Heterodox Critiques of Corporate Social Responsibility

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Abstract

Corporate social responsibility (CSR) is in vogue in recent times. It has been widely received by socially concerned people in business, academia, and NGOs that CSR would lend support to the improvement in social welfare and the protection of environment. However, the question that whether corporations are socially responsible or corporations should behave responsibly is beside the point from the heterodox economic perspective. The proper question to pose is how corporations manipulate the social by means of CSR. Drawing upon the heterodox theory of the business enterprise along with the social provisioning perspective, I argue that the business corporation has always acted in a socially responsible manner by generating ethical-political-cultural values, norms, and beliefs that legitimize whatever the business corporation does is socially responsible. In this respect, CSR is a market-based means to control the social provisioning process by way of creating an illusionary image of corporations and, thereby, hiding the ruthless acquisitive drive and the exploitation of human beings and nature.

Keywords: Corporate social responsibility, social provisioning process, the business enterprise, social welfare

JEL Classification Codes: B50, D21, D60, G30

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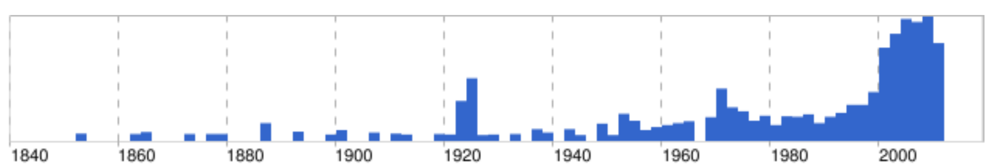
1 Introduction

The term"corporate social responsibility" (CSR) first appeared in the mid-1800s and its frequency has been growing since the mid 20th century, with the rapid growth in recent times (see Figure 1). A search for scholarly works on often-interchangeable CSR terms such as socially responsible investment, corporate social performance, corporate social accountability, business ethics, corporate citizenship shows a similar trend (see Figure 2). These results exhibit that a sense of CSR emerged with the emergence of corporations in the mid-1800s and that a variety of CSR is flourishing during and after the crises of capitalism in 1930s, 1970s, and 2000s. The recent surge in CSR researches corresponds to the growth in anti-corporate movement, environmental awareness, and shareholder/stakeholder pressure on corporate governance (Carroll 2009; Ireland 2010; Melé 2009; Soederberg 2007).

Figure 1: The appearance of "Corporate Social Responsibility" in the media, 1840-2011



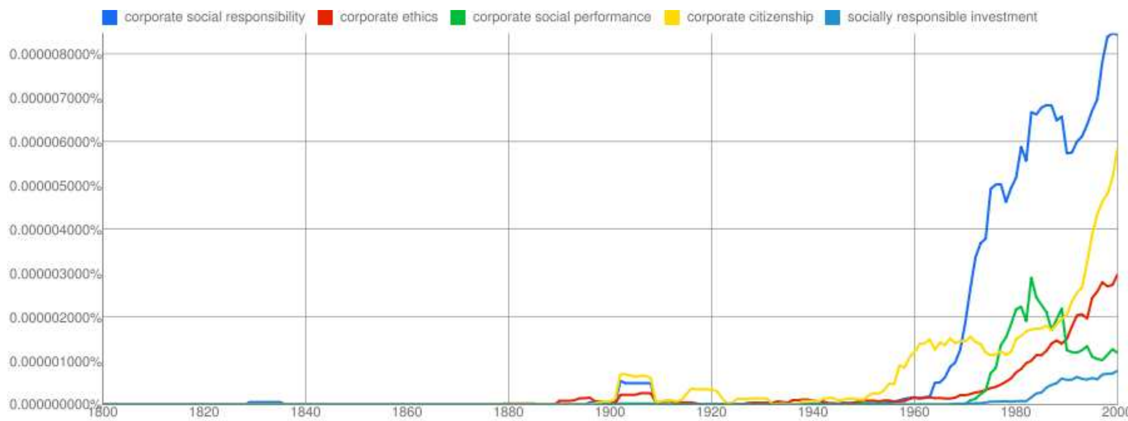
* Note: Google News Archive Search (http://news.google.com/archivesearch, conducted on September 12, 2011)

Then what is this thing called corporate social responsibility? There is an array of CSR put into practice from different theoretical, political, and ethical perspectives. Perhaps, the most widely received view of CSR endorsed by the dominant groups of society—specifically, corporate executives, business and legal scholars, and the mainstream media—is that corporate managers may, can, and do 'sacrifice' corporate profits in the interest of society (Carroll 2009; Davis 2005; Reinhardt, Stavins and Vietor 2008; Rostow 1959).[1]

It is also well acknowledged that progressive organizations and socially-concerned investors have put pressure on corporations when their business actions erode human

[1]It should be noted that the private corporations do not 'sacrifice' profits. More often than not, short-term profits are utilized for a social purpose with the expectation of making more profits. This implies, as discussed later, that business activities including CSR are social. CSR decisions are made strategically. Profits are not sacrificed.

Figure 2: The appearance of CSR-related terms in the scholarly works, 1800-2009



* Note: Google Books Ngram Search (http://ngrams.googlelabs.com), "corporate social responsibility, corporate ethics, corporate social performance, corporate citizenship, socially responsible investment" (conducted on September 23, 2011)

dignity (for example, child labor, sweatshop labor) and environmental conditions (for example, oil spill, deforestation). Progressives argue that corporations *should* exercise CSR in the interest of society. Notable victories are abound. For example, Nike's efforts to improve labor standard in its factories located in developing countries, Starbucks' use of fair-trade coffee produced by African farmers, BP's huge investment (over $1 billion per year) in renewable energy sources, and so on. By the same standard of humanitarianism and shared prosperity, voluntary and philanthropic behaviors of "robber barons" (for example, Cornelius Vanderbilt, John D. Rockerfeller, Andrew Carnegie) may be deemed as socially responsible actions, regardless of their predatory business practices (Carroll 2009; Doane 2005; Žižek 2006). Not to mention, many CSR initiatives are driven by the state as well as international organizations.

However, hardcore neoclassical economists such as Milton Friedman and his disciples reject CSR. They argue that profit-making is *the* socially responsible corporate action that ultimately benefits the society as a whole. From this neoclassical economic perspective, therefore, CSR is a 'socialist' doctrine, using Friedman's words, that obstructs the efficient allocation of resources through the market mechanism and thereby it is pointless to proceed an analysis of CSR of any kind (Friedman 1970; Karnani 2010; The Economist 2005).

While much CSR study is done by business and legal scholars, little attempt has been made by heterodox economists to examine CSR in a systematic manner. Two typical heterodox positions stand out. One position is that, although it is insufficient for the fundamental change in the mode of corporate business, CSR would reduce the tension between social justice and corporations' ruthless acquisitive drive and, thereby, improve social welfare and induce pro-social changes (Starr 2008; 2010). Radical critics of CSR, on the other hand, argue that in spite of some visible victories in the battle against greedy corporations, CSR movements have never challenged the core of corporate capitalism; the belief that CSR would push corporations to behave in the interest of society is "naive and foolish" (Doane 2005; Hahnel 2005, 305; Hanlon 2009; Soederberg 2007).

Other notable aspects of CSR are ethical or political values that make a radical difference in the approach to CSR. But it is hardly possible to make a convincing argument on the ethical or political ground. Empirical findings may help evaluating a specific CSR initiative. Most empirical studies on CSR, however, appear to be inconclusive. Therefore, rather than pursuing an ethical, political, or empirical argument, this article examines CSR at the theoretical level drawing on heterodox theories of the business enterprise and the social provisioning perspective. Such an approach would unravel the theoretical underpinnings of the approaches to CSR.

The ensuing argument elaborated in the paper differs markedly from existing approaches. Heterodox economics, as opposed to neoclassical qua mainstream economics, looks into the corporation in the context of the social provisioning process; that is, the business enterprise exists, survives, and grows relying on and because of other actors in society; therefore, corporate actions are social in their nature. Irresponsible or unaccountable corporate actions would danger the survival of corporations as well as the entire society because the the continuous provision of needy goods and services produced by corporations is the basis of the social provisioning process. Then the proper question to pose is *how corporations manipulate the social by means of CSR*. Thus the question that whether corporations are socially responsible or corporations should behave responsibly is beside the point from the heterodox economic perspective.

In order to better understand CSR and to provide heterodox critiques of it, the paper is structured in the following order. The second section examines the neoclassical view of CSR. It is argued here that neoclassical economics has no choice but to reject CSR because of its asocial theory of the firm. The third section is devoted to the heterodox critiques of CSR, that is based upon the theory of the business enterprise combined with the social provisioning perspective. In particular, the claims that CSR would slow down corporations' ruthless acquisitive drive, and that CSR would improve social welfare are examined. The last section concludes the paper.

2 The Economics of Irresponsibility and Corporate Social Responsibility

2.1 Neoclassical Social Ontology and the Shareholder Value Theory

Another suitable name for neoclassical economics may be the "economics of irresponsibility." By this name John Maurice Clark meant that neoclassical economics was the idea of old times when self-reliance, self-control, and self-responsibility were the norms (Clark 1916, 210, 218; see also Champlin and Knoedler 2004). Neoclassical economics cannot be otherwise as long as the preconception of society is ahistorical, individualistic, classless, conflictless, fraudless, static, and natural. An old but still most widely received view of society among neoclassical economists was set forth by Jeremy Bentham:

> The community is a fictitious body, composed of the individual persons who are considered as constituting as it were its members. The interest of the community then is, what?—the sum of the interest of the several members who compose it. (Bentham 1969, 86)

Such a society is precisely what Milton Friedman refers to a "free society" in which:

> There are no values, no "social" responsibilities in any sense other than the shared values and responsibilities of individuals. Society is a collection of individuals and of the various groups they voluntarily form. (Friedman 1970)

Friedman reiterates that:

> in a free society... there is one and only one social responsibility of business—to use it [sic] resources and engage in activities designed to increase its profits so long as it stays within the rule of the game, which is to say, engages in open and free competition without deception or fraud. (Friedman 1970)[2]

[2]This statement originally appeared in M. Friedman and R. Friedman. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press, p. 133.

Being based upon the liberal (in the classical sense) view of society and the belief in *self*-responsibility, neoclassical economics in principle cannot accommodate *social* responsibility of any kind. Socially responsible behaviors by individuals (including a corporation as a legal individual) are in conflict not only with methodological individualism but also with individualistic ethos ingrained in the mind of people (of the United State in particular).[3] What logically follows is the theoretical rejection of CSR and the practical justification of business (mis)conducts by separating business from society. All business actions, from the neoclassical perspective, are judged only by market principles—competition, efficiency, and vendibility. An attempt to redistribute resources via *social* means is viewed as a challenge to the status quo (this is clear when Friedman charged that CSR is a "socialist view"). This further implies that a variant of CSR may be accepted (for example, individual entrepreneurs' philanthropic donations), if not promoted, provided that it is consonant with market principles and it does not question the existing rule of the game (Henry 2007, 19-21; Ho 2009, 169; Veblen 1904). The dominant view of CSR that corporations sacrifice their profits is therefore not necessarily incompatible with the Friedmanian view of CSR.

Then how does such an asocial view of corporations reign over most capitalist economies in the world? At the theoretical level, it is the shareholder value theory that helped the dominance of the neoclassical view. This theory is endorsed by the dominant academics (neoclassical economists and like-minded business and legal scholars) and the practitioners (Wall Street money managers), especially in the Anglo-Saxon countries. The shareholder value theory posits that corporate managers are agents of shareholder-owners. The conduct of a business corporation by individual executives is *responsible*, if it leads to greater profitability for the corporate ownership. However, absentee owners are *irresponsible* for how profits are generated and how corporate practices influence the community. Optimal business decisions are to be made in the sole interest of absentee ownership. Well-functioning markets (in a particular sense that the law of supply and demand holds and that outcomes of decisions are known with certainty) are required to make the optimal decision by way of cost-benefit calculation. With such a fictitious M&A market and labor market in place, it is postulated that the interest of executives are integrated into that of shareholders. Therefore, the separation of ownership and control disappears,[4] the corporation as a legal fiction emerges therein, and the effect of corporate activities on society is obscured thereby. The exclusive

[3] For the latter type of individualism with regard to welfare, see Gilens (1999, ch.2). In addition, it may well be the case that methodological individualism and individualistic ethos have a connection (interdependence or interaction), but this is beyond the scope of this article.

[4] This is a *de facto* corporate governance structure in some countries. In Korea, for instance, an owner-family of a *chaebol* owns the minority share of the main and subsidiary corporations. At the same time the owner-family is able to control the entire *chaebol* by way of cross-shareholding and cross-trading among subsidiary corporations. For example, the Lee family owns only 0.99% of Samsung (in 2011), but they control the entire Samsung Group (The Hankyoreh, July 27, 2011: http://www.hani.co.kr/arti/economy/economy_general/489502.html, in Korean.)

emphasis on shareholder value has thus contributed to the making of "Wall Street Walk": that is, it is irresponsible investor-shareholders who rule the governance of corporations. In the era of money manager capitalism, the material welfare of people is conditioned by the unstable shareholder value (Crotty 1990; Ireland 2010, 845; Lazonick and O'Sullivan 2000, 32; Melé 2009, 55-62; Soederberg 2010, 44-53; Wray 2009).

2.2 The making of the corporate fiction and the neoclassical theory of the 'asocial' firm

The shareholder value theory attests to the idea that corporations are in principle excused from social responsibility and managers have only the fiduciary responsibility for their owners. This position further brings up theoretical problems built in the neoclassical theory of the firm.

Owing to the theoretical integration of owners' and managers' interests through the market process, different types of business enterprises (proprietorships, partnerships, and corporations) make no analytical difference since they are all treated as an owner-worker enterprise. Only a profit-maximizing representative firm in the Marshallian sense remains in the neoclassical theory. Furthermore, the owner-management relation, represented by the agent-principal model, is neutral, objective, and individual (Soederberg 2010, 51). In other words, complex corporate activities and decision making processes are reduced to the "one-dimensional framework of the individual owner/entrepreneur/shareholder" (Ho 2009, 170). Consequently, a neoclassical firm is defined technically (as a production function) and physically (as a set of assets), and the value of the firm is determined in the stock market. While its concept, its actions, and its involved relations are individual and private, a firm is a "public" entity (e.g. a public corporation) in a peculiar sense that it is owned by a number of individual shareholders.

Such a conception of the firm lends support to the naturalization of the corporate fiction and the institutionalization of irresponsibility through the political-legislative process that first took place circa mid-1800s in then rapidly industrializing capitalist economies. The British corporate law coupled with free incorporation (in 1844) and limited liability (in 1855), on the one hand, enabled industrial capitalists to eliminate competition by forming joint stock companies.[5] On the other hand, the interests of the emerging rentier class were legally protected and promoted without forcing them to take obligation, liability, and responsibility of involving in the management of the corporation (Ireland 2010, 838-845). Likewise, the Corporate Revolution in the United

[5] In the US, the state of New York first introduced limited liability in 1811 and the first corporate law was enacted in the state of Delaware in 1883.

States between the late 1800s and the early 1900s (or more specifically the corporate consolidation movement between 1895 and 1905) was driven by the mutual interest of the industrial capitalists and absentee owners (Eichner 1969, 4).

The above mentioned naturalization and institutionalization could be incomplete unless those who drive such a movement was able to universalize their vested interests; that is to say, an illusion that the private corporations' profit-seeking activities are beneficial to the entire society has to be established so as to protect their dominant position in society (Henry 2009). In other words, the neoclassical theory of the firm is an illusion in the sense that it is divorced from the historical and social context in which the actual business enterprise is operating. As a consequence,

> As society becomes increasingly irrational, the [neoclassical] theory must increasingly divorce itself from its social foundations, analyze increasingly mythical and abstract notions, and thus, prove increasingly incapable of assisting that society in attempting to solve the problems which it throws up. That is, the theory becomes hopelessly bankrupt though considerably more 'elegant.' (Henry 1990, 243)

With the politically-legally constructed form of the corporation and the dominant shareholder value theory, a discourse on CSR is reduced to the role of managers within the corporation and the managers' social responsibility from an individual-ethical point of view. As a result, while philanthropic donations are much acclaimed, the change in the corporate governance structure in the interest of stakeholders (or society) are not. A movement directed at changing the organizational structure of corporations is undoubtedly regarded as the challenge to the absentee-capitalist class that made the present form of corporations.

With regard to the role of managers of the modern corporation, there is a classic question posed by Adolf A. Berle (1932) and E. Merrick Dodd (1932): "For whom are corporate managers trustees?" Unequivocally, from the neoclassical viewpoint, corporate managers are trustees of shareholders and through the market system the profit motive of the owner-manager firm would improve social welfare. But Berle's and Dodd's answers are not so simple. From the legal perspective, Berle admits that under the system of individual ownership corporations' sole goal is to make profits for their shareholders. As trustees of owners, the controllers of the corporation thus have the fiduciary responsibility for the owners. Berle, with Gardiner Means, does not stop at this point. In an advanced capitalist economy where most major industries are dominated by big corporations profit-seeking business activities are not socially beneficial, because in major industries prices and production are administered by those big corporations in favor of themselves. That is, the supply and demand determination of price and quantity as well the profit maximization are irrelevant in the modern capitalist system. Berle continues that if the economic system is organized by a different principle, corporations and their managers would behave differently (Berle and Means 1968; Lee 1990; Lee 1998, Ch. 1).[6] In response to Berle (1932), Dodd argues that the conviction that the corporation is a "purely private enterprise" and hence its fiduciary responsibility is based upon a narrow conception of the modern corporation. Alternatively, he puts forward that the corporation as a going concern is the "economic organization of society." This conception lead to his assertion that the corporation is responsible not only for its shareholders, but also for the community. The socially responsible business conducts are, therefore, not necessarily inimical to the legal principle of the corporation (Dodd 1932, 1161-3).

In short, according to Berle and Dodd the neoclassical theory is not only limited in explaining the modern corporation, but also incapable of linking corporate economic activities with the social. As a result, from the neoclassical perspective either CSR is viewed chiefly through the market or the social impacts of corporate activities are largely disregarded. Such a result also entails that the neoclassical theory of the firm remains mute on the question of how the corporation survives and reproduces itself over historical time. In order to offer a convincing answer to this question, we need to overcome the asocial theory of the firm and to provide an analysis of the the institutional arrangements surrounding corporations and active social agency in the face of fundamental uncertainty and instability.

3 Heterodox Economics and Corporate Social Responsibility

3.1 Corporations in the Social Provisioning Process

The heterodox theory of the business enterprise is a set of cross-fertilized ideas influenced by, among others, Marxians, radical political economists, institutionalists, Post Keynesians, and social economists. Common to those heterodox traditions is the treatment of the business enterprise (in particular, the modern corporation) as a real entity,

[6] What is implied here is that a society organized by social principles, rather than business principles, is conceivable. In such a society, it is quite reasonable to think of the social responsibility of corporations, but not in the current socio-economic system. This point brings up Veblen who argues that the industrial society is organized predominantly by the business principles coinciding with the interest of managers and absentee owners and thereby social welfare and culture are configured by the actions of the business enterprise (Veblen 1904, 157-8; Veblen 1921, 40-1; Veblen 1964, 10). This point is discussed further later.

an emergent institution, and a social organization that directs the capitalist social provisioning process. Therefore the business enterprise is irreducible to individuals (Veblen 1904; Eichner 1976, ch.2; Baran and Sweezy 1966; O'Hara and Sherman 2004; Lee 1998; Lee 2010; Lutz 1999, 165-191).[7]

By a real entity meant that the business enterprise is a real acting agent that makes such decisions as investment, employment, and production so as to achieve its goals—notably, monetary profits, survival, growth, and socio-economic power. As a real agent the business enterprise runs in historical time. This implies that the business enterprise is a going concern whose decision-making process is path-dependent. When it comes to the corporation characterized by the separation of ownership and control and by the hierarchical structure, the strategic decision making process becomes more complicated. Therefore, profit maximization calculation—that is, isolated optimal decision making—by the "firm" has no real correspondence and the neoclassical theory of the firm is not applicable to the real corporation.

By an emergent institution meant that the business enterprise is fundamentally different from individual persons as well as aggregated individuals. The business enterprise has its own goals and means that are not necessarily consistent with those of individual owners, managers, and workers. Likewise, the sum of individual business enterprises is not linearly converted into markets or industries. Cartels, trade associations, trusts, and joint ventures, for instance, are higher-level emergent institutions that are deliberately organized by business enterprises. Two methodological implications can be pointed out. Firstly, both methodological individualism and methodological holism break down. Secondly, a theory of the business enterprise as a real-emergent entity is to take into account human agency (human intentionality and activity), surrounding socio-economic structures, and causal mechanisms (that is, the strategic decision-making process) without resorting to aggregation or disaggregation (Lawson 2003; Lee 2002; 2010).

For the present discussion of CSR, the heterodox view that the business enterprise is a social organization is particularly relevant. As discussed earlier, the corporation is a social creation; the introduction of and the naturalization of the corporate fiction in the 19th century was rendered possible by the political-legal process which was mainly driven by the emerging rentier class. What followed historically was the creation of liberal values, norms, and beliefs that were necessary to protect the ruling class and to legitimize corporate actions.[8] Embedded in the capitalist society, therefore,

[7]In this light, the new institutionalist theory of the firm—that is, a firm is a transaction cost minimizing institution in parallel to the market institution—fails to capture the distinction between the business enterprise (as a real agent) and the market (as a social structure). As a result, it is hardly possible for new institutionalists to analyze how markets are governed by business enterprises as well as the state.

[8]The making of neoclassical economics that helped establishing liberal values in the late 19th

corporations as social agency have social lives, with uncertain life span, connected through social relations and socio-economic structures. Together with the actions of the state and households, business activities constitute the social provisioning process that is a "continuous, non-accidental series of production-based, production derived economic activities through historical time" (Lee and Jo 2011, 859). Hence all business activities are social in the sense that their actions take place and have meanings only in the social context (Gruchy 1987, 21-2; Ireland 2010; Jo 2011*b*; Lee 2008; Lee 2009; Polanyi 1968; Power 2004).

In a nutshell, the heterodox account of the modern business enterprise as a real-emergent-social organization breaks up the dichotomy between the social and the economic and, hence, offers the theoretical basis for evaluating corporate actions form the social provisioning perspective. We now turn to the discussion of CSR from the heterodox economic perspective.

3.2 Corporate Social Responsibility from the Heterodox Economic Perspective

From the heterodox economic perspective just outlined, the assertions that profit-making is the socially responsible corporate action and that corporate managers may, can, and do sacrifice corporate profits in the interest of society are off the mark. The former stance taken by neoclassical economists is problematic inasmuch as corporations are treated as a fictional-individual-asocial entity. Moreover, the neoclassical view of CSR is readily refuted on the empirical ground that, for example, the rate of growth in corporate profits (or income earned by top 1%) has been much higher than that of national income (or income earned by the 99% of the population) in the US.[9]

The profit-sacrifice view is also misleading. Although many corporations these days include social concerns in their annual reports, there are numerous evidences of corporations' unethical, anti-human, anti-environment business practices—for example, double or fake bookkeeping to comply with the labor standards, being against minimum wage legislations and environmental regulations (e.g. US. Clean Air Act, the Montreal Protocol) (see, Doane 2005; Jenkins 2009; Soederberg 2007). The upshot is

century society was the outcome of the changes in socio-economic structures and relationships. This is precisely the point that John F. Henry is arguing in his book: "[T]he [neoclassical] theory reflects the dominant relationships within capitalist society and has been developed and modified to accommodate changes within this form of social organization. Hence, neoclassicism does not stand above or apart from society, but is, as with all social ideas, conditioned by that society. This calls into question the claim of scientific neutrality, held to be a hallmark of neoclassical economics" (Henry 1990, xvii).

[9] See, the Economic Policy Institute Report, "Data on income gains support 99ers gripes" (http://www.epi.org/publication/data-income-gains-support-99ers, accessed October 22, 2011.)

that corporations may, can, and do utilize CSR for the sake of profits, survival, and growth. If a socially responsible action is inimical to profitability, not profitability but responsibility is likely to be abandoned. Suffice it to say that corporations strategically use their resources in order to reproduce themselves; ethical, humanitarian, or social concern is at most epiphenomenal. No strong legal enforcement, furthermore, has ever been exercised to promote CSR.[10] More to the point, historically CSR has never been alien to corporate activities since the advent of the corporate form. CSR has appeared like waves, especially after economic debacles, while taking slightly different faces. Apparently, the current vogue is voluntary CSR practices by transnational corporations (Carroll 2009).

Then has the 150 year old CSR movement slowed down corporations' ruthless acquisitive drive? Has it contributed to the improvement in social welfare? Or, has it changed the nature of capitalist corporations or corporate capitalism? A careful examination of such questions is warranted because many socially conscious progressives and heterodox economists believe CSR will bring about positive effects on society and environment. In what follows an attention is given to business actions in relation to social welfare.

Has corporations changed?

Various heterodox economists have long argued that the capitalist economic system is inherently unstable due to self-destabilizing market forces. Instability in the economic system derives from fundamental uncertainty in historical time; this further implies the business enterprise as a going concern and agency (that is, the capability of making strategic business decisions). The insoluble problem under capitalism is that business enterprises generate instability and because of the very reason the reproduction of the business enterprise is not guaranteed. To make matters worse, the business enterprises together with the capitalist state have driven economy more market-oriented and hence more unstable (Keynes 1936; Marx 1990; Veblen 1904; 1964; Minsky 1986).

To stay alive at least and to reproduce themselves eventually, business enterprises have to stabilize themselves, markets, and economy. Stabilization requires the control of micro- and macro-instability. Control implies power. And power is endemic to the class-based capitalist social structure. It is the capitalist class agents—the business enterprise and the state—that control the social provisioning process in their own interests. The means to control the provisioning process by the business enterprise takes various forms. Corporate governance, on the one hand, involves establishing the set of rules directing the conducts of constituent actors—managers, owners, and workers. Market governance, on the other hand, includes, but not limited to, managing

[10] While a CSR practice is legally allowed, whether CSR is legally enforced by the state is another matter. In the US, seven states allow charitable donations out of corporate profits, nineteen states allow donations for the sake of public welfare, and twenty four states do not specify whether such an action is allowed or not (Reinhardt, Stavins and Vietor 2008, 222).

market prices and quantity, organizing the network between competitors, and making market rules by way of trade associations, cartels, trusts, and joint-ventures (Fligstein 1990; 2001; Jo 2011*a*; forthcoming; Lee 2010; Prechel 2000).

The business enterprise embedded in the social provisioning process implies that what has changed over the past 150 years is the means to control enterprises themselves, markets, and economy in the face of changing socio-economic structures. For instance, current neoliberal corporate capitalism requires the unquestioned premise that the existing system is basically good, and that it could be better if it is left unchecked (in the neoclassical case) or if market failure is complemented by voluntary CSR practices (as in the profit-sacrifice view). In this respect, CSR can be viewed as a soft, market-based form of control. CSR also helps to manufacture the illusional image of corporations that cause instability, debacles, and frauds. According to this illusion, the corporation is a benevolent entity that creates wealth for the entire society and that provides the well-being for the underlying population. As a consequence, a neutral, naturalized, legitimized, benevolent, philanthropic business corporation remains, whereas the ruthless acquisitive drive and the exploitation of human beings and nature are concealed (Hanlon 2009; Lee 1996; Soederberg 2007; Žižek 2006).

Has CSR improved social welfare?

One widely received belief connected to the illusionary image of the corporation is that 'what is good for the business enterprise is good for the society as a whole' or 'social welfare can be improved by private business activities.' This belief can readily be disillusioned by heterodox economic theory—more specifically, the surplus approach coupled with the theory of effective demand in the context of the capitalist social provisioning process delineated earlier.

Heterodox economists do not endorse the idea that welfare is determined through the market mechanism. Alternatively, welfare determination is situated in the social process of production. To illustrate, the business enterprise determines how much surplus goods and services (consumption, investment, government goods and services) should be produced. Such a decision in turn determines the total social product (its level and composition) through output-employment multiplier. Employment decisions follow and wage incomes are given to workers so them to purchase surplus goods and services. In this regard, the production of social surplus is embedded in the principle of effective demand. What this production process implies is that workers' welfare is a sort of residual that is determined by business enterprises' expenditure decisions. Without wage income, workers are not able to engage in economic, social, political, and cultural activities to sustain their socially constructed lifestyle. Since the primary concern of the private business enterprise is its survival and expansion over time, welfare improvement is not guaranteed by market activities. Moreover, there is a socially allowed standard of welfare, that is governed by social institutions (for example, the welfare state) and the social relations between classes (Lee and Jo 2011).[11]

A couple of important implications with regard to CSR follow from the above theoretical discussion. First, CSR is part of strategic business activities that are deliberately put into practice so as to control the social provisioning process and eventually to reproduce the business enterprise. Therefore the claim that CSR would lend support to the improvement in social welfare and social justice is theoretically untenable and historically ungrounded. It is hardly imagined (or observed) that in class society conflicting interests get reconciled through the sacrifice of the minority ruling class. To completely remove conflicting interests, either all the classes should be eliminated or one dominant class must control the entire society by "force and fraud." In this respect, CSR is, I would argue, a form of fraud, in the Veblenian sense (Veblen 1919, 117; Veblen 1964, 442; Henry 2011).

Secondly, it may well be said that the business enterprise has always acted in a socially responsible manner by generating ethical-political-cultural values, norms, and beliefs that legitimize whatever the business enterprise does is socially responsible. That is to say, CSR is a rhetorical means to control the social provisioning process in the interest of the business enterprise. CSR, like other means of market governance, is not a threat to corporate capitalism; rather it is a managerial apparatus that will help to save business enterprises and eventually corporate capitalism.

4 Conclusion

Corporate social responsibility is in vogue in recent times. It has been widely received by socially concerned people in business, academia, and NGOs that CSR would lend support to the improvement in social welfare and environmental conditions. Indeed, no one would deny the fact that the CSR movement has made many notable pro-social outcomes.

This paper is not meant to argue whether CSR is good or bad for society and for the corporation. Such an argument has been put forth on the ethical, political, or empirical ground. What is missing in those studies is an analysis that unravels the reason why private corporations have been *de facto* exercising CSR practices that are superficially contradictory to the mode of corporate capitalism. This is the puzzle that neoclassical economics and its theory of the firm in particular is unable to solve.

[11] This is not the Sraffian type surplus approach, but the surplus approach enhanced by both the principle of effective demand and the social provisioning perspective. For more detailed exposition of 'heterodox' social surplus approach, see Lee and Jo (2011).

Heterodox economic theory offers a critical view of CSR. The modern business enterprise is a real-emergent-social agency that controls the capitalist social provisioning process so as to survive and reproduce itself. That is to say, all business activities are social in the sense that they take place and have meanings only in the social context. Under fundamental uncertainty in the real world, instability in the economic system has to be stabilized. Stabilization or control requires power. And power is endemic to a class society. The means to control the unstable capitalist social provisioning process takes many forms. In this regard, CSR can be viewed as a soft, market-based means to control the social provisioning process by way of creating an illusionary image of corporations and, thereby, hiding the ruthless acquisitive drive and the exploitation of human beings and nature. The heterodox approach based upon the social surplus approach coupled with the principle of effective demand also rejects the assertion that CSR would improve social welfare. In this theoretical perspective, the welfare of the general public is a residual that is subservient to the business enterprise that makes strategic expenditure decisions on production and employment. In conclusion, the business enterprise or the corporation in particular has always acted in a socially responsible manner by generating ethical-political-cultural values, norms, and beliefs that legitimize whatever the business enterprise does is socially responsible. Therefore, CSR is a form of fraud.

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