

# The Structural Contradictions and Constraints on Corporate Social Responsibility: Challenges for Corporate Social Irresponsibility

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## **Abstract**

### **Purpose**

This chapter engages critically with the ideas of Corporate Social Responsibility (CSR) and Irresponsibility (CSI) in order to examine their utility for the purposes of realizing more socially just and environmentally sustainable social and economic practices.

### **Methodology/approach**

The chapter develops Marx's understanding of the twin pressures of class struggle and inter-capitalist competition in setting the limits of agency for corporate actors. It is thus theoretical and discursive in nature.

### **Findings**

The findings of the chapter suggest that the scope for corporate agency in relation to responsibility/irresponsibility are severely limited by inter-capitalist competition and capitalist social relations. It therefore argues that those interested in social justice and environmental sustainability should focus on these structural pressures rather than theorizing corporate agency.

### **Social implications**

The research suggests that the focus of academic and government attention should be on resolving the contradictions and exploitative social relations inherent in capitalism. Without this emphasis activism, corporate agency and government action will not eradicate the types of problem that advocates of CSR/I are concerned about.

### **Originality/value of paper**

The value of the paper is that it contests and engages critically with the utility of the notion of CSR and the emergent concept of CSI. It asks proponents of these concepts to think seriously about the structural pressures and constraints within which business and policy makers act.

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Interest in Corporate Social Responsibility (CSR) has grown markedly over recent decades and more recently still has been accompanied by a concern with Corporate Social Irresponsibility (CSI). This is not just an academic interest but a practical and policy matter too. In a world of complex social problems, in which the dominant political and economic values suggest that the state and its agencies should promote free market capitalism, CSR apparently offers the potential for states to absolve themselves of policy responsibility while ensuring that public and social goods are privately produced. However, in the wake of the financial crisis that emerged from 2007/8 onwards there is increasing concern that CSR has failed to live up to its potential. CSI suggests that problematic behavior among some firms can be explained as the result of agency on the part of individuals and corporations. Understanding it in this way suggests that there is the potential for policy measures to 'design out' irresponsibility and maximize responsibility through legislation or soft-governance. It also implies that firms are in a position to choose the extent to which they act 'responsibly'. These are laudable aims, but this chapter argues that the degree of agency available to firms is in fact severely constrained by the structural features of global capitalism. It draws

attention to the role of inter-capitalist competition and social struggle in determining the limits of corporate agency in this regard. The implication of this analysis is that attention is more usefully focused at the system level rather than the level of individual corporate actors.

By shifting attention to structural constraints in capitalism, the incentives and motivations for firms attempting strategies of CSR or being accused of CSI might also be understood differently. First, it suggests that a significant degree of ‘irresponsible’ behavior will always exist, regardless of the handwringing of politicians or academics. That doesn’t rule out socially altruistic or ‘responsible’ behavior on the part of corporate actors. Indeed, there are several very specific conditions in which this type of behavior is likely to be realized. The problem is that, for the most part, these are associated either with competitive strategies or with circumstances that are harmful to the continuity of capitalism as a social system.

The chapter re-articulates the concept of ‘CSR’ as *Capitalist Social Responsibility*, showing how this is a much more productive analytical tool for understanding what is really at work when considering corporate ‘responsibility’ or ‘irresponsibility’. Here *Capitalist Social Responsibility* refers not to the pursuit of ‘social’ goals *per se*, but of widely shared class-goals which reflect the common interest of the capitalist class, or at least significant sub-sections of it. In some places, and at some times, these will look like they align with the interests of other social groups, but ultimately this always masks (and most often further entrenches) competitive strategies and/or exploitative social relations.

In this context, irresponsibility can also be understood differently. In the first instance, irresponsibility should be understood as behavior which transgresses the bounds of the social norms of capitalist production. Ofcourse these norms are not the same across either time or space; so what was acceptable in 19<sup>th</sup> Century London is not in 21<sup>st</sup> Century London and is different again from 21<sup>st</sup> Century Shanghai. Competition, especially at the margins, will always push individuals and firms to push the bounds of those norms, and sometimes exceed them. This is irresponsible in another sense though; in the sense of *Capitalist Social Irresponsibility*. Here transgressing the social norms of capitalism in a particular place is ‘irresponsible’ in class terms because it threatens to undermine capitalist legitimacy.

Finally, the chapter argues that the concept of CSI can be put to powerful political use. However, for this power to be realized it needs to be placed in the context of the structural analysis set out below. When this is in place, CSI could be seen as one component of a wider social struggle to rearticulate social relations in ways that are supportive of principles of equality, social justice and sustainability.

### **The Promise of Corporate Social Responsibility and the persistent problem of Irresponsibility**

CSR has attracted much attention since its emergence in the 1950s (e.g. Bowen 1953; Davis 1960; Carroll 1999). Dominant themes in the literature include moral arguments about the responsibility that accompanies power and influence and the alignment between business and the dominant values of the society in which it operates. This alignment is important because it reflects the socially acceptable trade-off between the production of private and social goods

at any one point in time and space. This is frequently expressed as a rather mechanistic concern that business operates within the law (Carroll 1979b); which is, itself the socially constructed codification of the social relations of capitalism. In an age of transnational production this has led to an extended concern, driven in part by consumer and shareholder activism, that the standards expected in one part of a business operation are upheld throughout, regardless of whether formal legal obligations assert this (Hudson and Hudson 2003; Hale 2008). Others draw attention to the importance of business producing the goods and services that society wants and sustaining this through profits (Carroll 1979a; Matten and Moon 2008), with still others suggesting that the prospect for diluting this makes CSR a “fundamentally subversive doctrine” (Friedman 1970). Drucker sought to move beyond the apparent tension between social and private responsibility here by suggesting that they are compatible to the extent that business is not only able to reconcile social responsibilities with profit seeking, but also to turn the provision of social goods into profit seeking opportunities (Drucker 1984). Despite repeated attempts however, it is not entirely clear that contemporary writing on CSR has fully resolved some of the tensions inherent in these various definitions (Dahlsrud 2008; Matten and Moon 2008).

Nevertheless the promise of CSR is so attractive because it appears to offer one means by which complex social problems might be addressed in an era of globalization where the capacity of the state to do this alone is routinely questioned (Rosenau 1995; Rosenau 2002). CSR is seen as one mechanism by which a range of different actors can be engaged in a network of organizations helping to deal with complex problems such as service delivery, poverty alleviation or combating environmental problems. There are prominent examples of this at both global and national level (Ruggie 2004; Cameron 2011).

For their part, firms have been keen to adopt the CSR mantra for a variety of reasons, including consumer and shareholder activism. In the 1990s and 2000s concern with the exploitative production practices adopted by the decentralized suppliers of Multinational Corporations (MNCs) motivated several high profile activist campaigns to boycott particular brands. Acting first to defend themselves from direct criticism, or the potential for it, several high profile MNCs adopted labour codes of conduct and other statements of CSR. Firms quickly realized that the value embedded in brand fetishism could be exploited by adopting and promoting their CSR credentials and therefore CSR became a part of the competitive strategies of an increasing number of corporations (Hudson and Hudson 2003; Yu 2008; Taylor 2011).

If CSR exists at one end of a spectrum however, at the other end must exist Corporate Social Irresponsibility (CSI) (Jones *et al.* 2009; Jones 2010; Clark and Grantham 2012). It is claimed that CSI can help to recognize that business is not always ‘responsible’ and also to theoretically account for that empirical reality. In the context of the financial crisis: dubious lending practices; clearly negative social externalities from practices such as short-selling in the financial markets, tax avoidance and the current scandal engulfing News International<sup>1</sup>, it seems as if the concept of CSI might have found its time. CSI apparently offers the promise of naming and shaming corporate actors to adopt more ethical, socially just and environmentally sustainable behavior (Clark and Grantham 2012; Taylor 2012).

A focus on corporate irresponsibility as well as responsibility might be said to appeal more to critics of capitalism and there are several notable examples in the literature (Chatterji and Listokin 2007; Banerjee 2008; Shaw 2009). Shaw (2009) attempts to unify the study of business ethics with Marxist critiques of capitalism. However, his argument demonstrates an inadequate understanding of Marx's critique and specifically he equates Marx's identification of the structural pressures of capitalism (though Shaw, rather tellingly, fails to spell out his understanding of these) with the rather different assertion that this must mean that there are no ethics in business. His failure to fully develop Marx's analysis of the structural features of capitalist development leads him to erroneous conclusions, not just about the nature of Marx's critique but also about the scope for corporate and individual agency. By caricaturing Marx, Shaw is able to claim that the empirical observation that corporate actors often do adopt ethical codes of conduct disproves the Marxist case, though as the discussion below suggests, this is not the case. Chatterji and Listokin (2007) present a rather a-theoretical argument that advocates of CSR simply overstate the scope to persuade rather than force corporate actors to modify their behavior to take into account social and environmental concerns. For his part, Banerjee (2008) develops Foucault's analysis of the structural power of discursive knowledge to present a largely successful critique of CSR as at best misplaced optimism and at worst legitimization of capitalist exploitation. However, his analysis would be considerably strengthened by linking it to an understanding of inter-capitalist competition and capitalist social relations.

This chapter seeks to go beyond these existing critiques by demonstrating the relationship of CSR to Marx's analysis of capitalist competition and social relations. In doing so it advances the arguments of those who are skeptical about the prospects of CSR to realize more socially and environmentally just outcomes. It also therefore appraises the utility of the emerging concept of CSI, and suggests that its proponents need to take seriously the structural constraints of capitalism. The first section starts with a brief summary of Marx's critique of capitalism before outlining the role of inter-capitalist competition as a precursor to identifying the implications that this has for understanding CSR and CSI.

### **Capitalist Social Relations**

Marx's analysis of capitalism is based on the premise that the key feature of any mode of production is the social relations between individuals and social groups that it generates. In a capitalist society a particular form of social relations are produced between those who must sell their labor power to survive and reproduce themselves in 'every day' life and generationally (i.e. the working class) and those who own or control the means of production (i.e. the bourgeoisie or capitalists) and therefore purchase the labor power of the working class (Wood 1995: 31-6). At the heart of capitalist social relations is a process of class struggle and inter-capitalist competition, rather than one of free agency on the part of either seller or purchaser (Wood 2002: 96-8; Morton 2006: 63-5).

Value is generated from the application of labor power in the production process. The amount of labor power embodied in the production of a commodity determines its ultimate value, though confusingly this does not always equal its price. The price of a commodity may

fluctuate due to conditions of demand and supply, but once these are stripped away the 'equilibrium' price will reveal the value of the 'socially-necessary' average labor time embodied in its production (Marx 1867: Ch19). 'Socially-necessary' here is crucial to understanding the role of labor-time in generating value because it introduces the notion of both abstract average labor (i.e. excluding the variation in productivity, skill and speed of individual workers) and the idea that what is 'necessary' is not a given, but is socially constructed in any one place or time by a complex range of cultural, social and material factors. The socially necessary labor time embodied, for instance, in the production of a car will vary over time and space to reflect the balance of social relations between capital and labor, social and legal norms about working hours and conditions, the level of technology applied, socially acceptable standards of living, the degree of sophistication of the car as an end product and so on.

Ofcourse there are other determinants of the degree of surplus value generation. Marx is famous for the line in the *Communist Manifesto* that all history is "...the history of class struggles" (Marx and Engels 1848: Ch1). One of the ways in which the distribution of surpluses can be shaped is through the balance of power in the social relations between capital and labor in any particular place (country/region etc), economic sector and time. Social struggles, industrial relations and the like are therefore part of the process of determining how much surplus is generated (e.g. the pace and intensity of work, the amount of labor power employed and the technology used in production) and who it is distributed to (e.g. wages, profits and taxes). In most capitalist countries strong legal statutes limit the scope of these struggles from being social and political to the atomized enterprise-level of industrial relations. Again the extent to which this is achieved is dependent on the nature and dynamics (and therefore path dependency) of class struggle in any one particular place at a point in time. Historically rooted social struggles between capital and labour, often articulated through the state, will lead to a particular manifestation of those relations (Marx and Engels 1848: Ch1). Some of these norms will become codified in legal statute while others will be more implicit and customary.

The employment of the labor power of the working class results in the production of 'surplus value' that accrues to the capitalist. The capitalist can opt to increase surplus value by increasing the amount of labor power employed by increasing the number of workers employed or lengthening the working day (absolute surplus value). Alternatively, they can increase it by reorganizing production to make it more productive, through innovations in the organization or technology of production (relative surplus value) (Marx 1867: Ch16). To this extent the degree of surplus value generated by capitalist enterprises as profits is dependent on a combination of class struggle and management strategies.

The role of wages in determining surplus value is also connected to a range of factors associated with capitalist social relations but which are exogenous to the industrial relations of individual enterprises. For example, one of the determinants of wages is the cost of the reproduction of labor power (Marx 1867: Ch12, 19). If costs of living increase then wages must also rise to enable labor power to be reproduced and surplus generation to continue. Conversely, if the cost of living falls then wages can also fall; and the proportion of the

working day that is spent generating output to cover the costs of reproducing labor power can be reduced. Consequently a greater part of the time that labor power is employed can be devoted to generating surplus value. In this sense all capitalists benefit from innovations which result in reductions in the costs of reproducing labor power. Innovation then provides not just a private and excludable good for one capitalist but a social good for all, so long as it relates to products consumed in the regeneration of labour power. As we shall see below, this introduces one way in which ‘social responsibility’ might be seen under capitalism in quite different terms to the CSR literature.

### **Inter-Capitalist Competition**

Alongside class struggle, inter-capitalist competition is also a key structural feature of capitalist social relations. So far we have only shown how innovation and organizational change impact on the general or average rate of surplus value in any particular sector. However, ofcourse the enterprise or firm which implements successful innovations has an advantage over its competitors. This is because products trade at the average price. As such, those firms that can take advantage of successful innovations can gain additional relative surplus value compared with their competitors.

*“The real value of a commodity is, however, not its individual value but its social value; that is to say, the real value is not measured by the labor-time socially required for its production. If therefore, the capitalist who applies the new method sells his commodity at its social value of one shilling, he sells it for threepence above its individual value, and thus realizes an extra surplus-value of threepence.” (Marx 1867: Ch12).*

This can generate advantages in several ways: firms with this competitive form of surplus value will find it easier to generate additional investment; they may choose to share the benefits of the additional relative surplus value with key workers, thereby attracting the best talent and enhancing future productivity; or they may choose also to increase market share by foregoing some of the increase in additional relative surplus value by lowering their prices below the average rate; and finally they may choose to reinvest part of the additional surplus value in further product or process innovations.

Without responding to these kinds of innovations, it is easy to see that other firms in the same market will quickly go out of business. Therefore, they are spurred either to replicate or leap-frog these innovations in their own processes. As such, the additional relative surplus value that is generated by innovations in the organization and technology of production in a single firm is short-lived:

*“...this extra surplus-value vanishes, so soon as the new method of production has become general, and has consequently caused the difference between the individual value of the cheapened commodity and its social value to vanish. The law of the determination of value by labor-time, a law which brings under its determination the individual capitalist who applies the new method of production, by compelling him to sell his goods under their social value, this same law, acting as coercive law of competition, forces his competitors to adopt the new method” (Marx 1867: Ch12).*

Inter-capitalist competition provides the role of explaining why individual capitalists and their cadre's are so concerned with these sorts of organizational and technological innovations. Incidentally it also means that innovation is in fact risky. It is not always bound to be successful. Even successful ideas can fail due to poor implementation. It is this that leads to the recognition of the importance of 'soft skills' and the cult of 'leadership' in ensuring that the implementation of innovation and change are widely supported in the workforce so that they have a better chance of success. It also explains the emphasis in economic development policy in virtually all countries on the role of competition, innovation, risk taking and entrepreneurship: all are absolutely central to a capitalist economy (Cammack 2006; Cammack 2008). Without them, growth stalls and crisis emerges. Indeed they are so central that the balance of social struggle, codified in legal statute, is frequently such that corporations are legally compelled to follow the imperative of competition. The famous 1919 ruling against Henry Ford's plans to subsume the short-term profit motive under longer-term plans for embedding a particular industrial and social model demonstrate this point ably (Banerjee 2008: pp58-59).

These laws of competition do not just generate innovation but also expansion. Unless a capitalist, faced by competition, acts to expand the scale of their production, then others will do so and drive them out of business. Competition drives expansion in the commodification of labor power, use of raw materials and fixed capital – itself the product of expansionary competitive pressures. As such, a pre-occupation with growth is in-built to capitalism as a social system.

There are, though, important problems associated with this pattern of expansion and competitive innovation. The generation of surpluses, and the ability of capitalists to capture these as profits, tends toward the polarization of society with increasing amounts of surpluses accruing at one end and increasing amounts of un- or under-employed labor power at the other (Marx 1894: Ch13; Harvey 1982: 195). Inter-capitalist competition also generates a pressure toward centralization in the credit system and sectoral monopolies as some firms are successful at producing innovations which generate competitive advantage and are therefore able to exclude their competitors from the market.

These problems can be offset, for a time. Surpluses can be invested in increasing the scope of capitalist production – such as by investing in production in areas of the world economy that were previously outside of capitalist social relations (part of what we currently call 'globalization'). This is what might be called a *spatial strategy* of offsetting over-accumulation. *Temporal strategies* involve the 'sinking' of surpluses into long-term fixed investments, usually in infrastructure but sometimes also fixed capital investment (Harvey 1982; Harvey 2003: 109-121).

Both temporal and spatial strategies involve further expansion however, and involve ever greater consumption of economic, social and environmental resources and narrowing the scope for future expansion; delaying but not eradicating the onset of crisis. Periodic crises of over-accumulation, including the emergence of speculative bubbles, devaluation and the resulting social and political upheaval, are an inbuilt component of capitalist development.



So too, expansion clearly has bi-products: for example the globalization of capitalist social relations, resource depletion, ecological and environmental degradation. In short, capital comes up against limitations in its social relations and also its relationship to the natural world which can be offset for a time, but not for ever.

### **The Limits to Corporate Social Responsibility and the Role of Political Agency**

The role of competition in capitalist development places strict limits on the extent of CSR and shapes the way in which we should understand examples of socially 'responsible' and 'irresponsible' behavior on the part of corporate actors. Inter-capitalist competition means that a successful capitalist enterprise must constantly redirect the surplus value it generates into investments which will increase its future productivity. This means cutting costs, increasing productivity and expanding production. This naturally places limits on the extent to which any firm in a competitive market can redirect its focus away from profit maximisation.

Ofcourse this does not eliminate the possibility of 'socially responsible' behavior entirely. Strategically well positioned managers might exploit the autonomy afforded to them to pursue their own personal altruistic interests by sponsoring local sports teams, implementing pro-bono work schemes or giving charitable donations to local causes. The scale, reach and extent of these activities will clearly depend on the scale of their organization and their position in the hierarchy. Relatively lowly managers may pursue these objectives at a local level, high-level managers in nationally significant industries may launch nationally significant initiatives. Likewise, businesses may pursue 'socially responsible' activity as a means to promote their image or increase their sales, in the way suggested by the 'business case' emphasis in the CSR literature.

Both these examples though are clearly constrained in terms of the extent to which CSR can really take hold in a capitalist economy. They rely on either exceptions to the norms of capitalist competition or the subsumption of the idea of social responsibility under the real objective of competitiveness (the Drucker-Friedman logic).

The first example – the altruistic and opportunistic individual – is in fact the perversion of the normal objectives of a capitalist enterprise. If the scale of that activity got too large the individual firm would succumb to the pressures of capitalist competition. The examples of Ben and Jerry's; Body Shop; and Green and Blacks are all illustrative here, having initially forged a competitive niche on the basis of the value added to their brand by their socially responsible image they have subsequently been swallowed up by larger more profit-seeking competitors. If socially responsible activity got too widespread, thereby alleviating the impact on the competitive pressures facing the individual firm, capitalism itself would slow down and start to atrophy – just the concern that led Friedman (1970) to be so vituperative in his critique of CSR.

Clearly, CSR activity and the autonomy to pursue it might expand where an individual firm faces less competitive pressure in the first place – i.e. in a monopoly situation. But once

again, this is both an exception to the normative values<sup>2</sup> of capitalism and a serious problem for the health of capitalism as a social system. The empirical evidence about the impact of monopolies also tells us that they are as least as likely to use that position for their own gain as they are for wider social good. There appear at least as many robber-barons as there are philanthropists. Indeed, sometimes the two go together and the social objectives of philanthropists can at times be seriously questioned.

The second example of how socially responsible activity might blossom is more in line with the normal operation of capitalism both at the firm and at the social level. Many firms have in fact attempted to engage with CSR as a means of embellishing their brand image with additional value by appealing to the ethical concerns of consumers. However, this is not in fact CSR at all but a carefully implemented strategy to enhance firm competitiveness while offsetting consumer or investor critique by appearing to abide by codes of responsible behavior (Chatterji and Listokin 2007). This doesn't mean that 'social benefit' is absent. However, to label competitive strategy as *driven by* social rather than private gains is simply to misunderstand the motivation at play. Moreover, careful empirical work on CSR, for example in the adoption of labour codes of conduct in transnational supply chains, shows how they can be used to maintain uneven geographical development by catching suppliers between twin pressures of compliance with codes of conduct and maintaining cost competition. The outcome is to maintain unequal power relations between western consumer brands and their low-value added manufacturing suppliers in the developing world, while at the same time meaning that many of those suppliers actually invest heavily in strategies of minimal compliance, evasion and falsification (Taylor 2011). It might be tempting to see this as merely irresponsible behavior on the part of individual firms but that would be to misunderstand the structural pressures at work.

### ***Capitalist Social Responsibility***

These structural constraints on corporate agency also suggest that the idea of the social responsibilities of capitalists might be cast in a rather different light: as the shared responsibilities of capitalists as a social class. First, competition and innovation are essential shared responsibilities of all capitalists. As we have seen; without them growth stalls and crises emerge. Rather paradoxically, a Marxist analysis suggests that Friedman is right – the imperative to compete is the first responsibility of capitalists.

Second, since capitalist growth is dependent on the unequal and exploitative nature of the production of surplus value it is dependent on obscuring and securing this class-relation. The next shared responsibility of capitalists, it follows, is to sustain this class relation through a combination of material and ideological action to obscure the exploitative character of capitalist social relations (Banerjee 2008).

Both these, and additional (see below), elements of capitalist responsibility are sometimes difficult to realize through individual corporate agency. As such, the social interests of capital as a class are often pursued through collective institutions. Membership and representative groups are one means of achieving this, but the modern state was founded on

through the requirement to assert the class interests of capital. It simultaneously embodies the codification of private property rights (in legal codes), the development of the coercive capacity (jurisprudence and policing) (Gill 1998) to uphold these and the ideological capacity to defend and justify these as natural (through a variety of means, including control of the education system (Gramsci 1971: 3-43). Whether the state is captured by the capitalist class or sub-sections of it or is able to exercise 'relative autonomy' is largely defined by the balance of class struggle and the nature of inter-capitalist competition (Poulantzas 2000).

A final element of capitalist responsibility lays in offsetting crisis tendencies. Crisis tendencies in capitalist development are many-fold. They include the agglomeration of capital such that it is hoarded and can no longer find profitable investment opportunities (over-accumulation crises) (Marx 1867:762-94; Marx 1894: 359-68, Ch13), the extension of workplace discipline to such an extent that workers are no longer able to purchase final consumer goods (under-consumption crises) (Baran *et al.* 1966; Luxemburg 2003) or to regenerate their labour power on a daily or inter-generational basis (reproduction crises) (Gill 2003) and problems in the sequence of demand for goods between different parts of the economy such that inventories build up, credit markets seize up or cash-flow problems emerge (disproportionality) (Clarke 1990; Clarke 1994). To these might be added a further category of crisis tendencies associated with negative environmental externalities and resource depletion (ecological and raw materials crises). Capitalists and their collective agencies thus have a responsibility to offset these. Again the primary agent of such offsetting is the state and other public agencies. Historical examples of the state playing these roles include the regulation of externalities, the creation of welfare states to assist with social reproduction or offsetting over-accumulation by investing a portion of the surplus value taken in taxes or lending to the state in long-term projects which only release their productivity benefits over the long-term (e.g. housing and infrastructure projects) (Harvey 1982:427; Harvey 2003: pp109-11). But individual capitalists often undertake these roles also, particularly where the balance of social relations leads to a weak state infrastructure. This is part of the explanation for example for the large philanthropic foundations in the United States and their role in offsetting crisis tendencies by providing public goods.

### **What prospects for the concept of Corporate Social Irresponsibility**

The purpose of this volume is to put forward and elaborate the concept of CSI as an alternative analytical and political tool for the realization of progressive social change. This is motivated by a recognition that CSR has failed to motivate the degree of change in business practices that many of its proponents would like to see. The discussion above shows why CSR has failed: its proponents and academic discussants, ironically save for Milton Friedman, never recognized the severe constraints that hem-in corporate agency.

CSI is a relatively recent concept and begins from the premise that there is a spectrum of capitalist agency ranging from the socially responsible at one end to the illegal and irresponsible at the other. Rather than exhort those in the middle of this distribution to ape those at the most virtuous end of the spectrum, the argument is that naming and shaming those at the irresponsible end of the spectrum might have more persuasive power and

likelihood of realizing increased social benefit. In this spectrum CSI is shown as spanning the boundary between legal and illegal practice, and the suggestion is that at least part of what ought to be defined as irresponsible is behavior that falls short of being illegal but is either against the ‘spirit’ of the law or is widely regarded as unethical and in as much might become illegal in the future. Here the example of tax avoidance (not illegal but about exploiting loopholes and weaknesses in tax law) is illustrative of irresponsible behavior. So too is the exploitation of negative externalities (pollution etc) for competitive advantage (Clark and Grantham 2012).

In one sense the idea of CSI is appealing in that it is rather like motherhood and apple pie: there is little scope to be against it. Who could be against working to reduce illegal or blatantly exploitative business practices with substantial negative externalities? To that extent then it is clear that it should be supported. However, the discussion above suggests that proponents of CSI need to bear in mind a series of important features of capitalist growth that will shape their success in shifting the ‘equivocal zone’ of behavior to realize progressive social and economic change.

First, proponents of CSI need to remember that capitalism *per se* is an exploitative social system. Sure it is true that some business practices are more exploitative than others, but the production of surplus value is essentially an exploitative process and therefore even the most ‘virtuous’ business practice is of questionable morality. Marx famously elaborates this in relation to the genesis of capital in the first instance – i.e. the accumulation of a mass of money commodities for investment requires unjustifiable dispossession as an *a priori* condition. Historically, this process was bloody and violent (Marx 1867: Ch26-33) and still continues today (Harvey 2003). Second, since surplus value comes from labour power, it belongs to those whose labour is used in its creation. The argument that capitalists as a social class are owed a portion of this because of their initial investment is not just dismissed on the grounds of the original dispossession but because the consumption of surplus value in the form of profits effectively writes off the initial investment:

*“If a capital of £1,000 beget yearly a surplus value of £200, and if this surplus value be consumed every year, it is clear that at the end of 5 years the surplus value consumed will amount to  $5 \times £200$  or the £1,000 originally advanced. If only a part, say one half, were consumed, the same result would follow at the end of 10 years, since  $10 \times £100 = £1,000$ ...the capitalist; when he has consumed the equivalent of his original capital, the value of his present capital represents nothing but the total amount of the surplus value appropriated by him without payment. Not a single atom of the value of his old capital continues to exist.” (Marx 1867: 396).*

Second, in capitalism there are both universal and specific elements to the ‘business ethic’. Capitalism always requires a business ethic that supports and upholds contracts and agreements, praises and rewards a certain degree of integrity and suggests to workers that personal responsibility (a large part of what are currently defined as employability skills – see (Nunn *et al.* 2009)) is essential to support their success in selling their labor power. However, the precise nature of these obligations will vary over time and space according to the contours

of class struggle and inter-capitalist competition. For example, at one place and time the balance of inter-capitalist and capitalist-working class social relations may support child labor, sweat shops and environmental degradation, and the predominant business ethic will support, justify and regulate the norms of interaction around this. In another context an emphasis on financial services and high value-added production would lead to a relevant but different business ethic. In yet another social context the predominant business ethic will support long-term manufacturing, through fostering long-term relationships between manufacturing and finance capital and stable relationships with large-scale organized labor. Varieties in capitalist social relations therefore explain variation in the predominant business ethic.

While it is not surprising that for the most part corporate actors will try to live within the law and the business ethic, the competitive pressures at work mean that there will always be examples of firms and managers that live at the edge of these: toward the left hand side of Clark and Grantham's spectrum. As such, capitalist 'irresponsibility' is to be expected – it is the product of inter-capitalist competition and the search for advantage at the margins of 'acceptable' competitive strategy. Just as players in a game push the limits of rules and norms and occasionally transgress them, so too it is to be expected that inter-capitalist competition will lead to similar behaviors. Further, just as sports players will often go furthest in this transgression when not in the normal field of play where it is least visible (by using performance enhancing drugs in private, for example), then so too it is to be expected that corporate actors will be more likely to transgress social norms when outside of the most visible arena in which they do business.

This irresponsibility at the individual level has system-level implications. Just as *Capitalist Social Responsibility* may manifest itself in actions designed to secure and embed capitalism as a social system, irresponsible behavior can be seen in some contexts to undermine its legitimacy. Transgressions of the law or the rules and norms of capitalist behavior can occasionally undermine the legitimacy of business and capitalism more broadly. Political agency here is clearly important because such transgressions take place within the context of both inter-capitalist competition and class-based social struggle. As such, some capitalists will seek to use irresponsible behavior by others as a means to secure their own position; perhaps by promoting legislation or similar to harm competitors.

This suggests several important considerations for the proponents of CSI. It certainly suggests that CSI is a more appropriate focus than is CSR on the grounds that it avoids falling into the trap of simply supporting the competitive strategy of some firms over others or endorsing superficial window dressing activities which have little or no purchase in reality. It might also form one part of a political strategy to identify symbolically powerful examples of exploitative or unsustainable practice as a means of building support for a progressive transformation of social relations. Indeed, it is just such a 'war of position' that Gramsci advocated as a means of bringing about progressive social change (Gramsci 1971). Such a strategy requires scrutiny of CSI to be part of a political movement as well as an abstract academic concept.

## Conclusion

This chapter shows how inter-capitalist competition and capitalist social relations drive and constrain the agency of individual corporate actors to act ‘responsibly’ or ‘irresponsibly’. These limitations are important because policy makers at the local, national and even global level hope that CSR offers one means of overcoming the constraints that they themselves have placed on the ability of states to solve the complex problems they face in a world of globalization. So too, they appeal to rules, norms and incentives in the hope of eradicating irresponsible behavior on the part of capitalists.

The limitations on corporate agency generated by inter-capitalist competition and class struggle arise from the need to constantly redirect corporate resources into innovation and to suppress the claims of the working class to realize increases in relative surplus value. These pressures do not eliminate the possibility of ‘socially responsible’ behavior, but they do ensure that it can only emerge in very specific circumstances. Put simply, it is just not possible for CSR to resolve the systemic social and environmental problems generated by capitalism itself. Where it does come to the fore it is usually because there is a fit between some sort of social objective (often superficially pursued) and the profit motive. In these cases though, this is just the pursuit of a market niche, brand value or sectional interests within capitalism. In such instances this is simply the normal operation of structural pressures toward competition. It thus follows that there is no need to invent concepts like CSR to describe or understand it. Indeed, doing so may lead to significant misunderstanding.

With these considerations in place, we can think of a different meaning for CSR – as *Capitalist Social Responsibility*. *Capitalist Social Responsibility* focuses attention on the objectives capitalists must pursue if they are to be successful individually and if capitalism is to flourish. These competitive pressures reveal a positive relationship between the private gains associated with competition and the social gains of capitalists as a class. This is manifest in multiple ways from the general pursuit of competitiveness (*alá* Friedman) to the imposition of discipline on society in general. The common theme that unites the different aspects of *Capitalist Social Responsibility* is the pursuit of the general interests of the capitalist class or its subsections, rather than the interests of society more generally. In this context CSI might also be understood in a specific way: as behavior which transgresses the social norms associated with capitalism in any particular context. Such transgressions should be expected as the product of the pressures generated by inter-capitalist competition, but in certain contexts they can undermine the legitimacy of capitalism as a social system, or at least variants of it.

Academic attempts to identify and expose CSI need to bear in mind the structural limits to the role of corporate agency in achieving progressive change. Attention needs to be focused on the socially and environmentally exploitative nature of capitalist social relations. But with that consideration in place, CSI could usefully form part of a broader based political project to identify and expose exploitation in an effort to transform those social relations.

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<sup>1</sup> At the time of writing this chapter in July 2011, News International was engulfed in criminal and parliamentary inquiries into the role of major Newspapers in tapping the phones of prominent politicians, celebrities and victims of crime. The scandal associated with this followed the line that journalists and editors responsible for this had acted irresponsibly and in so doing had led to a crisis of legitimacy in the privately owned print-media and the political influence of news organisations like News International.

<sup>2</sup> It is a subversion of the rhetorical ideal of capitalism – but as Marx comprehensively shows there are distinct and powerful pressures toward both centralisation and monopoly present in capitalist development. Unfortunately a full discussion of these is beyond the scope of this chapter.