Graham et al. (2013) or Wolff (2012). Hardt and Negri (2009) use the notion of "Commonwealth" for expressing "the need to institute and manage a world of common wealth, focussing on and expanding our capacities for collective production and self-government" (Hardt and Negri 2009, xiii). For Douzinas and Žižek (2010) communism constitutes a new commonwealth: "Communism, by returning to the concept of the 'common', confronts capitalist privatization with a view to building a new commonwealth" (Douzinas and Žižek 2010, ix). Eric Olin Wright (2010) argues for socialism as a way of democratizing the economy as well as the state (Wright 2010, 145). Similarly Callinicos highlights the importance of envisioning an alternative to capitalism that meets the "requirements of (at least) justice, efficiency, democracy, and sustainability" (Callinicos 2003, 107). Wolff suggests establishing radically democratic workers' self-directed enterprises and democratic community organizations in order to create a more just and responsible economy. In such an

economy “Social criteria – democratically determined by self-directed workers and community members – would replace the drive for profit and accumulation in investment and all other economic decisions” (Wolff 2012, 14).

J.K. Gibson-Graham, Jenny Cameron and Stephen Healy (2013, xviii) envision a “community economy” as a way of “taking back the economy through ethical action”. This would require going beyond capitalist corporations and markets by radically reconfiguring work, the distribution of surplus, social relationships, sustainability, consumption the engagement with natural and cultural commons (Gibson-Graham, Cameron and Healy 2013, xviiif)

Establishing a discourse about RSC provides an opportunity to break through the ideological naturalization of capitalism and to turn the task of establishing a socially responsible economy and society from a managerial into a broader social and political question. I will now conclude with some remarks on how to foster the realization of RSC.

4. Conclusion: Radical reformism as strategy for social transformation

In this paper I presented four ways of relating social and economic goals of the corporation: reductionist approaches instrumentalize social responsibility in order to achieve profit goals; projectionist approaches highlight that profit should be

generated in a socially responsible way; dualist approaches stress that social and economic goals can be achieved simultaneously without considering interrelations between them; dialectical approaches describe the relation between economic and social goals of the corporation as antagonistic (section 2). In section 3 I argued that the concept of CSR contains the desire for an economy that is socially responsible but fails to realize it. In order to overcome the antagonism between the corporate and the social I suggested turning Corporate Social Responsibility (CSR) from its head to its feet into the Responsibility to Socialize Corporations (RSC). Whereas CSR entail idealist hopes about reconciling corporate and social goals within capitalism, RSC highlights that material transformations are necessary to achieve a truly socially responsible and socially just economy.

Gibson-Graham, Cameron and Healy (2013, 8) highlight the importance of "seeing the economy not as a machine but as the day-to-day process" that is created and can be changed by our actions. They therefore stress the need for radically rethinking and reframing the economy in a way that allows all members of society to survive well and equitably, that enables a just distribution of surplus for enriching social and environmental health, that allows building direct and nurturing relationships with others, that fosters sustainable consumption, that protects and enriches the natural and cultural commons and that invests in sustainable forms of living (Gibson-Graham, Cameron and Healy 2013).

RSC rejects the naturalisation of capitalism and, as Gibson-Graham et al suggest, regards the economy as changeable and as "a space of ethical decision making" (Gibson-Graham, Cameron and Healy 2013, 190).

That in principle the quest for RSC as a means for making the economy truly social refers to a fundamental transformation of the economy and society does not mean that it is impossible to improve the existing system. The idea of social responsibility can thus inspire a vision of an alternative society as well as support reforms that make the existing society more socially responsible. Worker owned, controlled, and managed cooperatives for example anticipate the idea of RSC at the level of individual organizations. Richard Wolff (2012) highlights that the expansion of workers' self-directed enterprises could increase democratic decision power over the economy, realise a more just distribution of surplus and confront alienation.

Wright argues that "emancipatory transformation should not be viewed mainly as a binary shift from one system to another, but rather as a shift in the configuration of the power relations" (Wright 2010, 267). Such a perspective that envisions radical transformations while at the same time insisting in the need for and possibility of immediate improvements is based on a dialectics of reform and revolution. It advocates a gradual transformation through reforms that increase social empowerment over the state and the economy and thus at the same time

increase the conditions for a more radical social transformation. Radical reforms thus want to achieve immediate improvements and social empowerment and through these improvements also open up spaces for advancing the long-term goal of a social alternative. Radical reformism can thereby employ social movement activism as well as party politics. Adding a revolutionary perspective could expand the prospects of both anarchist counter-projects and social democratic reformism and create synergy effects between them. It would allow adding an expansive element to anarchist projects, in such a way that they are not only regarded as small-scale counter-projects but as expanding social alternatives. At the same time party politics and political reforms that do not confine themselves to immanent improvements, but take a transcendent perspective, could help to improve the objective conditions for such an expansion of alternative projects. In order to broaden the political support for such a project alliances with the Keynesian stream of projectionist CSR might be fruitful. Most importantly, RSC is a reminder of the possibility of socially responsible economic alternatives beyond capitalism, which realize collective decision power and satisfy social needs rather than individualized profit goals.

Radical reforms for example include reforms that:

• strengthen democracy (e.g. through public funding of civil society groups and social movements, through more direct forms of political decision making, through freely accessible political education, etc.);
• democratize the workplace (e.g. through guaranteeing workers the right to participate in corporate decision making process including decisions about wages and working hours and to support worker unions and worker owned cooperatives);
• reduce poverty and socio-economic inequality (e.g. through the redistribution of wealth through fiscal policies, a just distribution of surplus, the introduction of a guaranteed basic income, worldwide legal minimum wages, worldwide laws against child-labour, the reduction of the working week, anti-discrimination laws, abolition of laws that restrict migration, the full cancellation of third world debts, public provision of health care, pensions, education, infrastructure including access to media, information and communication technologies and the Internet);
• restrict corporate power (e.g. through economic regulations, control of capital flows, nationalization of the banking system, public funding of civil society watchdog organizations and alternative media that report about corporate crimes and wrongdoings around the world, etc.); and
• strengthen those tendencies that entail the potential of going beyond capitalism and contradict the capitalist private property logic and are based on the idea of the

common (e.g. through the abolition of intellectual property rights and the support of initiatives that strengthen the common such as the open source movement, file-sharing, or Wikipedia).

Such a radical reformism that combines social movement activism, bottom-up alternative projects and structural reforms could help to realize RSC, the responsibility to socialize corporations, and thereby create a socially responsible society based on the radically democratic organization of the economy and politics as an alternative to capitalism. This however is a long-term, indetermined political process that is subject to social struggles.

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