Chapter 6
Varieties of Corporate Social Responsibility

In 1997 I was present when a distinguished professor at the Harvard Business School announced that capitalism had won. Moreover that American capitalism had won and even more specifically that finance based American capitalism had won. The Harvard professor is one third right. Capitalism has won but I am not at all certain that the American finance based model will be the ultimate winner. I will elaborate on this point by distinguishing among several versions of capitalism that have very different views of corporate social responsibility. These versions of capitalism are the maximization of shareholder wealth made popular by Nobel prize winning Milton Friedman, the balance the interests of stakeholders view made popular by R Edward Freeman, and the sustainability model that is the official position of the European Union (EU). I will then consider the situation in Asia, specifically in Japan, and in countries like India and China that have what The Economist\(^1\) calls a system of “state capitalism.” I argue that the view of corporate social responsibility (CSR) held by the EU sustainability model of corporate social responsibility is morally superior. However, it is unclear, particularly at the time of writing this Chapter when the EU is in crisis, if the sustainability model has the best chance of succeeding in a competitive global capitalist marketplace. With respect to success we need to ask if the Chinese state based model of capitalism, which, at best, has a limited commitment to CSR, will ultimately prevail. We also need to ask whether the American finance based model of philanthropic CSR is economically adequate in the new international economic order. My contention is that it is not.

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\(^1\)The Economist, “State Capitalism,” Special Report January 21, 2012, 3–18.
The Maximization of Shareholder Wealth Capitalism-American Finance Based Capitalism

The orthodox view in business schools, particularly in departments of finance and accounting is that the manager is an agent for the stockholders. The manager works for them and should do their bidding. Their bidding is profits and thus the purpose of a manager is to increase the wealth of the stockholders. As Milton Friedman has said

There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in free and open competition, without deception or fraud.\(^2\)

and again

In a free enterprise, private-property system a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.\(^3\)

It is important to note that Friedman is not saying that managers ought to maximize profits even if it is done in an unethical way. Friedman is very clear in saying that managers have a duty not to use deception and fraud in business. Business managers should engage in open competition. Price collusion would be a moral wrong for Friedman. Business managers ought to follow the law and they ought to obey the ethical customs embedded in society.

Corporate Social Responsibility as Charity

It would be a mistake to think that corporate social responsibility under this view is limited to increasing shareholder wealth. Many American business leaders think of social responsibility in terms of charity- of giving money away either directly or through a corporate foundation. Target Inc. gives 5% of its pretax income to charity. Charitable giving has been a hallmark of the business community in Minneapolis/St Paul, Minnesota.

Advocates of Milton Friedman’s position abhor such charitable giving on the part of corporations. They consider it tantamount to theft or perhaps more kindly put as taxation without representation. That charge seems overblown. Persons who buy Target stock are well aware of Target’s policy of giving back to the community or they should be. People who own Target stock either endorse Target’s program of corporate giving or they believe that it is either neutral or positive with respect to

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\(^2\) Friedman, Milton. (1982). *Capitalism and Freedom.* Chicago: University of Chicago Press, 133.

\(^3\) Friedman, Milton. (1970). “The Social Responsibility of Business Is to Increase Its Profits.” *New York Times Magazine,* September 13, 126.
Target’s profits. Alternatively some CEO’s give away their own money rather than that of the corporation. The Bill and Melinda Gates foundation and the gifts of Ted Turner come to mind. It should be noted that Friedman has no problem with successful business leaders giving their own money to charity. After all, it is their money. But corporate profits are not their money.

An Addendum to the Classical American View: Stakeholder Capitalism

R Edward Freeman is most closely associated with the view that management has a fiduciary duty to all its stakeholders and that the interests of the stockholders ought not to have priority over the interests of the other stakeholders. Freeman contends that management bears a fiduciary relationship to all stakeholders and that the task of the manager is to balance the competing claims of the various stakeholders.

My thesis is that I can revitalize the concept of managerial capitalism by replacing the notion that managers have a duty to stockholders with the concept that managers bear a fiduciary relationship to stakeholders. Stakeholders are those groups who have a stake in or claim on the firm.¹

Freeman distinguishes between a narrow use of the term “stakeholder” and a wide use of the term. On the narrow definition stakeholders are those groups who are vital to the survival and success of the firm. On Freeman’s account these are the owners, employees, customers, managers, suppliers, and the local community. On the wide definition stakeholders are any group that affects or is affected by the firm.²

In his own analysis, Freeman uses the narrow definition. I will follow Freeman in our analysis here.

Although the stakeholder theory is not as well developed and rigorous as the classical stockholder theory, it has, nonetheless, proven highly successful in the marketplace. Many—indeed one might now say most—corporations at least speak the language of stakeholder theory even if they do not always practice it.

It is important to note that in theory there need be no inconsistency between the wealth maximization view and the stakeholder view with respect to strategic management. Many argue that paying attention to corporate stakeholders is necessary for profit maximization. For example, if management does not insist that customers be treated well, the firm will not have customers or at least it will not have anywhere near as many as it could and ought to have. The view that in order to make profits, a firm must manage its stakeholder relations well is called instrumental stakeholder theory.

¹Freeman, R. Edward. (1997, 2001). “A Stakeholder Theory of the Modern Corporation” in Tom L. Beauchamp and Norman E. Bowie (eds.), *Ethical Theory and Business*, 5th and 6th ed. Upper Saddle River: Prentice Hall Inc., 56.
²Ibid., 59.
Milton Friedman recognized that instrumental stakeholder theory was a smart management technique, but he had nothing but disdain for those who would call instrumental stakeholder theory corporate social responsibility.

It may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving the government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favor by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes.

In each of these—and many similar—cases, there is a strong temptation to rationalize these actions as an exercise of “social responsibility.”…It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing because it harms the foundations of a free society.⁶

Before pointing out some of the misunderstandings in this quotation it is worth noticing that much of the general public has an attitude toward corporate philanthropy that is similar to Friedman: if philanthropic activity contributes to the bottom line the philanthropy is somehow tainted morally. However, both Friedman and the prevailing public attitude are mistaken here. First, as Friedman correctly points out, CEO’s and top managers are agents of the stockholders and as agents have a moral obligation to make money. Seeking profit is a moral obligation. Second Friedman’s view assumes a separation between business decisions and ethical decisions. My colleague R Edward Freeman refers to this viewpoint as the separation thesis, which he and his students have spent much time in the development of stakeholder theory refuting. Every business decision, they maintain, has ethical elements embedded in it. Third, Friedman seems to think that purity of motive is the essential ingredient in morality—a view that might be attributed to a simplistic understanding of the ethical theory of Immanuel Kant. As we saw in Chap. 4, I have developed a Kantian theory of capitalism that insists there is no contradiction when a business person claims that he or she is practicing corporate social responsibility both because it is right and it is profitable.

Some of Friedman’s followers, most notably Michael Jensen, have adopted instrumental stakeholder theory without holding it in disdain.

Enlightened value maximization recognizes that communication with, and motivation of, an organization’s managers, employees, and partners is extremely difficult. What this means in practice is that if we tell all participants in an organization that its sole purpose is to maximize value we would not get maximum value for the organization…. Indeed, it is obvious we cannot maximize the long-term market value of an organization if we ignore or mistreat any important constituency. We cannot create value without good relations with customers, employees, financial backers, suppliers, regulators, communities and so on.⁷

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⁶ Friedman, “The Social Responsibility of Business Is to Increase Its Profits,” 124.

⁷ Jensen, Michael C. (2002). “Value Maximization, Stakeholder Theory, and the Corporate Objective Function.” Business Ethics Quarterly, 12(2), 245, 246.
In this quotation, Jensen recognizes that value maximization cannot be a motivator for corporate stakeholders. His view is consistent with what I have called “The Paradox of Profit.” The more a manager focuses on profit, the less likely he is to achieve it.\(^8\) He also recognized that one cannot achieve value unless the firm also meets the needs of the corporate stakeholders. A manager treats stakeholders well because that treatment is necessary to achieve the goal of value maximization.

**Social Responsibility Under the Stakeholder Model**

The instrumental view stands in contrast to the more robust normative view that claims that management has moral obligations to stakeholders even if, when acting on these obligations profits are not maximized. Often this normative view is stated in terms of the rights of the various stakeholders—rights that create obligations or duties on the part of management.

Once the language shifts from instrumental stakeholder theory to a more robust ethical theory, there are some changes needed in the theory of corporate social responsibility. If stakeholders have rights and the local community is a stakeholder, then it looks like some attention to the needs of the local community is a moral requirement rather than a voluntary act of philanthropy. This shift from charity to obligations often goes unnoticed however. That is not the case in Europe.

**The European Sustainability Version of Capitalism**

In the “Green Paper,”\(^9\) this strategic goal of sustainability is set out as a strategy of corporate social responsibility—CSR Europe as it is called. The European Union does not view the function of the corporation as maximizing shareholder value. Rather the EU argues that the corporation should be managed in a way that makes it sustainable and that sustainability is determined by financial success, environmental friendliness, and social responsibility. These are the three pillars of sustainability. An early definition of “sustainable development” was “development that meets the needs of the present without compromising the ability of future generations to meet its own needs.”

These three factors of sustainability are measured by triple bottom line accounting. The goal of the European Union is “to become the most competitive and dynamic knowledge based economy in the world, capable of sustainable growth with more

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\(^8\) Bowie, Norman E. (1988). “The Paradox of Profit” in N. Dale Wright (ed.), *Papers on the Ethics of Administration*. Provo: Brigham Young University Press, 97–120.

\(^9\) Commission of European Communities, *GREEN PAPER Promoting a European framework for Corporate Social Responsibility*, Brussels, July 18, 2001.
and better jobs and greater social cohesion.”\textsuperscript{10} The Green Paper elucidates the concept as follows:

Corporate Social Responsibility is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. At a time when the European Union endeavors to identify its common values by adopting a Charter of Fundamental Rights, an increasing number of European companies recognize their social responsibility more and more clearly and consider it as part of their identity. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success.\textsuperscript{11}

The official European Union position builds a theory of corporate social responsibility right into its macro-economic strategy. Within that strategy CSR includes both concern for the environment and social responsibility. However, what is entailed by the “social responsibility” criterion? To provide some specifics, here are some items from the Green Paper. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and relations with stakeholders. The internal dimension of corporate social responsibility includes enlightened human resources management, a concern with life-long learning for example, health and safety at work, helping workers adapt to change, and more friendly management of environmental impacts and natural resources. The external dimension includes cooperation with supply chain firms to promote CSR throughout the supply chain, a commitment to human rights, and a commitment to global sustainable development.\textsuperscript{12}

As we see in Europe, corporate social responsibility means having the company take a stand on certain social issues. The issue need not be an issue of charity at all. In Europe it is often a commitment to human rights. The Green Paper is explicit in that regard. “Corporate social responsibility has a strong human rights dimension, particularly in relation to international operations and global supply chains.”\textsuperscript{13} In addition, nearly all European companies that commit to sustainability also commit to supporting a number of international human rights agreements both in their own business and in the business activities of their supply chains. You seldom if ever see such a commitment to human rights as part of an American company’s statement of business purpose. Let me make the point in another way. Under the sustainability model, corporate social responsibility requires that the business leader makes sure that his business activities do not violate human rights. He also has some responsibility to see that his stakeholders, particularly suppliers, also do not violate human rights. Finally and perhaps most controversially corporations need to resist clear violations of human rights by the governments where they do business. If they do not wish to accept this obligation, then they should not be doing business in countries

\textsuperscript{10} Ibid., 3.
\textsuperscript{11} Ibid., 4.
\textsuperscript{12} Ibid., 8–15.
\textsuperscript{13} Ibid., 13.
with an extensive record of human rights abuses. American readers of *The Economist* will notice the importance that is given to business and human rights within the scope of that magazine. Although *The Economist* is considered a conservative publication within the U.S. meaning of “conservative”, Americans associate the emphasis on human rights as a liberal cause as people in the U.S. use the term “liberal.” As for specific examples, Royal Dutch Shell changed its policy with respect to intervention in political affairs when it was roundly criticized internationally for not intervening to save the life of Siro-Wiwa in Nigeria. And since all these issues we have discussed in this section are issues for the corporation, successful corporate leadership requires corporate social responsibility—not simply individual corporate charity. In Europe, stakeholder management is the means for determining what the third pillar of social responsibility requires. Basically the dictates of enlightened human resource management and respect for human rights are, in Europe, the bedrock of corporate social responsibility.

**Philanthropy, the Safety Net, and Human Rights**

The differences between the United States and the European Union with respect to CSR need further discussion. Why is there no tradition of significant philanthropy in Europe? I submit that one significant reason for the lack of a tradition of philanthropy is the fact that European countries including Great Britain have a much stronger safety net than is found in the United States. The Scandinavian countries in particular are especially generous. Europe has higher taxes, a more progressive tax system, and many more government services than the United States. Right wing politicians in the United States refer to socialist Europe. If the state provides many services for free and protects people who are unemployed, there is less need for charity. In the United States we think of social responsibility as helping to solve social problems. In Europe it is the job of government to solve social problems. Interestingly there is a common line of thinking here between Milton Friedman and “socialist” Europe. Both agree that it is the job of government rather than business to solve social problems.

As a generalization I think this statement is correct. However, it is a bit more complicated when a company actually contributes to a social problem. Thus the British Company, British American Tobacco, does view the health issues around smoking as an issue of social responsibility. It explicitly addresses the issue of how it can be a socially responsible manufacturer of cigarettes. They argue that as long as cigarettes are a legal product and there is no deception in marketing and no marketing to children, then they are being socially responsible. Of course many others disagree. The purveyors of fast food do have a social responsibility to consider the impact of their products on obesity—although obesity is less of a problem in Europe than in the United States. So with respect to social problems, the most accurate way to characterize European business philosophy is to say that social problems are the responsibility of government except in those cases where one’s business activities contribute to the social problem.
Even this qualification is too simplified. Since all companies have an impact on the environment, then there is a general moral obligation as expressed in the second pillar for companies to aid in solving the environmental crisis. Companies do that by being more environmentally friendly.

With much of the responsibility for social problems in the hands of government, public sentiment and business practice have focused on human rights issues. Capital punishment is not permitted in the European Union. Labor rights are honored and the right to bargain collectively is seen as a human right. The contrast between the United States and Europe on the rights to unionize and bargain collectively is striking. I would argue that the United States is the most anti-union member of the G-20, the most hostile to unions of any advanced economy. Respecting labor and the right to bargain collectively does not involve philanthropy. Labor unions and their members have certain rights and managers have an obligation to accept and respect those rights. At least that is the view of the European Union.

A similar analysis can be given for a number of the examples of social responsibility mentioned above. In every one of these cases, the obligation is to a stakeholder in the firm. There is no general obligation to solve social problems. There are only obligations to respect the rights of stakeholders and an obligation to be a green firm in order to protect the environment.

The Business Case for Social Responsibility

One common feature of both the European view and the U.S. view is the belief on the part of American businesspersons committed to philanthropy and European businesspersons committed to sustainability that corporate social responsibility is good business. Sometimes paying attention to environmental and social issues is referred to as “the license to operate.” Whether these partisans on both sides of the Atlantic are correct in arguing that CSR is good business is a matter of some controversy.

Corporate Social Responsibility in Asia

Japan

I am not sure which version of corporate social responsibility best captures the Japanese view. When I first contrasted Japanese management from American management in the early 1990s I borrowed the conceptual framework of Masahiko Aoki. Many of the Japanese management practices he described and endorsed such as continuous improvement, just in time inventory, decreased specialization in

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14 See Aoli, Masahiko. (1990). “Toward an Economic Model of the Japanese Firm,” Journal of Economic Literature, 28, 1–27.
job assignments, and the emphasis on quality with the ability of anyone on the line to stop the process have been adopted in the United States—especially in the automobile industry. These management practices have been viewed as more employee friendly than the more hierarchical anti-union practices in the United States. For example, in Japanese automobile plants, workers were encouraged to learn skills that enabled them to do a number of jobs on the assembly line. In that way Japanese workers had a greater understanding and appreciation of the final product. When you coupled these practices with a tradition of lifetime employment for regular workers, many experts thought they had an explanation for the perceived superior quality of Japanese products.

With this background in mind, I would characterize Japan as having cooperative capitalism. If competition is one of the main components of American culture, cooperation is one of the main components of Japanese culture including its economic institutions. You can see this in its Zaibatsu which consist of family owned firms that are linked to a network of supporting economic institutions that provide banking, trading, engineering, and logistical support. Each of the major family owned firms has such a supporting network. Japan has a stock market, of course, but major companies are not simply dependent on the wide public to raise capital. Each family firm is linked to a large financial institution that provides financial support. There is also vertical linkage as found in the keiretsu that provides integration in production and distribution. In addition there is a strong safety net in Japan provided by both the government and business. Until recently there was a tradition of lifetime employment for many employees of the larger firms. Although that tradition is eroding, employee layoffs are the last resort rather than the first resort as they are in the United States. Finally Japan has had a strong state supported industrial policy through MITI, The Ministry of International Trade and Industry. MITI is somewhat less important now, but the Japanese government still plays a role in economic policy that would be unacceptable in the United States. As I look beyond the individual economic institutions, what I see in Japan is a much more cooperative society internally although a society that competes vigorously in international trade. Some of this may be influenced by a Japanese religious and ethical tradition that believes that one has stronger ties and thus obligations to those close to one and weaker ties and obligations to those some distance from one such as foreigners. You see this in the auto industry where labor relations in the big auto firms are always peaceful but each auto company such as Honda and Toyota compete vigorously against each other as well as all others in the global marketplace.

As the Japanese economy went into recession and experienced bouts of deflation, many argued that Japan would have to change. Many of the so-called reforms were modeled on the finance based capitalism of the United States. I recall giving a talk to Japanese businessmen in which I criticized finance based capitalism and urged Japan not to embrace wholeheartedly the view of Milton Friedman. I remember distinctly one Japanese businessman coming up to me after the talk with tears in his eyes and saying how appreciative he was of the fact that I was the first American he had heard speak who did not tell him to maximize shareholder wealth. My impression is that Japan has taken relatively little from the finance based model and has,
instead, adapted elements of the stakeholder model and the sustainability model into the Japanese system. For example a study by Ely and Pownall demonstrated how Japanese accounting standards take a broader stakeholder perspective than American firms with respect to accounting information.\textsuperscript{15} The Caux Roundtable, an international group of business leaders, has adopted a set of principles known as the Caux Roundtable Principles of Business Ethics. These principles were adopted from a set of principles adopted by business leaders in Minnesota. The late chairman Ryuzaburo Kaku of Canon Corporation thought that the principles of stakeholder management in the Minnesota principles were similar to the spirit of the Japanese term keosiy-living together in harmony. As a result many Japanese firms and eventually others around the world adopted the Caux Roundtable Principles. Other Japanese companies have adopted the philosophy of corporate social responsibility espoused by the European Union. However as with American firms, the social responsibility leg of sustainability has been focused on good deeds for stakeholders and a concern with social problems in Japanese society rather than emphasizing human rights.

Japanese firms have been more concerned with environmental issues. Its location on a major fault line subject to earthquakes has played a role in this environmental concern. A Japanese firm that early in the twenty-first century had emphasized its responsibility to the environment is Ricoh, a manufacturer of office equipment. Their corporate philosophy is refuse, return, reuse, reduce and recycle. Among the actions they have taken is to make uniforms from recycled plastic soft drink bottles. When updating the information on Ricoh for this Chapter, an examination of its website indicates that Ricoh has a comprehensive and contemporary philosophy of CSR. For example, Ricoh is committed to promoting social responsibility down its value chain.\textsuperscript{16}

To this observer, Japanese companies, like their counterparts in Europe and the United States have a variety of corporate philosophies with respect to CSR. However, Japan has a culture that inclines it toward the sustainability model. In addition its position at a perilous point on earthquake fault lines makes it more sensitive to the environment than many other countries. My best guess is that Japan’s economy will more and more resemble the sustainability model.

\section*{India}

I confess that I have almost no expertise in discussing the Indian model of social responsibility and I have not visited the country. Any of us who teach in business school, however, are almost certain to have colleagues and friends who are Indian

\textsuperscript{15}Ely, K.M. and Pownall, G. (2002). “Shareholder-versus Stakeholder Focused Japanese Companies: Firm Characteristics and Accounting Valuation,” \textit{Contemporary Accounting Research,} 19(4), 615–636.

\textsuperscript{16}http://www.ricoh.com/csr/concept/index.html, Downloaded February 15, 2012.
and who can help us understand the norms of the Indian economy. I certainly have benefited from my association with my Indian colleagues. Nonetheless my discussion of India will be brief. First, it should be realized that India was for many years a socialist country. Capitalism is a rather recent development in India. Second the Indian government is notoriously inefficient and corrupt. The infrastructure in India is terrible. A group of Indian Wharton students put the point succinctly. “India’s lax ethical standards, coupled with a rigid bureaucracy and weak enforcement mechanisms have certainly hurt the country in many ways.”

Practicing business in that environment is obviously a challenge. Indeed the Wharton students report that businesses in India both domestic and foreign must practice what the Indians call “jugaad.” The term “jugaad” roughly means “finding a way to your cheese.” Whether international corporations can conduct business in an ethical way—at least as defined by Western standards is problematic. Some of the most skeptical students in my classes have been Indian who report that bribery is essential if one is to succeed in doing business in India. A recent article in The Economist discussing the latest scandal in India, which involved scandals in the mobile phone industry, put it this way: “Can a foreign firm ever be sure that its Indian partner is clean?”

Under these circumstances, can India have a theory of corporate social responsibility and even if it had such a theory could it practice it? I think it is safe to say there is no widely accepted theory of corporate social responsibility in India. However, there are a number of Indian companies that practice corporate social responsibility pretty much in line with the European model. Given the fact that India was a colony of Great Britain until well into the twentieth century and given the fact that many well known Indian companies have a long history as divisions of European companies, this should not be too surprising. One of the best examples here is Hindustan Unilever. Hindustan Unilever is owned by the British Dutch company Unilever. It is the largest consumer goods company in India. This company along with its parent Unilever has completely accepted the sustainability view of CSR. You need only tour its website to see the extensive sustainability programs that are in place and to see the specific sustainability goals that it has set for itself.

An interesting question that deserves research investigation is whether the Indian firms that are leaders in corporate social responsibility are either European owned or were originally European owned. To the extent that there is a philosophy of social responsibility in Indian capitalism, is it limited to firms that were not founded by native Indians?

What does the future hold? Will more and more Indian companies adopt the commitment to sustainability that is characteristic of Hindustan Unilever? Will India gradually reform its rigid bureaucracy, weak enforcement mechanisms and end its endemic practice of bribery? As India strives to be an economic power, I think that the answer to the latter question has to by “Yes.” Otherwise India’s rise

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17 Anand, Ajay, Kavitha Cherian, Arpan Gautam, Roopak Mujmudar and Arzan Raimawala, “Business v Ethics” The India Tradeoff?, Knowledge at Wharton, January 3, 2012.

18 “Megahurts” The Economist February 11, 2012, 67–68. The actual quotation is on p. 68.
as an economic power will slow down and India may fall behind the other developing countries. An answer to the first question is less certain because it depends in part on the evolution of China’s economy and to whether or not there really is a good business case for corporate social responsibility.

**China**

China is the most powerful member of those countries *The Economist* characterizes as examples of “state capitalism.” Other examples include Russia and most of the oil rich countries in the Middle East. Brazil and Singapore could be included as well. These countries combine the power of the state with the powers of capitalism. The characteristics of state capitalism include having the government pick winners and having the government either own or be the major shareholder in major industries or companies. Yet these government controlled companies are capitalistic in the sense that they are listed on stock exchanges and are multinationals that compete globally.\(^{19}\)

We might summarize Chinese political economy as follows: In the twenty-first century China’s State Based Capitalism has become a serious challenger to both the American and European forms of capitalism. What makes the challenge particularly worrisome is that China is not a democratic country. On the economic front, the Chinese government sets goals for the economy, owns and operates some of the major economic enterprises, and has extensive regulation of the economy. This involvement of the government is an anathema to supporters of American based capitalism. Yet the Chinese economy is a growth powerhouse that has helped many industrial economies weather the recession that began in 2009. In addition the Chinese have provided extensive funding for America’s borrowing. Recently, the Chinese government has been particularly critical of Western-and especially American economic institutions during the financial crisis of 2008–2009, the sovereign debt crisis in 2011 and the political impasse in the United States that lead to a credit downgrade of the United States by Standard and Poor’s in 2011. As they survey the past decade, the Chinese have been increasingly vocal in doubting the superiority of both Western democracy and Western-especially American capitalism. One needs to ask whether ultimately Chinese state-based non-democratic capitalism will be the most successful economic system in the world. And if China does become the most successful economic system and does not practice corporate social responsibility, then what is the future for social responsibility in the rest of the world?

With respect to social responsibility, China is even more complicated than India or Japan. In 2005 I visited the People’s Republic of China as a tourist with stops in Beijing, Shanghai, and Hong Kong. I then made two additional trips as an academic. In 2007 I gave a lecture at the Shanghai Academy of Social Sciences.\(^{20}\) Some of the remarks that follow are from that lecture. One theme of that lecture was a critique

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\(^{19}\) *The Economist*, Special Report, “State Capitalism: The Visible Hand” January 21, 2012, 3.

\(^{20}\) “Globalization, Business Ethics, and Business Strategy” for Shanghai Academy of Social Science, Shanghai, Peoples Republic of China, October 18, 2007.
of Chinese business practices. Much to my surprise the lecture was later published in Chinese. Then a year later in 2008, I took a group of American Executive MBA students to Shanghai and Guangzhou. Our focus on that trip was businesses—both Chinese and American firms doing business in China. Despite three extensive trips, it was extremely difficult for me to discern a philosophy of capitalism and of business ethics there. Given the fact that China’s version of capitalism is still evolving, that should come as no surprise. At various international business ethics conferences and seminars I have met several colleagues in business ethics from the People’s Republic of China. These colleagues have shown a great interest in sustainability and corporate social responsibility as articulated in the United States and especially in Europe. Many of the leading books in business ethics, including my *Business Ethics: A Kantian Perspective*, have been translated into Chinese. I should point out, however, that my academic hosts in China indicated that “capitalism” is still a dirty word in China. “Market economy” is the acceptable term. In summary, I think it is safe to say that Chinese academics endorse a sustainability view of CSR.

However when one turns from academic writings on Chinese business ethics and social responsibility to actual Chinese business practice and Chinese government policy, one wonders if China has a policy of social responsibility.

**Evidence That China Seems to Lack a Sense of Corporate Social Responsibility**

At the macro-level we have to confront the fact that China has a non democratic form of government and thus both government policy and business practice contain values that are sharply at odds with the values of democratic countries. Specifically there is a lack of transparency, a lack of respect for privacy, censorship, and little concern for human rights within Chinese capitalism.

No matter what shape China’s business system takes, there are certain factors that will be crucial to its success. Private property, including intellectual property must be protected. One need not have the same rules governing property rights as the United States or even the European Union. But the protection of property rights must be sufficient for other countries to be willing to invest in China and to trade with it. China must recognize that many in the West do not believe that China has gone far enough in protecting property rights. The piracy of movies and the manufacture of fake brand clothing, watches etc. which are sold as Nike or Levi Straus jeans, or Rolex watches are still perceived to be a major problem in China.

For example, BusinessWeek reports that the largest Chinese search engine, Baidu makes it easy to download illegal music. All you need to do is hit the MP3 player on Baidu’s home page, type in the name of the song and click. A Chinese user is quoted as saying he and his friends aren’t doing anything wrong. “I think it is the problem with the law, not with us users.”

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21 Einhorn, Bruce, and Xiang Ji. (2007). “Daft to Music Piracy: Chinese Search Engines Make It Easy to Steal Net Tunes,” *BusinessWeek*, September 10, 42.
The Chinese economy is still tied strongly to the state. As with India there is a great deal of corruption and bribery. And as with India this corruption and bribery will act as a drag on its economic development. Corruption undermines both transparency and trust. Lack of transparency and trust undermine the possibilities for economic exchange.

Transparency is an essential requirement for a successful business environment. Building trust is essential for market success. Transparency and the building of trust are closely related. Indeed transparency is a necessary condition for trust. China has had difficulty with this in the past. During the SARS epidemic, China was widely accused of not providing information or sending samples to international health organizations. In the August 16, 2007, *The New York Times* reported on a pig virus that was decimating the pork industry in China. In reporting on the issue, he said,

…China’s past lack of transparency—particularly over what became the SARS epidemic—has created global concern. They haven’t really explained what the virus is, says Frederico Zuckermann, a professor of immunology at the University Of Illinois College Of Veterinary Medicine. This is like SARS. They haven’t sent samples to any international body. This is really irresponsible of China. This thing could get out and affect everybody. 

In addition, China, unlike most of the other G-20 countries seems not to have developed a notion of stakeholder capitalism. Indeed many of the moral criticisms of Chinese capitalism are based on the fact that China has violated its obligations to various corporate stakeholders. One of the key stakeholders is the customer. For several years, China has been criticized for shipping poor quality goods overseas. Both the business press and the regular television and newspaper outlets have run featured stories on the numerous cases of toys, toothpaste, and pet food-to name a few products that have been dangerous and in some cases fatal to customers. A lengthy report in the *New York Times* indicates that every one of the 24 major recalls for dangerous toys in the United States involved toys made in China. After publication of this report, Mattel had two massive recalls of toys made in China. In the case of the tiny magnets that could cause a child to choke, Mattel admitted that the Chinese had built the toys according to specification. However, millions of dolls had excessive lead in the paint-a situation that has been quite common in Chinese recalls. In the first recall of nearly a million toys on August 2, 2006 lead paint was the issue in Mattel’s recall of Fisher Price toys made in China.

Another crucial stakeholder is the worker. Here again it appears to the outside world that China still has much work to do with regard to worker safety. News reports cite the August 17th 2007 flooding of a mine which drowned nearly 200 miners. Reuters reports that nearly 2,000 Chinese have died in mine accidents in the first 8 months of 2007. Worker safety needs to be a priority for China.

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22 Barvoza, David. (2007). “Virus Spreading Alarm and Deadly Pig Disease in China,” *The New York Times* August 16, C1,C4.

23 Lipton, Eric S and David Barboza. (2007). “As More Toys Are Recalled, the Trail Ends in China,” *The New York Times*, June 19, 1, C4.

24 http://www.reuters.com/article/worldNews/idUSPEK22116420070823?feedType=RSS&feedName=worldNews
A second piece of the sustainability model is related to the environment. China has huge environmental issues. Some of these issues are the inevitable result of the rapid growth of the economy. Other issues result from poor policy decisions. Two recent articles, one by Asian Specialist Elizabeth Economy in the September/October 2007 *Foreign Affairs* and the other by Joseph Kahn and Jim Yardley in the August 26, 2007 *New York Times*, $^{25}$ speak to the direness of the situation.

Here are a two sample quotations:

China’s environmental problems are mounting. Water pollution and water scarcity are burdening the economy, rising levels of air pollution are endangering the health of millions of Chinese, and much of the country’s land is rapidly turning into desert. China has become a world leader in air and water pollution and land degradation and a top contributor to some of the world’s most vexing global environmental problems, such as the illegal timber trade, marine pollution, and climate change. As China’s pollution woes increase, so too, do the risks to its economy, public health, social stability, and international reputation. $^{26}$

Environmental woes that might seem catastrophic in some countries can be seen as commonplace in China: industrial cities where people rarely see the sun; children killed or sickened by lead poisoning or other types of local pollution; a coastline so swamped by algal red tides that large sections of the ocean no longer sustain marine life. $^{27}$

Given the growth in China’s economy the last 5 years, you might think that the situation regarding worker safety and the environment would have improved markedly during this period. Alas, that has not been the case. *The New York Times* on January 26, 2012 had an extensive article on the total lack of concern for worker health and safety at an Apple iPad assembly plant in China. $^{28}$ That report was featured on page 1 and then continued for two full pages in the business section. The *Times* article was widely cited and provided evidence that there had been little progress in China on the issue of worker safety. The article also showed that American companies had not done enough to insist on better standards in its supply chains. Are American companies too weak to stand up to China? If so this has serious implications for the future of corporate social responsibility.

China has taken some action to improve its environmental standards, but the major cities in the county still suffer from severe air pollution $^{29}$ and the situation with maintaining an adequate supply of clean water has become dire in many parts of the country. $^{30}$ I am sympathetic to the argument that current developed countries paid little attention to the environment in the early stages of their development. Therefore countries that are moving from lesser developed to developed should

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$^{25}$ Economy, Elizabeth. (2007). “The Great Leap Backward? The Costs of China’s Environmental Crisis.” *Foreign Affairs*, September/October, 38–59, and Joseph Kahn and Jim Yardley. (2007). “As China Roars, Pollution Reaches Deadly Extremes,” *The New York Times*, August 26, 1, 10–11.

$^{26}$ Economy, op.cit. 2007, 38.

$^{27}$ Kahn and Yardley, op.cit. 2007, 1.

$^{28}$ Duhigg, Charles and David Barbozza. (2012). “In China, Human Costs Are Built Into an iPad,” *The New York Times*, January 26, A1 and B 10–11.

$^{29}$ See for example, “Clearing the Air,” *The Economist*, February 11, 2012, 80–81.

$^{30}$ [http://www.channelnewsasia.com/stories/eastasia/view/1164079/1/htm](http://www.channelnewsasia.com/stories/eastasia/view/1164079/1/htm), Downloaded February 19, 2012.
have a pass at least for a while. Although there is merit to that argument, countries like China do have one advantage here. They can move directly to take advantage of the technological advances that protect the environment. In countries like the United States where new power plants are not being built (a huge mistake in my opinion), taking advantage of the new technology would require the retrofitting of every existing power plant. China is building new power plants. Why not build them up to the highest standard from the start? Ditto for all residential and commercial buildings in China, including factories.

Perhaps necessity will force China to do more to clean up the environment in China. However, China, along with the United States, shamefully, is often on the wrong side of international attempts to improve the environment. Recently the European Union passed regulation to reduce airline emissions. China is fighting the regulations as are airlines in the United States.\(^\text{31}\)

The third pillar of sustainability is social responsibility. Of the three pillars this category is the most amorphous and the most controversial. As indicated, in the United States social responsibility has often been associated with philanthropy. In Europe the emphasis has been on human rights. Japan has yet to work out this category. To be candid, China’s human rights record has been dismal and it seems to have gotten worse as the twenty-first century has progressed. China is responsible for repressive rule in Tibet and other western provinces. Demonstrations have been met with police violence. A number of Chinese victims of Chinese human rights violations have received the attention of the international community, including attention here in the United States. One of the best known victims is Liu Xiaobo, who won the Nobel Peace Prize in 2010. He was not permitted to leave China to accept the prize and was sentenced to a jail sentence of 11 years.\(^\text{32}\) As of this writing there are reports he is being sent into exile. Another victim was Xu Zhiyong whose NGO, the Open Constitution (gong meng), was shut down despite the fact that he successfully ran for the People’s Congress. Yet another was Hu Jia, who worked to raise awareness about AIDS and the environment. He was sentenced to jail, released, and then to start the New Year had his home raided.\(^\text{33}\) Two other victims include the rural organizer and legal advocate Chen Guangcheng, who is blind and well known for his reports of forced abortions in China and although released from prison is now subjected to unlawful house arrest; and human rights lawyer Gao Zhisheng, who was reported at the start of 2012 as being imprisoned in a remote location.\(^\text{34}\)

\(^\text{31}\) “Trouble in the air, double on the ground,” *The Economist*, February 11, 2012, 66.

\(^\text{32}\) Bristow, Michael, “One year on: Nobel winner Liu Xiaobo still in jail,” BBC News Asia-Pacific, October 6, 2011. http://www.bbc.co.uk/news/world-asia-pacific-15195263, Downloaded February 19, 2012.

\(^\text{33}\) Simpson, Peter. (2012). “Chinese police raid home of human rights activist Hu Jia,” *The Telegraph*, January, 12, http://www.telegraph.co.uk/news/worldnews/asia/china/9009763/Chinese-police-raid-home-of-human-rights-activist-Hu-Jia.html, Downloaded February 19, 2012.

\(^\text{34}\) “Chinese rights lawyer Gao Zhisheng denied visitors in jail,” *The Guardian*, January 10, 2012, http://www.guardian.co.uk/world/2012/jan/10/gao-zhisheng-denied-visitors-jail, Downloaded February 19, 2012.
It is abundantly clear that the Chinese do not accept the third pillar of sustainability. They do not accept corporate social responsibility when social responsibility is understood in terms of the protection and promotion of human rights. Given the importance that human rights have in the Western tradition, the failure of the Chinese to adopt the third pillar of sustainability raises questions about how western multinationals can or should do business in China. What is disconcerting to me is the ease with which so many American companies as well as other companies in the West have ignored the fact that China is a major violator of human rights and is quite unapologetic about it. Does this fact bode ill for the practice of corporate social responsibility when such practice urges the protection and promotion of human rights? In countries that produce oil or in a country like China with a potential market of two billion, I fear that it does. There does not seem to be a lot of will on the part of American companies to stand up to China. If a company does not stand up to China to promote social responsibility, will the support for social responsibility gradually diminish at home as well?

Which Version of Corporate Social Responsibility Should a Country Adopt?

I believe the sustainability version of corporate social responsibility should be adopted. One reason for adoption would be strictly pragmatic. If the EU strategy were economically superior to the American strategy, then there would be an economic reason to adopt it. The European Union believes that in the long run it is superior; they express these sentiments in what is called the business case for CSR. As the Green Paper indicates, “A number of companies with good social and environmental records indicate that these activities can result in better performance and can generate more profits and growth.”

Whether the EU can outperform the US in the long run is uncertain. Many in all countries believe that a commitment to social responsibility weakens economic growth rather than enables it. The business case for corporate social responsibility is received with great skepticism. I write this essay at a particularly difficult time for Europe. The sovereign debt crisis not only threatens to drive the European Union into recession. It threatens the very existence of the EU and its currency the Euro. Americans on the right look at Europe with disdain.

Although the European Union has a number of serious issues, it is a mistake to link all of Europe together. The economic problems are most severe in southern Europe especially in Greece and to a lesser extent in Italy, Spain and Portugal. The countries of northern Europe including Germany and the Scandinavian countries of Denmark and Sweden are doing well although these latter countries are the most “socialistic.” The average standard of living in these countries is higher.

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35 The Green Paper, op.cit., 7.
than that in the United States and there is far less income inequality. In the long run, I think it is a mistake to count Europe out. Time will tell.

There are other reasons I do not think Americans should be complacent. For several years in the early 2000s I took 25 MBA students to Brussels and London so that these students might have first hand experience with the sustainability model. Last year a senior executive of a major European company described the US has a high risk society. Although he did not elaborate on that comment, I began to think that he certainly had a point. American thinking is very short term. This is most obvious in financial markets. When I touted the long range planning (beyond the 70 years of remaining oil supply) of Shell and British Petroleum to my broker, he reminded me of the “realities” of the market. For the day trader, the long term is measured in seconds, for the momentum trader the long term is measured in days, and for the “long term investor” the long term is measured in months. There is no longer term. Even if this is a bit of an exaggeration, it is disturbing. How can we have sustainable investment in an environment where the long term is limited to a few months?

Further evidence of the pitfalls of a short term focus can be found in the unwillingness of Americans to plan for the future. We were the only major country not to sign the Kyoto Protocol. A greater percentage of American does not believe in climate change than in other industrialized countries and is more unwilling to take steps to mitigate global warming than any of the industrial countries. The state of our infrastructure is deplorable. Our rail system is primitive by contemporary standards. Our children have lower reading, math and science scores than most other industrial nations and the economic recession has only drained money from the public schools. Many fear we are a country in decline.

I have already described the economic power of China and shown that it has not made sufficient progress in stakeholder management, that its environment is still degraded and that China has no respect for human rights. But given its economic power, American firms as well as other Western firms are reluctant to stand up to it. These problems are compounded by what China considers to be our weaknesses. China has watched as the United States has lurched from one economic crisis to another in the past decade. The dot.com bubble collapsed as the twentieth century came to a close. Then right after the 9/11 attacks, we had the collapse of World Com, Arthur Andersen, and Enron among others. Then the financial crisis of 2008–2009. Rather than address problems, the radical tea party members of the Republican Party in the House were constant obstructionists, even to the point of bringing the United States to the brink of bankruptcy. To the Chinese neither American democracy nor American capitalism looked like a successful strategy.

The Moral Argument for Sustainability

The other argument for adopting the sustainability model of corporate social responsibility is normative or moral. A notion of leadership that measures legitimacy on achieving sustainability rather than simply on financial success is morally superior.
Everyone is subject to the general duty to do one’s part to contribute to the common good. This duty is premised on the fact that a civil order is in the interest of all citizens and that citizens benefit from being in a civil society rather than in a state of nature. Think Hobbes here. If one partakes of the benefits of a civil society then one has an obligation based on fairness to support it. Otherwise one would be a free rider—a person who accepts the benefits of a system without accepting any of the burdens. This notion is most highly developed in the philosophy of John Rawls. Although Rawls provides a contractarian theory of justice, there is a place in his system for natural duties. One of the natural duties is the duty of justice. “This duty requires us to support and to comply with just institutions that exist and apply to us. It also constrains us to further just arrangements not yet established, at least when this can be done without too much cost to ourselves.” Since Rawls asserts that this principle is a natural duty, one might not think it needs justification. A natural duty is simply a duty we have without undertaking any voluntary act to be subject to the duty. However, the duty can be justified because it is coherent with principles chosen in the original position while alternative principles are not coherent. The details of Rawls’ argument are beyond the scope of this Chapter (The interested reader should see section 51 in *A Theory of Justice*).

Rawls then applies the principle in a political context.

For example, consider the case of a citizen deciding how to vote between political parties, or the case of a legislator wondering whether to favor a certain statute…. As a rational citizen or legislator, a person should, it seems, support that party or favor that statute which best conforms to the two principles of justice.

Voting in this way is how one honors the obligations of the natural duty of justice. And it is rational to behave this way because the reasoning process in the original position shows that the two principles of justice are in the best interest of everyone and would be adopted in the original position. But acting on the natural duty of justice is rational in another way as well. So acting is mutually supporting. If others see one acting on a sense of justice, others are more inclined to act justly as well. In that way acting on a sense of justice leads to stability within the society. As Rawls said:

We noted that in a well ordered society the public knowledge that citizens generally have an effective sense of justice is a very great social asset. It tends to stabilize just social arrangements.

Rawls believes we will treat our friends and family justly. Psychologically wanting to treat our friends justly is on a par on wanting to be with them and of feeling sad when they suffer a misfortune. But why should we treat other members of a society who are not friends and family fairly? Rawls believes that behaving unfairly or

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36 Rawls, John. (1999). *A Theory of Justice*, Rev ed. Cambridge, MA: Harvard University Press, 99.
37 Ibid., 294.
38 Ibid., 295.
unjustly negatively affects the institutions of society and when these are negatively affected our family and friends are as well.

It certainly can be argued that many Americans have become free-riders. They are willing to take the advantages of just institutions but are unwilling to pay their fair share to see themselves as part of a wide community.

Let us now adapt this Rawlsian framework to a discussion of sustainable corporations or corporate social responsibility. First, it must be pointed out that Rawls assumed perfect compliance theory in his analysis. That is, he assumed that people in a just society would out of a sense of justice support just institutions. For the most part he did not theorize about how we ought to deal with conditions of partial compliance theory—that is in conditions where there is only partial compliance with the demands of justice. We of course are not assuming perfect compliance. However, this assumption should not hinder our analysis because I take seriously the second part of the natural duty of justice, namely that we are to “further just arrangements not yet established, at least when this can be done without too much cost to ourselves.”

So how does this all apply to sustainability? I assume that some corporations are managed with a goal toward being sustainable and that others are managed in the traditional American way—to increase shareholder wealth as it is measured on a quarterly basis. I further assume that it is morally better to manage with a goal to sustainability than to manage on the basis of short-term quarterly stock results. In making that moral judgment, I am assuming that the achievement of sustainability creates greater social value. After all if the sustainable corporation really protects environmental integrity, it seems obvious that social value is enhanced. I even assume that in the long run the sustainable corporation is more financially viable than corporations managed in the traditional American way. There is nothing radical about this assumption. It is the same assumption that drives the European Union’s Corporate Social Responsibility initiative. As a Kantian I accept the notion that every person has dignity and that dignity is protected by asserting that every human being has certain natural rights that should be honored, protected, and enhanced. Respect for human rights is the third pillar of sustainability under the European model. Such respect should not be such a problem for Americans. We are a country founded on a philosophy of human rights. Why is there such resistance in the business community toward acting on the philosophical foundation of the American system?

Rawls’s argument can be rephrased so that it provides an argument for supporting the sustainability account of corporate social responsibility. There is a natural duty to support sustainable corporations and where corporations do not behave in a sustainable manner, it is our duty to reform them when this can be done without too much cost to ourselves. The justification for this duty is similar to the justification given by Rawls for the natural duty of justice. Since a business community of sustainable corporations yields the most social good, it is rational to support that type of business community. To accept the benefits of sustainable businesses without accepting the burdens (such as paying a higher price) is unfair especially when this can be done with little cost to oneself. Acting on these obligations encourages similar actions by others and thus makes the achievement of a sustainable business culture
more likely. This process supports sustainable business in a way similar to how the natural duty of justice supports stability in political life. Just as there is an obligation to support those institutions that really do contribute to a just society, there is a similar obligation to support businesses that seek sustainability. This argument is making a substantial claim. A minority of people desire to support sustainable business and many in that minority may go further and believe that there is a moral obligation to support sustainable business. I go further. I contend that there is a general and universal moral requirement that consumers support sustainable business—at least when that can be done without too much cost to oneself. Poor people are not under that obligation when the products of a sustainable business are more expensive than the products of a non-sustainable business.

Why Philanthropy Is Not Enough

One might argue that the goals of sustainability can be achieved through the traditional American system of philanthropy. Corporate foundations and successful businesspeople can support the environment and human rights and in such circumstances there would not be much difference between the American view of corporate social responsibility and the European one.

This argument cannot be sustained. First, philanthropy is always in danger of being considered an add-on, something that is not essential to the day to day running of the business and something that is done after the business is successful. But under the sustainability model, profits, environmental concern, and respect for human rights are all essential goals of management each and every day. They are achieved through stakeholder dialogues and measured by triple bottom line accounting. Sustainability is what business is all about. Unlike philanthropy it is not separate from the main task of running a business.

Does China Need Corporate Social Responsibility to Survive

I now return to a question we have raised before. Even if my moral argument on behalf of the sustainability model is correct, I may face a practical problem. If China is successful, then they may not accept the moral argument and both European multinationals and American multinationals might not challenge them. And if multinationals take that road, there is always the danger that the ideals of corporate social responsibility will weaken at home as well.

Rawls’s theory of a social union is not an obvious fit in an American society that it highly individualistic. This talk of a social union probably seems strange to those in a society of rugged individualists. Rawls’ idea of a social union might fit better in a society where solidarity is an important value. China is a highly collectivist society and one might think Rawls’s theory might get a more sympathetic hearing in such a
collectivist society. However, the Chinese are not likely to be influenced by Western political philosophy. Thus even if the moral argument is correct, if Chinese business practice runs counter to the argument and yet remains the most successful economy in the world, the correctness of the moral justification is a hollow victory.

There is some reason for optimism here despite the evidence cited above on the other side. China does realize it has an environmental problem and has made some moves to correct it. These moves in the right direction show that China already gives limited acceptance to the second pillar of sustainability-environmental concern.

Although Chinese capitalism does not focus on profits, it does need to be financially viable. And to be financially viable, China must subscribe to what I have elsewhere characterized as a minimum market morality. China must reduce corruption, improve transparency, be committed to quality and safety if its economic system is to thrive. So China must accept the morality that goes with the first pillar of sustainability-financial success.

That leaves the third pillar-protection and support for human rights. At this point in its history China can be said to reject the third pillar. Progress here may be a long time in coming.

Is There a Future for Corporate Social Responsibility in the Twenty-First Century?

I think the answer to this question is “yes.” Successful economies must subscribe to a minimum market morality as outlined above. Environmental issues cannot be ignored. So what of the third pillar of “social responsibility?” If social responsibility is understood in terms of solving social problems, then this pillar too will be honored. Unaddressed social problems if they become serious enough lead to social unrest. Business cannot thrive if countries are in social unrest. So business either by itself or in cooperation with government and non-profits will address social problems. Whether they will succeed is another question.

What about social responsibility understood as the protection and enhancement of human rights? I do not have a crystal ball here. However, over the past 200 years we have seen an expansion of human rights, to women and the disabled for instance. International bodies increasingly recognize human rights. And many countries that do not protect human rights, at least pay lip service to them. China, despite its vast economic power, may be on the wrong side of history on this issue.

With all this in mind, I think that both in terms of economic success and in terms of moral adequacy, the sustainability model of corporate social responsibility is the one that is best. I would hope that the United States would move closer to the sustainability model.

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39 Bowie, Norman E. (1988). “The Moral Obligations of Multinationals” in Steven Luper-Foy (ed.), Problems of International Justice. Boulder: Westview Press. I have maintained versions of the argument in that article in several of my writings.