

Book Review

Subhabrata Bobby Banerjee

Corporate Social Responsibility: The Good, the Bad and the Ugly

Northampton MA: Edward Elgar, 2007

Reviewed by Howard A. Doughty

Adam Smith, the neoliberal icon, would have had trouble with the title of Banerjee's book and with the legal history behind it. Free market aficionados would also have trouble with Adam Smith, if they would ever bother to read him. His defining volume, *The Wealth of Nations*, was indeed a celebration of the free market economy. It certainly took aim at the governmental interference in the free market which, it insisted, distorted market relations in an invidious manner, undermined fairness and inhibited economic development. Smith's twenty-first-century admirers, however, neglect to notice that Smith also advocated state support for public education a century before public schools became common in the Western world, and he also demanded a severe progressive income tax to subsidize needed public expenditures. Moreover, the state from which he sought to protect private business interests was not the democratically elected representative government of today, but the barely contained tyranny of pre-constitutional monarchy. The date of the publication of *The Wealth of Nations* and the writing of the *American Declaration of Independence* is, of course, the same, and it was the small village market more than the vast corporate empires of today to which he referred when he spoke of private enterprise and the operation of his mythical "invisible hand."

The free markets that Smith encouraged had somewhat less than national, much less global, reach. His world largely consisted of small farmers, artisans, local merchants and preindustrial manufacturers and mechanics. Writing on the cusp of industrial capitalism, the concept of a limited liability company, to say nothing of a multinational enterprise, filled him with foreboding. As much as he considered the state to be an intrusion on free enterprise, he held that the privately owned corporation was as much or more of a villain and an obstacle to prosperity and economic justice.

If the fundamental ideologue of capitalism can be so disconnected from its contemporary manifestation, it is worth asking what we are to understand by a corporation, and how it is that a corporation can have a sense of social responsibility at all.

The evolution of the modern firm follows a long and tortuous path. It is, moreover, one of the most prominent legal fictions of our time. A legal fiction is, as the eminent philosopher of law Lon L. Fuller, informed us seventy years ago, "a disease of affection of language." It also plays a powerful part in our daily lives.

The origins of the legal fiction of the corporation are not difficult to trace. The novel definition of the corporation as analogous to a private individual, a citizen and a member of society arose in the jurisprudence of the United States, the United Kingdom and other liberal democracies. They have allocated the status of "personhood" to limited liability companies over the past two

hundred years and more. For many, the process began in earnest in 1819, when the US Supreme Court first recognized corporate entities as persons (*Trustees of Dartmouth College v. Woodward*), and took a gigantic step forward in 1886, when the legal fiction won constitutional status and the protection of the Fourteenth Amendment (*Santa Clara County v. Southern Pacific Railroad*). Since then, equating of business enterprises with individual citizens has only been further confirmed.

Twentieth-century polymath Gregory Bateson was somewhat stunned by the evolving definition of a corporation. “A corporation,” he said, is not a person. It is not even an aggregate of persons. It is an aggregate of *parts* of persons.” Such an obvious insight is lost, however, upon people such as the current majority on the Supreme Court of the United States which has recently extended the rights of individual political participation upon the most massive economic structures in the United States (*Citizens United v. Federal Elections Commission*, 2010). Today, it is common for corporate executives to claim that their creation of jobs, rough obedience of the law and occasional instances of philanthropy combine to make them “good corporate citizens.”

For a while, this was a popular view. In the mid-1950s, Ronald Reagan acted as a television spokesman for General Electric. He told anyone with a willingness to listen that “at General Electric, progress is our most important product.” Evidently, people believed him. Corporate life was identified with clean workplaces, white shirts and ties, a middle-class lifestyle and, above all, inevitability. Corporations were not just social institutions. They were increasingly the model for what society at large was becoming. The day of the rugged individualist was being replaced by the hour of the organization man. John Wayne was being swapped for Cary Grant or, in a light-hearted moment, for Robert Morse. Moreover, as the harbinger of prosperity, the vehicle of technological innovation and the provider of job security, the modern corporation betokened the highest expression of Western civilization’s noblest goals from the “Enlightenment” almost to the present day — a world of prosperity, civility, material advantage and well perfumed personal hygiene.

Times, however, have changed and they have changed abruptly.

Although corporate leaders such as Bill Gates and Warren Buffet have combined celebrity and philanthropy to emerge as folk heroes in certain circles, recent instances of corruption, incompetence and criminal behaviour in some of the world’s most prosperous companies has soured public opinion. A skeletal inventory of arrogance and abuse would be topped, of course, by the perpetrators of the global financial crisis of 2008, closely followed by those blamed for the BP oil disaster in the Gulf of Mexico and the Union Carbide devastation in Bhopal. In addition, the public is not enamoured of the many demands for public bail-outs of once impregnable entities such as General Motors. While bankers were always held suspect in some varieties of “populism,” the scepticism arising from the actions of the Enron executives and Bernie Madoff has resulted in a studied and well deserved cynicism that now taints even the most respectable firms.

Banerjee’s approach to the question of corporate social responsibility takes in some of these underlying issues. He may, however, be fortunate in that his book appeared immediately before

the crises which imperiled the whole of the capitalist world and struck especially forcefully at the confidence of the United States of America.

I say that Banerjee was fortunate because his argument deals effectively with even more profound and probably more long-standing questions than those of “derivatives,” “sub-prime loans,” “toxic assets,” “derivatives” and other examples of commercial miscreancy. His focus is more strongly upon matters of economic poverty, political oppression and ecological devastation that, in the long term, may make the melt-down of 2008 seem relatively trivial despite the subsequent global recession, the ruin of countless families, the destruction of pension plans, the high levels of unemployment in what is seen as a “jobless recovery,” and the rumours of “deflation” that are not apt to vanish soon. Instead, Banerjee attends to larger themes.

Corporate Social Responsibility begins sensibly enough with two short but substantial summaries: it contains a historical review and theoretical review of the concept. In the first, we are treated to a rehearsal of the process through which ethicists moved from urging corporate business leaders to be good citizens to accepting that it is now the job of the corporations themselves to display the requisite virtues. In the second, we are reminded that corporations had their origin in mercantilism. The first multinational corporation was probably the East India Company, an instrument of British imperial ambition that was intimately associated with colonial exploitation, the slave trade and the brutal suppression of competition. (Banerjee points out, for example, that to crush indigenous industries, the practice of “severing the thumbs of master weavers.”)

From these gruesome beginnings, corporations have evolved to the point where companies are supposed to manifest humane values both internally and externally. The treatment of employees, the customer, the community and the natural environment are all writ large in mission statements, mottos and public relations campaigns. Google says: “Don’t be evil.” Ronald McDonald supports children’s charities. Benetton ads encourage social tolerance.

Banerjee explains, of course, that corporate responsibility does not come in a “one-size-fits-all” package. He discusses a number of models which apply to different sorts of companies and different times. Firms, it seems, may display “minimalist” ethical postures or they may aspire to become full-fledged communitarians and become integrated with the societies they serve. At the base of all such initiatives, however, there is the fundamental belief that normative commitments are a form of enlightened self-interest. Being “good” is “good for business.” In the longer term, contributing to environmental sustainability can be a shrewd strategy for guaranteeing corporate sustainability. So, diversification for oil companies (whether for prudent or public relations reasons) appears as an astute tactic for weathering current storms and leaving options open for future innovation. Until the “oil spill,” many people actually thought BP had moved, as its slogan said, “beyond petroleum.”

Of course, it would be easy to write a book that provided nothing more than a litany of corporate mendacity with a leaven of corporate hypocrisy. Subhabrata Banerjee is not, however, merely a muckraker. He explores the bad and the ugly, to be sure, but he is also interested in prudent, workable reform. So it is that he allows that there is some “good” as well. This good, he makes plain, is available, but reform also involves fundamental change. The

topics that he examines include the aforementioned issue of ecology, plus human rights and the several elements of political economy. In all of these areas, he frankly states, “the corporation in its current form is an inappropriate agent for social change.” There are, he adds, “no real ‘leaders’ or meaningful ‘best practices’ in CSR apart from a preoccupation with win-win situations.” Unfortunately for corporate optimists, however, “evidence linking CSR with better financial performance is dubious to say the least.” That is to say, “Bad works!” And, CSR does “not challenge corporate power,” so Bad is here to stay ... unless.

Banerjee understands matters as they are very well. He also has a good grasp of matters as they should be. The question is how to get there from here.

Simply stated, the answer is somehow to get beyond neoliberalism, to transcend or to abandon or to otherwise disengage from the pathological competitive market model. Precisely how this is to be done presents Banerjee with his greatest challenge. It is met (to the extent that it can be met) in a substantial closing segment with the rather prosaic title of “alternative visions.” Here we find something of a grab-bag of contemporary thought and thinkers ranging from the philosopher Slavoj Žižek to high-profile CEOs including George Soros and Bill Gates, anti-globalization activist Naomi Klein and all-purpose popularizer Jeremy Rifkin. From Žižek, we learn the counter-intuitive concept of “liberal communism,” and “a new postmodernist version of Adam Smith’s invisible hand,” which seems to embrace the construction of the “capitalist cake” in some sort of dynamic symmetry with the “eating” of the causes of social justice, ecological sustainability, and so on.

In the end, I found myself left with some worries. One is the anticipation of Mussolini’s (possibly apocryphal) definition of “corporatism” as a higher form of fascism in which the economic might of private ownership of the means of production is blended with the political authority of the state remains as a potent alternative to any form of communism (liberal or otherwise). And we can all imagine how that would turn out. Another is the recognition that the inter-related problems of ecology, economics and human rights are so vast and so deep that nothing short of visionary change seems adequate to provide the possibility of civilizational continuity in an age of technological apotheosis and precipitant apocalypics.

Corporate Social Responsibility offers neither glib solutions nor simplistic interpretations. It fairly and fundamentally critiques neoliberal corporatism without demanding a complete metaphysical shake-up but insisting on at least some basic transformations in our social arrangements. It is possible that technological innovation will provide some sort of prompt to necessary change. It is even possible that Rifkin’s newly advertised notions of global empathy will enable and direct that change. If a convergence of radical ideas in both senses — profound change and a return to our roots — seem implausible, the only thing that is less credible is the possibility of maintaining current trends unmodified into even the relatively near future.

About the Author:

Howard A. Doughty teaches in the Faculty of Applied Arts and Health Science at Seneca College, Toronto, Canada. He can be reached at: howardadoughty@yahoo.ca