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Corporate Social Responsibility: Engaging Communicative Praxis in an Era of Neoclassical Economics

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CORPORATE SOCIAL RESPONSIBILITY: ENGAGING COMMUNICATIVE PRAXIS IN AN ERA OF NEOCLASSICAL ECONOMICS

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ABSTRACT

CORPORATE SOCIAL RESPONSIBILITY: ENGAGING COMMUNICATIVE PRAXIS IN AN ERA OF NEOCLASSICAL ECONOMICS

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Dissertation supervised by Dr. Pat Arneson

This dissertation is grounded in the belief that corporate social responsibility is good for society. However, current indicators stemming from the marketplace raise concerns as to CSR's long term viability. In this dissertation, I argue that corporate social responsibility has reached a tipping point from which it may move to become a fully informed and dominant practice or recede into the status of a passing fad. This project is driven by the question,"What might be done to better ensure a fuller adoption of CSR as a standard business practice?" I am particularly interested in (1) why society needs CSR and (2) how CSR can be sustained. To answer this question, it will be necessary to engage the marketplace of commerce, understand CSR as it is currently implemented, and explore the relationship between CSR and neoclassical economic thought.

DEDICATION

This dissertation is dedicated to my family, both past and present. To the love and guidance you have provided throughout my life.

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INTRODUCTION

As a free market economy, our society's welfare depends in a large part on free and open trade between overlapping yet seemingly disparate groups and organizations. These groups include families and communities; local, state, and federal government; public and private corporations; and charitable and faith-based organizations. These groups and organizations, along with a mélange of stories, symbols, events, cultures, and phenomena, form a marketplace that guides society through the act of providing for the health and welfare of individuals and families. In modern western society, the pervasiveness of the marketplace has been studied in academic disciplines including mathematics, theology, and philosophy, and ultimately spawned its own scientific discipline: economics. Economics, as a social science, attempts to explain and predict the production, distribution, and consumption of goods and services in society. For some, such as the current neoclassical school of economics, this function is a non-ethical, value neutral exercise in forecasting supply and demand. However, there exist heterodox views, such as the welfare school of economics and the capabilities approach put forth by Nobel Laureate Amartya Sen, that suggest that economics should be concerned with the individual and overall welfare of society. Heterodox schools of economic thought see economic practice as transactional. Human action informs economists, who in turn apply theories to predict future human action. These enacted theories, in turn, influence the daily lives of members of society and further inform and influence the communicative actions of individuals.

Corporate Social Responsibility (CSR) is a postmodern response to neoclassical economics. CSR denies the metanarrative of profit and growth espoused by neoclassical economics by embracing a diverse community of stakeholders—such as society and the environment—and responding to their needs. In this way, CSR is more akin to the postmodern concept of communicative praxis than the modern construct of neoclassical economics, and, as such, is in conflict with the fundamental premise of neoclassical economic theory.

This dissertation is grounded in the need for continued efforts to form a more ethical society through the communicative interactions between the public and business. Within the public sphere, the marketplace is the global preeminent place of discourse and exchange and, as such, is an appropriate site for social reform. History has shown the devastating impact that business can have on society. In the latter 20th and early 21st centuries alone, we can look at events such as the savings and loan crisis (1980s), the dot-com bubble (1990s), and, most recently, the housing bubble (2008). In addition, corporate scandals such as Enron (2001), Worldcom (2002), and the uncovering of Bernie Madoff's (2009) scheme to defraud investors of several billion dollars clearly show the negative impact that significant business events can have on individuals and society as a whole. Part of the problem described in this dissertation stems from the profit paradigm, which, from an economic perspective, evaluates success in terms of increasing income and profitability. The profit paradigm threatens the longevity of CSR and forms the rationale in this dissertation for examining the communicative relationship between CSR, economic theory, and business.

Corporate social responsibility is good for society. However, current indicators stemming from the marketplace raise concerns as to CSR's long term viability. Corporate social responsibility has reached a tipping point from which it may move to become a fully informed and dominant business practice or recede into the status of a passing fad. This dissertation is driven by the question, "How might marketplace interactions between business and economic theory be aligned in order to ensure a broader acceptance of CSR?" To answer this question I will offer a rhetorical engagement of the marketplace of commerce, explain CSR as it is currently implemented, and explore the rhetorical nature of the relationship between society, CSR, and neoclassical economic thought.

As a topic of communication scholarship, CSR has received significant research attention. Although less extensive, there is a growing presence of scholarship regarding the rhetoric of economics. These efforts have been led primarily by Deirdre McCloskey and Arjo Klamer. From a philosophical perspective, economics has been a topic for a number of years, particularly if one considers the works of Adam Smith as, first and foremost, philosophical treatises. The engagement of economics as a philosophical topic, however, became less in vogue with the rise of neoclassical economics. Only now are we seeing a resurgence of a philosophical engagement of economics through the efforts of economists such as Amartya Sen. There is, however, a gap in literature that engages CSR and neoclassical economic theory. This dissertation will begin by exploring the origins of economic theory as seen in the works of Adam Smith in order to show that the history of economics has a much more robust connection to social responsibility than is indicated by the current orthodoxy of neoclassical economics. Similarly, the history of CSR will be reviewed in order to situate the subject within the realm of postmodernity. The nascent economic theory of Adam Smith is more in line with postmodern thought than contemporary neoclassical economics, whose theories are a throwback to modernity. The conflict between the modernity of neoclassical economic theory and the postmodernity of

CSR is the ultimate topic of this dissertation. As will be described, there is a necessity to pull neoclassical economics from modernity to postmodernity. This endeavor can be accomplished through communicative praxis. The early chapters of this dissertation seek to establish the history of both economic theory and CSR and their position within society.

Chapter one establishes economics as a discipline that has a significant impact on society and also discusses the relationship between economic thought and social responsibility. The individual, social responsibility, and justice had an important role in the political economy of Adam Smith; however, over time, there has been a gradual shift from an understanding of economics as ethically grounded to an understanding of economics as non-ethical and value neutral. Chapter two engages corporate social responsibility from a historic perspective and then turns to contemporary theories and practices of CSR. CSR is both rhetorical and ethical and, as such, is shown to be at odds with neoclassical economic thought. Chapter three explores the disconnect between CSR and neoclassical economic theory. This chapter argues that, contrary to the neoclassical economic school of thought, economics is rhetorical. In making this argument, chapter three draws upon the classic rhetoric of Aristotle as well as the writings of Deirdre McCloskey, Amartya Sen, George Akerlof, and Robert Shiller. Chapter four first considers the impact of modernity on economic thought before moving on to the relationship between postmodernity and neoclassical economic theory. Situated within postmodernity is the concept of communicative praxis. Chapter four also situates communicative praxis as a response to the universal rationality of modernity and moves to consider the engagement of communicative praxis with both neoclassical economics and CSR.

Chapter five presents a case study to provide an example of effective interaction between society, governmental policy, and 3M corporation—an organization that embraces corporate social responsibility. This case study provides evidence of a successful organization that, in stark contrast to neoclassical economic dogma, has established CSR—facilitated through communicative praxis—as a core, sustainable business practice and an alternative to the non-ethical, value neutral stance of neoclassical economic theory and practice.

CHAPTER 1: SOCIAL RESPONSIBILITY IN ECONOMICS

> How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.
> (Smith, *The Theory of Moral Sentiments* loc. 98)[1]

Social responsibility historically has been a fundamental concept in the formation of economic theory. Adam Smith's *Wealth of Nations* (*WN*)—considered the first treatise on economic science—dealt significantly with the positive social impact that could be realized through appropriate economic action. Modern economics is viewed to have begun with the writings of Adam Smith, and, to this day, his work is used to argue competing views on economic policy. His work is heralded by welfare economists and neoclassicists alike as supporting proof of their respective ideologies. Moving from the advent of modern economic theory, a study of literature reveals repetitive efforts to parse and reconstitute the theories of Smith in response to changing economic climates. A repeated rise and fall of perceived social responsibilities as related to theories of economics can be seen with the ebb and flow of economic climates. This chapter will first consider the social impact that economics has on society and then move on to a brief history of economic thought as related to the human condition. The chapter will also address the impact of modernity on Smithian political economy and the relationship of neoclassical economics to heterodox economics.

[1] Portions of the research for this dissertation come from the Kindle editions of select books. In order to provide precise locations (regardless of type size), the Kindle identifies location (loc.) numbers. The 7th edition of the MLA handbook provides guidance for citing works that do not have page numbers and recommends the use of "par." or "sec." to cite paragraph or section numbers (MLA 221). In this proposal, "loc." refers to a specific position in the Kindle edition of a text. See: Modern Language Association of America. *The MLA Handbook for Writers of Research Papers.* 7th ed. New York: MLA. 2009. Print.

The Social Impact of Economics

In 2008, the financial markets of the United States experienced what Federal Reserve chairman Ben Bernanke called "the worst financial crisis in modern history" (Wessel). Major financial institutions saw their stock prices plummet to levels threatening insolvency.[2] Likewise, corporate leaders were caught unable to pay off accumulated debt and facing bankruptcy. The largest financial institutions, deemed by the government to be too big to fail, were provided funds by the federal government in order to ensure their survival, and yet a number of executives were paid multimillion dollar bonuses even while their shareholders suffered and their organizations were on the cusp of failure and receiving federal Troubled Asset Relief Project (TARP) funds (Thomas 437). On April 20, 2010, the British Petroleum (BP) offshore deep oil well, Deep Water Horizon, experienced a blowout and began pumping approximately 62,000 gallons of oil per day into the Gulf of Mexico (RestoreTheGulf.gov).[3] Both crises demonstrate the devastating social and economic impact business can have on society.

Neither the BP oil spill nor the financial crisis is a unique event in the marketplace. Economic crises arise with seeming regularity, from the savings and loan crisis of the late 1980s to the dot.com bubble of 2000 and the Enron scandal in 2001. These events affect the public (individuals and families), business (both large and small

[2] In October 2001, the Dow Jones Industrials peaked at just over 14,000 points. In March 2009, that same market bottomed out at 6,626, a loss of over fifty percent of the market's value (Yahoo Finance <http://finance.yahoo.com/echarts?s=^DJI#chart3:symbol=^dji;range=5y;indicator=volume;charttype=line;crosshair=on;ohlcvalues=0;logscale=off>).

During the period from January 2001 through December 2009, the unemployment rate rose from a low of 6,023,000 to a high of 15,212,000 (Bureau of Labor Statistics <http://data.bls.gov/cgi-bin/surveymost> series ID LNS13000000).

[3] A US government press release states that at the beginning of the spill, an estimated 62,000 barrels per day were flowing out of the well. Prior to capping the well, however, the flow estimate was reduced to 53,000 bpd.

corporations), and the United States government. All of these parties interact to influence the others and vie to influence the outcome of corrective actions to be taken. Social responsibility in general is a discussion that is ongoing in the marketplace and has in recent years seen the rise of theories of corporate social responsibility. The outcome of this discussion will influence the degree to which society is able to address economic challenges.

One aspect that many of these events have in common is the harm caused to a great number of individuals as the result of economic decisions that were made. Following the great depression of 1929, the banking industry was closely regulated in order to avoid future financial crises of a similar scale. The economic decision to deregulate the financial industry—formally enacted with the repeal of the Glass-Steagall act in 1999—made the combining of banking and investment possible for banks and other financial institutions, resulting in risky practices that ultimately led to the financial crisis of 2008 (Coleman, LaCour-Little, Vandell 273; Taylor 1-2; White 115). Government deregulation of the energy market in the 1990s likewise enabled the Enron scandal. An economic decision led to the opening of the Gulf of Mexico for deep water oil exploration, drilling, and production. While in neither case can economic theory be pointed to as the root cause of these crises, the economic decisions made fulfilled the role of enabler to these disasters. When regulatory or economic policy decisions are made strictly on the grounds of profit, economists frequently lose sight of the possibility of unintended consequences. Laws are created to protect society. Too few laws can lead to anarchy while too many laws result in the onerous burden of a police state. The same holds true for economic regulation. *Laissez-faire* does not mean a "hands-off, anything goes" state of economic affairs. On the contrary, economic policies must be moderated by virtuous behavior of individuals and businesses and, as necessary, laws or regulations that help to ensure the security of society as a whole.

At its most basic level, economics deals with how decisions—proposed by economists and enacted by legislators who are lobbied by corporations—are made in the face of scarce resources. These decisions are, in turn, interpreted by individuals in the public sphere who then respond as seems appropriate. There are two dominant levels dealt with in current neoclassical economic thought: micro economics and macro economics. Microeconomics deals with individual choices or the choices of groups made in individual markets while macroeconomics focuses on the performance of national economies (Frank and Bernanke 15). While neoclassical economics is viewed by economists as a positive science, it nonetheless deals with providing advice to legislators as to how to respond to economic contingencies. As a result, the government is making an economic decision regarding whether or not to permit deep water drilling for the scarce resource, petroleum, just as when unemployment raises and the economic decision is made to make more funds available to business in order to hire more employees. Economic theory considers how to maintain or improve the economic lives of members of society and, as such, has a significant responsibility to that society. Social responsibility was at the forefront of the earliest writings on modern economics.

Adam Smith: Political Economy and Social Responsibility

The father of modern economics is Adam Smith. Smith was born in 1723 in Kirkaldy, Scotland, and studied moral philosophy at the University of Glasgow and the University of Oxford. His treatise *The Wealth of Nations* (*WN*), published in 1776 in

Glasgow, laid the groundwork for an economic theory that was both scientific in its analysis and ethical in its grounding and concern for social welfare. His work was built upon by David Ricardo and the Reverend T. R. Malthus to form the basis of what became known as classical political economy (Cameron and Neal 210). In Smith's own words, the role of government in the marketplace is simple and consists of only three responsibilities:

> According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. (*WN* 745)

According to Smith, a stable and prospering marketplace comes not so much from the government as from self-interest. Self-interest leads an individual in "continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view"; Smith adds, however, that "the study of his own advantage naturally or rather necessarily leads him to prefer that employment which is most advantageous to the society" (*WN* 482). While self-interest is central to the motivations of individuals in *WN*, self-interest is not the same as egoistic selfishness. In order to understand Smith's self-interest, one must read *WN* through Smith's earlier (1759) text, *The Theory of Moral Sentiments* (*TMS*). Leonidas Montes writes, "Modern economists have lost sight of the importance of *TMS*, inheriting a notion of self-interest devoid of its ethical framework" (66). This view is one that may be seen as a modern manifestation of what the German Historical School referred to as "Das Adam Smith Problem" (Anspach 176; Wilson and Dixon 252). This problem is viewed as an irreconcilable ethical paradox between the sympathy of *TMS* and the self-interest of *WN*.[4] The problem stems from a discontinuous reading of the two works rather than one in which *TMS* is viewed as context for *WN*. David Wilson and William Dixon suggest that "Das Adam Smith Problem" is "no longer tenable" (251), a position supported by Montes, Amartya Sen, Deirdre McCloskey, and others.

Smith's views in *WN* are clearly grounded in his earlier work, *TMS*, which, in turn, are situated within the realm of virtue ethics (McCloskey, "Adam Smith" 2, 11-12; Smith, *TMS* loc. 393-455; Wilson and Dixon 251). Although self-interest is the motivating factor for man in *WN*, Smith clearly states that self-interest is not the same as selfishness. Deirdre McCloskey suggests that Smith's self-interest is more akin to the virtue of prudence or the "rationality of attaining ends" ("Adam Smith" 8). As Harvey

[4] While there is no longer great argument regarding the "sentiments" of *TMS* as a contradiction of the "self-interest" of *WN* there is continued discussion regarding the understanding of Smith's concept of sympathy. D.D. Raphael, for instance, suggests that for Smith sympathy was not a motive for action but rather a constituent of moral judgment (Raphael loc. 1306-1311).

James and Farhad Rassekh point out, this interpretation of Smith is contradictory to the popular opinion that people should pursue their own selfish interests even if others are harmed (659-660). Prudence (self-interest), along with other virtues that Smith sees in society, creates the foundation on which a sense of social responsibility is grounded. Jerry Evansky suggests that there exist two different views of Adam Smith. In his article "'Chicago Smith' versus 'Kirkaldy Smith,'" Evansky sees the Chicago school—the dominant school of neoclassical economic thought—as placing Smith at the head of a discipline in which people are driven by the singular motive of utility maximization (197). This version of Smith, which "uses *Homo economicus* as the premise for analysis of human behavior and for modeling the human condition—has become the accepted identity of Adam Smith among most modern economists" (198). The "Kirkaldy" Smith's views, however, are significantly different.

Adam Smith wrote *The Wealth of Nations* in 1776. At this time, public interests were best represented by a free market guided by self-interest that was in turn moderated by moral sentiment. Smith wrote about the need for government to exhibit social responsibility (Smith, *WN* 745). Scholars differ regarding their interpretations of Smith's work. The contemporary—neoclassical—ideology, in particular, is linked to current economic practice in the United States, in which the dominant metaphor is the nonintervention of government in business (Buchholz 282-303; Spiegel 654). Tied to this *laissez-faire* approach is the belief that a corporation's primary responsibility is to its shareholders through the maximization of profits. In short, the threads of Smith's work addressing moral sentiments were stripped away from neoclassical economic theory.

Smith's works, however, also addressed social responsibility. Smith writes in *WN*: "Every man, as long as he does not violate the laws of justice, is perfectly free to pursue his own interest his own way..." (745). However, in *TMS*, Smith clearly states his position on social responsibility:

> There can be no proper motive for hurting our neighbour [sic], there can be no incitement to do evil to another, which mankind will go along with, except just indignation for evil which that other has done to us. To disturb his happiness merely because it stands in the way of our own, to take from him what is of real use to him merely because it may be of equal or of more use to us, or to indulge, in this manner, at the expense of other people, the natural preference which every man has for his own happiness above that of other people, is what no impartial spectator can go along with. (loc. 1543-1548)

The self-interest Smith describes in *Wealth of Nations* is in no way selfishness, but rather only one of several virtues that humans should possess.

Adam Smith's views on economics were grounded in the belief that government nonintervention would be best for society as a whole at that given moment in history. Through his observations, he saw a significant rise in the standard of living for the poorest members of society when markets were allowed to operate freely. While not explicitly stating that businesses had a social responsibility, Smith was clearly advocating a change that he saw would be in the best interest of society as a whole rather than a limited few. Additionally, according to Smith, government intervention should be limited to defense, the administration of justice, and social programs such as education (*WN* 745).

Adam Smith believed that human motivation was multidimensional and went beyond the single dimension of self love to include virtues such as altruism and justice (Evansky 198-199). Smith saw man as having all the "needful virtues ... namely love, courage, temperance, justice, and self-interested prudence" (McCloskey, "Adam Smith" 5). This view is contra to the Chicago school view of Smith. A multiplicity of virtues and motivations does not fit the narrow positivistic model advanced by Chicago school neoclassicism. Smith's views regarding social responsibility as stated in *TMS* and *WN* ultimately fell victim to utilitarianism and scientistic models of understanding that were to follow. A thorough understanding of self-interest is critical to interpreting *The Wealth of Nations.* If one holds to the modern "Chicago" version of Adam Smith, then one may be tempted to hold the view that self-interest is commensurate with selfishness. However, this reading is not consistent with the historical moment in which *TMS* and *WN* were written.

The "self" of self-interest refers not to a possessive grasping for wealth or material possessions but rather to the fact that we, as human beings, have diverse interests that are unique to us as individuals. As a father, I have a vested interest in the well-being of my children, and as a member of a community, I also have an interest in the well-being of my community. There are times when my personal gain will be subservient to either of these interests. In other words, there are times when interests *of* the self will have precedent over interests *for* the self.

While self-interest still directs my behavior, my personal interest in the other will, at times, overshadow any interest in personal gain. Smith is clear on this point when he states:

> All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. (*TMS* loc. 1607)

He expands on this theme by stating:

> In our approbation of the character of the just man, we feel, with equal complacency, the security which all those connected with him, whether in neighbourhood [sic], society, or business, must derive from his scrupulous anxiety never either to hurt or offend. (*TMS* loc. 4959-4961)

This quote implies that regardless of the circumstances—"neighbourhood [sic], society, or business"—self-interest should be tied to a respect for the other. In a number of cases, such as contracts or the environment, protections for others are written into law. While a company may find financial benefit in dumping liquid waste down the drain of a factory, such action is illegal. Interests for others that lead to philanthropy and other voluntary actions that contribute to social wellbeing are not ignored by Smith.

The economics that Adam Smith conceived was robust in the sense that his theories were not limited to the musings of intellectuals alone. Smithian economics encompassed commercial life as a whole from individuals to government conventions. Political economy had a much broader horizon than that of neoclassical economy.

Neoclassical economic theory attempts to create a perfect mathematical model and has reduced the scope of economics to an albeit complex but narrowly focused model against which one may calculate probabilities. Smith's question was how to go about improving the state of mankind. He approached the problem as a moral philosopher and "former professor of logic, rhetoric, jurisprudence, and moral philosophy" (Muller 51), not as a statistician. Smith's economics viewed the market as an institution with the potential to generate socially beneficial forms of behavior; "Smith saw the market as an effective institutional mechanism for the encouragement of self-control and the channeling of the passions in directions that benefited society" (Muller 72).

The marketplace may be viewed as a community of exchange or a competitive battlefield. For Adam Smith the marketplace was a community of exchange and interaction. Exchange was for Smith a uniquely human quality (*WN* 14) and was a collaborative process made possible through the division of labor. While the subject of *Wealth of Nations* is predominantly prudence, Smith states in *The Theory of Moral Sentiments* that benevolence is the virtue to be most sought after:

> And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour, or what comes to the same thing, as our neighbour is capable of loving us. (*TMS* loc. 411)

Adam Smith's view of economics as a science grounded in moral philosophy unfortunately fell victim to a gradual debasing from the impact of modernity.

Modernity and the Shift From Political Economy

Smith's views on virtue ethics and self-interest were eclipsed by the utilitarianism of Jeremy Bentham and John Stuart Mill. Utilitarianism provided a caveat to one acting in response to virtues. Utilitarianism had the effect of distilling the seven virtues (prudence, justice, temperance, courage, faith, hope, and charity) to the single virtue of prudence. Prudence was appropriate for the times. Prudence both stilled the savage breast and was measurable. Wealth came to be perceived as the most appropriate measure of prudence. This understanding, of course, is an oversimplification of utilitarianism; however, it was this type of oversimplification led to the gradual removal of values in economic theory (Evansky 197-198; McCloskey, "Adam Smith" 4).

Over the 100 years following the publication of *The Wealth of Nations*, the social responsibilities of government and business became less important and, when combined with industrialization and mass migration to cities, led to the raise of sweat shops and poor houses. The most profound economist to speak out against these conditions was German-born Karl Marx. Marx was living at a time that saw Adam Smith's concerns regarding the division of labor come to fruition.[5] Marx's criticism of political economy, *Capital*, written in 1867 in London, targeted not so much the political economy envisioned by Smith but rather what political economy had become. Through the concept of utility, society came to be viewed not as individuals but rather as an aggregate that could be summed. The prudent were becoming rich at the expense of the average worker

[5] In book V of *The Wealth of Nations*, Smith cautions us about the ill effects of division of labor, high profits, low wages, and lower competition (Siegel 234-235)

through the vehicle of wages and profit while at the same time creating the class system with the struggles that Marx spent so much of his work describing. Countering the social revolution proposed by Marx and Engels, Herbert Spencer proposed a sociological theory later to be referred to as social Darwinism. Charles Darwin's theory of evolution, published in 1859, contributed to Spencer's later work in the science of sociology. "Survival of the fittest" provided a metaphor used to justify a *laissez-faire* approach to business devoid of Adam Smith's moral context (Young 36-37). According to Stephen Young, this was the origin of "a new theory of brute capitalism" (37). The advocates of this "brute capitalism" argued against government intervention in business and for a world in which businesses were able to fight for success amongst each other. A capitalist interpretation of Darwin's survival of the fittest, corporate leaders believed, led to stronger businesses that were "more able to contribute to society" (Young 37).

John Maynard Keynes and Welfare Economics

British economist John Maynard Keynes (1883-1946) similarly commented on this Darwinian approach during his critique of laissez-faire when he stated, "It is a method of bringing the most successful profit-makers to the top by a ruthless struggle for survival, which selects the most efficient by the bankruptcy of the less efficient" (*The End of Laissez-faire* loc. 281). Society would wait 50 more years and suffer a global economic depression in 1929 before significant changes would occur to the economic policies of the United States.

In the early to mid-1900s, the macroeconomic theories of John Maynard Keynes were the mainstay of United States economic theory and remained so for much of the early to mid-20th century until the neoclassical school began to take hold (Spiegel 597-

613). Disenchanted with the results of the Treaty of Versailles, Keynes wrote, "The danger confronting us, therefore, is the rapid depression of the standard of life of the European population to a point which will mean actual starvation for some" (*Economic Consequences* loc. 2170). Keynes's statement was prophetic for both Europe and the U.S. He saw a treaty that focused on punishment rather than reconciliation and positions rather than people. His pessimistic outlook on the future proved true. Prudence in the form of accumulation of wealth, for Keynes, was not necessarily a virtue. Keynes sided with Thomas Malthus in believing that a lack of spending could lead to a general glut and, ultimately, economic depression (Heilbronner, *Worldly Philosophers* 264-266).

Paradoxically, however, Keynes pointed out that the ultimate result of a depression is a drying up of savings (Heilbronner 270). A steady flow of cash would be needed if a nation's economy were to be revived. The government has a social responsibility to infuse money into the system in the form of capital projects in order to reinvigorate the economy. Keynes's work turned away from the microeconomics of individuals and business and focused on the production of nations as a way of redistributing wealth to an impoverished country (Spiegel 610; 617-619).

Keynes had great concerns regarding individualism, self-interest, and the ability of laissez-faire to provide for public social interests.

> The world is not so governed from above that private and social interest always coincide. It is not so managed here below that in practice they coincide. It is not a correct deduction from the principles of economics that enlightened self-interest always operates in the public interest. Nor is it true that self-interest generally is enlightened; more often individuals

> acting separately to promote their own ends are too ignorant or too weak to attain even these. (Keynes, *Laissez-faire* loc. 360)

Keynes spoke of the need to separate "those services which are *technically social* from those that are *technically individual*" (*Laissez-faire* loc. 449) (emphasis his). "Technically social" services are those that remain unprovided unless provided by the State. Keynes furthermore advocated for the central control of currency as well as "full publicity, by law if necessary, of all business facts which it is useful to know" (loc. 449), a precursor to CSR's call for corporate transparency. The Keynesian legacy also laid the groundwork in the United States for such social welfare programs as social security, unemployment insurance, and Medicare that would not have otherwise existed except for the intervention of the government. These social welfare programs represent an economic social responsibility to protect the vulnerable of our society—those who are unable to provide for themselves (Goodin 145).

The function of the welfare state is for the government to provide services to those who are not otherwise provided for. In other words "the state should become responsible whenever there is no one with primary responsibility, or whenever those with primary responsibility are unable or unwilling to discharge it" (Goodin 151). The United States has a long history of providing such services. These services extend beyond social security, unemployment compensation, or Medicare and include children and youth services as well as foreign aid. During the period of Keynesian economics, national social welfare programs expanded at a considerable rate. The welfare state is defined by Agnar Sandmo as "the economic and social policies of a country that gives high priorities to equality and individual protection against social hazards" (469). Although taken as a given right, public education—advocated as a government responsibility by Adam Smith—is another example of a social welfare program. Sandmo states that it is not just wealth redistribution programs such as social security or unemployment that make up a welfare state, but also the presence of economic policies that work to reduce the need for welfare, such as federal jobs programs or employee education programs.

According to Robert Goodin, the welfare state and welfare economics represent a social responsibility of a government to protect the vulnerable, such as children, the elderly, the infirm, the impoverished, or the disabled. This is a position that was advocated first by Adam Smith and reinvigorated by John Maynard Keynes but, beginning in the 1980s, had come under increasing fire. Richard Clayton and Jonas Pontusson report that during the Ronald Reagan and George H. W. Bush presidencies, Aid to Families with Dependent Children (AFDC) benefits were cut 31% (86). AFDC benefits were further cut during the Bill Clinton administration by $24 billion. Social welfare programs represent one aspect of economic social responsibility. Neoclassical economic theory would have us believe that those theories are value neutral, and yet there is a broad spectrum of social values to which economics must respond. That there are social responsibilities for which economics must answer is not a new construct but rather originates in the writings of Adam Smith, who himself draws on the virtue ethics of Aristotle. By and large, the welfare state has remained intact during the past decades, although there has been increasing pressure to reform welfare by either reducing obligations or shifting the obligation to the private sector. However, the reason for the existence of social welfare originates in the lack of resources in the private sphere for these specific needs and hence the need for non-market social institutions.

Prior to Keynes, the prevailing belief was that there could not be such a thing as long term structural unemployment (Goodin 148). This belief contributed to the view that, by and large, unemployment was a voluntary condition. The Great Depressions of the late 18th and early 19th centuries, of course, proved otherwise. Under the mantle of Keynesian economic theory, President Franklin Delano Roosevelt began his extensive public works projects, and under the same mantle President Lyndon Johnson implemented his works of the Great Society. Both the New Deal of President Roosevelt and the Great Society projects of President Johnson contributed to the welfare of society through the creation of public works jobs that not only built national infrastructure but also worked to preserve and restore the environment. Neoclassical economic theory would challenge the social welfare position of Keynesian economics.

Neoclassical Economic Theory

Keynesian economics was short lived, and in the early 1960's, the Chicago School, with the help of Milton Friedman, would bring back Smithian laissez-faire economics with a libertarian vengeance. Thus began the process of turning economics into a rigorously scientific discipline grounded in "mathematical formalism, axiomatization, derogation of literary narrative, and mimesis of natural science terminology and attitudes" that is seen today (Mirowski 120).

One way to look at economic policy and theory is to consider the distinctions between institutionalism and volunteerism. Institutionalism seeks to establish institutions in order to control the economic order of society through "tinkering with institutions within the context in which economic orientation of actors remains self-interested" (Dubbink 32). Volunteerism, on the other hand, seeks to control economic actions through "normative inspiration" (Dubbink 32). Neoclassic economic policy is firmly grounded on the side of institutionalism in that its primary concern is that of order. Wim Dubbink states:

> According to neoclassical political theory we should not bother market actors with duties or other moral demands that might distract from their fixation on economic performance. Proper control of the market means it is up to society to make sure that the total configuration of economic stimuli is designed in such a way that the outcome of this self-interested behavior is beneficial to society. (32)

There are two distinct characteristics of neoclassical economics that are in conflict with CSR. First, the belief that the market is self regulating implies that actors do not have the freedom to act. Second is the assumption that "agents do not have any power over each other ... at least not in a perfect market" (Dubbink 33). CSR, in contrast, suggests that actors have the ability to effect positive changes in society. Neoclassical perceptions cast a dark shadow in stark contrast to the action grounded theories of CSR and pose a dilemma in the marketplace where both the business practice of CSR and neoclassical economic policies exist. While the neoclassical thinkers gradually preferred the rigors of math over the ethics of moral sentiments, the welfare school of economics worked to formulate models that were concerned with the "total economic welfare of a community" (Arrow 25). The neoclassical school dominates the economic paradigm of the United States and is out of step with the ethical message of CSR. This modern construct of economics is in conflict with the fundamental tenets of CSR and would be better served through the integration of neoclassical theory with concepts from heterodox economic thought.

Milton Friedman (1912-2006) challenged the significance of CSR as a business practice in his article “The Social Responsibility of Business is to Increase Its Profits” (122). Similar to the works of Smith, Friedman's critique of CSR addressed ethical considerations, albeit in a limited fashion. For Friedman, businesses do have certain responsibilities in terms of laws and regulations that must be followed. Friedman's views are greatly influenced by his fundamental belief in the need for individual freedoms (James and Rassekh 666). Harvey James, Jr., and Farhad Rassekh defend Friedman's position as being ethical and in line with the thoughts of Adam Smith. However, the defense resonates more with a hedonistic ethic than with one based in virtue. James and Rassekh quote Friedman and Friedman in their book *Free to Choose: A Personal Statement*, as stating: "*Self-interest is not myopic selfishness*. It is whatever it is that interests the participants, whatever they value, whatever goals they pursue" (Friedman and Friedman 667) (emphasis theirs). The approaches to ethics vary significantly between Adam Smith and Milton Friedman. While Smith developed modern economics as a construct of moral philosophy, Friedman attempted to define a moral philosophy that defends scientific economics.

Current neoclassical theory, influenced in a large part by the theories of Milton Friedman, views the science of economics as non-ethical with the dominant paradigm of profit maximization. Neoclassical economics is considered a science unencumbered by concepts of ethics or justice. Neoclassical economics is value neutral. S.A. Drakopoulos states: "Most economists today though, would agree that the claim of an economic theory free from values is essential in establishing the scientific nature of the discipline" (1). While economics does not exist in a vacuum, the predictions and policies are statistically driven and intentionally deny the existence of rhetoric in the decision making process (Basu 5-7; McCloskey, "Consequences" 284; Sen, *Ethics* 5-12). In addition to the neoclassical "profit-driven" model of economics practiced in the United States, there is also a growing field of heterodox economics.[6]

Heterodox Economic Theory

> A lecture—no, two lectures—on 'human values' by an economist; one might as well invite a turkey buzzard to lecture on table manners. How would the poor beast know where to start? (Solow 3).

Heterodox economics refers to all forms of economic theory that are outside the orthodox (neoclassical) school of thought. Within heterodox economics one finds social, Marxist, feminist, environmental, Austrian, and post-Keynesian economics (Lawson 484). The common theme found throughout heterodox economic theories is an "opposition to mainstream, neoclassical, orthodoxy" (Lawson 484-485). Tony Lawson points out that while there is ongoing change within the prevailing—neoclassical—school of thought, the changes that occur are occurring "within the framework of formalistic modeling. The insistence on mathematical-deductive modeling prevails in all cases" (492). Although open to change, by its very nature this is a closed system that does not

[6] Some distinctions have been made in the terms heterodox, orthodox, and mainstream economics. Mainstream has been used in economic texts to mean those schools of thought that are the most prestigious. In other words economic ideas that are taught at the most prestigious schools or that are covered in the most prestigious economic journals. From this perspective, mainstream economics may include some heterodox theories such as those espoused by Amartya Sen or Kenneth Arrow. Mainstream, however, may also be used synonymously to mean orthodox (Dequech 293). Orthodoxy "generally refers to what historians of economic thought have classified as the most recent dominant 'school of thought,'" which currently is represented by neoclassical economics (Dequech 293). Heterodox economics, defined in the negative sense, are those discussions that fall outside of orthodox economics, or outside of mainstream economic thought.

allow for irregularities or contingencies. The ontological ground that forms the system of neoclassical economics is that there exist regularities that can be analyzed and forecast (Lawson 495); hence, the changes that do occur must fit into this regulated model. The neoclassical model precludes the introduction of any concept of open systems of organic and interconnected elements. The objection of heterodox to neoclassical orthodoxy, then, is one of a commitment to "an underlying ontology of openness, process and internal-rationality" (Lawson 499).

The primary distinction between neoclassical and welfare economics—one of the heterodox schools of economic thought—can be found in a word, welfare. Welfare economics is concerned with the welfare of people, supports judgments based on values, particularly utility or satisfaction, and embraces the need to have a voice in public policy (Hicks 697; Pigou 287; Scitovsky 303; Sen, *Ethics* 277). Welfare economics is concerned with "*what is good and what is bad*" in society (Feldman and Serrano 1). Welfare economics is a discipline of both theory and action engaging intrinsic as well as instrumental values. This is not to imply that economic policy decisions are not made in today's world of value neutrality. Economic *decisions* are made by legislators, not economists. The argument made by welfare economists is that there needs to be an understanding of the outcome of economic decisions as they affect the wellbeing of society and individuals (Atkinson 203). Knowing the social implications of an economist's work can have an effect on the effort itself as well as recommendations for courses of action. Welfare economics is concerned with the technical theoretical aspects of economics as well as economic judgments (Atkinson 193). While welfare was an integral part of economics up until the 1960s, following the 1960s, there was a marked shift away from both teaching and engaging welfare in theories of economics (Atkinson 194). However, the initial move away from welfare economics actually began with the rise of logical positivism in the 1930s. The scientific view held that "interpersonal comparisons of utility have no scientific basis and cannot be sensibly made" (Sen, *Justice* 277). This view came to be shared by welfare economists and neoclassicists, as well, leading to a form of welfare economics that relied on utility and happiness alone (Sen, *Justice* 278). The shift away from welfare economics was also a shift toward value neutrality and the profit paradigm.

Most economists are not moral philosophers. There are certainly exceptions, such as Adam Smith, Kenneth Arrow, Deirdre McCloskey, and Amartya Sen. However, that does not preclude an awareness of values and the implications their work may have on others in society. Our legislators are, for the most part, not moral philosophers either, but that has not stopped them from voting on economic policy legislation. At the heart of this issue lies the values that we choose to uphold as a nation. One should not assume that profit is the sole value that influences economists. The espousal of value neutrality does not negate the presence of other competing values. If society disavows the presence of these competing values in our arguments, then it does nothing more than hide that which always already exists.

In comparing and contrasting neoclassical with welfare economics, both are found to be incomplete, either individually or combined. Neoclassical theory denies the existence of ethics in its process. In doing so, neoclassical theory marginalizes the impact that social welfare and justice have on individuals in society. Welfare economics, while embracing ethics, relies too heavily on utilitarianism, in particular the sum total of utility, and, as a result, overlooks the broader scope of individual justice and the value of individual freedom (Sen "Ethics" 30, 60).

Amartya Sen states:

> The trouble with this approach is that maximizing the sum of individual utilities is supremely unconcerned with the interpersonal distribution of that sum. This should make it a particularly unsuitable approach to use for measuring or judging inequality. (*Economic Inequality* 16)

Sen engages the neoclassical economic dialogue by questioning the purpose of economic growth (Muller 404). Featuring prominently in Sen's answer to the question is social welfare and justice. His works focus significantly on economic inequality and ways in which economics may be used to eliminate the problem of economic injustice. What is unique to Sen's writings, when contrasted with neoclassical economics, is his attention to the individual. Like Adam Smith, Sen sees economic growth as a means of improving the lives of individuals. He sees the aggregating of society and measuring success as a sum of utility as one of denying the freedom and the importance of the individual (Sen, *Justice* 277-278; Sen, *Ethics* 38-51). In answer to this dilemma, Sen refers to the United Nations Universal Declaration of Human Rights, which was composed in 1948. According to Sen, the declaration takes a significant step forward by expanding basic political rights to include "right to work, th**e right to education, protections against unemployment and poverty, the right to join trade unions and even the right to just and favourable remuneration" (*Justice* 380). He sees these "second generation rights" (381) as opening the door to the inclusion of ethics in the discussion of economic development. The degree to which the issues of poverty, illiteracy, and unemployment still exist in the world points to the extent to which these fundamental rights have been disputed.

The United Nations Universal Declaration of Human Rights is not without its critics. One argument, which Sen refers to as the "institutional critique" (*Justice* 382), claims that unless there exists "exact correspondence with precisely formulated correlate duties" (382), there can be limited, if any, institutional action. Exact correspondence, Sen argues, is not a reason for avoiding institutionalization. Obligations may be either perfect or imperfect, yet the need for institutionalization of these obligations still exists. A second argument against the Declaration of Human Rights is referred to by Sen as the "feasibility critique" (383). The feasibility critique might be restated as an all or nothing type of argument and suggests that if society cannot realize the stated obligations for *all*, then the declaration of rights should not be accepted. The argument is fallacious. If the argument was true, numerous other rights and obligations that were instituted under utilitarian guidelines would be undermined (384).

Scholars such as Amartya Sen and Deirdre McCloskey argue more for an opening of dialogue regarding the inclusion of ethics in economic theory. Sen, like McCloskey, recommends a shift in neoclassical economics from that of being a closed system to one of recognizing the open system composed of individuals, families, communities, and businesses that comprise society. This move is necessary not only for the realization of a more inclusive and ultimately successful form of economics but also for the survival of actions such as corporate social responsibility that interact with economic policy as part of the marketplace.

Summary

This chapter has addressed the social impact that economic policies have on multiple levels of society. Neoclassical economics views its social responsibility as non-ethical and value neutral and focused primarily on the maximization of wealth. This view is purported to be grounded in a Smithian view toward laissez-faire policies in which businesses, as the primary economic drivers, are given free rein to conduct their affairs, guided only by law and self interest. Adam Smith's view of government intervention, however, was a response to the mercantilist governmental economic policies of the time. Furthermore, Smith's views on self interest were in no way intended to be read as greed or selfishness but rather were but one element of an ethic of virtue that Smith saw as a social responsibility. The social responsibility of economics, for Smith, was to improve the welfare of individuals in society, and welfare itself was an admixture of fundamental Aristotelian virtues, not simply the aggregate sum of utility.

Laissez-faire economics reached a pinnacle in the late 19th century, only to be thwarted by economic depression. There was a rise of welfare economics advocated by John Maynard Keynes and based on a combination of Smithian virtues and Benthamite utilitarianism. However, as noted, Keynesian economics was short lived, and the welfare view of utilitarianism was co-opted by a modern positivistic and scientific approach to economics. With the views of economist and Nobel Laureate Amartya Sen, an ongoing effort to reintegrate welfare ideology into orthodox economics can be seen. Sen advocates a return to Smithian virtues and argues again that government has an economic social responsibility to individuals that cannot be measured solely by aggregate utility or Gross National Product (GNP). Sen suggests that a government's responsibility is to remove barriers to freedom by supporting individuals in their quest to acquire greater capabilities.

Contemporary neoclassical economics should not be viewed as having no social responsibility but rather as having a self described limited responsibility. Similar to that of economics, the history of business has seen an ebb and flow of ideologies regarding social responsibility, which has led to the rise in theories of corporate social responsibility.

CHAPTER 2: SOCIAL RESPONSIBILITY IN CORPORATIONS: CSR

> The first generation of CSR is grounded in discussions of responsibilities regarding what *not* to do (e.g., negative responsibilities such as *not* to exploit or cheat). The second generation focuses upon discussions of providing adequate compensation and working conditions (e.g., the right to a living wage), and the third generation addresses proactive and positive responsibilities (e.g., to protect and create a sustainable and just world). (Stohl, Stohl, and Townsley loc. 896-904)

Corporate social responsibility (CSR) provides a method for corporations to respond to diverse stakeholders. Although the primary source of revenue for a nation, corporations are recognizing the need to look beyond the maximization of profits in order to define corporate value and respond appropriately to both the public and government. Jerry Z. Muller introduces his book *The Mind and the Market* with the statement: "We live in a world shaped by capitalism" (ix). There are profound reasons to explore ways in which capitalism can be structured best to serve the interests of society. CSR is one approach to expanding the positive impact or reducing the negative impact that corporations have on a capitalist society both locally and globally (Bowen 6; Carroll, "Corporate Social Responsibility" 269).

There are multiple terms used in the discussion of CSR that are at times viewed independently, hierarchically, or synonymously. These terms include corporate social responsibility (CSR), corporate social performance (CSP), corporate sustainability (CS), and environmental management (EM) (Montiel 246). Of the four, EM seems to be the most clearly defined and delineated concept and deals exclusively with environmental issues of waste reduction, pollution prevention, energy efficiency, and recycling in the corporate environment. The remaining three categories—CSR, CSP, and CS—overlap, and, as a result, a clear differentiation is difficult to ascertain (Montiel 257). Ivan

Montiel's research suggests that both CSR and CS constructs have "similar conceptualizations of economic, social, and environmental dimensions" (257). However, he adds that most CS scholars tend to view environmental, social, and economic dimensions as interconnected and nested within society as a whole while CSR and CSP treat "social and economic performance as independent components" (259).

The distinctions between the three models of CSR, CSP, and CS are important on a theoretical level but for the purposes of this dissertation have little impact. What is important are the relationships in a holistic model of CSR that incorporates the three values—social, environmental, and economic—as they relate to neoclassical economic theory. For this reason, while focusing on CSR, I leave open the discussion on the distinctions between CSR, CSP, and CS.

The literature of CSR provides a model for business practices that includes intrinsic and instrumental values. The dilemma that leads to a tipping point is that, by focusing on the instrumental profit model, current economic theories are at odds with those of CSR. CSR is a rhetorical act that applies the same rules to governing business as one might to conducting one's life in one's community. Just as an individual might be governed by a set of values, business leaders need to ask, similarly, "What are the values of corporations?"

The first section of this chapter will look briefly at the history of CSR. In section two, the diverse values of CSR are discussed and CSR is situated as a response to the unilateral position of the profit paradigm. Section three describes the communicative relationship of the public, corporations, and the government to CSR.

Theories of Corporate Social Responsibility

The history of CSR as a theoretical discipline can be seen as having three phases, early CSR, stakeholder theory, and contemporary CSR. Each phase has distinct characteristics. During the early phase of CSR, the corporation has voluntary social responsibilities but is seen as being separate from society. Leaders during the early phases of CSR had a responsibility to provide value to society and communicate this message internally. Stakeholder theory is a key transition for CSR and expands the communicative responsibilities of business leaders to outside stakeholders. Contemporary CSR clarifies the communicative responsibilities of corporations to three broad categories of stakeholders; society, the environment, and shareholders. Each of these phases is discussed in detail in the following sections.

Early CSR

Where does the responsibility for society lie, with the individual, the corporation, government, or perhaps a combination of the three? Peter Drucker identifies two dominant views of corporations and social responsibility that were seen during the late 19th and early 20th centuries. One he attributes to Andrew Carnegie (1835-1919) and the other to Julius Rosenwald (1862-1932), and they each have distinct characteristics (53). Drucker suggests that "Carnegie believed in the social responsibility of wealth" while "Rosenwald believed in the social responsibility of business" (54). Employment or ownership of a business generates wealth, which resides with the individual. For Carnegie, the rich man must also be a social reformer. With wealth come economic power and the ability and responsibility to effect change. Carnegie's approach advocated the creation by the rich of philanthropic foundations, such as the Ford and Rockefeller foundations (Drucker 54).

Rosenwald, on the other hand, saw business as a trust with an ongoing responsibility to the improvement of society. Rather than being viewed solely as a source of wealth, which can then be converted into individual philanthropic action, businesses have both the ability and opportunity to contribute to society through a variety of programs that can have an immediate impact. Programs such as employee training and health care are two good examples of the positive and immediate impact socially responsible business programs can have. In contrast, government programs typically take significantly longer to implement and longer to have an impact on society. Drucker writes that the US government took "eighty years before America's program of agricultural education and research began to revolutionize American farming and farm productivity" (56). While the government certainly has a role in providing services for society, the very nature of the bureaucracy and the biannual interruptions of elections reduce the government's ability to deliver the individual services as efficiently as a business can. The Rosenwald model of CSR goes beyond Carnegie's corporate philanthropy by weaving social responsibility into the fabric of its business practices, and, in doing so, creates an agility needed to respond to social needs in ways not possible by our government. Capitalism, for Rosenwald, goes beyond generating wealth that can then be used for socially responsible projects by incorporating social responsibility into capitalist idealism.

In 1953 H. R. Bowen wrote the first text dealing specifically with theories of CSR. In *Social Responsibilities of the Businessman*, he wrote that businesses have a responsibility to "pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 6). Bowen's work was the beginning of a scholarly debate focusing on the social responsibilities of business. CSR began with a focus on corporate social stewardship where corporate managers were viewed as "public trustees and stewards of broad-scale economic interests" (Frederick 524). This early form of CSR focused primarily on philanthropy and corporate contributions to worthy community projects.

The political turmoil of the 1960s and 1970s gave birth to new ideas of CSR in the form of corporate social responsiveness. Facing a diverse variety of social issues, corporations were under increasing pressure to take action and correct:

> R]acial and sexual discrimination in the workplace, reduce industrial pollution, upgrade health and safety conditions in plants and offices, charge fair prices for consumers, insure the reliability and effectiveness of products, provide full information for investors, avoid bribery of foreign officials, treat suppliers fairly, and refuse to engage in price-fixing with competitors. (Frederick 525)

There was, during this time, a significant increase in government intervention in the form of agencies such as the Environmental Protection Agency (EPA) and the Equal Employment Opportunity Commission (EEOC) and acts such as the Clean Air and Clean Water acts. Whether or not business would have voluntarily responded to the social issues of this period had government not intervened is not certain. However, the pressures brought to bear by society and the government had a significant impact on corporate America's views toward social responsibility.

In 1973 Archie B. Carroll—perhaps the most prodigious scholar in the field of CSR—described Corporate Social Performance (CSP) as consisting of the three aspects of social responsibilities, social responsiveness, and social issues ("Three-Dimensional Model" 503). In Carroll's original model, economic, legal, ethical, and discretionary domains engage the social issues of consumerism, environment, discrimination, product safety, occupational safety, and shareholders. Mark Schwartz and Archie Carroll later revised Carroll's original position and argued that the fourth domain of "discretionary," which included activities such as philanthropy, was in fact part of the other three responsibilities. In doing so, they revised the previous theory to a three-domain model composed of economics, ethics, and legal aspects. These aspects in turn are motivated by issues of proaction, reaction, defense, and accommodation (Carroll, "Three-Dimensional Model" 503).

The greatest hurdle for CSR was overcoming the impression that a corporation's sole responsibility is economic, that is, to maximize the profits of the organization (Wartick and Cochran 759-760). Milton Friedman initially proposed this economic role of CSR in 1970 ("Social Responsibility of Business"). To gain acceptance, CSR had to show an ability to provide instrumental value to an organization. To this end, numerous studies were conducted in order to determine the impact of CSR on corporate profitability. Writing in 1996, Moses Pava and Joshua Krauz surveyed twenty-one empirical studies regarding CSR and profit performance and stated the following: "Nearly all empirical studies to date have concluded that firms which are perceived as having met social responsibility criteria have either outperformed or performed as well as other firms which are not (necessarily) socially-responsible" (322). The concept that a corporation has responsibilities beyond those toward shareholders provided a pivotal transition in advancing CSR and has been promoted primarily through the concept of stakeholder theory.

Stakeholder Theory

In 1984, R. Edward Freeman wrote *Strategic Management: A Stakeholder Approach* and significantly changed the way that corporations viewed their engagement with the world. In the opening pages, Freeman writes, "Simply put, a stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose. Stakeholders include employees, customers, suppliers, stockholders, banks, environmentalists, government and other groups who can help or hurt the corporation" (vi). Freeman suggests that research into CSR was a contributing factor to early work on the stakeholder concept by applying stakeholder concepts to non-traditional stakeholders (38).

CSR did not begin with stakeholder theory; however, stakeholder theory has done much to clarify the positions of CSR. Stakeholder theory does not deny "the law of corporations which has historically directed managers and directors to manage the affairs of the corporation in the interests of stockholders, using sound business judgment" (Freeman 411) but rather adds additional responsibilities toward stakeholders. Freeman argues that responsibility to stakeholders is not a new concept and that government in particular has recognized a corporate responsibility to others beyond shareholders. In some circumstances where the corporate world has ignored responsibilities to others, the government has felt the need to act and pass legislation or for regulatory commissions, for example, the Wagner Act, the Consumer Product Safety Commission, the Uniform

Commercial Code, the Foreign Corrupt Practices Act, the Securities Exchange Commission, the Environmental Protection Agency, and other legislation that regulates corporations. The creation of these acts is indicative of a lack of ethical behavior on the part of corporate leaders. While certainly not an indictment of all business leaders, there is obviously enough malfeasance in corporations to warrant regulatory legislation. One of the ethical challenges that businesses face can be found in the concept of "separation thesis."

R. Edward Freeman describes separation thesis as follows: "The discourse of business and the discourse of ethics can be separated so that sentences like, '*x* is a business decision' have no moral content, and '*x* is a moral decision' have no business content" (412). In separating business decisions from ethics, the separation thesis facilitates corporate governance grounded in the profit paradigm. In this way, business values are similarly tied to the neoclassical economic focus on growth and profitability. Stakeholder theory runs counter to the separation thesis. As such, stakeholder theory contradicts the fundamental neoclassical economic position of non-ethics and value neutrality. Freeman states that, from a communicative standpoint, "There is always context to business theory, and that context is moral in nature. It is only by recognizing the moral presuppositions of business theory, refining them, testing them by living differently, and revising them that we can invent and reinvent better ways to live" (412). Stakeholder theory explicitly addresses morals and values as ethical grounding for managerial decisions and communication and emphasizes both the instrumental and normative values of the business for both shareholders and non-shareholders (Phillips, Freeman, and Wicks 480-481). From a communicative perspective, stakeholder theory recognizes the diverse audiences and publics with whom a corporation must communicate.

Research into stakeholder theory has helped to legitimize the fundamental premises of CSR by arguing for a broader set of responsibilities for corporations, by researching the instrumental impact of a stakeholder focus on corporate performance, and by challenging the neoclassical economic theory. A consistent finding in research shows that "with or without a stakeholder focus, corporate performance is very much the same" and "suggests room for stakeholder focused management that does no harm to stockholder interests while also benefitting a larger constituency" (Agle et al. 154). With regard to challenging neoclassical theory, supporters of stakeholder theory argue that constructs such as the "rational utility maximizing *Homo economicus*" are untenable (Agle et al. 160). Stakeholder theory sees business as a societal institution that exists to serve the needs of "societies and their peoples" (160). Scholars such as Michael Jensen suggest that the responsibility of a corporation is to maximize "the total long run value of the firm" (Agel et al. 167). James Collins and Jerry Porras suggest that corporations that have been most successful in maximizing this total long run value hold core values and consider profits as a means rather than an end (44). Both Jensen and Collins and Porras recognize the complexity surrounding the question of what these appropriate normative values ought to be. However, they agree that normative values play a large role in creating meaning and success in organizations.

Stakeholder theory is a supporting structure to CSR. CSR challenges both neoclassical economic structures as well as the position of separation thesis with regard to business. Stakeholder theory is one aspect of the "Normative Revolution" described by

Donaldson and is joined by CSR in forwarding the cause of a more socially just society (Agel et al. 163). As such, stakeholder theory provides grounding to much of contemporary CSR theory.

Contemporary CSR

In contemporary discussions on CSR, there is an amalgam of theories that have come before. Philanthropy, environmental stewardship, responsiveness to stakeholders, and attentiveness to ethics all combine to inform current views of CSR. Contemporary CSR emphasizes a highly diverse approach to how organizations engage society. In *Key Concepts in Corporate Social Responsibility*, Suzanne Benn and Dianne Bolton describe areas of inquiry and concepts drawn on by CSR. CSR engages theories such as agency theory, complexity, globalization, postcolonialism, systems approaches, and stakeholder theory. Concepts include topics such as civil society, eco-efficiency, fair trade, green marketing, intergenerational equity, product stewardship, social capital, and triple bottom line (Benn and Bolton v). Diverse ideas fall into three categories that are aligned with the overarching mission of CSR. I will refer to these categories as (1) socio-centric (SC), (2) enviro-centric (EC), and (3) sales and operations-centric (SOC).

Socio-Centric Concepts (SC)

Socio-centric concepts are grounded in theories of civil society. In considering civil society, it is necessary to look not at the contemporary concept of civil society associations such as not-for-profits or NGOs but rather the earlier roots of moral philosophy. The concept of civil society begins with Plato and Aristotle and the desire to further the *eudaimonia* of citizens. Generally translated as happiness, the true meaning of *eudaimonia* lies in its etymology, which is a concatenation of the Greek words "eu," meaning well, and "daemon," meaning spirit. Happiness in the form of eudaimonia, then, is an "activity of the soul in accordance with virtue" (Aristotle *Nicomachean Ethics* vii) and not simply the most base form of pleasure. In *The Nicomachean Ethics,* Aristotle asks, "What is the Good for Man?" and responds that "It is generally agreed to be happiness (*eudaimonia*), but there are various views as to what happiness is" (4). This view is similarly shared by Socrates when he states in *Meno* that "everything the soul endeavours or endures under the guidance of wisdom ends in happiness…" (88c). The greater question, however, asks how is this happiness achieved. For Socrates, Plato, and Aristotle, the source of *eudaimonia* was *arête* or virtuous behavior, a subject that will be dealt with in more detail later in this chapter.

Socio-centric (SC) concepts emphasize an organization's communicative responsibility to human stakeholders. SC concepts range from employee health and safety to intergenerational equity. Central to these concepts is the role that organizations play in the societies in which they operate or draw their sales. SC concepts such as community relations recognize that corporations "extend their influence into the community as a matter of course [and, as such,] have a role in community development that is broader than their business function" (Benn and Bolton 32). Community relations is related to corporate citizenship—another concept embraced by CSR—and suggests that corporations can act as "agents of change that create community through positive social action" (Goddard 271).

Human rights is a topic of increasing importance to theories of CSR, particularly in light of our increasingly global society. "Human rights are widely considered to be those fundamental moral rights of the person that are necessary for a life with human dignity. Human rights are thus means to a greater social end" (Forsythe 3). While purchasing products from developing nations at a significantly lower cost may be financially expedient, the conditions under which these products are produced must also be considered. Child labor, forced labor, unsafe/unhealthy work conditions, and unfair wages are several of the factors to be considered by socially responsible corporations when considering sources for their materials. This topic is not without controversy. The UN Declaration of Human Rights—adopted in 1948 and a foundation of western perceptions of human rights—has been criticized for having a western bias inconsiderate of cultural differences. There is a need to distinguish and balance the universal and the particular with regard to human rights (Benn and Bolton 122). However, a fundamental understanding of the working conditions of organizations from which corporations purchase their materials is a key perspective with regard to socio-centric theories of CSR.

Related to human rights is the concept of fair trade. Fair trade is another SC form of CSR that has gained prominence in recent years. Dealing with the purchasing of products from developing nations, fair trade is concerned with providing not only an equitable rate of exchange for products but also in advocating sustainable and ethical practices in the production of these products. Fair Trade International has established standards with which to guide an organization's purchasing practices. These standards were established in order to:

- Ensure that producers receive prices that cover their average costs of sustainable production;

- Provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic, and environmental development;
- Enable pre-financing for producers who require it;
- Facilitate long-term trading partnerships and enable greater producer control over the trading process;
- Set clear minimum and progressive criteria to ensure that the conditions of production and trade of all Fairtrade certified products are socially, economically fair and environmentally responsible ("Aims of Fairtrade Standards").

While containing a strong SC message, these fair trade standards also include environmental elements that are seen in EC concepts.

Enviro-Centric Concepts (EC)

EC concepts center on a corporation's responsibility to environmental stewardship. While the immediate impact is obvious, EC concepts bring with them teleological concerns. Two traditional categories that provide strong examples of EC concepts are pollution prevention and energy efficiency. However, there are newer concepts arising, such as sustainability, that extend beyond day-to-day operations. Product stewardship raises the question of what happens at the end of a product's lifecycle and suggests that organizational leaders should look for ways to keep the products out of landfills (Benn and Bolton 156-157). A good example of this is Best Buy, which has implemented an extensive public recycling program for electronic materials that might otherwise be sent to the community dump. Best Buy expands the intended scope of product stewardship and will accept products that were not purchased from one of their stores (Best Buy).

Another enviro-centric practice is that of sustainable development. Suzanne Benn and Dianne Bolton describe sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (209). Benn and Bolton further suggest that effective sustainable development balances the concerns of intergenerational equity, intragenerational equity, and the precautionary principle (210). Generational equity asserts that members of a given generation, present or future, should have access to an equivalent quality of life. Adherence to principles of sustainable development help to ensure that society will continue to have an environment that is equal to or better than that of the current generation.

One path to sustainable development can be found in the principles of eco-efficiency. As the name implies, eco-efficiency relies on the efficient use of raw materials through the reduction of their use and by the reuse of by-products or waste. Eco-efficiency is also at the heart of pollution prevention and energy efficiency (P2E2) initiatives. Eco-efficiency not only contributes to the bottom line of a corporation by reducing energy consumption and the production of waste but also helps to reduce the negative externalities of pollution and the use of non-renewable resources. In order for either social or environmental practices of CSR to take place, they must be incorporated into the daily operations of an organization. To this end, a number of sales and operationally focused practices must be considered.

Sales and Operations-Centric Concepts (SOC)

SOC concepts I define as being composed of those that contribute to the profits of the organization through socially responsible forms of sales and operations planning. Through planning and communication throughout organizations, leaders are able to establish a CSR agenda. Green marketing is one such endeavor. Green marketing includes initiatives "taken by an organization to design, promote, price, and deliver products and services that are not harmful to the environment" (Benn and Bolton 111). By engaging this full range of business activities, green marketing is essentially a socially responsible form of sales and operations planning. Different concepts of CSR are interrelated. Product stewardship and eco-efficiency, for instance, fit neatly into a green marketing plan.

Corporate responsibility reporting is another concept that fits within the SOC category. Triple bottom line (3BL) accounting is one example of corporate responsibility reporting. Originated by John Elkington, 3BL is a method of measuring and communicating a corporation's performance with regard to the environment and societal contribution in addition to traditional profit margins. The goal of triple bottom line accounting is to provide transparency and open communication with a corporation's publics. By embracing 3BL, an organization goes beyond the profit paradigm of neoclassical economic theory, engages in open dialogue with the organization's publics, and freely shares organizational social practices and results. In doing so, a business recognizes both social responsibility and social benefits of CSR. Similarly, businesses engaged in 3BL accounting acknowledge a belief in the long-term sustainable benefits to the organization by placing an equal emphasis on people, planet, and profits.

The social, environmental, and operational concepts of CSR form a firm foundation on which to build an ethical and sustainable business practice. The challenge frequently faced lies in the historic dependency on valuing a business based solely on profitability. Stanley Deetz points to the issues surrounding corporate scandals. He states that although these events draw our attention to the fraud that occurs, the deeper question should be asked about circumstances that lead to the occurrence of scandals. For Deetz, the problem frequently is the singular importance businesses place on the bottom line of quarterly reports ("Communication" 606; "CSR" loc. 6146). I call this phenomenon the profit paradigm.

The Values of CSR

Within the discussion on CSR, there are several points around which research seems to gather. These include questions of why society needs CSR, why CSR is good for business, how CSR can be implemented, and numerous critiques regarding the right and wrong uses of CSR. The values associated with CSR are diverse, wide ranging, and derive from a variety of sources. Guidance derives from corporate leadership, the public as consumers, social advocates, or shareholders, and the government. These drivers play a significant role in the growth and success of CSR, and it is difficult to imagine said success coming from only a single advocate. Broad acceptance of CSR requires integrated efforts from this diverse group of stakeholders. The role that business leadership has in shaping CSR has been debated since the early 1950s. Communication is crucial to CSR. The "idea of corporate social responsibility starts at the top" (Swanson 235). Organizational leadership communication is crucial to effective CSR; however, CSR is an amalgam of corporate, public, and governmental drivers, and efforts to establish CSR as a permanent business practice must be woven throughout each of these channels.

There are multiple elements that point to the question of why society needs CSR. The first engages the complexities of fundamental ethics, doing what is right. The second stems from the increasing disparity between rich and poor and the national and global shrinking of a middle class.[7] The third element is the impact that corporations can have on our environment. A better understanding of CSR's role in each of these areas will help define the significance of CSR. This union of environmental and distributive justice when combined with bottom line profit is the triple bottom line (Elkington, "Cannibals" 69-98). In general, there should be a diversity of values that extends beyond the profit paradigm. Jill J. McMillian in her article "Why Corporate Social Responsibility? Why Now? How?" suggests that in our fractured world of postmodernity, there is no longer a community in which to be grounded, and the corporation has become our community (loc. 550-556). An expanded view of McMillian's statement could consider the primary institution to be the marketplace, in which the corporation has a significant but not unilateral voice. The events and stories that shape marketplace narratives sometimes collide and other times coalesce as they provide input into our own narratives and, as such, fuel our understanding. In order for stories to function this way, however, they must ring true; there must be a narrative coherence and fidelity to support this rhetorical logic (Fisher, "Human Communication" 105). The singular view of business for profit cannot support

[7] According to William Domhoff, "In terms of types of financial wealth, the top one percent of households have 38.3% of all privately held stock, 60.6% of financial securities, and 62.4% of business equity. The top 10% have 80% to 90% of stocks, bonds, trust funds, and business equity, and over 75% of non-home real estate. Since financial wealth is what counts as far as the control of income-producing assets, we can say that just 10% of the people own the United States of America." Domhoff, G. William. "Wealth, Income, and Power". Retrieved January 29, 2011 from: <http://sociology.ucsc.edu/whorulesamerica/power/wealth.html>. Web.

the notion of social responsibility beyond, perhaps, what is required by law; a business recast in the CSR model, however, can.

The scholarship and practice of CSR is, unfortunately, a fractured and disjointed entity (May, Cheney, and Roper loc. 281-284; Garriga and Melé 52-53; Porter and Kramer 80-83). One way to consider CSR is to look at the theoretical scholarship along with the reasons organizations have for adopting its practices—in other words, the how and why. Elizabet Garriga and Domènec Melé suggest that CSR scholarship can be categorized into four theories: instrumental, political, integrative, and ethical. Michael Porter and Mark Kramer see the reasons for adopting some form of CSR as similarly fitting into four categories: moral obligation, sustainability, license to operate, and reputation (81-83). Even with such variety, or perhaps because of it, CSR has become a widely sanctioned practice (Lee 53) that is heralded by corporations, mandated by government, and expected by the public. Nonetheless, CSR is a mixed bag ranging from organizations that see CSR as a flashy buzzword to those that approach CSR as the ethical grounding for the corporate vision and mission. This mixture of approaches is influenced by other parties of society, specifically, government economic policies and the views of the public. Businesses must espouse and demonstrate values that resonate with their stakeholders, specifically, the public and the government.

Perhaps one way to look at CSR is to view it as an effort to move away from a profit driven paradigm to one of value driven performance. The obvious values, in addition to profitability, are social responsiveness and environmental stewardship. However, there is great depth to these two new corporate values. If organizations are to embrace CSR fully, they will need to demonstrate a social responsiveness that requires abandoning the "Chicago Smith" in favor of the "Kirkaldy Smith" and assimilating values that reach beyond the financial statement. Following the letter of the law may be expeditious; however, a commitment to others requires that corporations recognize their far-reaching impact and act accordingly. Values must be distributed externally as well as internally and supported through commitment as well as sympathy.

Amartya Sen refers to sympathetic decisions as those that are in response to feelings of what might come. These feelings can be of pleasure or pain (Sen, "Rational Fools" 318-319). In this sense, adherence to law may be a sympathetic decision in that failure to do so will result in repercussions to the organization. Similarly, CSR, through greenwashing or other superficial practices, can be viewed as a sympathetic response. This is not to say that there is not benefit to be derived from the sympathetic decision making process. Laws are created, largely, to safeguard society and, through obeying them, constituents contribute to a more just society. Laws are created in response to real situations that arise in society. To have our every action governed by law, however, is onerous to free individuals. Through a commitment to continuous evaluation of the idea of what is right and a commitment to uphold those values, one can construct a civil society governed by the people. A commitment to moral values may, then, be the greatest distinction that CSR offers to historic paradigms of business. The multidirectional interactions of the public, business, and government require a common ground for discussion. This common ground comes from shared values and a rhetorical engagement of the marketplace.

CSR advocates a diversity of values rather than the neoclassical unilateral value of profit. With this advocacy, however, come increased levels of complexity for the leadership communication of a business. In an already complex environment, does this added responsibility create too much of a burden? The answer is a categorical “no.” The increased awareness of environmental stewardship and the morality and the fair treatment of our fellow man are nothing less than what is expected of society as a whole. Even the most basic responsibility, providing profits for shareholders, requires that an organization maximize its efficiency. Every ounce of material that goes into the water, air, or a landfill is waste, and, as a result, detracts from the corporate bottom line. Inattention to the workforce, whether through poor occupational health and safety or poor job training, likewise detracts from the efficiency of an organization. The core virtues and values that are expected of individuals in society should likewise be expected of employees and corporations overall.

CSR, as mentioned earlier, introduces values that go beyond the profit paradigm of neoclassical economic theory. Broadly speaking, these values must be balanced within legal, ethical, and economic responsibilities (Schwartz and Carroll 509). In addition to profitability and growth, values may include those of moral duty and social and environmental care (Marrewijk and Werre 112). The profit paradigm asserts that a business's social responsibility is to the shareholders, and assumes that the responsibility to shareholders is one of increased profits, share price, or dividends. The diverse values of CSR rebut the profit paradigm.

Diverse values, however, can be espoused but not enacted. There is a tendency to fall back on the need for increased profit or to only call upon CSR when necessary to justify irresponsible actions taken by an organization. The proper implementation of CSR is a form of communicative praxis in which CSR theories inform corporate actions.

The Implementation of CSR

At issue in this dissertation is the long-term viability of CSR to survive as a sustainable business model. To be sustainable, CSR practices must be ingrained in not only organizational communication but also public discourse and public policy. The voluntary measures taken by corporations such as Ben & Jerry's, The Body Shop, and Malden Mills have been positive statements to the success that can be experienced through CSR; however, as Charles Conrad and Jéanna Abbot point out, these successes can be fleeting (418). Changes in the socio-political environment, technology, and leadership lead to shifts in power, which can ultimately cause a crisis of legitimization (Conrad and Abbot 419). Public policy provides the means to balance the power of the few with the needs of the many and, as such, must be considered when looking at the future of CSR.

The history of CSR can be seen as cyclical. Although during times of economic prosperity, criticisms of the excessive profits and power of corporations are less common, during times of economic recession, such as we are currently experiencing, there is typically an increased criticism of corporate power and call for greater regulation (Conrad and Abbot 424). The rise of corporate lobbying has led to a sort of oxymoronic privatization of public policy making, giving a powerful voice to a limited few. Businesses or industries with access to government officials are able to influence legislative outcomes in favor of corporations during closed-door sessions or last minute earmarks and, in doing so, avoid public debate. The success of lobbying efforts is visible in the tenfold increase in the number of lobbyists seen since the election of President Ronald Reagan in 1981. This increase has led to what Conrad and Abbot refer to as policy monopolies (424-425). Not unlike corporate monopolies, policy monopolies are created through privileged access given to lobbyists—many of whom are prior congressmen—and sustained through wages and contributions paid by corporations. Lobbying efforts on behalf of corporations can counteract the voluntary efforts toward social responsibility, and there is a necessity to move policy making from the private to the public forum.

Lobbyists follow one of two patterns, one rational the other non-rational. The rational pattern relies on a "think tank" mentality in which experts in a given field—regardless of their ideology—are held as being the bearers of truth through scientific reason. The assumption that because one is an expert in a given field, one is therefore without ideological bias, is flawed. In a Husserelian sense, the truth "does not lie in the pure interrelations between numbers (as if they were formulae in the purely arithmetical sense)" (Husserl 41); the truth lies, rather, in the ideology of the given theorist or think tank. The rational is influenced by the non-rational. As suggested by Conrad and Abbot, "monopoly control of the policy-making process is strongest when it can be defended through references to a supporting ideology that is tightly linked to the dominant values of the society, for example, belief in the sanctity of the 'free market'" (427). CSR resists this mentality by encouraging a balance of social needs, environmental concerns, and economic necessity within organizations. CSR embraces a guiding ethic that recognizes the complex and fragmented nature of our world and strives to weave understanding throughout what might otherwise be seen as competing interests. The voluntary nature of CSR creates a vulnerability to shifts in power and, as such points, out the need for some forms of structure. Lobbying efforts, in a large part, attempt to create favorable structures through private negotiation.

With regard to CSR, public advocacy is seen on various fronts and is known by several names such as "conscience consumerism, ethical consumerism, or green consumer" (Smith 283). The boycott is the more general form of such movements. The public selects its purchases using a variety of standards. The public also chooses not to purchase certain items and, in doing so, boycotts specific products based on a similarly broad spectrum of standards. CSR is one such standard on which consumer decisions are based. A 2002 report by Cone Communications determined that 84% of Americans "say they would be likely to switch brands to one associated with a good cause, if price and quality are similar" (Smith 286). However, Smith points out, the stated versus actual behavior is not clearly aligned, and actual behavior is substantially less than stated intentions.

The intentions of ethical consumers must be supported through ethical branding aimed at informing the public (Smith 288-289). Similar to ethical branding, cause related marketing focuses attention on products that support noble causes. The (RED) brand is a case in point. (RED) is described as a form of "umbrella social-cause branding" (Smith 290) to which other international brands such as American Express, The Gap, Motorola, Converse, Armani, and Apple subscribe, with portions of their profits going to support the Global Fund to Fight AIDS, tuberculosis and malaria (Smith 290). Positive ethical consumerism joins the consumer with corporate brands that exhibit social values supported by the consumer. (RED) is a positive alliance of public and business. The impact of such an alliance is twofold. First companies are rewarded by consumers for their socially responsible behavior; second, corporations that do not exhibit ethical branding are encouraged to do so.

CSR attempts to remake the paradigm of autonomy of business, the public, and government into a collaborative effort to support social responsibility through the embedding of shared values. While each sector remains autonomous with regard to how best to fulfill their missions, these shared values help to mitigate the complex nature of their relationships. CSR has been discussed in terms of the public-business relationship of ethical consumerism and ethical branding, but there are similar relationships that can be established between government and business that can support the efforts of CSR. Government regulation is one obvious approach, although one that is often viewed, at least in the United States, as unfavorable. However, government involvement need not take place through regulation only; the government may also take the role of advocate.

The threat of regulation may be pointed to as a reason that CSR is practiced more widely on a voluntary basis in the United States than in other nations (Moon and Vogel 308). Jeremy Moon and David Vogel state that the three ways in which government can promote CSR are "endorsement and exhortation; facilitation, and partnering" (Moon and Vogel 312). Making CSR part of the ongoing national conversation by promoting socially responsible business practices adds credibility to the discussion and raises awareness of the subject through public endorsement. By creating non-binding codes and developing best practices, governments can help to facilitate corporate implementation of CSR practices. Through the use of "organizational, fiscal, and authoritative resources" (Moon and Vogel 314), the government can form partnerships with business in developing a socially responsible operations plan. An example of this collaboration can be seen in government initiatives taken to encourage pollution prevention and energy efficiency through the federal P2/E2 grant program in which the government provides money to small to mid-sized enterprises to research and implement methods of pollution prevention and energy efficiency.

While initiatives such as these are put forth as examples of government interactions with business for the advocacy of CSR, there is also a larger implication. The practices of CSR must also be incorporated into governmental operations. Doing so requires the tenets of CSR to be woven into all aspects of government, including that of economic policy. As a non-ethical, value neutral discipline, neoclassical economics—as the orthodox practice—would not seem receptive to the values of CSR. The role of public, corporate, and governmental interactions speaks to the need for effective communication between a corporation and its publics.

Summary

Several conclusions can be drawn from this discussion of CSR. First, CSR, in broad terms, is an ethical framework grounded in the values of doing what is good for society, both locally and globally. The ethics of CSR draw from a deep history of ethical conversations in which virtue ethics plays a large role. Second while there has been a significant increase in socially responsible actions by corporations—such as philanthropy, environmental consciousness, or corporate transparency—there seems to be a portion of practitioners who view CSR as expedient rather than necessary. Third, the debate as to the financial efficacy of CSR is still going on and, in all likelihood, will continue. Even if CSR were universally practiced, there would still be corporations that fail and those that prosper. Similarly, monies donated to philanthropic causes will always be that much less than that going to corporate profits and, as such, will detract from the bottom line and shareholder return on investment. Until shareholders are accepted as being capable of embracing values beyond profitability, the debate on CSR will likely continue. Fourth, the business practice of CSR cannot survive in a vacuum; CSR must be an equal participant in dialogue with the business, public, and government sectors of society. This dialogue must ultimately rest on a set of shared values in order to succeed. This brings us to the discussion of economics and CSR.

Inasmuch as there is a productive dialogue resulting in positive action with regard to CSR, there must be a shift in perspective from money (profits) as an end to that of money as a means. This paradigm shift is one that influences both the world of business and that of economic theory and policy. CSR requires that values be both intrinsic and instrumental and, as such, there must be communicative transparency to serve as a mediator among the public, government, and the firm. This paradigm stands in sharp contrast to prevailing neoclassical economic dogma. However, elements of this form of economic engagement can be found in heterodox schools of economic thought and the reintroduction of rhetoric into the discipline of economics.

CHAPTER 3: THE DISCONNECT OF CSR AND ECONOMIC THEORY

> Economists view talk as cheap and culture as insignificant.
> (McCloskey and Klamer 191)

As adherents of a positivistic scientific discipline, neoclassical economic theorists deny the need for philosophical, ethical, or rhetorical tropes in the formation of theories. This chapter looks at works of scholars who argue against this perspective, providing both historic and contemporary scholarship engaging economics as a rhetorical discipline. Deirdre McCloskey's quote, "economics, dammit [sic], *is* rhetoric" ("Consequences" 281), alludes to her views regarding the need to reestablish a synthesis of rhetoric and economics. She emphasizes the rhetorical and value laden nature of even the most scientific forms of economic theory.

There is a risk that comes with denying the rhetorical nature of economics. When factors of economic theories contain value laden preconceptions, the outcome will, of necessity, reflect those values, whether or not they are acknowledged. According to Ludwig von Mises, the positivist risks overlooking "the fact that in addressing his fellow men he presupposes—tacitly and implicitly—the intersubjective validity of logic and thereby the reality of the alter Ego's thought and action, of his eminent human character" (24). Bracketing certain difficult topics in order better to grasp a specific theory may be necessary; however, one must at the same time be cognizant of that which is being bracketed and know that the theory being forwarded is not as positivistic as it may seem.

This chapter begins with a discussion of the significance of classical rhetoric to contemporary societies. Section two discusses the metanarrative—as seen in neoclassical economic theory—of profit as an end. I refer to this metanarrative as the profit paradigm.

The third section looks at economics from both the neoclassical non-ethical perspective and from a perspective that takes ethics into account. Section four engages performative economics and discusses the ramifications of economics for shaping and contributing to the social construction of reality.

History of Rhetoric and Economics

The value neutral ground claimed by neoclassical economics asserts a belief that economics is a positivistic science and, as such, has no need of the discipline of rhetoric. The thesis of this section is that even the most positivistic of sciences, and neoclassical economics, in particular, must coexist with rhetoric to have the persuasive force necessary to advance newly formed theories and practices. Economics strives to understand and predict the market transactions of society, whose members communicate, persuade, and make choices rhetorically. Scholars such as Alasdair MacIntyre, Amartya Sen, Deirdre McCloskey, and Don Lavoie draw on the teachings of classical rhetoricians to support their arguments for the inclusion of virtue ethics and rhetoric in the discipline of economics. For this reason, I will look first at the origins of rhetoric.

The Classical Origins of Economic Rhetoric

The history of rhetoric is one grounded in conflict beginning with Plato's writings against the Sophists of his time and continuing on through the subjective/objective split so persuasively argued for by Descartes. Plato's argument with sophism was not based on a singular objection to rhetoric but rather to what he saw as an ignoble use of rhetoric. As he states in *Gorgias*, a noble orator (rhetorician) will use his skills for noble ends:

> Then our orator, the good man of expert knowledge, will have these ends in view in any speech or action by which he seeks to influence the souls of

> men, in any gift which he may confer, and in any privation which he may inflict; he will always have his mind on how to bring justice and moderation and every other virtue to birth in souls of his fellow citizens, and on removing their opposites, injustice and excess and vice. (Plato, *Gorgias* 504d-e)

Plato's *Gorgias*, of course, is not known for its glowing praise of rhetoric; however, this quote leaves open the possibility for a form of rhetoric that is not representative of the sophism that is attacked throughout the text. In *Phaedrus* is found the greatest hope for rhetoric and in which Plato's speeches on love serve as a metaphor for a rhetoric that ranges from base to noble. The average citizen represents a collection of complicated and unstable souls and is unskilled in either philosophy or dialectic; how then can they aspire to the noble idea of the Good? Plato assigns this epistemological role to rhetoric. In the myth of the charioteer, man is led by the ignoble horse of desire as well as the noble horse of wisdom. The ignoble steed draws the charioteer closer to his desire (Plato, *Phaedrus* 37-38). In drawing closer, however, he more clearly sees the truth of beauty, and balance is once again restored between wisdom and desire. Noble rhetoric is the charioteer, able to control his steeds and guide the souls of the laity. The balance achieved through noble rhetoric also points to the conflict seen between emotion and rational thought. Plato's point is that man is influenced by both and engaged in a constant struggle to balance each.

Aristotle describes rhetoric as the counterpart to dialectic and states, "All men make use of both, more or less" (*Rhetoric* 19). In *The Rhetoric,* persuasion is seen as equal parts ethos, pathos, and logos. People are persuaded through the personal character of the speaker and the emotions evinced as well as the logic of the argument. As with Plato, Aristotle sees rhetoric as the act of effectively balancing these characteristics. Rhetoric is a "combination of the science of logic and of the ethical branch of politics" (*Rhetoric* 35). For Aristotle, neither rhetoric nor dialectic is a science; they are practical arts of communication, of which science provides one aspect, that of logos.

During the renaissance, Galileo contributed greatly to the project of mathematizing the senses.

> He [Galileo] discovers mathematical nature, the methodical idea, he blazes the trail for the infinite number of physical discoveries and discoverers. By contrast to the universal causality of the intuitively given world (as its variant form), he discovers what has since been called the law of causality, the "a priori form" of the "true" (idealized and mathematized) world, the "law of exact lawfulness" according to which every occurrence in "nature"—idealized nature—must come under exact laws. All this is discovery-concealment, and to the present day we accept it as straightforward truth. (Husserl 52-53)

As this quote suggests, for Galileo, truth is to be found not through rhetoric or dialectic but rather through the exact science of mathematics. Concurrently with Galileo, Descartes is exploring the scope of rationalism and empiricism. "Philosophical knowledge is, according to Descartes, *absolutely grounded knowledge*; it must stand upon a foundation of immediate and apodictic knowledge whose self-evidence excludes all conceivable doubt" (Husserl 75). The impreciseness of philosophical rhetoric is replaced by the notion of "philosophy as 'universal mathematics'" (Husserl 73). Similarly to the history of rhetoric, economics has seen a transition from the philosophically grounded virtue ethics espoused by Smith to the mathematical "truth" embraced by the neoclassical school of economic thought.

There have been periods throughout history in which rhetoric was embraced for having a positive impact. To assume that only through objective rationality can one find truth when one considers such "scientific" products as phrenology, Social Darwinism, eugenics, and "trickle down" economics is erroneous. There are, unfortunately, perversities to be found on both sides of the science/rhetoric split. Modernity and the dominance of scientific thought are ultimately challenged on multiple fronts from a diverse range of scholars: "Nietzsche and Heidegger, Dewey and Wittgenstein, Derrida and Foucault, Cavell and Gadamer, Rorty and Habermas, Nozick and MacIntyre" (Nelson and Megill 24). A common theme throughout these diverse thinkers is their grave concerns regarding the science of positivism. Scientific inquiry cannot exist without rhetoric. Scientific inquiry begins with a question, proceeds to a premise and, in the case of economics, moves to probabilities. Scientific inquiry requires rhetoric in order to be shared throughout the public sphere. The language of economic science begins its life in the common rhetoric of the public and returns there in the form of economic policy. John Nelson, Alan Megill, and Deirdre McCloskey refer to this progression as a "rhetoric of inquiry," which they offer as an alternative to scientific inquiry. However, within neoclassical economics, rhetoric is overlooked (3-4).

Additionally, economists must engage interpretation to validate espoused theories.

> [S]cientific explanation necessarily involves not only a “predictive” dimension but also what has been called a hermeneutical or “interpretive”

> one. Not only must a theory predict accurately, it must also interpret intelligibly, that is, it must tell a plausible story about how the results explain some otherwise problematic aspect of reality. (Lavoie 96)

Don Lavoie, like Deirdre McCloskey, argues that economic theories must set aside an "objectivist bias" and open itself up to qualitative and interpretive research (94). Lavoie states:

> In a sense, objectivism aspires to rid reasoning of all ambiguities, to rid researchers of all biases, to rid scientific disciplines of alternative schools or perspectives. Relativism, on the other hand, wants to abandon the search for a single truth, and hence considers disciplinary rivalries to be ultimately pointless. While objectivism presumes that the problem of theory choice is solvable algorithmically, relativism presumes the problem is inherently unsolvable. Philosophy is now coming to a third position, that the problem of theory choice is non-algorithmically solvable through a certain kind of social process in the scientific community. (Lavoie 99)

For Lavoie, this "non-algorithmical" solution is found in hermeneutical interpretation. According to Lavoie, in order to be useful, any predictive model must also have "interpretive plausibility" (101). The social scientist's (economist's) task is "to find and explicate a meaning that is always already there, rather than to invent a merely metaphorical 'meaning' which works in predictive tests" (Lavoie 107). What is lacking from neoclassical economics is the perspective of historical narrative (Lavoie 113).

Deirdre McCloskey and the Rhetoric of Economics

Deirdre McCloskey finds the classic rhetoric of Aristotle, Cicero, and Quintilian missing in economics. What strikes McCloskey as odd is that economics should come so late to the ideology of modernism, but not until the mid-twentieth century was a profound shift seen, led by the treatises of Milton Friedman, Gary Becker, and George Stigler and the rise of the Chicago School of economics (McCloskey, "Rhetoric of Economics" 485). McCloskey asks why, in a postmodern era, economics clings so desperately to a modernist ideal. The positivistic reliance on statistical analysis and mathematical proof leads to great confidence by economists in the theories they espouse. However, as McCloskey points out, "great social questions are not answered by looking at a diagram on a blackboard" ("Rhetoric of Economics" 493). There are widely accepted "truths" in economics, such as "tariffs and import quotas reduce general economic welfare," but they lack rhetorical reason; instead, the chart on the blackboard is considered proof enough. What separates orthodox—Chicago School/neoclassical—economics from heterodox forms is not that the others do not engage mathematical proofs but rather that the others also support their theories through collected stories. A lack of stories leads to neoclassical economic theories that are unexamined.

McCloskey asserts that both rhetoric and economics deal with scarce resources (*Rhetoric of Economics* pos. 163); for rhetoric, the need is to describe an infinite number of circumstances from a scarce supply of words. Once a theory is put forth in economics, that theory must be defended using that same limited vocabulary. To state or prove that a specific theory is true or false is not enough; one must also do one’s best to ascertain that theory's social value and potential impact. McCloskey writes, "Science is an instance of writing with intent to persuade other scientists, such as economic scientists" (pos 204-210). For McCloskey, no matter where you turn in economics, you will find rhetoric.

Contrary to denying rhetoric a rightful place in neoclassical economic thought, McCloskey shows that economics is in fact rife with rhetoric. The most profound example she gives is the use of metaphor, specifically the metaphor of the economic "model." Imagine, if you will, a child's toy model, easy to understand and simple to put together. There is a certain reassurance in the expression that the model has all its parts and is ready to assemble. Elastic demand—another economic metaphor—is flexible and may shrink or grow, and competition is a race to see who can win the most money. There is meaning in the metaphors of economics, and yet the significance of rhetoric to economic theory is largely ignored. For McCloskey, metaphor is essential to economic thinking ("Rhetoric of Economics" 507).

Rhetoric, for McCloskey, is instrumental to what she views as an improved discipline. This is not a case of debasing the significance of the science of economics. The belief that the valuing of one—economics as rhetoric or economics as science—debases the other is another vestige of Cartesian dualism. The truth, for McCloskey, is that both economic science and rhetoric can, do, and must coexist. In McCloskey's words, "We cannot speak persuasively [whether persuading through science or language alone] without being rhetorical" (*How to be Human* 116). She sees economics as being a successful science. For McCloskey, the failures that have arisen over the past fifty years are often attributable to the disassociation of economics from rhetoric (*Rhetoric*, loc. 144-150). At issue is the blind faith in the constative force of economic scientific method to the exclusion of any performative rationale. McCloskey suggests that economists must take into consideration the speech act—both constative and performative—as a whole. Economic decisions "cannot be made independent of the conversations of human kind" (McCloskey, *Rhetoric* loc.1679). The perlocutionary force of human dialogue influences the reality of the human situation and, as a result, directly impacts that on which economics bases its scientific calculations. Economic rhetoric and economic science must coexist in order for economics to be made whole.

McCloskey clearly states her beliefs in the important role that economics plays in society. The issue is one of bringing the discipline closer to the society represented and, in doing so, adding greater depth to the theories and policies advocated. However, the decision making process in neoclassical economics is grounded in rational choice theory and, as such, lacks a recognition of the role of rhetoric.

Rational Choice: A Methodology for Constructing Economic Theory

The degree to which philosophy exists in neoclassical economic theory may be found in rational choice theory. Rational choice has a rather narrow definition. First, methodologically, choice is considered to be rational when seen as deliberative and consistent and the preferences to be chosen from are transitive (Ulen 791-792). Second, rational choice is limited to choice in the marketplace and, as such, can be monetarily quantified. Third, economic rational choice is based on self-interest (Sen, "Rational Fools" 318). Defined in this limited fashion, rational choices are seen by economists as having "a single best (an optimal) decision" (Ulen 796). Rational choice provides a stable platform from which economists may calculate the probable behaviors and outcomes of the marketplace. There is, however, for Amartya Sen a heterodox rebuttal to this definition.

At the heart of the heterodox rebuttal to rational choice is the way in which rational choice theory sets boundaries to human choice. This bounding is seen in three forms: bounded rationality, bounded willpower, and bounded self-interest (Sen, *Rationality and Freedom* 29). These boundaries deny the existence of free choice and independent reasoning and, as a result, limit the scope of neoclassical economic thought. Amartya Sen sees this definition as too limiting and non-representative of society in two distinct ways. First, whether self-interest is viewed from an egoistic or utilitarian perspective—as is the case with neoclassical economics—there remains a significant portion of society consisting of discrete groups of individuals that is unaccounted for (Sen, "Rational Fools" 318). Second, self-interest is viewed as dealing with personal preference or sympathy alone. In other words, decisions are seen to be made based only on how one "feels" about a given choice, excluding the possibility of choice based on commitment (Sen, "Rational Fools" 326). When one acknowledges the value neutrality of neoclassical economics, this statement makes sense. Choice based on commitment, however, is grounded in values that at times supersede our personal sympathies. One can escape blame and punishment by lying; however, a commitment to the value of truth will prevent one from doing so. By not considering values as an element of the decision-making process, neoclassical economics denies the possibility of decision-making based on commitment. Sen states that sympathetic choice may be the dominant method when considering private goods but argues that public goods exist only through choices made through commitment, thereby illuminating a flaw in the rational choice theory as applied through neoclassical economics (330).

Artificial boundaries limit the innovation of neoclassical economics. McCloskey states, "Innovation, not the sheer piling of productive investments, dominates economic growth" (*Bourgeois Dignity* 133). When boundaries are placed on economic thought—as with bounded rationality, willpower, and self-interest—we then also place boundaries on innovation. Improving the efficiency of current processes does not yield the scale of economic growth that innovation does. McCloskey distinguishes between growth through the "piling up of capital" and growth through innovation and suggests that innovation drives the economy (*Bourgeois Dignity* 134). The same might be said for economics. Brute econometrics does not lead to great advancements. Lawrence Summers, in studying the theoretical contributions of econometrics, concludes that the innovative thought of researchers and not the repeated running of econometric calculations leads to breakthroughs in economic theory (146). Engagement with the real world rather than immersion in numbers leads to innovation.

A distinction between CSR and the traditional profit paradigm is the inclusion of the public good as part of the mission and valuation of a business. As such, the practice of social responsibility will require that decisions frequently be made based on commitment rather than personal—or financial—preference alone. The externality of public goods may not reap financial benefits for the corporation in the way that improved profit margins will, and, as a result, if rational choice theory is applied, the decision will, in many cases, be to forgo such investment.

CSR, by embracing diverse stakeholders, recognizes the need to consider multiple motivations on behalf of a corporation's publics. This was a fact recognized by John Maynard Keynes. Rational choice supplanted a significant aspect of Keynesian macroeconomic theory. "Keynes appreciated that most economic activity results from rational economic motivations; but also that much economic activity is governed by *animal spirits*. People have non-economic motives" (Akerlof and Shiller xxiii) (emphasis theirs). Animal spirits are the individual "feelings, impressions, and passions" that motivate people and ultimately influence their behavior (Akerlof and Shiller 1), a "spontaneous urge to action"(3). Animal spirits, according to Akerlof and Shiller, are a response to uncertainty and ambiguity (4). The animal spirits of individuals are shared and given meaning to society through stories, and these stories, in turn, move markets (Akerlof and Shiller 55).

Through stories, people share meaning and deal with ambiguity. Stories can build confidence or they can cause panic; both are public emotions that affect financial markets and impact economies. Akerlof and Shiller present a communicative theory of economics from the perspective of why markets behave at times in seemingly irrational ways. Keynes saw this as the reason why the economy fluctuates. These animal spirits provide insight into why there is voluntary unemployment, and market "manias" followed by market "panics" (Akerlof and Shiller xxv). The rapid neglect of these animal spirits, according to Akerlof and Shiller, ultimately led to the great recession of 2008. Animal spirits are irrational and non-economic. Neoclassical theory sees the invisible hand of a free market as the true story of economic success. Akerlof and Shiller use the analogy of child rearing to make their point. The government's role, they say, is to moderate the behavior of the economy just as parents' role is to moderate their children's behavior. Moderating behavior requires a balance between allowing freedom to be creative and applying discipline when they become unruly (xxiii, xxv).

What makes these stories so compelling? The answer to this question, with regard to economics, is trust, a full belief in the verisimilitude of the story. There are four elements that make stories compelling. First is the concept of confidence. Akerlof and Shiller suggest that trust and belief are components of confidence and, as a whole, confidence implies a belief that goes beyond what is rational (13). Neoclassical economic tradition suggests that economic decisions are based on rational choices, but confidence need not be rational. Decisions based on confidence frequently lead to leaps of faith. Second, similar to the concept of confidence, through an ability to cause people to step outside of the rule of rational choice, is the concept of fairness. Fairness influences how people are willing to act and, according to Akerlof and Shiller, is a "major motivator in many economic decisions" (25). A third and more sinister contributor to the stories that affect economic decisions is the concepts of corruption and bad faith. A free market ensures, through competition, that production will respond to demand. In other words, the market will produce what people need, or think that they need, and are willing to pay for. Unfortunately, as Akerlof and Shiller point out, if people are willing to pay for "snake oil," then the market will produce snake oil (26). Such scams are what led to the need for consumer protection policies. The fourth and final contributor to stories that influence economic decisions is what Akerlof and Shiller refer to as the "money illusion" (41). Money illusion occurs when economic decisions are influenced by nominal dollar amounts (Akerlof and Shiller 41). Nominal dollar amounts do not take into consideration additional costs such as inflation and relate only to an increase—or decrease—based on the current earnings or prices. Neoclassical theory argues that the rational person is concerned with real wages and prices and utility maximization. The concept of money illusion speaks to the behavior that people have towards changes in wages and prices. Inasmuch as economics deals with predicting economic behavior, money illusion suggests a contradiction between what economists perceive and how society behaves.

These four elements (confidence, fairness, corruption and bad faith, and money illusion) influence the economic stories shared by society. Although Akerlof and Shiller present these issues as being sociological in nature, they are brought to life and enacted through communicative praxis in the form of storytelling. The authors suggest that the depression of the 1890's was caused by "a crash of *confidence* associated with remembered *stories* of economic failure including stories of a growth of *corruption* in the years that preceded the depression; a heightened sense of *unfairness* of economic policy; and *money illusion* in the failure to comprehend the consequences of the drop in consumer prices" (Akerlof and Shiller 59). These phenomena ultimately led to the construction of a new narrative, one in which confidence was low, further exacerbating the problems of the depression. What Akerlof and Shiller describe is akin to Walter Fisher's narrative paradigm, and their conclusion is that narrative has a profound effect on economic behavior. The major point being made is that economic choice is not, as neoclassical economics would have us believe, based solely on rational choice, but rather is grounded in socially constructed narrative.

Animal spirits point to times when the world does not perform in concert with economic expectations. This seemingly irrational behavior is, in fact, rhetorical. Nobel laureate Paul Krugman points to the importance of rhetoric to economics:

> [T]he equations and diagrams of formal economics are, more often than not, no more than scaffolding used to help construct an intellectual edifice.

> Once that edifice has been built to a certain point, the scaffolding can be stripped away, leaving only plain English behind. (6)

In *The Return of Depression Economics and the Crisis of 2008*, Krugman repeatedly states examples in which economic reality is rhetorically constructed in contradiction to economic science. For example, at the end of 1993, Mexico was riding high from the success of growth and economic stability. The budget was balanced, foreign investment was high, and the nation was building up overseas assets. These were, according to Krugman, textbook indicators of a strong economy; and yet the economy was not growing (43). The lack of growth was attributed to the high valuation of the peso and its dampening effect on exports. The appropriate response to this condition—according to neoclassical economic theory—is to devalue the peso to stimulate exports, and this is where persuasion in the marketplace begins to overtake economic science.

Mexico did devalue the peso; however, as Krugman states, the devaluation was too little. In making an insignificant reduction, the Mexican government inadvertently raised the expectation that further devaluation would follow and, as a result, exports remained low in anticipation of further reductions (Krugman 44, 46). During the initial devaluation, investors discovered that Mexican businessmen had been provided insider information allowing them to convert their pesos to dollars prior to devaluation. This news shocked foreign investors, who lost their trust, and further exacerbated the problem of foreign investment (Krugman 47). The signals sent by lowering the peso less than expected compounded by the breach of trust created a cascading effect, throwing Mexico into financial crisis (Krugman 48). The complexities of economics are such that, although a nation may act in ways that are economically suggested, the results are strongly influenced by ethical perceptions and a social construction of reality.

These conclusions have great significance for both economic theory and CSR. First, CSR is socially constructed, growing from a narrative of social value. CSR itself does not neatly fit into a paradigm of rational choice. CSR is, in fact, counterintuitive to a paradigm of profit maximization, and yet research suggests that the best practices of CSR lead to equal or better economic performance. Second, the impact that social phenomena have on narrative and, in turn, the impact that these narratives have on the economic condition of a nation can be seen. This observation cuts both ways. The narratives that influence economic behavior also influence positions with regard to CSR. Inasmuch as the dominant economic paradigm influences narrative, the reasonable assumption is that this paradigm will also influence perspectives on and practices of CSR. Third, as a result of these observations, there needs to be either a shift in neoclassical economic thought or a shift in the practice of CSR if the two are to coexist in our society.

In contrast to the animal spirits of Keynes, neoclassical economics relies heavily on the maximization of profits as an indicator of social wellbeing. I refer to this phenomenon as the profit paradigm.

The Economic Profit Paradigm in Contradiction of CSR

Organizations cannot simply do away with profitability as a measure of success. However, the profit paradigm is one-dimensional and does not fairly represent the return on values that a corporation contributes. Triple bottom line (3BL) provides an accounting model that attempts to correct this disparity. People, planet, and profits form the three measurements of 3BL (Elkington "Triple Bottom Line" 3). Triple bottom line recasts the mechanistic view of a corporation's value into a postmodern organic version and establishes new paradigms for business performance by looking at the seven factors of markets: values, transparency, life cycle, technology, partnerships, time, and corporate governance (Elkington "Triple Bottom Line" 4). 3BL opens a window on to the workings of CSR and, as such, helps to assess the fidelity and probability of the CSR narrative.

Businesses have economic, legal, and ethical responsibilities (Carroll, "Three-Dimensional Model" 499). The challenge is that this list too often is viewed hierarchically, with the economic responsibilities being the prime directive. Within the ethical responsibilities, there is an incredibly broad spectrum of issues that call for our attention, such as environmental stewardship and social responsiveness. However, what is "required" of a corporation is economic stability and adherence to the law, and what is optional becomes the less-easy-to-define social and ethical requirements. CSR attempts to realign this paradigm and place the social and ethical on an even par with economic and legal responsibilities. Profitability is a fundamental necessity for any business if that business is to survive. The mistaken belief, however, is that profit is the end reason and the default driver of business decisions. In order for CSR practices to grow and prosper, this long-standing paradigm must be changed. The argument for such a change is economic but grounded in classic philosophy, beginning with Aristotle, and is represented by the simple symbolic statement M-M'.

Simply put the statement M-M' refers to the use of money in order to generate more money and is found in Aristotle's debate in *The Nichomachean Ethics* and *Politics* regarding the relationship of use value versus exchange value. "Of everything we possess there are two uses: both belong to the thing as such, but not in the same manner, for one is the proper, and the other the improper or secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe" (Aristotle *Politics* I: 9, 1257[a]5-10). In order better to understand the role of profit in a corporation, we must begin with a discussion of use and exchange. Goods and services have both a use value and an exchange value. Using Aristotle's example, a shoe has the intrinsic value of protecting one's foot from assault from the ground. The same shoe holds value for what might be received in exchange. A shoe also has an extrinsic value. One's shoe, for instance, may be exchanged for another useful commodity, say, a loaf of bread. Shoes are produced to be worn; they have a usefulness. Because of this usefulness, and only because of it, the shoe also has a value that can be exchanged for other useful commodities. The shoe may also be exchanged for money.

Aristotle viewed money as having two natures, "a means and an end"; however, Scott Meikle states that Aristotle's official position was that money should only be a means (87). The natural end for any product, for Aristotle, is some form of practical use, hence a commodity (C) exchanged for a different commodity (C') is a natural exchange as is a commodity (C) exchanged for money (M) that is then exchanged for a second commodity (C'). Aristotle, however, sees as unnatural exchanges such as M-C-M' or M-M'. Money, for Aristotle, should not be considered an end in itself. Inappropriate exchange is not limited to money but includes any item that is lacking in use value and is produced solely for exchange value. At the heart of this concern lies the differentiation between quality and quantity. Use value is concerned with the qualities of an item with regard to their practical application to everyday life. Exchange, on the other hand, is concerned with the quantities necessary for equitable trade. In this difference, Aristotle sees an ethical dilemma, and Miekle observes that "ethics and economics are competitors over the same ground" (109). In the end, Aristotle sees money-making as the unnatural act in exchange when he states: "The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else" (*The Nichomachean Ethics* I.5).

This is not to say that use value is good and exchange bad. The issue is one of commensurability and the question of fair exchange. Fair exchange, simply put, asks, "For what I make, what is ethically responsible for me to take in exchange?" A modern view of this question logically equates exchange with money or what might be perceived as a fair price for a given service or commodity. CSR, however, goes beyond the question of competitive pricing and looks at all stakeholders for a given product. Commensurability extends to the employee, the community, the government, and the environment. There must be a fair exchange in all aspects of a business. Book V of *The Nichomachean Ethics*—in which Aristotle discusses economics—deals with the subject of justice. In book V, he elaborates on two forms of justice, distributive and rectificatory or corrective (5.2), to which he later adds the subject of just exchange (5.5). In each of these forms of justice, Aristotle is concerned with equitable proportions (Miekle 131), a theme that was picked up by modern economists and can be seen in differing theories of value.

An issue with Aristotle's theme of justice is that justice is dependent on the concept of equality. What is just behavior between equals, such as citizens, may be unjust behavior if conducted between unequal persons, such as a citizen and a slave. Similarly, all stakeholders in a business should have the right of equitable exchange; be they shareholders or other stakeholders, their rights should be equal. The application of proportions to the determination of justice is one that still exists in discussions on the fairness of wages, taxes, and the pricing of commodities; however, debate regarding proportion also exists in discussion on the environment. Federal regulations dictate the legal proportions of pollutants in ground water and the air we breathe. They regulate the types, proportions, and methods with which waste is disposed of. The question of proportion continues to exist as in the times of Aristotle, but CSR suggests that the scope of the question must be broadened to include the production and exchange of goods and services between business and society and also the proportions of waste in producing these products.

Corporations are agents actively engaged in everyday and future aspects of society. The actions of corporations impact income, cost of living, the environment, human safety, and a number of other aspects that determine the quality of life for the population of the United States as well as globally. John Rawls points to this agency and suggests that "economic systems"—businesses—not only satisfy existing wants and needs but also create and fashion future wants (259). Inasmuch as there are norms of ethical behavior for society, corporations should likewise take part in supporting those norms by acting as "moral agents within our society" (Wartick and Cochran 759). CSR provides support of these ethical norms by embracing diverse values.

From Non-Ethical to Ethical Economic Theory

As stated, neoclassical economics views itself as non-ethical, and yet the markets that neoclassical economics attempts to describe are in a large part influenced by the actions of a society guided by a variety of ethical beliefs. Questions arise as to why economics should be considered non-ethical, or if, in fact, any social science, such as economics, can be non-ethical. To engage these questions, this section will first look at differing views regarding ethics and economics. Second, we will show how ethics is influencing financial markets and as a result challenging the neoclassical profit paradigm; and third, we will review the unethical engagement of CSR.

On Ethics and Economics

The neoclassical economic paradigm as practiced today is non-ethical. This was not always the case for economics. According to Amartya Sen, "economics is supposed to be concerned with real people" (*Ethics* 1). There are economic theories that address the subject of ethics. Welfare economics, also referred to as social economics, is one branch that deals explicitly with the total economic welfare of a community (Lange 26). Arthur Pigou, who is credited with founding welfare economics, drew from questions raised by Adam Smith that had long been forgotten. These questions dealt with problems of value and distribution (Spiegel 572). However, as appealing as these theories may sound, they have been consigned to "the economic equivalent of the 'black hole'" (Sen *Ethics* 29).

Criticism of neoclassical economic positivism is largely influenced by economic conditions. This is the case today with a depressed market and high unemployment, but this was also the case in the early 1970s when there was high inflation along with high unemployment, resulting in what was ultimately referred to as stagflation. Today's neoclassical economics fall into one of two broad categories, macroeconomics and microeconomics. Both forms of economics focus on the "how" rather than the "why" of economics. In other words, each focuses on the mechanics, or engineering, of “how” economics works to the exclusion of the “why” of the ethical ought (Sen, *Ethics* 4-5, 71).

An adherence to value neutrality strips away consideration of ethics from the formation and application of neoclassical economic theories. "In fact, in economic analysis rights are seen typically as purely legal entities with instrumental use rather than intrinsic value" (Sen, *Ethics* 71).

Amartya Sen makes an eloquent argument for including both instrumental and intrinsic values in the study and practice of economics. He takes an Aristotelian view that economics should be focused on the "the good of man" both collectively and individually (*Ethics* 4). The focus on instrumental values, Deirdre McCloskey suggests, is the result of an "anti-rhetorical split of fact from value" ("Consequences" 284). This is a split that McCloskey avidly opposes, and, in turn, she argues for the return of rhetoric to economics as a step toward humanizing the discipline and theories. One issue is the question of how a company can reengage the topic of stakeholder values in addition to the demands of acquiring profit for shareholders. The modern construct of neoclassical economics is in conflict with the fundamental tenets of CSR and would be better served by integrating neoclassical and heterodox economic theories.

There are multiple forms with which to engage economics. Deirdre McCloskey claims that Adam Smith's moral philosophy was grounded in Aristotelian virtue, a sentiment echoed by Alasdair MacIntyre (*After Virtue* 234-235). Neoclassicism claims to be non-ethical, and Amartya Sen has argued that welfare economics is firmly grounded in utilitarianism. Sen finds the utilitarianism of welfareism lacking on two points, first on the fact that wellbeing is "not the only thing that is valuable" and second "on the ground that utility does not adequately represent well-being" (*Ethics* 47). For McCloskey, to tell the Adam-Smithian story of virtues "required schooling in ethics, theology, classics, poetry, sociology, social psychology, literary history, art history, intellectual history, philosophy, and twenty other fields" (*Bourgeois Virtues* loc. 66). Smith's moral philosophy reaches far beyond a simplistic form of modern self-interest.

Based on the writings of Adam Smith, the origins of economics point to a discipline that was firmly grounded in an ethic of social responsibility. Shifting views as to the responsibilities of economics toward society and the nature of wellbeing can be seen over time. Although a discipline may be charged with protecting the economic wellbeing of society, the wellbeing of *all* of society is difficult to ensure. The loss of tradition and context, seen beginning in the late Middle Ages, has led to difficulties in supporting this utilitarian perspective (MacIntyre, *After Virtue* ix). As a social science, neoclassical economics relies heavily on "providing a stock of law-like generalizations with strong predictive power" (MacIntyre, *After Virtue* 88). The strength of these law-like generalizations, however, is questionable and, as a result, so are the predictions founded upon them. MacIntyre argues that there are four sources of "systematic unpredictability" (93) that challenge the predictive assertions of social sciences such as economics. The first source of unpredictability stems from radical conceptual innovation (95), the second from the iterative nature of unpredictability of future events. The third stems from the "game theoretic character of social life" (97), and the fourth from pure contingency (99). The false assumption of the predictability of behavior leads theorists to draw false conclusions. When one assumes that values can be quantified, one leaves oneself open to the unpredictability of human nature. An ethical grounding that is as comfortable with unpredictability as with predictability is necessary. For MacIntyre, this is a call for virtue ethics.

If virtue ethics is seen as being agent centered rather than the act centered deontology of Kant, then economist and philosopher Amartya Sen sees a similar need for virtue ethics as applied to economic science. Sen sees a duality with regard to the ethical person. The first is the person in terms of agency with the ability to "form goals, commitments, [and] values." The second is wellbeing. In this understanding, Sen acknowledges the value of well-being that is central to welfare economics with the caveat that wellbeing is not unilaterally determinant of ethical praxis; agency and the agent have an equal role. Well-being as a measure of utility provides a readily quantifiable measure, whereas agency challenges its predictability.

For Deirdre McCloskey, the market can be seen as an occasion for virtue, "an expression of solidarity across gender, social class, ethnicity" (*Bourgeois Virtues* loc. 172). McCloskey argues that capitalism has, in large part, been grounded in virtue and led to better lives for many who would otherwise be poor (loc. 456-460). That being said, there is more that can be accomplished through a renewed emphasis on virtue. "Prudence only is not enough" (loc. 870-875); virtues can and must flourish in our commercial society. All seven virtues of faith, hope, love, justice, courage, temperance, and prudence are needed "in order to flourish as human beings" (loc. 991-993). The challenge faced is in the distillation by economists of the seven virtues down to one, prudence. Adam Smith had similar concerns for a prudence only engagement of ethics.

> Epicurus appears in every virtue to have attended to this species of propriety only. (...) This system is, no doubt, altogether inconsistent with that which I have been endeavouring [sic] to establish. (...) By running up all the different virtues too to this one species of propriety, Epicurus

> indulged a propensity, which is natural to all men, but which philosophers in particular are apt to cultivate with a peculiar fondness, as the great means of displaying their ingenuity, the propensity to account for all appearances from as few principles as possible. And he, no doubt, indulged this propensity still further, when he referred all the primary objects of natural desire and aversion to the pleasures and pains of the body. (*TMS* loc. 3377-5601)

Capitalism and the associated schools of economic thought need not be discarded. What is needed is a reconstitution of the seven virtues in the theory and practice of western economics.

Closely linked to an ethic of virtues is the concept of caring. Irene van Staveren states that "it is in the commitment to care that we find the ethical capability that rational actors need in order to persuade others to interact with them in economic life, to engage in transactions, or to agree on a contract" (43). Sen similarly supports the need for a commitment to caring in economics (Staveren 42). Care is grounded in the contextual relationships between individuals and, as such, is not supported by neoclassical concepts of utility. The concept of care is not only limited to individuals but also can be given to "the natural environment and animals" (Staveren 43) and, as such, is particularly applicable to CSR. Care adds a dimension to economics that is currently lacking and one that moves to align economics more closely with theories of CSR. The challenge is one of moving economic thought from a money-for-money exchange value only perspective to one that includes use or that which is useful to individuals in society. In Adam Smith's words, economics must "provide plentiful revenue or subsistence for the people, or more properly enable them to provide such a revenue or subsistence for themselves" (*WN* 455). This commitment to the provisioning of individuals is closely tied to care, which, in turn, is driven by Smith's concept of sympathy. Sympathy for Smith is a commitment to care for the other. This point is made clear in *Theory of Moral Sentiments* when Smith states:

> All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy (loc. 1606-1614).

We can see how concepts of rhetoric, ethics, and social responsibility are interwoven in the thoughts of Adam Smith and from this perspective argue that the positivistic science of neoclassical economics has wandered far from the Smithian roots claimed as the neoclassical heritage.

Deirdre McCloskey sees the prudence only model of neoclassical economics as lacking and—as does Amartya Sen—calls for an expansion of values that include what she refers to as "sacred" and which appeal to the virtues of faith, hope, and love (*Bourgeois Virtues* 410). Just as there is more to a career than bringing home a paycheck, our lives consist of virtues beyond that of prudence and must include transcendental goals (McCloskey, *Bourgeois Virtues* 411). Wealth, as Aristotle notes, has its uses but is not an end. Lives are not led by prudential principles alone; if they were, one would charge one’s children for room and board or charge one’s friends for consultation. Individual rationality is guided by sacred as well as prudential principles.

At the center of the economic question in this dissertation is not whether the United States should continue following a neoclassical school of economic thought or open itself up to include discussion engaging heterodox ideas. Although I briefly discuss heterodox theories, I am not arguing that one school is a more appropriate form of economics than another; such a stance is beyond the scope of this dissertation and of my own knowledge. What is at question—regardless of the economic theories supported and practiced—is whether these theories can or should be engaged rhetorically. The fact that certain heterodox schools emphasize values and ethics as part of the discipline does not necessarily imply that their theories are more appropriate. This is a key point made by Deirdre McCloskey. Hers is a project of rehabilitation rather than revolution. McCloskey is an ardent supporter of capitalism and a supporter of the science of economics as long as the rhetoric of economics is included.

One of the hurdles to overcome in reengaging rhetoric with economics is the latter's reliance on agency theory and the view that human motivation stems from self-interest only. Agency theory is limited, as described by McCloskey, by declaring it:

> [A]n obligation to make profit (and further that the economic analyst has an "obligation" to articulate such a theory always, and has an "obligation" not to talk about the ethics of managerial or scientific obligation, since these are matters of value about which one has an obligation not to dispute). (*Bourgeois Dignity* 307)

Agency theory promotes and preaches a prudence only approach to business and economics. This view, however, argues against itself when one asks—as McCloskey does—what is this obligation? The answer is that obligation is itself a form of ethics, a responsibility that the agent has to perform in a certain ethical manner. In essence, what is argued as a non-ethical science is, in fact, being taught, under the guise of agency theory, as a science of limited ethics—in this case, the ethic of profit for the shareholder. This self-contradiction denies the existence of any virtue outside of prudence and relies on positivistic reduction in order to simplify predictability. Human virtues are not switches to be turned on or off. Virtuous behaviors are developed over time, and they begin with a natural capacity and develop as the virtuous acts are performed (MacIntyre, *Ethics* 64). Is it right to assume that, as a member of the public, one must have one set of virtues while as business persons or economists one switches to an entirely different set? Neoclassical economic theory would have us think so. One has an acquired set of virtues and is at liberty to engage these as circumstances would merit.

The disconnect between CSR and neoclassical economics might be seen as stemming from the way in which each discipline approaches rationality. For neoclassical economics, rationality is based on utilitarian self-interest and wealth creation. What might be referred to as economic rationality—with regard to neoclassical thought—can be seen as being technological. CSR, on the other hand, is grounded in an ethical rationality (Muñoz, Encinar, and Cañibano 2). Economics focuses on predicting and influencing future economic actions of society; the fundamental question is action to what end. Both Amartya Sen and Deirdre McCloskey have stated that economic agency not only *ought to* be but frequently is grounded in considerations beyond personal remuneration. The end, for Aristotle, was something other than wealth creation. The appropriate end was *eudemonia* (happiness). For Adam Smith, economic action was guided by all virtues and not limited to prudence alone. If neoclassical economics continues to be viewed as the "technology of choice" (Muñoz, Encinar, and Cañibano 9-10) rather than an approach to the study of human action, in its most broad sense, encompassing all aspects of virtuous behavior, then I would argue that neoclassical economics fails to meet its full potential and is at odds with the fundamental grounding of CSR.

The belief that corporate responsibility should extend no further than legal responsibilities and the shareholder has, in recent years, been challenged in the marketplace through the rise of socially responsible investing.

Shareholder Investment in Corporations Practicing CSR

Originally limited to the investment policies of religious institutions, socially responsible investing has shown a marked increase in the past ten years. The entrance of CSR into the financial markets of equities, bonds, and banking introduces a secular interest in investing in funds with not only an eye for increased profit but also one of supporting organizations that support social and environmental initiatives. "Socially Responsible Investing (SRI) is about investors taking ethical, social, environmental criteria into account when making investment decisions" (Vallentin 114). An increase in interest in social responsibility has led to the evaluation of corporate and other investment vehicles in terms of social responsibility. Organizations such as the Boston College Center for Corporate Citizenship[8] track the level of social responsibility corporations exhibit and create ranked lists using criteria such as positive engagement with community, ethical business practices, and fair treatment of employees. "Socially responsible investing can be defined most succinctly as the process of integrating personal values, societal concerns, and/or institutional mission into investment decision-

[8]See http://www.bcccc.net

making" (Scheuth 191). According to Steven Scheuth, in 2005, over two trillion dollars were invested based on socially responsible criteria, an increase of 249 percent over 1995 levels (193).

The public has not only stated its desire for CSR but has also demonstrated its willingness to support such initiatives through investment, placing society and the environment on an even keel with financial performance. There are multiple factors contributing to this increase. Scheuth suggests that investors are better educated today than in the past and the availability of social funds, as well as information regarding social responsibility, has provided choices that were once not available (194). Also contributing to the growth of SRI is the realization that such investments perform as well as traditional vehicles. Another contributing factor to the growth of SRI is the presence of corporate scandals and the conflict with personal values generated by such scandals. Scheuth further suggests that with the increase of women in executive positions or as business owners has come an increase in the affinity of SRI (194-195).

Unlike neoclassical economics, SRI is grounded in diverse values that, in turn, are used to screen available investment vehicles for an appropriate match. There continues to be debate as to whether or not socio-ethical values are compatible with the economy (Mac 9) and how extensive the practice of SRI is (Capelle-Blanchard and Monjon 8). The estimated market share of 10–20%, according to Gunter Capelle-Blanchard and Stéphanie Monjon, is significantly less, depending on the restrictive characteristics of the screening used for fund selection. Nonetheless, SRI has experienced great popularity in the press and academic journals during the past decade (Capelle-Blanchard and Monjon 13). At issue is whether ethical values can effectively be linked to economic factors.

There are arguments made that the normative positioning of values stands to be corrupted by the logics of economics (Mac 10) with a result similar to an economic "greenwashing" of funds selected as representative. However, there are also indications that SRI creates pressure on businesses by encouraging the adoption of values that were previously lacking.

Steen Vallentin identifies four approaches to SRI: the negative approach, the positive approach, the activist approach, and indexes. The negative approach uses exclusionary screens—for example, tobacco, alcohol, or child labor—to eliminate corporations from consideration. The positive approach looks, instead, to the values of CSR/SRI and identifies companies that perform well to those criteria. The activist approach, or shareholder activism, leverages the vote of the shareholder to promote change within an organization. This is an effort in which SRI can have a large role. The fourth approach, indexes, relies on third party organizations to rank organizations based on specific or generalized social criteria. These indexes include the Dow Jones Sustainability Index, the Domini 400 Social Index, and the FTSE4Good Index, to name a few, and, according to Vallentin, have "played a crucial role in the commercial breakthrough that SRI has seen over the last 10 years" (117).

CSR is having a direct impact on the economics of financial markets, and yet its fundamental tenets are considered anathema to neoclassical economic theory. With the increase in SRI, there is a public effort to shift the emphasis of economics from value neutral to one of virtuous behavior. Such activity can be seen as a reawakening of the virtues espoused by Adam Smith and those advocated by scholars such as Deirdre McCloskey, Amartya Sen, and Irene van Staveren. The public is responding positively to the values of CSR by placing its economic investments in businesses that embrace such practices. This type of public support is not understood as value neutrality or a sum of utility but rather as support for a broader scope of virtues. The relatively recent phenomenon of SRI is made possible by the increasing number of corporations adopting practices of CSR.

The rising interest in SRI shows, in part, the intricacy of relationships between corporations and their publics. Not only do corporations rely on the public to purchase their goods or services, but they also rely on the public to provide investment capital for future growth. Not all reported efforts in CSR, however, are ethical. In responding to public pressure to pursue a CSR agenda, corporations may engage in what amounts to false advertising in the form of greenwashing.

Greenwashing: Unethical Rhetoric Under the Guise of CSR

In the late 1990s, the CEO of British Petroleum, Lord John Browne, approved what would be known as the "Beyond Petroleum" advertising campaign. The campaign strived to remake the British Petroleum (BP) image from that of roughnecks and roustabouts to a forward-looking organization focused on environmental health and safety and a future of sustainable energy. A complete rebranding was undertaken, which included a newly designed logo consisting of the green flowering Helios that is seen today at all BP gas stations. Under the title of "It's a Start," BP ran advertisements touting their ongoing efforts to reduce carbon emissions and included the opening in Los Angles of a state of the art environmentally friendly gas station called Helios House (Cherry and Sneirson 16-17). Then CEO Browne shocked the petroleum industry, but drew praise from environmentalists, when, in 1997, he publically stated his concerns regarding global climate change. Miriam Cherry and Judd Sneirson describe the Beyond Petroleum campaign as "wildly successful" (21), noting that the campaign resonated with consumers and environmentalists alike. However, the actual field operations of BP were not in concordance with the branding message.

Browne's true message of social responsibility is one that does not seem to have reached the hands-on world of operations. With a successful campaign and widely recognized green brand in place, leadership of the organization in 2005 shifted to Tony Hayward. Hayward operationally refocused BP as an oil extraction and distribution business with an emphasis on cost cutting (Cherry and Sneirson 15-16). From 2002 through 2008, BP was fined over $645 million for issues that included the falsifying of inspection records, non-compliance leading to a Texas City, TX refinery explosion, faulty valves, a defective pump leading to a blowout on the Atlantis oil platform in the Gulf of Mexico, and ongoing leaks in the Alaskan pipeline. There is a general consensus that, in the field, lean operations and cost savings superseded considerations for CSR (Cherry and Sneirson 12-13).

During the reign of CEO John Browne, BP invested $200 million into the Beyond Petroleum campaign (Cherry and Sneirson 14). The message presented, along with highly publicized actions such as the creation of the Helios Center and contributions to environmental organizations, was effective in creating a socially responsible public image; however, that message was either unable or not intended to reach the internal operations side of the business. The Beyond Petroleum campaign may have been one of the largest and most effective greenwashing campaigns in recent history.

British Petroleum's greenwashing efforts represent one phase in an organization's attempts to appear socially responsible. In their article "Multiple Levels of Corporate Sustainability," Marcel van Marrewijk and Marco Werre see corporate behavior under the guise of corporate sustainability[9] taking on a variety of forms. Marrewijk and Werre identify six distinct stages of CS/CSR: pre-CS, compliance driven, profit driven, caring, synergistic, and holistic (112). Each stage is represented by the general core values of energy and power, order, success, community, synergy, and holistic life system (110). The authors recognize the complex scenarios found not only within organizations purporting to be socially responsible but also in academic scholarship. What Marrewijk and Werre do, however, is rightly identify corporate sustainability/CSR as ethical praxis grounded in core values and engaging varying ethical strategies. The stages are not necessarily a progression of moral development but rather represent choices that organizations can and do make based on what the authors refer to as the organization's ambition level (112). Based on Marrewijk and Werre's model and evidence mentioned earlier, BP at the time of the Deepwater Horizon disaster would be considered to be at a profit driven stage.

Irresponsible actions taken in the name of profit are no different from those taken while under the influence of alcohol; irresponsible action is no excuse. While there are different theories of ethics at play in corporations professing CSR, if CSR is ethical praxis, then what type of ethics is it? Mark Schwartz and Archie Carroll argue that CSR is made up of three forms of ethical standards: a conventional standard of ethical relativism, a consequentialist standard, and a deontological standard (511-513). These

[9] Corporate sustainability (CS) is a term that is increasingly being used in place of corporate social responsibility (CSR) or corporate citizenship. In this dissertation I will use the terms interchangeably.

standards are derived from the expectations of the general public and stakeholders and place demands on an organization that go beyond legal obligations. They follow the simple concept of do no harm and extend into the area of having a positive impact on society. In the case of businesses, ethical relativism establishes those standards or norms that have been "accepted by the organization, the industry, the profession, or society as necessary for the proper functioning of business" (Schwartz and Carroll 512). The relativism of these ethical norms is moderated also by the teleological nature of consequentialist standards focusing on the good of society and actions "intended to produce the greatest net benefit" (512). According to Schwartz and Carroll, the consequential standard of ethics is widely accepted as being utilitarian (512). As described by Schwartz and Carroll, deontological standards deal primarily with a corporation's duty, specifically with regard to moral rights and justice. What is missing from this description, however, is a discussion of the role of virtue ethics in the governance of a socially responsible corporation.

Corporations have the opportunity to affect positively the lives of numerous individuals by way of wages, benefits, training, and safe and healthy work environments. Organizations have a duty to uphold the laws of the land. Corporate actions, however, have external, as well as internal, consequences that must be taken into consideration. Cecile Renouard suggests that there are three moral and political perspectives that deal with CSR. The first two, ethical and economic, are opposed to each other while the third, corporate citizenship, mediates the first two. As with Archie Carroll, Renouard states that there is more than one mode of ethical engagement that takes place within the framework of CSR, each with strengths and weaknesses. The utilitarian maximization of overall or average well-being strives for improvement but can lead to the economic disparity seen in society today. The second form Renouard sees is the capabilities approach of Amartya Sen; however, this approach can focus too much attention on the individual and, as a result, overlooks "the role of collective structures and institutions in promoting the social development of people affected by economic activity" (86). Renouard suggests there must be an ethical approach to business that recognizes and balances the well-being of individuals and collective society by recognizing economic development as "auxiliary to social development" (94). The value of the economic well-being of a corporation, then, is not financial gain but rather the organizations contribution to the development of social well-being. The values and governance in a large part determine the behavior of an organization. Governance plays a large role in determining the degree to which employees and partners adhere to the values of the organization.

A constructive praxis for CSR must positively engage the interests of three parties: the public, corporations, and the government. There is tacit agreement that at the core of CSR is an understanding that corporations should act in ways that do not harm society. There are, however, loudly debated contingencies such as to what degree a corporation will allow social responsibility to affect profitability and what is the scope of the society that is to benefit (Garriga and Melé 51; May loc. 281-291; Waddock loc. 1878-1881).

On one hand, there are "cosmetic" responses to CSR—such as greenwashing—that focus on flashy PR campaigns with little substance. On the other hand, there are organizations engaged in practices that include the three pillars of CSR, society, environment, and economics. Similarly, there are organizations engaging in a one dimensional form of CSR in which, perhaps, they excel at charitable giving but neglect responsibilities to the environment. There are, within CSR, responsibilities that may be seen as legal obligations; however, in the context of this dissertation, I consider the level of CSR to be constructive only if efforts extend beyond fulfilling legal obligation in either benefitting or causing no harm to society. Based on these observations, I propose the following definition for CSR: an ethically grounded construct that values society, the environment, and economic performance as equally contributing factors in the success of an organization. Greenwashing represents a technique of expressing the intention of profiting from CSR without having to perform the associated duties

In devising and executing the Beyond Petroleum campaign, BP was able to shift the public view of the organization from one that was dirty and polluting to one that was forward thinking and green. Marketing aims to mold public opinion in an effort to change the public's behavior in the best interests of the organization. In a similar manner, the formulation and execution of economic policy can have a performative impact on society.

The Impact of Economics on Public Behavior

Researchers devise theorems based on their experiences and their observations of practitioners within the lifeworld. There exists a mimesis or reflexivity in an attempt to predict economic behavior that actually influences that behavior. Michel Callon refers to this condition as performativity and suggests that "scientific theories, models and statements are not constative; they are performative, that is, actively engaged in the constitution of the reality that it describes" (10). There exists a "double hermeneutic" in which the lifeworld influences the world of theory and, likewise, the world of theory influences the actions of the lifeworld (Aspers 382-383).

Central to Michel Callon's theories of economic performativity is the concept of socio-technical agencements that refer to an interactive relationship between the technical world of economic theory and social world of the public. "Agencement" implies that there exists a construction of meaning between these two worlds (Callon 13). For Callon, economic theories, once adopted, will be performed in a manner similar to the self-fulfilling prophecy. Patrik Aspers suggests, "Economics mirrors economic practice, rather than the other way around" (391). However, in attempting to describe economic behavior, theorists condense their observations into simply stated conditions and responses. In doing so, economists create specific scenarios that include both the text and the context of the argument. The contexts for these theories are essentially contrived; that is, they are intentionally constructed to create a scientifically defensible argument. The lifeworld, however, is constantly shifting. What holds true in a hermetically sealed economic theory may not apply in the context of a lifeworld experience. For instance, if a corporation's sole responsibility is to shareholders, why do so many organizations practice CSR?

In forming social theories—such as are economic theories—there is the risk of creating a caricature of reality. Economics attempts to develop models that predict the economic behaviors of society and the resultant outcomes focusing on groups rather than individuals. Economics addresses questions such as what motivates man to act in a certain manner and what impact will this behavior have on the marketplace. Once that caricature is constructed, there is then the risk that the caricature in fact will return to society in a performative manner. In this way, theories can have the effect of amplifying characteristics of society in a positive or negative fashion. Callon uses the example of neoclassical theory based on self-interest to make this point and states:

> If I believe this statement and if this belief is shared by the other agents, and I believe that they believe it, then what was an assumption turns into reality. Everyone ends up aligning themselves to the model and everyone's expectations are fulfilled by everyone else's behaviors. To predict economic agents' behaviors an [sic] therefore economic theory does not have to be true; it simply needs to be believed by everyone. (16)

The degree to which economics is performative raises concern but, perhaps, also hope for the tenuous relationship between CSR and neoclassical economic theory.

One might point to the recent issues in banking—in which failing institutions supported by federal bailout money still paid multi-million dollar bonuses to executives, or to the housing industry in which, through the clever packaging of mortgage products, people were sold houses they could not afford—and suggest this is the performativity of an economic model based on the maximization of profit. Patrik Aspers might argue that the economic model stemmed from actual observation and, as such, the results are nothing more than parts of society acting out that which was already observed. I would suggest, however, that, barring a primary form of performativity, there exist illocutionary effects that emphasize characteristics—such as greed—under the guise of self-interest and serve to amplify them in what might be considered a secondary performativity. Deregulation of the banking industry may have served as a socio-technical agencement and, as a result, an enabler of the financial crash of 2008.

The rhetorical nature of economic performativity would imply that there is a tension between the tenets of CSR and neoclassical economic theory. Profit maximization has certainly been the dominant paradigm for both business and economic theory for much of the twentieth and twenty-first centuries; however, socio-technical agencement should be a two-way street between economic theory and public behavior. The long-term success of CSR will be tenuous as long as economic theory is value neutral, non-ethical, and grounded in monetary gain. A rhetorical engagement of economics is needed in order to sustain CSR as an ongoing business practice.

Summary

Neoclassical economics, contrary to theorists' stated positions, is rhetorical, and in denying its rhetorical heritage does a disservice to society. The rhetoric of economics is present in the early writings of Aristotle and prominent in the works of Adam Smith. Deirdre McCloskey strongly advocates a conscientious shift in neoclassical economics to a neoclassical school that embraces its rhetorical heritage and recognizes the influence that both rhetoric and ethics have on market decisions made by society. George Akerlof and Robert Shiller show that not only was the consideration of irrational economic behavior a part of the economic discipline—as in Keynesian animal spirits—but also continues to be a strong influence in our economy. Don Lavoie introduced the concept of hermeneutic interpretation as a tool for the creation of economic theory. Amartya Sen and Irene van Staveren have suggested that economics without a commitment to and care for individuals is incomplete and serves society poorly. The need for persuasion in a market economy is a given, but what gives weight to this persuasion? The neoclassical school of thought promotes financial profit and growth as the key indicator of success and progress.

Staveren argues that the force of persuasion comes from trust, which is established through the enactment of an ethic of care. Sen echoes this sentiment and points to an ethic of commitment rather than utility that better exemplifies human nature. All three, McCloskey, Sen, and Staveren, see Adam Smith as grounding his political economy not in selfishness but rather in the virtue ethics of Aristotle.

While considered a positive science, neoclassical economics nonetheless draws from and returns to the narratives and daily lives of people. Callon suggests that economic theories, enacted through policy, have a performative impact on society. While neoclassical economics is theorized and practiced as a rigorous science, societal interaction suggests more of a hermeneutical cycle in which theory influences behavior and behavior in turn influences future theory. There are multiple arguments supporting the rhetorical nature of economics and the need for an increased awareness and a more full engagement of rhetoric by economists, and yet neoclassical economics remains steadfast in its claim of value neutrality. What each of the scholars presented thus far calls for is a communicative praxis of economics.

CHAPTER 4: CORPORATE SOCIAL RESPONSIBILITY THROUGH COMMUNICATIVE PRAXIS

> Theoretical sciences like economics can supply the principles of explanation but only the historical narrative can put these principles to work and establish their applicability and significance in some specific concrete circumstances under investigation. (Lavoie 113)

A lack of fidelity exists in the relationship between CSR—as defined in academic scholarship—and neoclassical economic theory. This lack poses a threat to the persistence of corporate social responsibility that stems from three distinct constructs of neoclassical economics: the profit paradigm and a modern epistemological reliance on instrumental values. This chapter first considers the influence of modernity on neoclassical economics. Second, the issues associated with the profit paradigm and instrumental values are discussed. The third section addresses communicative praxis. Section four considers how communicative praxis may be used to mediate between CSR and neoclassical economics.

The Influence of Modernity on Neoclassical Economics and CSR

Neoclassical economic theories are modern constructs existing in postmodern times. The profit paradigm is central to the standard practice of basing economic decisions on the belief that growth must be sustained and profits must at all times be maximized. This topic can be difficult. Corporations need profits in order to survive. Similarly, shareholders should expect a return on investment that is in large part determined by a corporation's profitability. CSR practitioners recognize the need and responsibility to maintain reasonable profits while at the same time insisting on equal representation of social and environmental values. Human life is not one dimensional but rather contains many needs and desires. People need food to survive, yet if one devotes one's life to eating, one will ultimately experience ill health. Likewise, a devotion to profits alone is an unhealthy business choice.

Instrumental values of income and wealth contribute to theoretical and practical tensions that emerge when organizational leaders attempt to implement theories of CSR. Organizations are governed in large part by their relationship to the marketplace, in particular their relationship to the public and government. Organizational leaders' efforts to implement CSR practices have been largely a response to the public. The public call for the inclusion of a social agenda that embraces ethical practices as part of a corporation's core values, along with a demonstrated concern to effect positive change to the environment, has led many corporations to espouse, if not embrace, CSR practices. Neoclassical economic theories, however, have remained steadfastly non-ethical and value neutral. Maintaining value neutrality and maximizing profits, in turn, can have a performative influence on business leaders. Thus, a dynamic tension is seen between value-neutral economic policy and value-driven public desires that shifts as one position weakens or strengthens.

The emphasis on growth and profitability as the indicators of corporate performance has multiple implications for business leaders. First, our perceptions of what constitutes a successful business are narrowed. Second, to be perceived as successful, businesses must place the bulk of their efforts into continuous growth in both income and profit. Third, some business leaders see this requirement as a mandate to pursue profits by any means available. CSR theory expands the criteria for a successful business to include social and environmental concerns along with corporate profitability.

At the heart of CSR is stakeholder theory. Stakeholder theory widens the audience to whom corporations are accountable from shareholders alone to a diverse group of stakeholders such as suppliers, customers, employees, communities, and the environment. At the heart of stakeholder theory is the question of values. "Stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business" (Freeman, Wicks, and Parmar 364). Perhaps the more difficult question to answer is what are the values that will be applied to stakeholders? In other words, what will be the fundamental ethical positions upon which an individual business will be grounded? A 2004 study conducted by Booz Allen Hamilton and the Aspen Institute found that "a large number of companies are making their values explicit" (Van Lee, Fabish, and McGaw 1). In their study of long lasting successful companies, *Built to Last*, Jim Collins and Jerry Porras found that one characteristic of long term successful companies was an adherence to core values and a "sense of purpose beyond just making money" (48). Collins and Porras suggest that visionary companies are not limited by the "Tyranny of the OR" (create wealth for your shareholders OR do good for the world) but rather represent the "Genius of the AND" (organizations can be profitable AND ethical AND concerned for society) (44).

The values on which an ethic is grounded have been the pursuit of philosophers for millennia. Aristotle saw these values as being manifested in virtues. The challenge faced in identifying values lies in determining what *ought* to be. There are unlimited sources of demonstrated values, some grounded in virtue and others in vice. For Aristotle the "good of man is defined as the activity of the soul in accordance with virtue" (MacIntyre *History of Ethics* 63). Virtue, however, is a "mean" that must be discerned based on circumstances. What is a virtue in one circumstance may be perceived as a vice in another. For example, based on the singular value of improved profit, BP's decision to install only one blowout preventer on the Deepwater Horizon well was perceived as virtuous. However, based on values of environmental concern, such a decision would be viewed as a vice.

CSR theories provide a common framework for corporate values by insisting that organizations have a responsibility to society and the environment as well as shareholders and owners. Corporate values must encompass that which is most fundamental to how organizational leaders and employees will conduct themselves. Instrumental values alone do not satisfy this need but rather provide a supporting role in attaining the goals of those values that are of ultimate importance. The instrumental values of neoclassical economics (profit and growth) are in stark contrast to the intrinsic values of CSR (social welfare and the environment). In addition to placing neoclassical economics at odds with the values of CSR theories, by stating that economics is non-ethical and value neutral, one can imply that neoclassical economic practices work without consideration of the intrinsic values advocated CSR theorists.

Many studies, papers, and books have been written regarding the importance of corporate social responsibility, implementation of CSR practices, and benefits of CSR to bottom line profits. One of the issues facing CSR is a lack of fidelity between neoclassical economic policy formation, driven by profit, and organizational implementation of CSR. The profit paradigm and reliance on instrumental values found in neoclassical economics create a tension that pulls against the values espoused by CSR theorists. Inasmuch as corporations move to embrace the fundamental tenets of CSR, people, planet, and profits, U.S. economic policy should reflect similar values. Our contemporary economic paradigm, by focusing on growth in income and profitability, does not currently support CSR and, as a result, may ultimately hinder advancement of CSR values. Embracing an approach to economics grounded in communicative praxis would help to overcome this dichotomy.

Neoclassical Economics and the Postmodern Condition

Postmodern theorists view our world as fragmented and complex with a plurality of meaning. "Postmodern thought questions both reason and progress and rejects ... meta-narratives" (Herrick 249). The metanarrative creates a hierarchical arrangement of knowledge. Postmodern theorists, however, see knowledge as socially distributed (Berger and Luckman 16), allowing for the social construction of reality. These concepts are in stark contrast to those of modernity, which is described by Dennis Mumby as "the positivist appropriation of Cartesian dualism" (4). Neoclassical economic theory is axiomatic, grounded in prediction, and has a "reliance on mathematical rigor" (Ruccio and Amariglio 4). Neoclassical economics may be viewed as being grounded in principles of modernity and centered on the themes of rationality and progress, growth, and the maximization of utility.

In contrast to the modern principles of neoclassical economics, corporate social responsibility may be seen as a postmodern response to traditional business operations and governance. As described in preceding chapters, CSR leaders embrace a diversity of stakeholders and recognize a responsibility to them. While, as with all theories, there needs to be some form of structure, CSR structure is theoretically a holistic and subjective rather than an atomistic and positivistic engagement. Postmodern thinking "focuses on the *productive* character of the relationship between self and other" (Mumby 20). In CSR is seen the construction of discourse between the organization and a plurality of stakeholders such as communities, employees, government, and the environment. The meaning of success in postmodernity no longer rests on the singular idea of profit but arises out of the circumstances of a specific environment. The postmodern condition is one of challenging positivism and acknowledging the uncertainty of the world in which we live. From a postmodern perspective, CSR is discursively constructed and hence open to change. Leadership's engagement of CSR opens the door to communication with groups that in the past were underrepresented or oppressed, through its recognition of diverse stakeholders. Although hierarchical organizational charts still exist, for many organizations, organizational leadership's power is achieved through communication and is engaged on an ad hoc basis through constructive dialogue.

The modern construct of neoclassical economics is similarly subject to criticism through the lens of the postmodern condition. According to Jeremy Williams and Judith McNeill, there is currently a crisis in neoclassical economics.

> In the wake of declining enrolments in academic economics programmes around the world, the emergence of a popular 'post-autistic' economics network following the revolt of students at a number of leading universities and, most importantly, the apparent inability of the neoclassical paradigm to bridge the gap between theory and reality. (Williams and McNeill 1)

The post-autistic economics (PAE) movement was started in 2000 by a group of economics students protesting what they saw as "the uncontrolled use of mathematics in economics as 'an end in itself'" (Williams and McNeill 3). The lack of consideration in economics courses about issues such as gender, race, and environmental degradation was one aspect of the protests by the PAE movement. The PAE movement may be viewed as postmodern in the sense of chronologically coming after the modern movement in economics. However, the PAE movement is also seen as a movement toward decentralizing concepts of truth and recognizing a plurality of meaning (Ruccio 500).

David Ruccio suggests that:

> Postmodernism has begun to reshape economics: first, by criticizing modernist epistemological position, and in general the way economists write and talk about the work they do; then, by challenging the content of economics and the particular way modernist economists treat such issues as equilibrium, uncertainty, or rationality (502).

In a similar manner to the discourse of CSR, economic theory in the postmodern era suggests that knowledge is socially distributed and meaning socially constructed. This phenomenon is described by Thomas Donaldson as the "normative revolution" (Agle et al. 174). Calvin Schrag states the situation more clearly when he says:

> Recent developments in the exponential growth and globalization of knowledge have attuned us to a realization that the world of our experience does not come to us in the pieces that our insular institutionalized departments within academe have been carving out. The maps of knowledge in the arts and the sciences alike are being refigured in response to the hyper-specialization within the sundry disciplines that has led to self-isolating vocabularies that impede communication not only

> across the disciplines but also veritably within the disciplines themselves. We have now become aware that our academic genres are more blurred and open-textured than we have traditionally assumed. (*Praxis* vii)

By acknowledging the uncertainty of life, postmodernity sets itself at odds with the positivistic certainty of neoclassic economic theory. Postmodernity is more closely aligned with the fundamental tenets of CSR and less with those of neoclassical economic theory. Although Ruccio suggests that postmodernism has begun to reshape neoclassical economics, this reshaping seems to come more through an increase in discussion from scholars such as McCloskey and Klamer and less through applied action within the neoclassical economic realm (503). The conflict of interest that is seen between neoclassical economics and CSR needs to be engaged in a way that acknowledges the rhetorical nature of economics along with the fundamental premises of postmodernity. This approach can be accomplished through communicative praxis.

Communicative Praxis

Calvin Schrag states that "Communicative praxis unfolds as an interplay of discourse and action which preserves the integrity of both" (*Praxis* 214). He describes communicative praxis as an amalgam of words and actions in which expressive discourse, such as the event of speaking and the history and system of language, unites with the individual acts and history of social practices that make up expressive action (Schrag, *Praxis* 41). Expressive discourse and expressive action texture communicative praxis. Discourse and action are not dual gestures but rather are bound together in communicative praxis. For Schrag, "The shaking of the fist is not an external sign pointing to anger as a recessed meaning in the mind. The meaning of being angry is inseparable from the gesture itself ... The spoken word is not an exterior garment that clothes an inner thought. The spoken word is the performance of thought" (*Praxis* 44). Communicative praxis embraces the spoken word and the action; Schrag places rhetoric within the realm of communicative praxis (*Praxis* 179).

For Schrag modernity is the result of a "diremption" of the three cultural spheres of science, morality, and art (*Rationality* 50). This splitting apart of the cultural spheres led to the categorizing of rationality into the domain of science, and, at the same time, constructed a rationality that was universal in scope; in other words, a metanarrative for rationality. The formation of universal metanarratives makes "appeals to some grand story like that of the dialectics of Spirit, the hermeneutics of meaning, the emancipation of the subject, or the creation of wealth" (Schrag, *Rationality* 97-98). These metanarratives create a "hegemony of a decision-making process that proceeds vertically from top down" (Schrag, *Rationality* 152). Postmodernity challenges this hegemony by identifying the horizontality of diverse cultural groups resulting in a fragmented decision making process. For Schrag, this response does not fully exculpate rationality from the narrowly defined vertical universality of modernity but rather creates an "impasse of horizontally dispersed groups warring with each other" (*Rationality* 152). A solution to this dichotomy can be found in communicative praxis.

In *Resources of Rationality*, Schrag describes communicative praxis as consisting of three phases: praxial critique, articulation, and disclosure. The three phases are closely related and feed what Schrag refers to as "transversal rationality" (*Rationality* 9). It is necessary to look more closely at praxial critique, articulation, and disclosure before engaging the topic of transversal rationality.

> Our proposal is that reason is operative in and through the transversal play of discourse and action, word and deed, speaking and writing, hearing and reading, in the guise of three intercalated moments or phases of communicative praxis: (1) discerning and evaluative critique; (2) interactive articulation; and (3) incursive disclosure. Praxial critique, articulation, and disclosure constitute the coefficient dynamics of transversal rationality. (Schrag, *Rationality* 9)

According to Schrag, praxial critique is "critique in the community, by the community, and for the community"; he further states that "a viable notion of rationality must come to terms with social sources and the communal backgrounds of critique and criteria" (*Rationality* 62). Both theory and practice are context dependent, and this context is the community. Praxial critique is the process of discerning the criteria of a given situation and stands in contrast to the epistemological certainty of modernity. Praxial critique eschews the positivistic structures of modernity. The products of praxial critique are "rationality without logocentrism, the methodic moment without methodology, criteria without criteriology, systematic intent without system building, totalizing without totalization, and knowing without theory of knowledge" (Schrag, *Rationality* 60). Praxial critique works along the interface of theory and practice. According to Schrag, "social practices do not need to wait on the determinations of theory to provide them with intelligibility" (*Rationality* 58). Real world phenomena and events exist regardless of the availability of theories that explain their existence.

Praxial critique is bound to articulation and disclosure through rhetoric. "Rhetoric is the interweaving of discernment, deliberation, and action, oriented to the actualization of that which is deemed to be good for the polis" (Schrag, *Rationality* 117). For Schrag, "rhetoric persuades by critiquing, articulating, and disclosing" (*Rationality* 137). Communication is not a discipline of lesser value to the conquest of truth and knowledge. "Knowing and articulating, truth and communicability, are twin halves of undivided occasioning" (Schrag, *Rationality* 136).

Articulation and discourse are used by Schrag interchangeably. Articulation includes the spoken as well as written word and lies "across both discursive and non-discursive configurations" (Schrag, *Rationality* 83). Furthermore, "discourse travels with the intentionality and display of meaning in non-discursive practices" (Schrag, *Praxis* 33). In this way, expressive discourse and expressive action reside together, bound but retaining discrete characteristics.

Also bound to the concepts of praxial critique, articulation, and disclosure are concepts of interpretation. Schrag sees communicative praxis as an "amalgam of discourse and action in which traces of a hermeneutical reference, a hermeneutical self-implicature of a decentered subject, and a hermeneutical rhetoric are discernable" (*Rationality* 63-64). Interpretation is equally important in scientific discovery and narrative knowledge (Schrag, *Rationality* 100-101). Economist Ludwig von Mises states the role of interpretation in economic theories as follows:

> We approach the subject matter of the natural sciences from without. The result of our observations is the establishment of functional relations of dependence. The propositions concerning these relationships constitute the general principles by which we explain the phenomena of nature. Once we have constructed the system of these principles, we have done all that we

> can do. In the sciences of human action, on the other hand, we comprehend phenomena from within. Because we are human beings, we are in a position to grasp the meaning that the actor has attached to his action. It is this comprehension of meaning that enables us to formulate the general principles which we explain as the phenomena of action. (130)

Von Mises points to the need to combine interpretation with empiricism if one is to achieve communicative praxis in economics. Praxial critique, articulation, and disclosure provide resources for transversal rationality. However, the question still remains as to what form this rationality takes.

Transversality connotes a sense of "lying across, extending over, intersecting, meeting and converging without achieving coincidence" (Schrag, *Rationality* 140). The concept of transversal rationality is used as a replacement for both the vertical, top down, rationality of modernity and the horizontality of the postmodern critique. Transversal rationality exists within communicative praxis and acknowledges "the multiplicity of discourse and action and discerns that the sense of the multiple does not reside in its historical specificities alone" (Schrag, *Rationality* 166). While specific perceptions, speech acts, and local narratives contribute to our understanding, they do so "against a background of the intrusion of alterities" (Schrag, *Rationality* 166). Schrag uses the concept of transversal rationality in contrast to the modern notion of universal rationality. He states that "the binding rationality of critique, articulation, and disclosure is transversal rather than universal in character" (*Rationality* 168). Schrag's view is that no "moments of rationality, either singular or in concert, yield universal validity. They do, however, enable the achievement of a shared understanding and solidarity, which is to be distinguished from a consensus grounded in universalizable validity claims" (*Rationality* 168-169). This shared understanding that arises from transversal rationality is a form of practical wisdom that spans both theory and action.

The knowing that stems from praxis derives from the practical wisdom of *phronēsis* (Schrag, *Praxis* 19). *Phronēsis* draws knowledge from the everyday experience of man's being in the world, and, through deliberation, leads to the recognition of what is good and bad in society (Aristotle, *Nichomachean* VI.5). There is within practical wisdom the recognition of the variability of life that requires deliberation and suggests the need for a transversal rationality that is capable of embracing diverse scenarios. *Phronēsis*, like praxis, is inseparable from action, and Schrag describes praxis as "practical wisdom [*phronēsis*] about the particular and changing" (*Praxis* 87). Schrag points to Aristotle when he describes praxis as being directed "toward the achievement and maintenance of the virtuous life among the citizens who constitute the *polis*" (*Praxis* 20). The *polis*, for Schrag, represents the "interwoven fabric" of society's ethical and political existence (*Praxis* 20). The theme of ethics has an integral role in praxis and is understood through the notion of the fitting response, which is stationed within and proceeds from the *ethos* and the *polis*.

The disassembly of knowledge and values that results from praxial decentering is problematic for traditional ethical theories. Ethical theories have, over time, become "essentialized" in that one is expected to choose between competing brands of ethics (Ramsey and Miller, 24-25). Schrag states that at the intersection of rhetoric and *ethos*, "value theory is transvalued and the ethical question is repostured" (*Praxis* 202). The decentered subject is in need of a "fitting response," one that is considerate of the other "against the backdrop of the delivered tradition" (*Praxis* 202). Rather than move to select an appropriate theory of ethics, such as duty, utility, or teleology, one begins with the question, "How does one perform a fitting response?" (*Praxis* 203).

> The fitting response is a questioning. It is always a questioning of what is going on and then making hard decisions regarding the extent to which we can appropriate the tradition and the extent to which we have to intervene in it. There is a creative moment in the fitting response, a moment in which we have to invent something new, project something, begin to enact something new. And it may call for a radical revision or indeed the overturning of traditional as well as current forms of thoughts and action. (Ramsey and Miller 27-28)

Within the transversal rationality of communicative praxis we strive to come to grips with the decentered and fractured milieu that is recognized as the postmodern condition. Communicative praxis provides a consistency in the way in which we engage the other and the world in which we live. This consistency, Schrag points out, is not epistemic, but rather ethical. "It is the consistency achieved through the struggle for a coherence of discourse and action amidst the threats of discrepancies and disjunctions" (Schrag, *Praxis* 195). The fitting response places us in the "proximity of the *ethos* of our communicative praxis, and invites us to assume a posture toward the patterns of comportment which inform our thought and action" (*Praxis* 204).

The fitting response begets the question, "What is it that makes a fitting response?" The fitting response is that which results in a giving that expects nothing in return. Schrag refers to this as "the gift." The gift is transcendent and, to be true, must come into view "only in the wake of the suspension of law (*nomos*) of the *oikos,*" (Schrag, *God* 109). The gift is an exemplification of love described as *agapē*, or *caritas.* This would seem anathema to economic theory, in which the role of giving is the precursor to receiving, economic exchange. The fitting response and the attendant measure of the gift do not replace marketplace economics. Nor do the fitting response and the gift supersede the necessity of inquiry into ends, duties, and the good; the fitting response provides a context for such ethical inquiry. Communicative praxis as an amalgam of action and discourse, informed through *phronēsis*, provides a rich platform from which to examine the relationship of economic theory and CSR.

CSR and Communicative Praxis

CSR experienced a rise in prominence during the 1960s and 1970s as a result of diverse negative social issues exhibited by businesses. The growing pressure for businesses to engage in socially responsible practices received immediate attention from neoclassical economist Milton Friedman in 1970. Friedman espoused the neoclassical economic position that a corporation's responsibility was to the shareholder (123). The prevailing belief was that it was profit and growth alone that measured the success of a business, and a business's responsibility was to be successful. In order to compete in this arena, CSR theorists needed to be able to redefine the meaning of success in business. CSR theory not only challenged neoclassical economics' profit paradigm but also challenged the notion of scientific rationality upon which neoclassical economic theories are grounded. The rationality behind CSR theory had to span both science and the humanities.

CSR theorists recognize that business similarly has multiple stakeholders, which calls for rational discourse that spans multiple genres. The transversal rationality of communicative praxis effectively addresses the diverse demands of CSR. In addition, CSR calls for a decentering of the subject—as does communicative praxis—in order to practice rational engagement with the other, such as individuals, communities, and the environment. The decentering of the subject in CSR results in an environment that necessitates the transvaluation of the neoclassical school's emphasis on profit and growth and recognizes the values associated with others. CSR's consideration of diverse value perspectives calls for an ethical response. From the perspective of communicative praxis, the ethical response of business is a fitting response that considers values beyond the organizational "self" and applies a transversal rationality to the evaluation of business decisions. Through praxial critique, articulation, and disclosure, CSR practitioners reinvent business as being responsive to a host of stakeholders that include shareholders, employees, suppliers, communities, the environment, the government, and future generations. Universal rationality is unable to address the contingencies of such diverse audiences. Communicative praxis—through the ongoing critique, articulation, and disclosure of transversal rationality and the ethical consideration of the fitting response—is able to reengage the humanities with the marketplace of commerce. CSR, through communicative praxis, is able to form a model for commerce that addresses the fiscal responsibilities espoused by neoclassical economic theory but is more in line with the moral sentiments of Adam Smith.

Economic Theory and Communicative Praxis

Neoclassical economics is grounded primarily in the positivistic science of statistics and is viewed as non-ethical and value neutral. Neoclassical economics is grounded in theory (*theoria*) and technique (*technē*) that may be seen as an attempt to standardize and quantify the practical wisdom exhibited by the public. Schrag points to contributions to the project of communicative praxis and states that "[Deirdre] McCloskey has shown, with remarkable lucidity, how economics, this most highly quantified of all the social sciences, continues to draw its life blood from the employment of metaphor and the display of rhetorical means of persuasion" (*Rationality* 143). While McCloskey argues that rhetoric is, in fact, present in the actions undertaken by neoclassical economists, she also states that this rhetoric lacks intent (*How to be Human* 112). The rhetoric of neoclassical economics, if viewed through the lens of communicative praxis, is incomplete and lacks depth of expressive action and expressive discourse that combine to achieve communicative praxis. Specifically, what is lacking is a history and system of language and a history of social practices that Schrag states are necessary elements of expressive discourse and expressive action. The rhetoric of neoclassical economics lacks *phronēsis.* Neoclassical economics, it would seem, relies heavily on the *epistēmē* of rigid scientific theory and the *technē* of *poiēsis*; however, both the *episteme* and *technē* of neoclassical economics are influenced by a technicism and technologism that is representative of the science of modernity. At issue is the reduction of knowledge to "the techniques of its realization" (Schrag, *Praxis* 20). Technicism is the result of reducing knowledge to finite calculations not unlike the econometrics of neoclassical economics.

Neoclassical economics does not pull forward the works of Adam Smith but, instead, focuses on the atomistic fragments of *laissez-faire* and self-interest outside of any ethical context. In contrast, CSR practitioners build on the values of citizenship and sustainability, both of which stem from a concern for the good of society. The engagement of CSR is an exercise in communicative praxis that employs a transversal rationality to negotiate economic, social, and environmental concerns, whereas the theory and technique of neoclassical economics focuses primarily on the numerical performance of business in terms of financial profit and loss.

Rhetoric exists in the realm of communicative praxis. Calvin Schrag states that rhetoric is found within the space of *ethos* (*Praxis* 202). *Ethos* can be seen as similarly situated in the realm of communicative praxis. From a neoclassical perspective, economic actions taken are framed and implemented outside of ethical consideration, thus supporting the argument that neoclassical economic theory is non-ethical. The relationship between neoclassical economic action and contemporary business practices cannot be denied. In times of economic recession, businesses reduce their workforces to shore up profits and the Federal Reserve responds by making monies available to businesses in order to hire more employees. Reductions in business taxes are seen, by the Federal Reserve, as stimulation for business growth. Stimulated business growth means more jobs. More jobs mean more income with which to purchase the increasing number of products made possible through business stimulation. Jeffrey Mio and Albert Katz refer to this as trickle-down economics (131). The Federal Reserve, acting through neoclassical theory, seeks to improve the economy through improving the wealth of corporations. In contrast, CSR seeks to improve the economy through improving the virtuous behavior of corporations. The conflict lies in a fundamental disagreement on the definition of economic success that pits Smithian virtue against the neoclassical view of self-interest. This fundamental disagreement lies in the question, "How are the best interests of society served?"

CSR and neoclassical economics do not need to be mutually exclusive. Economists Adam Smith and John Maynard Keynes represented the orthodox economic views of their time and demonstrated a form of engaging economic theory and practice that could be viewed as communicative praxis. There exist numerous corporations—large multi-nationals as well as small and mid-sized enterprises—that practice corporate social responsibility and still fulfill the economic requirements of shareholders. Communicative praxis provides a platform from which to engage both CSR and economics in an attempt to form a commensurable relationship.

Discussion: Economics, CSR, and Communicative Praxis

There is a fundamental dichotomy between the beliefs and values of corporate social responsibility and those of neoclassical economic policy. In different circumstances, this dichotomy might not be an issue; after all, in a laissez-faire environment, business should be free to make choices within the confines of the law. However, businesses, and the practice of CSR, together with government economic policy and the public, form the backbone of our market economy. The relationship is such that each can have a profound influence on the other. Economics, through monetary policy, impacts both the public and business through government regulation, the flow of cash, and control of interest rates. The public consumes based on the financial ability to do so and the availability of a viable selection of products. Businesses hire and lay off employees based on the demand for their products and services or the availability of credit for capital projects and growth. All, in turn, are also influenced by macroeconomic factors of a global economy and contain elements of fact and supposition. The market is not governed merely by rational choice.

When closely associated parties such as the government, business, and the public hold values or beliefs that are at odds with each other. there is a continual pressure for one or several to change. This is the case with CSR and neoclassical economic practices. A traditional view might be to see this relationship as a competition that will result in a winner and a loser. This need not be the case. The alternative is a civil dialogue, consideration of the other through a commitment to an ethic of care, and the realization of a shared between. Wim Dubbink states, "Thinking on CSR is almost exclusively a theory about the problems of economic *life*" (37). This perspective contrasts starkly with the neoclassical emphasis on order. The issue is not that one is right and one is wrong. On the contrary, both are necessary, and both exist in their own manifestations. The issue is that neither can attain full actualization without consideration of the other.

Neoclassical economic theory attempts to be a closed system that predicts the economic choices and outcomes of a very much open system, namely, the public. In doing so, these theories ignore wider issues of decision making such as commitment to values and virtue. As a result, neoclassical economics is incapable of more fully describing the human condition and resultant choices made by society. Economic policy, extended from economic theories, in turn, lacks a grounding in the life of society.

Corporate social responsibility, rather than contradict economic theory, reinforces much of Adam Smith's work by voluntarily embracing a change from a profit only valuation to one of society, environmental stewardship, and financial performance. CSR may be looked at as being entrepreneurial in spirit and a response not to laws or regulations but rather to both the instrumental and intrinsic needs of the people.

Academic discussion will likely continue for both corporate social responsibility and economics. What is needed, however, is a change in the relationship between the two. The established norm, neoclassical economic theory, contradicts the practices of corporate social responsibility. What has been argued for in this dissertation through the voices of scholars such as Deirdre McCloskey, Amartya Sen, and others is a communicative praxis that engages neoclassical economics. McCloskey argues that, inasmuch as economics links the financial with the social world, this linkage is rhetorical and must be recognized and treated as such. In its current state, neoclassical economics might be viewed as barren territory with regard to communicative praxis. In order for communicative praxis to exist, the territory must be nurtured and enriched. McCloskey's project is one of enriching the current orthodox (neoclassical) school of economic thought through the recognition of its rhetorical roots. For McCloskey, economics should be viewed and practiced as a rich amalgam of theory, technique, poetics, and practical wisdom.

Amartya Sen states clearly that economics is about people. Sen works through the rhetorical proofs of ethos, pathos, and logos to make his arguments for an ethical approach to economics with a focus on the capabilities of individuals and societies. As with McCloskey, Sen returns to the ethical philosophic roots of political economy found in the writings of Adam Smith. Both McCloskey and Sen give precedence to the Aristotelian virtues and see the singular reliance on prudence as problematic.

CSR is a communicative praxis approach to the issues raised by Sen and McCloskey and approaches the marketplace from the perspective of ethical business practices. In doing so, CSR directly challenges the notion that business success should be measured in growth and profit alone. In this way, CSR also indirectly challenges the neoclassical profit paradigm, and in doing so offers an alternative perspective to neoclassical economic theory. The foundational argument that an activity that is not directly linked to improving profit by nature must therefore reduce profit has essentially been debunked by research into the performance of socially responsible businesses. That economics would continue to cling to the Friedmanite belief that a business's sole social responsibility is to its shareholders when there are multiple indicators to the contrary seems odd. In part, the reluctance of neoclassical economics to embrace a position of communicative praxis may stem from what is held to be the definition of a rigorous science. This question has registered much debate in multiple scientific fields and triggered debate regarding the efficacy of scientific inquiry versus rhetorical inquiry.

McCloskey applies rhetorical inquiry to her ongoing studies of economics. Rhetorical inquiry recognizes the complexity of communication and the process by which meaning is extracted from statements. The combination of scientific and literary rhetoric comprises economic texts (McCloskey, *Rhetoric* loc.465-469). "Scientific assertions are speech acts" and, as such, must be judged by their effects and not merely as propositions (McCloskey, *Rhetoric* loc.475-481). McCloskey itemizes eleven reasons supporting the law of demand (an economic theory) and submits that only three stem from what would be considered "scientific by the dichotomous definition of English modernism" (McCloskey, *Rhetoric* loc.481-526). The remaining eight, she asserts, are artistic and literary. Relying on artistic or literary proof leaves open the door to individual interpretation. The positivistic assertion of fact is undermined by the call for subjective interrogation and, as such, opens the door to unanticipated consequences. Scientific inquiry gives way to rhetorical inquiry, but, in denying the latter, the vulnerability of the former is overlooked. The law of supply and demand is widely held, by both the public and economists, to be true. However, there is research to suggest that the law is weak, at best (McCloskey, *Rhetoric* loc.485-490). The reason for this dichotomy may be that people do not respond according to economic law but rather to their own interpretation of the environment surrounding them. There do exist animal spirits that work to inform public decision making. When the rhetorical nature of what is commonly referred to as "scientific" inquiry is recognized, the door to the engagement of economics through communicative praxis can be opened.

The rhetorical engagement proposed by Deirdre McCloskey can be combined with the ethical proposals of Amartya Sen to create a communicative praxis on which to ground the debate between corporate social responsibility and neoclassical economic practice. The degree to which businesses respond to governmental economic policies will determine the success or failure of corporate social responsibility. The ongoing denial of ethics or values in the grounding of economics will ultimately lead to a return of business practices based solely on profitability. On the other hand, embracing the realization that ethics and values do have an impact on the economic behavior of society and restructuring economics in a manner that addresses this recognition begins to open the door to a communicative praxis based on social responsibility.

Economic policies and CSR are not mutually exclusive. Government regulations—such as those put forth by the EPA or the Consumer Protection Agency—suggest that government has a role in supporting the social responsibilities of business beyond responsibility to shareholders. Instead, CSR can be seen as a communicative praxis that can transversally engage both public and governmental economic agendas. A challenge arises when looking at an economic theory that engages financial markets from a macroeconomic level and businesses on a microeconomic level and seeing a discipline that clings to the dichotomous view. The degree to which "economic action is imbedded in the structures of social relations as well as in hierarchies that shape market incentive structures and economic choices" (Moon and Vogel 305) suggests that business and society are influenced by the actions of economic policy. Although there is still much to be accomplished with regard to CSR and the marketplace, the current state of CSR might suggest that the momentum has turned in favor of social responsibility. Nonetheless, neoclassical orthodox economics still remains fully grounded in the profit paradigm and, as such, poses a risk to the ongoing vitality of CSR. The question remains as to how to align orthodox economics better with the tenets of CSR.

The engineer must have a firm grasp on engineering science in order to bring a particular design to fruition. Similarly, the economist must have a firm grasp on economic science in order to analyze, predict and influence macro and microeconomic outcomes. However, in each case, the science is only one element of the process. One must work within a concept or a construct in order to accomplish a certain goal. The engineer works to design a specific car or bridge. What does the economist work toward? Neoclassical economics would have us believe that the economist should work toward creating greater profits that, in turn, trickle down through society to create jobs and increased wealth. Adam Smith and contemporary heterodox economists such as Amartya Sen would suggest that the economist works towards the creation of a more civil and just society. One approach to resolving this conflict is through education. The Post Autistic Economics movement was started in response to this issue and is lobbying for a more broad and inclusive curriculum of economics. However, the resolution of this conflict is not simply through education, but is also political and, as such, must be influenced through the voting public if change is to occur.

In the U.S. all forms of corporate social responsibility, unless stipulated specifically in law, are voluntary. That CSR initiatives are forwarded through voluntary support is a healthy indicator of success. However, this does not mean that there should be no government intervention. The governmental role is twofold. First, the government has a role of regulating behaviors such as pollution, child labor, or unsafe work environments that are too egregious to be left to voluntary choice. Second, the government provides a last course of action and, as such, looms as a threat of regulation that encourages business to take voluntary action. The degree to which government takes a role in regulation, whether through direct legislation or threat of legislation, is determined in a large part by the voting public and their response to business activities. This, of course, is the political aspect of CSR, and much effort and money is spent on shaping the views of congress with regard to bills that should be considered.

Government intervention is not the only motivation for business to engage in CSR. In a large part, CSR efforts are made to engender trust from the public (Moon and Vogel 306). This lesson should be learned by economists when considering economic policy. In times such as the current economic crisis, public trust tends to be at a low point. The perceived view is that the dominant economic policies are insufficient to protect the public and that to continue to embrace the same paradigm is ill informed, at best. Combined with actions that seem to reward rather than punish bad behavior, such as the issuing of bonuses regardless of corporate performance, public trust in the economy seems all but lost. The question that arises is *quis custodiet ipso custodes* (who watches the watchmen)? In order for the public to regain trust in the agencies that are established to protect public interests, those agencies must be seen not only to accept responsibility but also to take appropriate action to change and overcome issues as they arise. When the government is seen to be responding in the interest of business, with little overall improvement in the lives of ordinary members of society, trust continues to suffer. Again, politics can either help or hinder the regaining of trust. Timothy Coombs suggests that organizations must "deliver consistent messages to the stakeholders" (131). The political agendas in light of the upcoming 2012 presidential election have led to a fractured message from the president and congress, further exacerbating the low level of public trust.

Through the works of Amartya Sen, Deirdre McCloskey, Irene van Staveren, and others, the demonstrated responses of business to governmental intervention or threat thereof, and the levels of trust seen from society toward business and government, the marketplace can be seen as being highly rhetorical. To respond to market conditions from a positivistic science perspective only would seem to be irresponsible. Business and the government, in particular, governmental economists, must be able to engage not only the public but their respective disciplines rhetorically and in ways that engender the trust of society. Reframing neoclassical economics to embrace corporate social responsibility through communicative praxis would create a more responsive and responsible approach to economics.

CHAPTER 5: 3M AND CORPORATE SOCIAL RESPONSIBILITY

The rigorous demands of scientific logic suggest that there is little room for communicative practices outside of syllogistic proof or scientific reasoning. Epistemologically, the scientific paradigm insists on mathematic rigor and the ability to duplicate and falsify results. The discipline of scientific reason is, of course, necessary in much of the industry of the world. This is not, however, the way the world communicates. We the public, that is to say the world of people when not engaged in their specific area of expertise, nonetheless, in varying degrees, seek to understand or persuade others as to the nature of truth. In this arena, the carefully structured syllogism gives way to enthymeme, and scientific logic is further influenced by the imagination of mythos. The intrinsic value of logos can contribute greatly to the project of CSR.

In 1945, Forrest Wiggins wrote, regarding ethics, "Our traditional theories have been divorced from political economic considerations, as if life were lived in a moral vacuum" (154). Rhetoric is persuasion, words, and actions. Economics is rhetorical, and the idea that economics is or can be non-ethical is fallacious. Actors act with certain ends in mind. Regardless of intentions, their actions have consequences. Economic policies have consequences as well. Economic action cannot be taken without impacting some aspect of society, and this impact defines an ethical or unethical outcome, whether considered deontologically or teleologically. If business or economic decisions are not grounded in ethical values, then outcomes are, at best, left to chance or a less favorable form of competition.

The profit paradigm is a one dimensional goal that does not take into consideration the possibility of success in other, equally important, aspects of life, such as social wellbeing and the environment. The ethical themes of morality, justice, and virtue are widely embraced by the public. The growth of CSR as a business model, while still working through a number of issues, is continuing. The dominant economic paradigm of today, however, is viewed to be scientifically pure and positivistic. The lack of engagement with social and ethical issues as a normal aspect of determining economic policy sets neoclassical economics at odds with organizations seeking to practice CSR. If the guiding value for economic policy is primarily instrumental and dealing with maximizing income and profit, corporations cannot support or sustain a social responsibility agenda. If CSR is not understood as communicative praxis, the emphasis on CSR will, in all likelihood, fade with the memories of the most recent corporate crises or scandals.

If business leaders seek only profitability, then care for the other becomes of lesser importance. Leaders need to reground economic theory in an ethic of social responsibility. The public, the firm, and government will come together in a way that rhetorically influences whether CSR is a viable direction for ethical business practices. The public sees a gap in wealth, ongoing financial crises or business scandals, and a disregard for the environment, but as long as the government holds a position that organizations are responsible only to shareholders, there will be a lack of fidelity between word and deed that continues to challenge the viability of corporate social responsibility. There are, however, successful corporations that practice robust forms of CSR that can provide insight into the effective evolution of CSR.

Minnesota Mining and Manufacturing (3M) is an international industrial concern headquartered in the Minneapolis, MN. 3M employs 79,000 people worldwide and produces more than 60,000 products with an average of 500 new products per year (Loew et al. 31). The range of products includes industrial coatings, office supplies, electronics, health care, industrial minerals, abrasives, composites manufacturing, and numerous others. With products such as Post-it notes, Scotch tape, and Scotchgard, 3M remains one of the nation's most recognized and respected brands (Newsweek, "Green Rankings"). In 2010 3M had just over 26 billion dollars in gross sales, making it the 106th largest corporation in the United States. The size and profitability of 3M, combined with the longevity of its financial standings, point to an organization that meets the criteria of success—growth and profit—advocated by neoclassical economic theory.

3M provides at least three interesting challenges as a case for effective CSR practices. First, as a chemical manufacturer, 3M must maintain an acute awareness of both its products and byproducts and their environmental impact. Second, as an organization with interests in mining, 3M places itself in an industry whose very existence relies on the destruction of the environment in order to produce product. And third, as a corporation whose products are in diverse industries such as food products, health care, clothing, and home furnishings as well as other industrial applications, 3M products are insinuated into all aspects of human life. In short, from the perspective of social responsibility and environmental stewardship, 3M is vulnerable.

3M is an interesting case as a corporation that is trying to do good in industries that have a high level of negative publicity. 3M practices transparency, even though doing so may lead to intense scrutiny and public censure. 3M represents, as do so many organizations, the nuanced difficulty of distinguishing good behavior from bad behavior in a world that prefers its choices to be black and white. The real world of balancing social, environmental, and economic values is complex, and 3M is one of a number of corporations that clearly show this complexity. What distinguishes 3M is the thoroughness in pursuing a corporate social responsibility agenda.

This case study of 3M is one indication of the value of corporate social responsibility. 3M has reduced costs and the corporation has maintained its standing as one of the most successful businesses in the United States while at the same time benefitting society and the environment. However, 3M is not an isolated example of a financially successful corporation operating with a high degree of social responsibility. The Boston College Carroll School of Management CSR Index[10] includes corporations such as Johnson & Johnson, The Walt Disney Company, Kraft Foods, Microsoft, Pepsico, and Apple as the top six performers for 2010. The idea that a corporation's sole social responsibility is to share holder profitability is shown to be problematic on multiple levels (see Burke and Logsdon; Pava and Krausz). First, the cases of financially successful corporations, such as 3M, that also uphold the standards of CSR give the lie to the popular belief that CSR detracts from shareholder value. Second, the rise in public and private investment in socially responsible funds points to the fact that shareholders value behaviors in addition to financial performance. Shareholder value is not an "either-or" scenario but rather a "both-and." Third, the public has little sympathy for bad actors, regardless of financial performance, as is evidenced by the public response to financial and environmental crises of the past decades.

Similar to the postmodern condition, the case of 3M is not a neat and tidy one. 3M has a good record of employee relations and philanthropy and has done much to reduce

[10] The Carrol School of Management CSR Index is based on the combined average of the general public's perceptions along the three key dimensions - Citizenship, Governance and Workplace (http://www.bcccc.net/pdf/CSRIReport2010.pdf).

waste and recycle materials (U.S. Environmental Protection Agency, "3M Lean Six Sigma"). However, the role of CSR is not to eliminate hazards, but rather to ensure that hazards are reduced through a strong value for public safety and public transparency. Similarly, all industrial concerns are vulnerable to accidents, some significant, such as the BP Deep Water Horizon incident. In the case of BP, questions have been raised regarding the safety procedures put in place to prevent a catastrophic blowout and whether or not the cost of preventative measures outweighed safety concerns. Following the BP incident, the response to the public was more one of shifting blame from BP to its suppliers rather than an immediate plan to limit the environmental impact. 3M's commitment to values of employee and public safety led to their discovery of health risks associated with certain chemical compounds and the ultimate removal of the compounds from the marketplace, whereas BP's focus on the value of profitability led to oil flowing into the Gulf of Mexico for three months and a public battle over who was at fault.

This chapter situates 3M as a financially successful enterprise with a sustained history of CSR practices operating outside of the neoclassical economic paradigm. The first section will review the history of 3M as a corporation practicing CSR. 3M is shown to have thoroughly integrated CSR practices into business plans and operations. Second, the corporate values of 3M are reviewed to further situate 3M as an organization fully committed to the values of social responsibility. The third section describes 3M's ongoing practice of CSR as being shaped and supported through communicative praxis. The fourth, and concluding, section reviews the conflict seen between the theories of CSR and those of neoclassical economic theory and suggests that the resolution of these issues can be mediated through communicative praxis.

Implementing CSR

Dexter Dunphy, Andrew Griffiths, and Suzanne Benn describe six phases of CSR: rejection, non-responsiveness, compliance, openness, integration and collaboration (Bullis and Ie 323). These phases represent a hierarchical list based on the degree to which CSR practices are incorporated into a business's plans and operations. According to Connie Bullis and Fumiko Ie:

> Rejection and non-responsiveness assume environmental concerns are irrelevant to organizational purposes. Compliance, openness, integration, and collaboration attend to the legal and societal context within which an organization must operate. Integration and collaboration maximize the organization's interests in profit by adapting to internal and external interests in environmental concerns. (327)

In addition to Dunphy and Griffiths' six phases, Bullis and Ie add a seventh, sustainability. Sustainability "suggests an internalized ideology of working for an ecologically sustainable world, often by promoting positive practices in society generally" (Bullis and Ie 328). Organizations in the sustainability phase of CSR show a much higher level of interaction with both internal and external stakeholders through both transparency and the creation of meaningful alliances (328).

Bullis and Ie conducted a study of the websites of energy companies and established criteria for determining the CSR phase of each company based on website content. Coding for the study was based on three criteria. The first question was whether or not the environment was mentioned in any way. The second, if environment was mentioned, determined whether it was a main topic or indirectly mentioned. The third criterion evaluated the "stance or posture with respect to the environment" (Bullis and Ie 330). If environment was not mentioned in the website, a corporation was considered to be in a rejection or non-responsive phase. Mention of compliance with legal regulations identified compliance phase organization. If an organization reported emission or hazard information they were considered to be in the openness phase. Integration was demonstrated through the integration of financial bottom line with environmental commitment. Collaboration resulted when companies exhibited a willingness to form partnerships with communities, environmental groups, or the government. The most responsible phase, sustainability, "was identified by appeals to planetary ethic, a long-term outlook, or a recognition that past or even current policies may not be enough for a better future" (Bullis and Ie 330).

3M can be evaluated following a similar methodology to that described by Bullis and Ie. The home page for 3M's website in the United States features sustainability as a top level selection under the heading of "Our Company." Selecting this topic brings the user to an in depth presentation regarding the values, vision, and mission of sustainability at 3M. The depth and breadth to which 3M addresses sustainability indicates an organization that is in the sustainability phase. 3M demonstrates appeals to a planetary ethic, a long-term outlook, and the recognition of an ongoing need for improvement.

3M Corporate Values

For the 3M executive, business performance is measured in more ways than just profits. The foundation for 3M's success with their Pollution Prevention Pays (3P) program is grounded in clearly stated and published values that include:

- Act with uncompromising honesty and integrity in everything we do.

- Satisfy our customers with innovative technology and superior quality, value and service.
- Provide our investors an attractive return through sustainable, global growth.
- Respect our social and physical environment around the world.
- Value and develop our employees' diverse talents, initiative and leadership.
- Earn the admiration of all those associated with 3M worldwide. (3M, "Our Commitment")

This statement of values includes the core concepts promoted by corporate social responsibility: profitability, environmental stewardship, and social responsiveness. These values are held by 3M to be corporate policies and not simply good words or catchy slogans. Each employee is expected to adhere to the policies, and 3M supports this effort by describing the shared responsibilities of employees and the specific responsibilities of leadership in regard to the corporate values. The organization has publically documented sections on their website describing how to use the policies and what the policies require of employees.

In addition to corporate core values, 3M also documents its strategic principles for sustainability:

- Managing our environmental footprint
- Developing solutions that address environmental and social challenges for our customers and society

- Assuring our products are safe for their intended use through their entire lifecycle
- Assuring the appropriate management of any 3M health and safety issues that may touch customers, neighbors, and the public
- Maintaining a safe and healthy workplace
- Satisfying our customers with superior quality and value
- Providing a supportive, flexible work environment
- Supporting local needs and education in communities where 3M employees live and work
- Conducting our business with uncompromising honesty and integrity
- Providing an attractive return for investors (3M, "About 3M Sustainability")

In these strategic principles can be seen a more specific addressing of environmental measures, such as managing the environmental footprint. There are also a number of social values, such as maintaining a safe and healthy workplace, managing safety issues that may impact customers, neighbors, and the public, and providing a supportive, flexible work environment. 3M also provides, through their website, forward looking goals extending into 2015 that include further reductions in waste and emissions, engagement with stakeholders, and improved return for investors (3M, "2015 Sustainability Goals"). The inclusion of forward looking goals and stated environmental, social, and economic values in combination with communicative transparency further demonstrates 3M's commitment to CSR.

Early Adoption of CSR

The U. S. Environmental Protection Agency was established in 1970. That same year, the Clean Air Act of 1970 added significant power to the federal government's ability to monitor and enforce air pollution limits (U.S. Environmental Protection Agency "Clean Air Act" Introduction). A recent study conducted by the Environmental Protection Agency (EPA) determined that, in the twenty years following, this legislation cost industry and the public approximately 523 billion dollars but saved approximately 22 trillion dollars (U.S. Environmental Protection Agency "Benefits and Costs" Retrospective Study). The Clean Air Act was again amended in 1990, and for the period from 1990-2010, the EPA estimates a cost for this period to be 27 billion dollars with benefits of approximately 110 billion dollars. In 1972, The U.S. government added to its environmental legislation and passed the Clean Water Act. Together, the Clean Air and Clean Water Acts provided for regulatory control and asserted the government’s moral role in ensuring a healthy environment.

In 1975, the 3M company initiated the program "Pollution Prevention Pays" (3P); by 2005 3M had recognized a reduction of "2.6 billion pounds of pollutants and saved more than one billion dollars" (U.S. Environmental Protection Agency, "3M Lean Six Sigma"). As an ongoing member of the Fortune 500, 3M represents one of our nation's largest publically traded corporations. The 3P program is a centerpiece of a much larger program of CSR that also includes public outreach, employee health and safety, supplier validation, and community giving. 3M's response to corporate social responsibility is prominently featured on their websites under the heading of "Sustainability at 3M" (3M, "Sustainability"). The formation of the EPA along with two rigorous, for their time, acts closely followed by the creation of a pollution prevention initiative by a major U. S. corporation points to the impact that the government can have on improving the living conditions of its citizens.

Diverse Values

According to 3M, there are "three strategic principles that make sustainability implicit in everything we do" ("About 3M Sustainability"). The three strategic principles are economic success, environmental stewardship, and social responsibility. The 3M concept of sustainability corresponds directly with the three tenets of CSR (people, planet, and profits). For 3M, sustainability is a core corporate value and is featured prominently on their public website. In their own words, "sustainability at 3M grew from a commitment to both innovation and ethical conduct" ("About 3M Sustainability").

The fact that 3M has been a Fortune 500 corporation since the origination of Fortune magazine's annual ranking attests to the profitable success the organization continues to realize. 3M's Pollution Prevention Pays program is now in its 36th year and is continuing to expand the horizons of environmental responsibility for the organization. 3M engages in diverse strategies that include practices from socio-centric, enviro-centric, and sales and operation-centric theories of CSR.

Prior to the 3P program, the traditional manner for treating pollution was through post processing. In other words, toxic fumes would be scrubbed from venting gasses, or waste water would be treated before being released into the environment. The 3P program turned this practice around and began addressing pollution at the source, eliminating rather than simply treating hazardous materials. The 3P program is the heart of 3M's environmental stewardship initiatives. By 2008, there were over 8,100 3P projects. 3M engages enviro-centric practices such as corporate sustainability, eco-efficiency, pollution and waste management, and life cycle management in its efforts to reduce waste and long term environmental impact.

Socio-centric practices are similarly a strong element of the 3M culture. In 2009, 3M made more than 49 million dollars of combined cash and in-kind donations as part of its community giving program, making it one of the top fifty corporate donors in the U.S. that year (Foundation Center). Eighty-eight percent of 3M's donations go to the categories of higher education, K-12 education, and health and human services, with the remaining twelve percent going to arts and culture, environment, and volunteer and civic causes.

From a sales and operation centric perspective, 3M has been a leader in corporate transparency and reporting. Similarly, the corporation has promoted its environmental actions as part of an ongoing green marketing initiative. Through its efforts in philanthropy, environmental concern, and continued success as a profitable firm, 3M has demonstrated a diversification of values that support the fundamental tenets of CSR. 3M is able to meet the postmodern challenges of CSR theories and practice by engaging in communicative praxis.

3M and Communicative Praxis

When profits are the foundation upon which a corporation is grounded, then all indirect costs are perceived as the enemy. That is to say that spending—such as costs for pollution prevention, energy efficiency, employee enrichment programs, or philanthropy—that occurs outside of the direct costs of labor and materials is viewed as detracting from the foundational premise of profitability. The metanarrative of the profit paradigm reigns supreme in guiding the discourse on corporate performance. This is the legacy of a business model crafted in modernity and closely aligned with neoclassical economic theories. 3M challenged this foundationalism by engaging the local narratives of people and communities and moving away from a foundationalist metanarrative toward a conversation regarding corporate social responsibility. Inspired, perhaps, by the force of government environmental legislation, 3M leadership nonetheless seized on the opportunity to engage in a "both-and" conversation rather than one of "either-or." They recognized the value of participating in both CSR and profitability rather either CSR or profitability. In doing so, 3M was able to pull the modern construct of business for profit into a postmodern narrative of business for profit AND social responsibility. This initiative was accomplished primarily through the engagement of communicative praxis and the eschewing of a hierarchical rationality based on profit only.

At the heart of communicative praxis lie praxial critique, articulation, and disclosure (Schrag, *Rationality* 9). 3M began their project of reformation with a praxial critique of their current business model with regard to the environment—which, at the time, was pollution treatment rather than source reduction. This critique opened a path to innovation that ultimately led to questions such as, "How do we reduce pollution and maintain or improve profitability?" This paradigmatic shift created the need to articulate more clearly the vision, mission, and values of the corporation. The substitution of a conversational approach for that of foundationalism initiated a hermeneutical cycle that questioned the interpretation of the historic business paradigm and led to the need for an entirely new method of conducting business. Disclosure is a necessary result of articulation. Restating values—such as "managing our environmental footprint"—necessitates a disclosure of what that environmental footprint is. This disclosure is one that is initially required internally in order for the organization to be effectively managed; however, disclosure ultimately must be made public in order to validate the organization's revised values and vision.

The vertical—top down—rationality of modernity, based on the profit paradigm and a singular responsibility to the shareholder, is ultimately replaced by a transversal rationality that moves freely amongst a diversity of stakeholders. Engaging in transversal rationality is a process that may begin modestly while the conversation of CSR is in its infant stages but progresses and begets greater innovation, building to the successes seen today at 3M. Schrag describes this as a process in which the hermeneutic of ongoing critique, articulation, and disclosure (*Rationality* 9) finds meaning that is extended from the interplay of the three through a transversal rationality (*Rationality* 152). Rationality must be transversal. The vertical rationality of modernity, in the form of the profit paradigm, will not alone support an agenda of CSR. Transversality recognizes that the good of society and the environment will at times exceed the good of increased profits or growth while at the same time recognizing the necessity of profitability for the continuation of business. Transversality moves freely among multiple narratives, eschews metanarrative, and expands the horizon of innovation. Communicative praxis provides a means to engage and understand the complex issues of a decentered postmodern society.

From an Aristotelian perspective, praxis is concerned with the "achievement and maintenance of the virtuous life" within society (Schrag, *Praxis* 20). It is ethics that separates praxis from simply "theory informed practice." Without ethics, there can be no communicative praxis (Schrag, *Praxis* 204). From the perspective of communicative praxis, ethics is not mandated through a predetermined theory such as deontology or utilitarianism but rather is born out of the fitting response (Ramsey and Miller 24-27; Schrag, *Praxis* 203; Schrag, *Rationality* 175). Neoclassical economics as a non-ethical science is not praxis, much less communicative praxis. Nor is communication alone praxis. Communicative praxis can equally be spoken of as praxial communication (Schrag, *Praxis* 23). Both communication and praxis inform each other and form a gestalt relationship to the betterment of society. Grounded in the needs of society and the environment, CSR satisfies the praxial need for ethics. 3M significantly challenged their tradition of pollution treatment through the construction of a fitting response. The 3M response was not simply one of "what must we do to obey the law" or "what is the least costly solution to waste reduction"; rather, 3M reframed pollution as not only a corporate issue but one that also requires a response that is appropriate or fitting for society and the environment. Similarly, communicative praxis as action insists not only that the message have an ethical basis but that the resultant action likewise be grounded in ethics. Greenwashing, for instance, is not a form of communicative praxis.

CSR as practiced by 3M serves to decenter the organization by implying a necessary guardianship of human and environmental needs. It is not a corporate centered notion of profits alone that continues to drive the business decision making process and organizational communication, but rather a concern for the other. Nor does CSR deny the need for profit. CSR recognizes profits as a means to an end rather than an end in itself.

As defined by Schrag, communicative praxis is equal parts expressive discourse and expressive action (*Praxis* 41). For Schrag, the event of speaking, along with the "history and system of language" (*Praxis* 41), make up expressive discourse. The event of expressive discourse can be seen in 3M both internally, through its employee handbook and policies and procedures, and externally, through its website and annual reports. This communication has a 36 year history, beginning with the original pollution prevention pays program in 1975. 3M has demonstrated both aspects of communicative praxis—expressive discourse and expressive action.

The history of expressive action is mirrored in a 3M history of social practices that include environmental initiatives, occupational health and safety, and corporate philanthropy and continue to be exhibited as individual acts of corporate social responsibility. From the mission and vision to the websites and employee policies and procedures, 3M has demonstrated expressive discourse through the practice of CSR. These observations provide evidence that 3M leadership has shown a commitment to CSR as communicative praxis. Does 3M's investment in CSR represent capital that would otherwise have contributed to the bottom line? This is a view that Lee Burke and Jeanne Logsdon attribute to neoclassical economics (495). Burke and Logsdon, however, see the proactivity of the 3M pollution prevention pays program as one that has contributed to the corporation's overall success by creating opportunities through innovation and waste reduction that would not have existed otherwise (498). 3M has incorporated CSR into the language of doing business and, in the process, has continued to thrive. The incorporation of CSR practices has likewise been facilitated through communicative praxis. Through communicative praxis, 3M is better able to address challenges or crises as they arise.

Facing Challenges

As a corporation whose products are pervasive throughout industry and the public sphere, 3M is vulnerable to issues of product liability. An example of this vulnerability can be seen in 3M's production of Perflurooctane Sulfonae (PFOS). PFOS was the key compound in the making of 3M's Scotchgard product as well as a component in a number of other applications ranging from food packaging to apparel and home furnishings. 3M began testing workers as early as 1976 and found traces of PFOS in samples of their blood (Chemical Industry Archives, "Clean Blood Samples"). In 1997, 3M found PFOS in the 'clean' samples of blood provided by a local blood bank for comparison with employee samples, indicating that PFOS contamination had spread, at least to the local population. According to 3M, the presence of low levels of PFOS posed no real health risk (Chemical Industry Archives, "How Safe is PFOS"); however, higher doses were shown to cause liver tumors in rats and symptoms leading to death when tested on primates. The Environmental Protection Agency (EPA) was informed of results throughout the testing process, and, in 2000, 3M agreed to phase out the production of PFOS. At the time, production of PFOS represented 200 million dollars in annual sales.

How does this affect the view of 3M as a practitioner of corporate social responsibility? 3M could have halted production of PFOS earlier. Perhaps, as with Tylenol, they should have immediately recalled all products containing PFOS; however, they did not. The levels of PFOS were not deemed to be high enough to warrant such a response. This is an issue that transcends purely scientific and economic analysis and must include the emotional considerations of others. The others are the public at large who were shown to be absorbing PFOS into their systems, as well as industry watchdogs and critics such as The Environmental Working Group, whose reporting through the Chemical Industry Archives is used here. What is seen in this case is an ongoing engagement of praxial critique, articulation, and disclosure that plays out through a transversal rationality involving the public, employees, 3M leadership and governance, and local and federal governmental agencies. This application of communicative praxis is supported by 3M's embracing practices grounded in CSR. What is at question is whether or not 3M's engagement was such that led to a fitting response.

The fitting response is not only fitting in response to a specific situation, such as the presence of PFOS in humans and animals, but must also be fitting with regard to time. "The fitting or proper response is linked with the 'opportune' or 'privileged' moment—the *right* time for deliberation and action" (Schrag, *Praxis* 206). The ongoing monitoring of the levels of PFOS in employee blood samples as compared with the general population presented one form of ongoing critique. Articulation and disclosure were ongoing between 3M and federal and local environmental agencies. Inasmuch as the fitting response preserves the *ethos* and the *polis*, the fitting response (as it relates to 3M and PFOS) may be seen as an ongoing process of medical research, employee testing, and public disclosure. In this process the fitting response is informed through perceived risks to the health and wellbeing of society and responds to the good of society rather than the financially prudent. To date, there has been no evidence of adverse health resulting from PFOS exposure. 3M's response to discontinue the production of PFOS, to continue the testing and medical research into PFOS exposure, and to remediate PFOS contaminated sites suggests an ethical and fitting response.

Conclusion

This dissertation engages the communicative space of business and society and identifies two competing philosophies. The first is neoclassical economics, the currently practiced school of economic theory in the U.S. Neoclassical economics is a modern construct considered by theorists to be non-ethical and value neutral. Furthermore, neoclassical economics speaks to a universal value of financial profitability and growth. The second is corporate social responsibility, an ethically grounded theory of business that sees business as having a multiplicity of stakeholders and responsibilities beyond the singular responsibility of profitability. Corporations are influenced by market dynamics of the consumer as well as the policies and practices created through the implementation of neoclassical economic theory. Today, there are multiple examples of successful businesses engaged in CSR regardless of the still dominant neoclassical economic school of thought. I argue that this success is facilitated through communicative praxis. Likewise, it is communicative praxis that can ultimately advance economic theory to a stage that embraces a heritage of social responsibility and more fully engages the needs of a postmodern world.

Contrary to neoclassical economic theory, economic theory and policy informed by concerns for ethics and social responsibility can be successful. Adam Smith's *Theory of Moral Sentiments* provides an ethical lens through which to view his economic treatise *The Wealth of Nations*. In *The Wealth of Nations*, Smith establishes political economy as a scientific discipline aimed at uniting the efforts of society, business, and government toward the betterment of society. Smith's political economy and, later, John Maynard Keynes's welfare economics demonstrated the effectiveness of an economic system that engaged not only financial but also social performance. The neoclassical school determined that concern for ethics or social values was counterproductive to the hard science of economics it was trying to create. Neoclassical economics became the dominant school of economic thought in the latter 1900s at the same time that CSR was beginning to draw the attention of scholars and business leaders.

In contrast to neoclassical economics, CSR is shown to be a maturing discipline whose theories attempt to unite business, the public, and government in a collaborative effort to support social responsibility through the embedding of shared values. CSR attempts to move business out of the modern construct of the profit paradigm seen in neoclassical economics and into an ethically grounded engagement of diverse stakeholders. There are sharp contrasts between the theories of neoclassical economics and CSR. The implementation of CSR requires business leaders to reframe their perspectives regarding corporate performance. Profit is no longer the sole determinant. A company's performance, when practicing CSR, is the result of social engagement, environmental impact, and financial performance. CSR, however, according to economist Milton Friedman, is disconnected and incompatible with neoclassical economic theory (122).

In interpreting the differences between CSR and neoclassical economics, one is drawn to the adamant stance that neoclassical economics is a value neutral, non-ethical, positivistic science. Neoclassical economics is, in part, a product of the science/rhetoric split of modernity; however, scholars such as Deirdre McCloskey, Arjo Klamer, and Don Lavoie argue that rhetoric not only should be but is an essential element of neoclassical economics. Opening the door for rhetoric in economics suggests that there is more to consider than statistical probabilities and mathematical proofs. Akerlof and Shiller state that Keynes's notion of animal spirits clearly shows that irrational behavior does, in fact, impact market economies. Rational choice theory, which grounds the modeling of economic behavior, is shown by Sen to be narrowly defined and unattuned to the complex and diverse interactions of society. Animal spirits—the moods, fears, and caprices of society—are one example of how real world economics operates outside of the axiomatic world of neoclassical theory. Scholars such as Amartya Sen, Alasdair MacIntyre, and Irene van Stavern present arguments for the importance of ethics in guiding economic theory. The differences seen between neoclassical economic theory and CSR originate in the philosophical grounding of each. CSR acknowledges the fragmented and complex nature of the postmodern world and embraces the need for rhetorical engagement. Neoclassical economic theories, although arguably rhetorical, deny the need for rhetoric, relying instead on scientific inquiry and quantifiable results.

The conflict between CSR and neoclassical economics is grounded in the philosophical arguments between modernity and postmodernity. Neoclassical economic theory continues to guide the economic policies of the U.S. In contradiction to the modern sensibilities of neoclassical economics, there are numerous corporations that both meet the neoclassical criteria for success and have successfully implemented CSR theories and practices. The successful practice of CSR—in contradiction to the neoclassical profit paradigm—is negotiated through communicative praxis. Communicative praxis is uniquely situated to bridge the gaps caused by the modern diremption of the cultural spheres of science, morality, and art (Schrag, *Rationality* 50). Through the hermeneutic of transversal rationality, communicative praxis guides the process of CSR as it balances the requirements of financial performance, social stewardship, and environment consciousness. Through communicative praxis, the CSR practitioner challenges the modern tradition of business only for profit by embracing postmodern concepts such as the decentered subject, distributed knowledge, and plurality of meaning. The engagement of transversal rationality creates opportunities for innovation, as seen in the practices of 3M, that, under the modern epistemology of neoclassical economics, have gone unnoticed (Burke and Logsdon 498). Engaging economic theory from the perspective of communicative praxis would be a significant step in reconciling the differences between CSR and neoclassical economic theory.

Communicative praxis, through transversal rationality, provides the opportunity for a holistic engagement of society that more completely represents Adam Smith's vision of an economic system that attends to the wellbeing of society. Such an engagement is denied in the current neoclassical school of thought. The linkage of the financial and social world through economics requires a discipline and theories that are able to span diverse disciplines and alternatives to the rational world paradigm. The transversal rationality of critique, articulation, and disclosure found in communicative praxis provides a means to link the financial with the social world. The effective and successful practice of CSR in corporations such as 3M supports this position.

Economics is a discipline whose theories and practices have a significant impact on society. Through the writings of Adam Smith and John Maynard Keynes, economics is shown to have a historic grounding in social responsibility and, as such, engages in ethical considerations. The position of contemporary neoclassical economics, however, is that economics must be non-ethical and value neutral. In contrast, CSR, engaged through communicative praxis, is highly rhetorical—engaging persuasion as a means of advancing its mission—and ethically grounded. I hold the position, as do many others, that CSR is good for society. In contrasting CSR with neoclassical economic thought, the concern is raised that the two are at odds in their approach to values and ethics and that this opposition poses a threat to the longevity of CSR. The two—CSR and neoclassical economics—can exist for a time simultaneously. However, I believe that unless economic theory and policy recognize the importance of bridging the gap between science and the humanities, the voluntary adoption of CSR will fade. The historically cyclical presence of CSR would support this supposition.

There exists an ongoing discourse between CSR as practiced by businesses, the public, and government acting through economic theory and policy. For this discourse to be productive—in the sense of being an authentic dialogue—there needs to be common ground, a Buberian between. Neoclassical economics would have that ground to be wealth or financial profit, whereas CSR would have that common ground to be the good of the people. Most recently, social issues have been on the rise in business through the theories and practices of CSR. With regard to economics, there has been little movement. Although much has been written on the topic (see Deirdre McCloskey, Amartya Sen and others writing in the general field of heterodox economics), orthodox economics remains firmly rooted in the neoclassical positivistic school of thought. Discussions are ongoing. The marketplace is defined through the relationship of the diverse narratives of all participants. Taking a relativistic approach and assuming that each has good points and as such should be allowed to exist independently denies the fundamental nature of authentic dialogue and continues a cycle of business for profit versus socially responsible business.

On the other hand, recognizing the rhetorical nature of economics and engaging economic theory and practice through communicative praxis provides a common language through which to engage CSR and economic theory and practice that transcends neoclassicism.

In the discussion of the marketplace, there exists what appears at this time to be communicative praxis that engages the public and corporate worlds in the form of CSR and the common ground of social responsibility. There also exists a dialogue between business and government through lobbying efforts and the common ground of corporate profits and economic growth. From neoclassical economics, however, there seems to be only monologue grounded in the position of financial profitability. Reintroducing values and ethics to the economic discussion does not preclude the end of econometrics. The writings of McCloskey, Sen, van Staveren and others suggest that the two—ethics and economics—are, in fact, interwoven. Neoclassical economics chooses to deny this relationship and, as such, is where the greatest efforts for discourse in the form of communicative praxis should be directed.

The greatest benefit for the future of CSR will come through a restructuring of the relationship between the world of economic science and that of society as a whole. Econometrics is a tool, a means to an end. What is at question is what the end ought to be. Should economics strive for a utilitarian increase in wealth or a virtuous increase in happiness (*eudaimonia*)? Inasmuch as wealth is tied to happiness, economics can and should continue to concern itself with financial growth. However, as has been shown, happiness and the wellbeing of society as well as individuals is neither a sole source of nor sought after as the sole means to a fulfilling life. From a corporate perspective, the value neutral position of economics gives rise to such banalities as "it's nothing personal, just business" and serves as a magnet for the return to a business for profit only mentality. Herein lies a lack of marketplace fidelity. There exists a tension that must be addressed in order to ensure the ongoing adoption of and innovation within the discipline of CSR. Herein also lies the need for communicative praxis, the heart of which I argue is social responsibility and the reconfiguring of the marketplace as a dialogue grounded in a mutually commensurable relationship with the world we live in.

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