

Corporate Social Responsibility

By James K. Glassman

“Few trends could so thoroughly undermine the very foundations of our free society,” wrote Milton Friedman 43 years ago, “as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.” Wow! Now there’s a refreshing opinion in a world where CEOs pander to the aging radicals who run the increasingly powerful anti-capitalist entities called non-governmental organizations (NGOs).

In recent years, many CEOs have flocked to support something called “corporate social responsibility,” or CSR. (And who could be against that?) In November, for example, Business for Social Responsibility—an organization that includes some of the world’s biggest companies, from ABB to Walt Disney—attracted more than 1,000 people to its annual meeting in D.C. World Bank president Paul Wolfowitz gave the keynote address.

While CSR seems unexceptional, it actually “assigns to businesses a new role and purpose,” notes economist David Henderson in his 2001 book, *Misguided Virtue*. Under a CSR regime, businesses are supposed to embrace “corporate citizenship” and “run their affairs in close conjunction with an array of different ‘stakeholders,’ so as to promote the goal of ‘sustainable development.’” Economics, social life, and environmental desires are all part of a “triple bottom line” to which businesses must adhere.

“CSR advocates maintain that businesses should assume the major role in

making the world a better place,” writes Randall Frost. Friedman disagrees. “This is a fundamentally subversive doctrine,” he says in *Capitalism and Freedom*. “If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is?”

That’s a job for the political process. It’s clear that one reason those on the left have embraced CSR is that they are having such a hard time achieving their aims through representative democracy. Environmental and social radicals have built NGOs that acquire power by working closely with kindred spirits in the media to intimidate businesses.

It often works. Henderson quotes Sir Mark Moody-Stuart of Shell Oil: “Because we, too, are concerned at the requirement to address those in poverty who are excluded from the benefits that many of us share in the global economy, we share the objective of the recent demonstrators in Seattle, Davos, and Prague.”

In truth, the best antidote to poverty is economic growth, and the best system for solving financial, social, and physical ills is competitive free-market capitalism. In the atmosphere of creative destruction that market competition creates, corporations have their hands full doing the one job that is required and expected of them—making profits that keep them in business. Certainly, businesses must obey the law, and individual executives must act morally, guided, in most cases, by religion. But the way to “make the world a better place” is to increase financial returns to shareholders.

Groups like Business for Social Respon-

sibility, and the labor and environmental organizations that support CSR, want to yoke business into shortening working hours, fighting global warming, and promoting the interests of women and minorities. The CSR agenda is left-wing, but it’s propped up with phrases (like “sustainable development”) that seem sensible. The result: CSR gets a free ride because, as *The Economist* put it, “The opponents never turned up.”

But that’s changing. In an article titled “CSR in the Cross-Hairs,” *Business Ethics* magazine reports (in their case with alarm) that, “A broad counterattack against corporate reform is growing.” One reason is the backlash against CalPERS, the California public employee retirement system that seemed to be putting a social agenda ahead of maximizing the investment that will pay the future pensions of its members. Henderson’s book has had an impact, as has the work of Steve Milloy, who launched “CSR Watch” and put on a counter-conference at the same time and in the same hotel as Business for Social Responsibility.

The constant pandering of many of today’s business leaders exposes a sad truth: They are embarrassed about what they do for a living. But, as Henderson said in a speech last year, “There is no need to apologize for capitalism, nor for profit-oriented business enterprises.” They are our society’s most powerful forces for progress, the elimination of poverty and illness, and for making people happier. Can CSR do that?

