University of California, Berkeley
Goldman School of Public Policy

GSPP08-003

Name: Robert B. Reich

Paper title: The Case Against Corporate Social Responsibility

Abstract: This paper argues that the new interest in so-called “corporate social responsibility” is founded on a false notion of how much discretion a modern public corporation has to sacrifice profits for the sake of certain social goods, and that the promotion of corporate social responsibility by both the private and public sectors misleads the public into believing that more is being done by the private sector to meet certain public goals than is in fact the case.

Key words: Corporate social responsibility, socially responsible investing, socially responsible consumption.

Electronic copy available at: http://ssrn.com/abstract=1213129

The Case Against Corporate Social Responsibility

Robert B. Reich

Goldman School Working Paper Series

August 1, 2008

In recent years, “corporate social responsibility” has become the supposed answer to the paradox of democratic capitalism. It is now a hot topic in business schools, which proudly avow the importance of it. As of 2006, more than half of all master of business administration curricula required students to take at least one course on it. Over 80 percent of corporate recruiters say business school graduates should display an awareness and knowledge of the subject.[1] Hundreds of corporate conferences are held on it annually. Tens of thousands of corporate executives listen attentively to consultants who specialize in it explain its importance and how companies can evince it. The world’s top CEOs and officials, gathering annually at the World Economic Forum in Davos, Switzerland, solemnly discuss it and proclaim their commitment to it.

Numerous “social auditors” now measure how well corporations have achieved it, and hundreds of companies produce glossy company reports touting the company’s dedication to it. Innumerable NGOs – non-government organizations, with fulltime staffs, Websites, newsletters, and funding appeals – have sprung up to develop codes of corporate conduct on aspects of it, and

Electronic copy available at: http://ssrn.com/abstract=1213129

rate corporations on their adherence to it. At least eight hundred mutual funds worldwide say they are devoted to it. The United Nations' Global Compact, launched at Davos in 1999, enumerates goals for it, and by 2006 more than 3,000 firms had signed on. The European Union has established a set of norms for it. Great Britain has a minister for it. Products are now labeled as complying with it.

Most of this is in earnest. Much is sincere. Some of it has had a positive impact. But almost all has occurred outside of the democratic process. To view it as a new form of democratic capitalism is to fail to understand the logic of super-competitive capitalism, what I've termed "supercapitalism." It is also to divert attention from the more difficult but more important job of establishing laws that protect and advance the common good.

1. Why the Interest?

The upsurge of interest in "corporate social responsibility" is related to the decreasing confidence in democracy. These days, reformers often say they find it easier to lobby corporate executives than to lobby politicians; they contend they can be more effective pushing certain large corporations to change their ways than altering public policy. "Government is failing to provide leadership on environmental concerns, and industry has grown more willing to address them," says Jonathan Lash, president of World Resources Institute.[2]

Cynicism about politics is perfectly understandable, but this is a curious proposition. A major reason why government is failing to provide leadership is because, as we have seen, big corporations have become so effective in recent years at preventing government from doing much about the environment or any other issue that may require corporations to change in ways they'd prefer not to. Why would industry have grown more willing to address the very concerns it has worked to block government from addressing? Of course, the specific people in a corporation most committed to making it more socially responsible are not likely to be the same people who are lobbying effectively against laws and regulations requiring the firm to be so, but this doesn't change the overriding reality: In supercapitalism, the corporation as a whole must, for competitive reasons, resist doing anything that hurts – and will place a very low priority on anything that doesn't help – the bottom line.

Cynicism about democracy can also become a self-fulfilling prophesy, diverting attention from reforming it. While the citizen of a relatively small nation has little leverage through that nation's own democratic politics to affect the behavior of large global corporations, that is demonstrably not the case for citizens of the United States, or even the European Union. Any corporation that wants to do business in such large and prosperous places must adhere to the laws of these nations. Even the state of California can set its own environmental laws that have bite because most global companies want access to that huge market. Moreover, global firms headquartered in the United States or Europe have significant global activities – Starbucks purchases a large share of global coffee production, McDonald's controls a major portion of the world's beef and chicken markets, Wal-Mart is the world's largest retailer, Home Depot is the largest single purchaser of wood and wood products in the world. American or European laws therefore can control a large percentage of global corporate behavior. Citizens of such big and powerful nations who assume they have more impact pushing corporations to be virtuous than working through the democratic process to require them to be so, are simply wrong.

It is easy to understand why big business has embraced corporate social responsibility with such verve. It makes for good press and reassures the public. A declaration of corporate commitment to social virtue may also forestall government legislation or regulation in an area of public concern where one or more companies have behaved badly, such as transporting oil carelessly and causing a major spill or flagrantly failing to respect human rights abroad. The soothing promise of responsibility can deflect public attention from the need for stricter laws and regulations or convince the public that there's no real problem to begin with. Corporations that have signed codes of conduct promising good behavior appear to have taken important steps toward social responsibility, but the pressures operating on them to lure and keep consumers and investors haven't eased one bit. In supercapitalism, they <u>cannot</u> be socially responsible, at least not to any significant extent.

Politicians are simultaneously let off the hook. They can applaud some seeming act of corporate virtue – they may even take credit for pushing corporations to sign pledges or promise change – while not having to take any action that might cause negative reaction in board rooms or among corporate fundraisers. They don't have to take sides, or take a stand, while appearing to be in favor of virtuous corporate behavior.

Commitments to corporate social responsibility are also conveniently reassuring to talented or privileged young people who want both the sky-high financial rewards of fast-track executive careers and the psychological rewards of doing some good in the world. Rather than labor in the impecunious vineyards of social work or teaching school in a poor community, or public service in general, they can get their MBA and thereafter attach themselves to a big corporation that issues an annual report on all the good things it does for society. They can thereby do well and do good at the same time, or so they tell themselves.

2. What is it if it's Not About Sacrificing Profits?

But viewed this way, "corporate social responsibility" is as meaningful as cotton candy. The more you try to bite into it the faster it dissolves. One popular argument is that "socially responsible" companies do better by their consumers and investors. Dow Chemical reduces its carbon emissions so it can lower its energy costs. McDonald's employs more humane slaughtering techniques, which prevent costly worker injuries and yields more meat. Wal-Mart has adopted "green" packaging for its fresh produce – transparent plastics from corn sugars – because it's cheaper than petroleum-based packaging. Starbucks gives its part time employees health insurance because that reduces employee turnover and helps its bottom line. Alcoa estimates annual savings of about $100 million from reduced energy use and related environmental improvements.[3]

All these steps may be worthwhile but they are not undertaken because they are socially responsible. They're done to reduce costs. To credit these corporations with being "socially responsible" is to stretch the term to mean anything a company might do to increase profits if, in doing so, it also happens to have some beneficent impact on the rest of society. Taken to the logical extreme is the textbook economics argument that whenever a company increases its profits it has a positive effect on society because it thereby utilizes assets more efficiently, releasing those that are no longer needed to be used more efficiently elsewhere. In this sense, all profitable companies are socially responsible.

For many years I have preached that social responsibility and profitability converge over the long term. That's because a firm that respects and values employees, the community, and the environment eventually earns the respect and gratitude of employees, the community, and the larger society – which eventually helps the bottom line. But I've never been able to prove this proposition nor find a study that confirms it. More important from the standpoint of the modern firm, the long term may be irrelevant. Under supercapitalism, the "long term" is the present value of future earnings. There is no better measure of this than share price.

The same confusion is found in so-called "socially responsible investing" in products likely to become hot in the future due to some emerging public concern. In 2004, CalPERS – the California public employee retirement system – announced with fanfare it would invest $200 million in what it termed the "burgeoning environmental technology sector." This made financial sense, assuming that environmental technologies that burn more cleanly than fossil fuels reap big rewards in the future. But to describe the move as “socially responsible” is to confuse what may be a wise investment strategy with an initiative intended to improve society. California’s public employees did not agree to sacrifice their retirement incomes for the well-being of the planet. If CalPERS’ bet is correct, its public employees will earn higher returns than otherwise. But if it’s wrong, California’s public employees will be justifiably upset.

Logically, when the extra benefits of some product accrue to consumers individually, they may be willing to pay more for it. This doesn’t make the product “socially responsible,” either. Energy-efficient appliances that save consumers money, organic foods that make them feel heathier, gourmet ice cream that’s tastier because it’s made with cream from cows with access to lots of pasture, salmon that’s more delectable because it was caught in the wild rather than brought up in pens, and free-range eggs that make consumers feel more secure against salmonella, may all be worth the higher price consumers pay for them. But consumers don’t pay extra because of any presumed social good; they pay because it’s worth it to them personally. Wendy’s restaurants have stopped frying their food in trans-fats, which have also been banished from Oreo cookies and Frito-Lay snacks. General Mills now makes its Cheerios and Wheaties out of whole grain. These changes were not made because these firms became more socially virtuous but because consumers became more conscious about their own health.[4]

Similarly, companies that pay good wages and offer good benefits in order to attract and retain high-caliber employees are not being “socially responsible”; they are merely practicing good management. “High ideals don’t have to conflict with the bottom line,” says Starbucks in one of its many advertisements touting its special commitment to society. "When we started providing health coverage to our part-time employees, we noticed a lot less turnover."[5] That's precisely the confusion. If Starbucks's bottom line is improved because it provides health coverage to part-timers, Starbucks is not acting out of high ideals – regardless of the worthy motives of its founder. Starbucks is acting for the benefit of Starbucks's consumers and investors. The extra costs are more than justified by the savings. It's called smart business.

In general, corporate initiatives that improve the quality of products without increasing their price, or increase efficiency and productivity so that prices can be lowered, or otherwise generate higher profits and higher returns for investors, are not socially virtuous. They're just good management practices that should -- and, given the competitive pressures of supercapitalism will -- be undertaken regardless of how much or how little they benefit society.

3. Corporations Have Less Discretion Today to Sacrifice Profits

Economist Milton Friedman argued several decades ago that the business of business is to make a profit, not to engage in socially beneficial acts.[6] Friedman made his argument at a time when many companies still had sufficient discretion to be socially responsible. As noted, big companies tended to be oligopolies with some power over their prices and markets. His point was companies <u>should not</u> seek to accomplish social ends because companies are not the appropriate vehicles for social benevolence. Whether or not you agree with Friedman, companies under supercapitalism no longer have the discretion to be virtuous. Competition is so intense that most corporations cannot accomplish social ends at a cost to their consumers or investors, who will otherwise seek and find better deals elsewhere. Even if individual consumers or investors believed in the virtuousness of a particular sacrifice, absent laws requiring all companies and therefore all other consumers and investors to forebear as well, the individual's action would have to effect.

As the economy has moved toward supercapitalism, companies that in Friedman's day were known to be the most socially virtuous have been punished by investors. Cummins Engine, one of the pioneers of the corporate social responsibility movement, had to abandon its paternalistic employment policies and its generous contributions to its communities when its investors demanded higher returns. Dayton-Hudson, another notably socially responsible company, came close to being swallowed up in a hostile takeover during the 1980s, and has since then paid exclusive attention to its customers and investors. Levi Strauss, also once on everyone's list of America's most socially responsible companies in part because of its commitment to source its clothing from domestic manufacturers, faced plummeting sales in the 1990s and had to eliminate its remaining domestic production. Polaroid, another pioneer, filed for bankruptcy in 2001. The shares of Britain's retailer, Marks & Spencer, which had ranked near the top in a survey of worldwide labor standards, performed so poorly the firm attracted a hostile takeover bid in 2004.[7] Both Body Shop International and Ben & Jerrys had been touted as among the nation's most socially responsible companies until investor pressure pushed Body Shop founder Anita Roddick into an advisory role and Ben and Jerry's was taken over by Unilever.

Under supercapitalism, a commitment to social virtue is no substitute for obsessive dedication to shareholder value. George Merck's celebrated motto from the 1950s – "Medicine is for the people. It is not for the profits. The profits follow" – represented a classic statement of the socially-responsible ideal.[8] The company adhered to it in the 1980s when it developed and distributed without charge a drug to cure river blindness that inflicted poor tropical nations, and in more recent years decided to make AIDS drugs available in Botswana. But the profits did not necessarily follow, and in recent years Merck's stock price has wallowed. Perhaps this is why the company acted too quickly in putting its painkiller Vioxx on the market, an initiative notably lacking in social virtue. Enron, before its fall, was ranked as one of America's hundred best employers, the recipient of several environmental awards, among the first major companies to issue a "a triple-bottom-line report" report enumerating its progress on social and environmental goals, and known for its generous philanthropic contributions. In retrospect, it seems doubtful Enron's commitment to social responsibility was any more sincere than its dedication to its investors. [9]

By the same token, investors don't punish profitable companies or industries notably lacking in social virtue. In the early and mid-2000s, Exxon Mobil had the highest return on equity of any oil company. Shareholders flocked to it despite its being named an "outlaw" by environmental groups for its highly visible campaigns against non-fossil-based fuels and the reality of global warming.[10] Wall Street analysts and investment bankers concern themselves only with the bottom line, as do most of those whose retirement savings they manage. "I don't see investors refusing to buy because they think the chief executive is overpaid, and I don't see union members boycotting nonunion stores that sell attractively priced foreign goods," says Anthony M. Maramarco, a managing director at Babson Capital Management. [11]

Social offensiveness is not necessarily financially offputting. Few industries have been more vilified than tobacco but tobacco companies have had no difficulty obtaining funding from investors eager to make a good return. Firms producing alcohol or firearms, companies relying on revenues from gambling, and firms producing lurid magazines and videos, have all done reasonably well on Wall Street – most even outperforming the S&P 500 Index. Defense stocks, considered morally objectionable by some, have likewise outperformed the S&P 500 Index since the late 1980s.[12] It is of course possible that noxious firms must outperform the norm in order to attract capital. Perhaps there is a sleaze premium analogous to a risk premium. But it seems more likely that investors don't know or care. They have instructed the managers of their pension or mutual funds to maximize the value of their savings, regardless. Insulation from the social effects of our market decisions is, again, an essential aspect of supercapitalism.

Investors deeply concerned about corporate morality can park their savings in what are called "socially responsible investment" funds, which screen out certain offensive industries. But few investors do. In 2004, total shares under the management of such funds comprised less than 2 percent of mutual fund shares outstanding in the U.S. stock market.[13] In Europe, socially responsible mutual funds account for an even lower portion – about a third of one percent. If such funds outperformed regular mutual funds more investors would be drawn to them, but their record is decidedly mixed. Besides, most “socially responsible” fund portfolios include just about every large company featured in a typical mutual fund portfolio. In 2004, thirty-three socially-responsible funds held the stock of Wal-Mart, twenty-three held Halliburton’s, forty held Exxon Mobil’s, and almost all held Microsoft’s, its antitrust peccadillos notwithstanding. At the start of the 2000s, many held Enron, WorldCom, and Adelphia stock, and none of these companies went on to distinguish themselves for public service.[14]

Yes, investors are interested in better corporate governance. But better governance makes a firm more responsive to its investors -- not to its employees, communities, or society as a whole. The chances any board of directors will ever again condone the $6,000 floral-patterned shower curtain Tyco’s shareholders unwittingly bought for the company’s former boss, Dennis Kozlowski, the $100 million Adelphia Communitions’ shareholders unintentionally gave its former CEO, John Rigas, and the near royal reign of former WorldCom CEO Bernard Ebbers – among other outrages and excesses that came to light in the early 2000s – will hopefully be diminished by moves to improve corporate governance. When shareholders have more say in electing company directors, when top executives have to sign off personally on company audits, and when executive compensation is more fully disclosed, executives presumably will have more incentive to do what they have a fiduciary responsibility to do in the first place.

These initiatives will not make CEOs more responsible to society, however. To the contrary, as we have seen, the more beholden CEOs and other top executives are to investors, the more likely they are to slash payrolls in pursuit of higher profits, uproot themselves from their traditional communities and rely on global supply chains instead, pander to whatever vulgar desires their customers may harbor, subject workers in developing nations to unsafe or unhealthy conditions, and pillage the environment – if these and other such anti-social techniques increase profits and share prices.

Some believe corporate boards should represent all "stakeholders" – including employees, communities, and society in general – and view this notion of corporate governance as the answer for how to reconcile the interests of investors with those of the rest of society. The idea of "stakeholder capitalism" was, you recall, put forward by Walter Lippmann, Adolf Berle, and Gardiner Means in the early twentieth century, and it found expression in the "corporate statesmen" of the Not Quite Golden Age. There is some appeal in the idea of stakeholder boards. It has worked at other times and in other places. For many years, German companies have had two boards – a traditional one, representing those whose capital is at risk, and a second tier representing other stakeholders. A few American companies, like United Airlines, have experimented with limited board representation of unionized employees in return for their agreement to delay or reduce scheduled increases in wages and benefits. I was an early and loud enthusiast for United's attempt.

Yet it seems doubtful that "stakeholder" boards can work under supercapitalism. Any company that sacrifices shareholder returns in order to reward some other group of "stakeholders" will lose its investors, who can easily move their money to where returns are better. Besides, it's proven hard enough on traditional boards to ensure board members will represent the best interests of shareholders.

The expected profitability of a company is best measured by its share price. But there's no similar way to measure how well a company responds to the interests of its other "stakeholders." Some worthy efforts have been made seeking ways to calculate the "triple bottom line" performance of a company in delivering value for its shareholders, employees, and the broader society. None of these attempts at measurement, however, have been able to overcome the most basic problem of all: Under supercapitalism, competitive pressures respond only to how well a company is doing by its consumers and shareholders. Other stakeholders have to rely on democratically-elected government to set minimum standards all companies are expected to achieve – minimum wages, minimum levels of worker safety, minimal protection of the environment, and so on. If every board became a forum in which different groups of "stakeholders" devised their own standards, companies would be competing with one another for consumers and investors from radically different positions. Presumably, those with the lowest standards, and therefore the lowest costs and highest profits, would find it easiest to lure customers and satisfy shareholders. Without laws specifying what is expected of all companies, "stakeholder" boards would find themselves in a race to the bottom. In supercapitalism, therefore, the elusive promise of corporate democracy is illusory.

Evidence suggests consumers, like investors, do not care enough about social responsibility to make financial sacrifices for it. After an exhaustive review of the data, my colleague, Professor

David Vogel, of the Haas Business School at the University of California at Berkeley, concluded that "the social and environmental practices of the vast majority of companies have not had any demonstrated effects on their sales."[15]

Consumers do like to be associated with likeable companies – especially upscale consumers who have extra money to spend on likeability. Hence, Starbucks's full-page ads touting such things as the company's grants for children's reading programs. ("On the surface, it might not seem like reading has much to do with coffee, but it has everything to do with being a company that wants to act on its values and engage positively with the world.") [16] It's also true that brand image means more and more. In the Not Quite Golden Age, most companies' book value consisted of physical assets, such as factories and equipment, plus money in the bank. By the early twenty-first century, such hard assets account for only about a third of the typical company's stock market value; the rest is in intangibles – patents, know-how, and the goodwill of a company's brand. This is one reason so-called "image" advertising has grown so important, and why companies are spending a fortune on public relations, $3.7 billion in 2005.[17] In a world of Internet chat rooms and bloggers, no corporate image is entirely safe.

But, as has been noted, there's a difference between the private wants of a consumer and the public ideals of a citizen. Most consumers want good deals, period. Almost 50 percent of the consumers surveyed in a 2002 poll said they wanted the environment protected but that it was business's responsibility to do so, not theirs. According to another study, consumers buy environmentally-friendly products only when they cost no more than regular products, have at least the same level of quality and performance, come from a brand they know and trust, can be purchased at stores where they already shop, and don't require a significant change in habits to use.[18]

After voluntarily adopting a standard for harvesting tuna that protected dolphins, Starkist ran advertisements touting the firm's leadership. The result was a measurable rise in customer approval and an increase in Starkist's market share. But the company was unable to raise prices to cover the higher costs of protecting the dolphins, so it had to abandon the effort. Explained J. W. Connolly, president of Starkist's parent company, "[c]onsumers wanted a dolphin-safe product, but they were not willing to pay more for it. If there was a dolphin-safe can of tuna next to a regular can, people chose the cheaper product. Even if the difference was a penny."[19]

Consumers say they care about social responsibility, but in practice few care enough to pay more for it. In a European survey of 2004, three-quarters of consumers polled said they would change their buying decisions because of the social or environmental records of companies, but only 3 percent said they had actually done so.[20] Even when they're asked to define "social responsibility," consumers describe it in terms of personal consumer satisfaction rather than public good. In a survey co-sponsored by The Wall Street Journal in 1996, people were asked to rank forty-three activities that influence their opinions of corporations as "good citizens." The two most often cited as very important were "standing behind products/services and honoring warranties" and "producing high-quality products and services."[21]

Consumers say they want companies they deal with to respect human rights abroad. In 1993, after the events at Tiananmen Square, Levi Strauss decided to phase out its production in China because of that nation's poor human rights record – a decision widely praised. [22] But Levi's customers were unwilling to pay higher prices for jeans produced at higher cost in nations that respected human rights. So in 1998, the company reversed its policy. Either rely on Chinese manufacturers "or risk losing out in the competitive game of the global apparel business," explained Peter Jacobi, Levi Strauss's president. "You're nowhere in Asia without being in China."[23]

On the other hand, a coordinated attack launched on Wal-Mart in 2004 by several unions, environmentalists, and student groups may have had some effect. Wal-Mart's profits have continued to grow as it has added stores but growth slowed in 2005, as did the growth in profits per store. This may have been because the household budgets of Wal-Mart's customers were squeezed by rising fuel prices and declining wages. But a report prepared by McKinsey & Company for Wal-Mart, made public by an anti-Wal-Mart group, found that 2 to 8 percent of Wal-Mart's former customers said they stopped shopping at the chain because of the "negative press they have heard."[24] More on this to come.

4. A False Substitute for Real Politics

Social reformers have long exposed abusive corporate practices as means of mobilizing political support for new legislation or regulation aimed at curbing them. Progressive-era muckraker Ida Tarbell's History of the Standard Oil Company, published in 1904, inspired the antitrust case that broke up the company. Upton Sinclair's 1906 classic The Jungle, exposed the meatpacking industry and generated the nation's first health and safety regulations. Ralph Nader's 1966 book Unsafe at Any Speed, revealed the automobile industry's indifference to safety, leading to the creation of the National Highway Safety Administration. The purpose of these and other exposes was not to pressure individual companies to change their ways but to incite political action so all companies would have to. These efforts were not substitutes for political action but preconditions for it.

Starting in the late 1960s, reformers pressured companies doing business in South Africa to adhere to voluntary anti-discrimination guidelines called the Sullivan Principles, named after Leon Sullivan, a minister and member of the board of General Motors. The pressure included consumer and investors boycotts of companies that had not signed on. But the goal was political – to force the government of South Africa to give up apartheid. Agitation in the United States eventually caused Congress to impose economic sanctions on South Africa; other nations did so as well. Many companies closed down their operations there. Finally, apartheid collapsed.

On a smaller scale, Greenpeace's 1995 media campaign against Shell Oil's plan to sink an old oil storage platform in the British North Sea had a specific political objective. Although it involved a consumer boycott of Shell, its purpose was not to shame the company but to mobilize political action so no oil company in the future could dispose of its abandoned rigs by merely jettisoning them in the ocean. The campaign was successful. The Oslo-Paris Commission decreed in 1998 that all such old platforms had to be disassembled and disposed of on land.[25]

These campaigns were designed to change the rules of the game. Consumers or investors as a whole may have ended up paying slightly more for, say, gold since it was no longer available from South African mines when Congress imposed economic sanctions, or North Sea oil that had to be disposed of more expensively. But these small price increases were presumably worth the overall social gains, as determined in the democratic process.[1] Labor organizers also pressure large companies to permit votes on whether workers should form a union – but here, too, the goal is specific and political in the sense of altering the balance of power between owners and employees.

Without a specific political goal, "corporate social responsibility" is simply a function of a group's organizing heft relative to a particular company or industry – and therefore can mean anything. Should a socially responsible investment fund screen out companies engaged in nuclear energy, as some anti-nuclear advocates urge? Environmentalists who think nuclear energy is the best alternative to fossil-based fuels would disagree. Should consumers prefer eggs produced by agribusinesses with free-range hens, as some animal-rights advocates urge? Some food-safety advocates prefer that hens be caged in order to avoid contact with migratory birds

---

[1] Some consumer boycotts, notably in Europe, have resulted in broadly accepted practices almost the equivalent of laws – such as a "Rugmark" label certifying that rugs and carpets have been made without child labor, or an agreement to produce batteries that do not contain mercury. One suspects, though, that if competitors could offer non-conforming items at much lower prices many consumers would be tempted to overlook their negative social consequences. If there is broad agreement on the desirability of such norms, it would seem advisable to put them into law.

that may carry avian flu. Should socially responsible investors and consumers eschew companies that produce any alcohol product, including beer or wine, or just hard liquor? Should they avoid media companies that produce any sexual or violent content, or just those that cross some threshold of indecency?

Absent any political process for deciding questions like these, the answers are completely arbitrary. Electoral democracy is messy and difficult at best. As has been noted, it's now so dominated by large companies that citizen values can barely be heard. Yet there is no means for determining the social obligations of the private sector other than through the democratic process. Making companies more "socially responsible" is a worthy goal, but it would be better served by making democracy work better.

Pressuring companies to be more virtuous is an unaccountable mechanism for deciding complex social issues better left to legislators. Consider America's gut-wrenching controversies over gay rights, abortion, and guns. Congress and state legislatures have struggled over them for years; some battles have been waged in state and federal courts over them. But even if no consensus is possible, the democratic process and courts at least provides means for weighing and balancing claims. Not so in the private sector.

In 2006, the American Family Association, a non profit advocacy group based in Tupelo, Mississippi, attacked Wal-Mart for joining the National Gay and Lesbian Chamber of Commerce, and urged a boycott of the company.[26] Wal-Mart apparently held fast and resisted the boycott. But when other religious groups urged Wal-Mart's pharmacies not to sell the emergency contraceptive commonly referred to as the "morning-after" pill, Wal-Mart caved. When several women's groups then demanded the company offer the pill, Wal-Mart partly reversed itself – stocking the pill but excusing any pharmacist who objected for personal reasons to dispense it. Women's groups continued to push Wal-Mart to require its pharmacists to fill prescriptions for the pill.[27] What is the socially responsible position for Wal-Mart to take? It has no means for weighing and balancing claims, except by assessing which hurt Wal-Mart's bottom line least.

The American Family Association also organized a boycott of Ford Motor Company for advertising in publications that catered to gays. In response, Ford stopped doing so. Not surprisingly, Ford's decision inflamed gay rights advocates. "Where does this leave us if our friends say, 'Okay, gay people, we're going to cut you loose because we have the religious right at our heels?'" asked Kevin Cathcart, executive director of the Lambda Legal Defense fund. "You don't make deals with bullies, and you don't cut your friends loose."[28] After meeting with leaders of several gay rights groups, Ford reversed itself, [29] provoking the American Family Association and forty-three other religious groups to reinstate the boycott. "We cannot, and will not, sit by as Ford supports a social agenda aimed at the destruction of the family," the groups proclaimed in a letter to Ford CEO William Clay Ford, Jr. [30]

In 2004, Focus on the Family, another conservative religious group, urged consumers to boycott Procter & Gamble's two leading brands, Tide detergent and Crest toothpaste. The firm had provoked the boycott by taking a public position in favor of a Cincinnati ordinance forbidding discrimination against homosexuals. Meanwhile, the pro-life Action League of Chicago called for a boycott of American Girl dolls, owned by Mattel, because the firm donated $50,000 to an organization named Girls, Inc., which had offered after-school programs to disadvantaged girls on subjects ranging from pregnancy prevention to substance abuse and, in one of its publications, supported the Supreme Court decision in Roe vs. Wade. More recently, the National Rifle Association threatened to run hundreds of billboards casting oil giant ConocoPhillips as an enemy of gun owners. ConocoPhillips had inspired the NRA's wrath by joining a federal lawsuit to block an Oklahoma law allowing employees to bring guns to their worksites. A spokesman for ConocoPhillips explained the firm was concerned about the safety of its employees. [31]

In these and many similar instances, companies get caught in a crossfire. Because these battles take place outside normal political channels and are aimed at specific firms, they cast corporate executives in the unenviable roles of politicians seeking to broker compromises among competing visions of the common good. Yet executives have no special expertise for doing this. They were hired to give consumers and investors better deals.

That's why, no matter how intense or irritating the advocates for one side or the other may be, in the end the corporation must do whatever is necessary to minimize its costs. If a company were to cave in to a demand that imposed an extra cost on the firm, a rival that isn't party to the agreement could profitably step into the breach. Even if Wal-Mart eventually feels compelled to raise wages and provide broader health insurance coverage – causing it to raise its prices in order to cover the added costs – another big-box retailer could fill the gap by paying lower wages, offering fewer health benefits, and thereby underpricing Wal-Mart.

In the late 1990s, Nike was in the crosshairs of many groups outraged about its treatment of foreign workers in poor countries who stitched together its shoes and clothes. Gary Trudeau's "Doonesbury" comic strip even devoted a full week to attacking the company. Nike eventually set up a system to monitor its foreign sub-contractors – firing abusive managers, replacing carcinogenic glues with water-soluble ones, and allowing some plants to unionize. But by the mid-2000s Nike was competing with other companies, such as New Balance, that didn't have such systems in place. Advocates then turned their guns on New Balance, charging in January 2006 that workers at its Chinese factories were forced to labor overtime at meager wages in unsafe conditions.[32] New Balance may eventually mend its ways. But then what's to stop Adidas, Airwalk, and hundreds of other companies from stepping into the breach? With no change in the rules of supercapitalism, competitive advantage simply moves to companies not yet "socially responsible." There is no logical stopping place.

Finally, not only are corporations unfit to decide what is socially virtuous, but under supercapitalism they are often unable to deliver services that are inherently public. Pushing them to do so begs the question of whether the responsibilities would be better undertaken by the public sector. The campaign against Wal-Mart charged in full-page advertisements that "Wal-Mart's low pay and meager employee benefits force tens of thousands of employees to resort to Medicaid, food stamps, and housing assistance. Call it the 'Wal-Mart Tax.'And it costs you $1.5

billion in federal tax dollars every year."[33] The problem with this logic is that America had already decided to provide Medicaid, food stamps, and housing assistance to the poor – even if the poor are also working. It seemed more efficient for these benefits to flow from government, and for employers to alert their low-income employees of the availability of them, than for the private sector to provide them as conditions of employment. If we wish to change the rules and require private employers to pay wages and provide health benefits sufficiently high that no employee has to rely on government largesse, we should seek to do that through the democratic process. But it makes little sense to chastise one employer – even one as large as Wal-Mart – for playing by the rules.

Should the rules be altered as Wal-Mart's critics advocate? That would be a worthy political debate, but we're not having it. I, for one, think the minimum wage should be raised to be about half of the average worker's hourly pay. That was the ratio in the Not Quite Golden Age, and it still seems to me a reasonable compromise. But Wal-Mart's critics also want Wal-Mart to provide employees with good health insurance coverage, which, in my opinion, is no longer a responsibility employers should take on.

Bear with me for a moment because this is just the sort of issue the nation ought to be debating but that the focus on Wal-Mart obscures. The reason employers got into the business of providing their workers health insurance in the first place, remember, was because it is a form of payment that avoids being taxed. This made it attractive to both employers and employees in the Not Quite Golden Age, before medical costs skyrocketed and competition intensified. Even though employer-provided health care has diminished since then, in 2006 it was still constituted the biggest tax break in the whole federal tax system. According to recent estimates, if health-care benefits were considered taxable income, employees would be paying $126 billion a year more in income taxes than they do now. [34] In other words, employer-provided health care is a back-door $126 billion-a-year government health insurance system that's already up and running.

But it's a crazy system. You're not eligible for it when you and your family are likely to need it most -- when you lose your job and your income plummets. And these days, as we've seen, no job is safe. Why add to family anxieties by ending eligibility for this back-door government health insurance just when an employee is shown the door? The system also distorts the labor market. It prevents lots of people from changing jobs for fear they'll lose their health insurance, or won't get the benefits they do now. And it invites employers to game the system by seeking young, healthy employees who pose low risks of ill health, while rejecting older ones who are likely to have more costly health needs. The system also encourages employers to try to push married employees onto their spouse's health insurance plan so that the spouse's employer bears the cost.

It's also an upside-down system. The lower your pay, the less coverage you're likely to have. Even if Wal-Mart is pressured into providing more health insurance for its lowest-income workers, this wouldn't change the overall pattern across America. Workers in the lowest-paying jobs don't generally get any health insurance from their employers. The higher your pay, the more health coverage you get, with top executives and their families getting gold-plated plans guaranteeing top-notch medical attention for just about every health risk imaginable. As a result, our current $126 billion back-door government health insurance system mainly benefits upper-income people.

For all these reasons, I've concluded health insurance should be decoupled from employment. Instead of condemning companies like Wal-Mart for providing scant health insurance, we ought to be instructing all companies to stop providing health benefits altogether, and eliminate the whole back-door $126 billion a year government health-care system. Better to use the money instead as a down payment on a universal and affordable system that's available to everyone regardless of how much they earn, where they work, or even whether they have a job.

But we can't even begin this conversation as long as the focus is on pushing Wal-Mart to give its employees better health insurance coverage, and as long as this effort occurs outside of and apart from the democratic process. By making it into a moral mission against Wal-Mart, advocates divert attention from what should be a national debate about public policy into a battle over the brand image of a single big company.

5. Wal-Mart in the Cross-Hairs: Politics in the Small

Although public relations wars over a particular company's virtue may utilize all the paraphernalia of political campaigns, their outcomes are not at all political. No one is elected or deposed, no programs or platforms are put into place, no laws or regulations are changed. The issue in such wars is not what is the best policy overall, but whether a particular company is morally good. It is an ersatz politics – a massive diversion from the real thing.

Participants in the campaign against Wal-Mart have described the battle in lofty terms. “This is an assault on a business model,” said Carl Pope, a long-standing leader of the environmental movement who signed on in 2005. “We’re not trying to shut Wal-Mart down.”[35] Andrew Grossman, executive director of the coalition, explained “[w]e’re focusing on Wal-Mart because of the huge impact it has on each of the different parts of American life it touches.” Grossman conceded Wal-Mart does provide many goods at the lowest price, but pointed out that this “sometimes comes at a high cost to society.” The goal of the campaign was for Wal-Mart to “make more money, but responsibly.”[36] What precisely did this mean? What exactly were the organizers seeking?

The campaign has used print and broadcast advertisements, videos, books, Websites, organizing, even a film. Members of America’s largest teachers union staged a boycott of Wal-Mart, urging parents and students not to patronize the company for back-to-school supplies. An automated phone system has called tens of thousands of people in Wal-Mart’s home state of Arkansas, seeking potential whistle-blowers who will share bad news about the retailer. An online tool kit has been made available to any community group that might want to stop the realtor from entering its town.

The campaign has been run by people with direct experience in real politics. Paul Blank, one of its organizers, had been the political director of Howard Dean's presidential campaign. Chris Kofinis, another organizer, helped create the campaign to draft General Wesley Clark into the 2004 presidential election. Jim Jordan was formerly director of John Kerry's 2004 presidential campaign. Tracy Sefl had been a Democratic National Committee aide responsible for distributing negative press reports about George W. Bush in 2004.

In response, Wal-Mart has spent millions of dollars on a counter-campaign designed to depict the firm as worker friendly, environmentally conscious, and socially responsible. It hired its own blue-ribbon team of former politicos – headed by Michael Deaver, once Ronald Reagan's image maker, and Leslie Dach, one of Bill Clinton's media consultants who also prepped Al Gore for the 2000 presidential debates, and including Jonathan Adashek, who had directed national delegate strategy for John Kerry, and David White, who helped manage the 1998 reelection of Connecticut Republican Nancy Johnson. The group was advised by Terry Nelson, who had been national political director of George Bush's 2004 campaign.

It has rolled out commercials showing black, Hispanic, and female employees touting their benefits and career opportunities. It ran Asian-language advertisements targeted to Asian shoppers, others to Hispanics, full-page advertisements in more than a hundred mainstream newspapers, and large ads in select elite media, accusing its critics of distorting its image. "When critics pervert the facts to serve their financial and potential interests, it's our duty to speak up,"

H. Lee Scott, Jr., is quoted as saying in an advertisement running across two pages of the New York Review of Books. Wal-Mart also ran ads bearing a striking resemblance to Bill Clinton's "A Place Called Hope" message during the 1992 presidential campaign, starting with a homey image of Sam Walton's first five-and-dime store. "It all began with a big dream in a small town," says a sonorous narrator. "Sam Walton's dream."

As described by the New York Times, Wal-Mart's "war room" assembles at seven a.m., scans news articles and television transcripts that mention the company, and when it finds any criticism immediately phones the reporters, and issues Web postings and press releases countering the criticism. It even devised a short film to rebut the anti-Wal-Mart film. It feeds releases to bloggers and suggests topics for postings. It has organized and funded a group called "Working Families for Wal-Mart," and has recruited Wal-Mart suppliers to join.

Wal-Mart's team even characterize its counter-campaign in terms usually applied to political battles. They have dubbed it "Candidate Wal-Mart." Robert McAdam, a former political strategist at the Tobacco Institute who was brought in to run corporate communications, says Wal-Mart is targeting "swing voters" – consumers who had not soured on Wal-Mart. He describes the people who watched the anti-Wal-Mart film as "true believers of their point of view" whose minds were probably already made up. "They've got their base. We've got ours. But there is a group in the middle that really we all need to be talking to." [37]

Has Wal-Mart, as a result of all this, been born again as a socially responsible company?

Immediately after the devastation caused by Hurricane Katrina, Wal-Mart pledged $15 million in cash to the Bush-Clinton Katrina Fund, and also gave a million dollars each to the Salvation Army and the American Red Cross. Within a few days, the company was offering any Wal-Mart workers displaced by the floods as much as $1,000 in emergency assistance – about three weeks' wages, tax free – and guaranteeing them replacement jobs at any Wal-Mart in the country. The company shipped more than a hundred truckloads of merchandise to evacuation centers; offered residents of affected areas free emergency supplies of prescription drugs, and donated at least a dozen Wal-Mart buildings for use as shelters, food banks, and police command centers.[38]

The company has also set out to be – or appear to be – a better employer and citizen in the communities where it does business. It has set up an office of diversity, and expanded health insurance to children of part time workers. It has announced a plan to help local businesses near its proposed urban stores. And it has become – or appeared to become – a dedicated environmentalist. It has launched a program to recycle shrink wraps, shopping bags, and other plastic items that its consumers normally sent to landfills; it has begun testing the use of trees and grasses in parking lots to absorb carbon dioxide emissions and tainted water; it has committed itself to wind and solar energy to generate electricity, and recycled materials to make its outdoor pavements. CEO Scott declared in 2006 that the firm would rely on 100 percent renewable energy sources "that sustain our resources and environment."[39]

All these efforts are commendable, but even when added together, their costs still constitute a tiny fraction of Wal-Mart's yearly revenues. Some, like the firm's new-found commitment to renewable energy, have come without a timetable; even Scott admits he is "not sure how to achieve" them.[40] And it remains unclear to what extent the firm will continue to strive for "social responsibility" if and when the heat is off and the anti-Wal-Mart campaign has ended – as, presumably, it will end, someday. You don't have to be a cynic to suppose Wal-Mart is doing the least it must do – spending the minimum required – to counter the anti-Wal-Mart camp's negative effects. That's what we'd expect under supercapitalism. There's no way to know whether a subsequent McKinsey study has informed Wal-Mart that its customers are now back in the fold and it has done just about enough, or that 2 or 3 percent are still put off and its reputation still needs some burnishing. But it's a safe bet Wal-Mart is keeping a watchful eye on the polls, and gauging its response accordingly.

Remember, too, Wal-Mart is unusual. It's a huge, ubiquitous, highly visible institution – the largest employer in America, and one of the largest in the world – making it uniquely susceptible to the essentially political tactics of its critics. To the extent the firm has been pushed to be more virtuous, it seems doubtful the tactics for achieving this result are transferable to most other firms.

The fact that a modern corporation can spend its way out of most public relations problems suggests that campaigns to make companies more "socially responsible" are unlikely to establish new norms of corporate conduct. This is true even if the standard they are seeking is precisely drawn, and even if rivals don't jump into whatever lower-cost breach opens up. Political techniques may be employed by both sides, and some candidates for public office may even criticize a company for its irresponsible ways. But in such contests real politics – the stuff of democratic conflict and deliberation – is nowhere to be seen.

6. The Danger of the False Substitution

The eagerness with which corporations themselves have embraced social responsibility can dull the public's sense that there exist troublesome issues deserving of public attention. Vivid displays of corporate goodness can mask problems a democracy should grapple with – would grapple with – if the public understood their true dimensions. And because public attention spans are short, such temporary displays can preempt permanent solutions.

In light of rumblings from the Federal Communications Commission and from conservative legislators concerned about the sex and violence cable companies were pumping out to their subscribers, cable operators in early 2006 announced plans to offer packages of family-friendly channels so parents could shield their children. "There's no need for legislation now," said Senator Ted Stevens (R-Alaska), chairman of the Senate Commerce Committee, after being reassured of the cable companies' plans. "We have to give it a chance to work."[41] But cable companies had made similar promises before that had never been fulfilled. Presumably, cable companies will continue to pump out sex and violence until Congress or the FCC stops them, because sex and violence makes money.

Not long ago, Kraft Foods announced it would stop advertising certain products to children under the age of twelve. The news was hailed as a glowing example of corporate social responsibility. It was no such thing. A government study released before Kraft made its move concluded that advertising directed toward children contributes to child obesity; two bills in Congress proposed that such advertising be regulated. Kraft's initiative was designed to preempt these bills and preserve some degree of discretion to decide how and what to advertise to children. Said Michael Mudd, the chief architect of Kraft's obesity strategy, "[i]f the tobacco industry could go back twenty or thirty years, reform their marketing, disarm their critics, and sacrifice a couple of hundred million in profits, knowing what they know today, don't you think they'd take that deal in a heartbeat? We have that deal in front of us today."[42] As public pressure mounted for laws barring advertising of junk food directed at children, Kraft's announcement was followed by commitments from General Mills, McDonald's, and Coca-Cola to dedicate at least half of their child-oriented advertising to messages that encouraged "healthy lifestyles."[43] But the firms were conspicuously vague about how they defined healthy lifestyles, or how such ads might compare to the presumably unhealthy lifestyles they would promote with the other half of their advertising budgets.

Similarly, the News Corporation recently launched a multimillion-dollar advertising campaign to promote online safety tips cautioning teenage girls about men they may meet online. A case of social responsibility? Don't believe it. Several state attorneys general had threatened action against News Corp's MySpace to force it to make the site safer by providing parents with free software to block access to MySpace from home computers. But these measures would hurt business. The News Corporation launched its "responsible" campaign to forestall the effort. [44] Displays of corporate virtue may lull the public into thinking that a company can be trusted to do what's good for society even if costly to customers or shareholders. In 2002, British Petroleum shortened its name to BP and began promoting itself as the environmentally-friendly oil company with a vision that went "Beyond Petroleum" to embrace solar cells and wind power. In a $200 million advertising campaign organized by the advertising firm Olgilvy & Mather, the company transformed its corporate brand insignia from a shield to the more wholesomely natural green, yellow, and white sunburst. BP's chief executive, Lord John Browne, issued warnings about global warming and said the company had a social responsibility to take action.[45]

Notwithstanding its new image, BP continues to be one of the largest producers of crude oil on the planet. Although it committed itself to devoting $8 billion to alternative fuels over ten years, or roughly $800 million a year, that amount is tiny compared to BP's annual profits from oil of over $20 billion and its annual capital expenditures in recent years of over $14 billion.[46] By 2006, with oil hovering above $70 a barrel and BP making record profits, a company dedicated to moving "beyond petroleum" presumably would invest more in non-fossil energy sources. But BP investors were not interested in being socially responsible. They wanted to maximize their returns – and the returns from non-fossil fuels were, at best, many years away while the returns from oil production were large and immediate. In the summer of 2006, Congress passed an energy bill conspicuously short on money for new non-fossil based energy sources although generous to oil companies for continued oil exploration and development. It seems plausible that BP's advertising and marketing effort reenforced the public's perception that the private sector was already doing its part.

Meanwhile, BP was not exactly managing itself with the public in mind. In March 2005, corrosion of its pipes and equipment on the North Slope in Alaska led to a spill of 270,000 gallons of oil, the largest spill ever recorded in that fragile territory. Critics said BP wasn't spending enough money to prevent such spills. Only in 2006, after it was forced by the U.S. government to inspect all its pipelines with an automated device that crawled through the pipes, did the company find so much additional corrosion and leakage it had to shut down a sixteen-mile feeder line to the Trans Alaska Pipeline. And despite the best efforts of BP's Washington lobbyists and lawyers, BP came under investigation following an explosion at its Texas City plant, which killed fifteen workers and triggered a $21.3-million fine from safety regulators. [47] Regulators at the Commodity Futures Trading Commission charged BP with manipulating the price of propane by cornering the market through its dominant position – thereby pushing up heating costs for millions of households at the peak of winter demand.[48] The firm was being investigated by the Environmental Protection Agency for violations of air pollution rules, by the Department of Labor for unsafe work practices, and by the Chemical Safety and Hazard Investigation Board for its unsafe work practices. Perhaps all of these instances of malfeasance or nonfeasance would have come to light in any event, but BP's advertising and marketing success at depicting it as socially responsible arguably dulled the public's outrage and tempered any demand for more comprehensive reform.

Displays of corporate virtue can also obscure conditions that would otherwise generate political heat for reform. Recall the flurry of media attention directed at sweatshop abuses during the mid-

1990s. Apparel manufacturers and big retailers avoided any new laws or regulations by promising they would voluntarily clean up their acts. They developed voluntary codes of conduct and began monitoring their overseas factories, especially in China where most were located. But according to an investigation of internal industry documents by Business Week in late 2006, the codes are being widely violated. Many Chinese factories keep double sets of books to fool auditors and distribute scripts for employees to recite if they are questioned. Factory managers in China complained in interviews that pressure from American firms to cut prices creates a powerful incentive to cheat. Yet American companies continue to tout the codes as evidence of their social responsibility. And, according to Business Week, the codes "have been important to maintaining political support in the U.S. for growing trade ties with China."[49]

The preemption of politics often works because the public's memory – and the attention span of the media – is conspicuously short, as I said earlier. The public forgives because it so easily forgets. It can even be persuaded by a clever media campaign that a company once disdained for disregarding the common good is heroically achieving it. Recently, GE has been hailed as an environmental leader for its self-imposed restrictions on greenhouse gases. But the public – and the media – seem to have forgotten GE's role in polluting the Hudson River and its related tributaries with PCB, the company's tenacious fight with federal regulators against cleaning up the mess, and its insistent lobbying against regulation that would force it to foot more of the bill.[50]

The U.S. government has not increased automobile fuel-economy standards in several decades, nor made any major move to increase gas taxes to better reflect the true social cost of oil. Part of the reason is every time the public shows any broad interest in more fuel-efficient cars, major automakers declare themselves born-again environmentalists and commit themselves to fuel efficiency – until the public's interest flags. In 2000, Ford was the largest producer of SUVs and light trucks in North America, and they were among the nation's most notorious gas guzzlers. (When the Sierra Club sponsored a contest to give a name and advertising slogan to Ford's newest SUV – which used one gallon of gas for every twelve miles it traveled – the winner was "The Ford Valdez -- Have You Driven a Tanker Lately?" [51]) But that year Ford effectively preempted political pressure to force it and other automakers to do more by promising to voluntarily increase the fuel economy of its SUVs by 25 percent. Two years later, when Ford's profits began to drop and consumers still wanted big gas guzzlers that were highly profitable to the company, Ford revoked its pledge. It even went so far as to initiate an intense lobbying and advertising effort that successfully defeated a Senate proposal to raise fuel-economy standards.[52] In 2005, when oil prices shot upward and consumer interest in gas-guzzling SUVs and pickups began to wane, Ford with great fanfare announced its newfound interest in fuel efficiency. It pledged to voluntarily increase production of hybrid vehicles ten-fold by 2010.

Starbucks and Ben & Jerry's are known for their dedication to social responsibility, as I have mentioned, but even these paragons of corporate virtue may have reassured the public more than was merited. Ever since Starbucks' chairman Howard Schultz first sought to transform the coffee-bean company into a warm-hearted corporate citizen, it has missed no opportunity to advertise its "guiding principles" – such as "providing a great working environment." Yet

Starbucks' employment record is not without some large blemishes. In late 2005, the National Labor Relations Board – dominated, it should be noted, by Republican appointees – issued a complaint alleging that Starbucks tried to prevent workers in several of its stores from participating in union activities, and fired at least one who "supported and assisted" a union.[53] The endlessly soothing cadences about Starbucks' warm-heartedness masks a company that is hardheaded when it come to controlling costs – as it must be under supercapitalism. But the reassuring public relations campaign may also deflect what could be important public discussions about whether workers should be freer to unionize, especially workers in sectors of the economy sheltered from international competition.

Ben & Jerry's puts a great deal of emphasis on the ice cream firm's efforts to save tropical rain forests. The campaign seems to help sell the ice cream because it reenforces the image of Ben & Jerry's as a likeable company. Yet conspicuously absent from Ben & Jerry's marketing is any effort to warn the public of the dangers of eating super-premium extra-creamy ice cream, precisely of the sort offered by Ben & Jerry's. Protecting the Amazon is surely a worthwhile goal but protecting people from obesity and diabetes is too. Ben & Jerry's is not morally or legally responsible for supplying a healthier product, of course. Pursuant to supercapitalism, the company will do whatever is necessary to lure customers and satisfy investors. The problem is that people are subtly lulled by the happy marketing about keeping the planet healthy into believing they can trust the company to keep them healthy, too. Like Kraft Foods' strategy, this one also diverts the public from pushing the Food and Drug Administration to do such things as bar advertising of fatty and sugary foods directed at children.

6. Letting Politicians Off the Hook

In recent years, politicians have got into something of a habit of publicly shaming companies that have acted badly in some way. Offending executives are typically hauled before congressional committees, where members of Congress berate them. But little legislation emerges to force the companies to behave any differently in the future.

The notion that such public scoldings and the temporarily unflattering publicity that accompany them will alter corporate practices is another diversion from the work of creating rules that balance the interests of consumers and investors with broader interest of the public. It also, conveniently, allows politicians to maintain good relations with the same companies and industries – collecting campaign donations, enjoying rounds of golf with their executives, tapping their corporate lobbyists for miscellaneous favors – while showing the public they're being "tough" on the wrongdoers. Here again, the public is led to believe that democracy is working when all that's really working is public relations.

When oil prices soared in 2005 and early 2006, oil companies reaped extraordinary profits while millions of Americans had to pay more to fuel their cars and heat their homes. This prompted calls for Congress to enact a "windfall profits tax" on the oil companies, but not even a debate took place. Instead, Congress simply scolded oil company executives and publicly berated the companies. As oil prices and profits approached record levels, Senator Charles Grassley, an Iowa

Republican, and chairman of the Senate Finance Committee, issued a public letter reprimanding the oil and gas industry and instructing its companies to make charitable donations – 10 percent of that quarter's profits – to help poor people pay their heating bills that winter. "You have a responsibility to help less fortunate Americans cope with the high cost of heating fuels," Grassley said. [54]

Grassley's admonition made the headlines but obviously had no effect. Why would the oil companies voluntarily give away their profits? The only practical effects of the public scolding were to make Grassley and his colleagues seem compassionate, and to reassure some portion of the public that Congress was "doing something" about record oil prices and profits. But because any real debate about a tax on their windfall profits was deflected by Grassley's moves, the public never had an opportunity to decide whether using the resulting revenues to help low-income oil consumers was worth the risk that oil companies, forced to disgorge some of their profits, might do less exploration and development – leading to higher prices in the future.

When BP's carelessness on the North Slope led to the temporary shutdown of the nation's largest oil field, in August 2006, Congress demanded BP executives appear in person to be held accountable. At the ensuing hearing, members from both sides of the aisle accused the executives of crass negligence. Representative Joe Barton, a Texas Republican and chairman of the committee, excoriated them: "If one of the world's most successful oil companies can't do simple basic maintenance needed to keep the Prudhoe Bay field operating safely without interruption, maybe it shouldn't operate the pipeline," he fumed. "I am even more concerned about BP's corporate culture of seeming indifference to safety and environmental issues. And this comes from a company that prides itself in their ads on protecting the environment. Shame, shame, shame."[55] Committee members then grilled the BP executives about why the company had failed for as long as fourteen years to do the sort of internal inspection and maintenance on its pipelines that were performed every two weeks on the Trans-Alaska Pipeline, into which the BP pipelines feed. The BP executives solemnly promised to be more careful in the future.

But neither the members of Congress nor the BP executives focused on the most pertinent fact: Frequent inspections of the Trans-Alaska Pipeline were required by law, but no similar inspections were required on feeder pipelines such as those owned by BP. If the panel was serious about getting BP to change its ways it would have introduced legislation to close this loophole. Recall that BP did the internal inspection that led to the shutdown only when the government forced it to, after the 2005 oil spill. Why should BP be expected voluntarily to do more thorough inspections in the future? The panel did not introduce such legislation because the hearings were for show. Barton and his colleagues had sponsored many bills favorable to the oil industry, and weren't about to impose any burdens on it. The scolding of BP's executives for being socially irresponsible did nothing to serve the public.

Corporate executives are not authorized by anyone – least of all by their consumers or investors – to balance profits against the public good. Nor do they have any expertise in making such moral calculations. That's why we live in a democracy, which is supposed to represent the public in drawing such lines.

Consider Yahoo's decision in 2005 when it surrendered to Chinese authorities the names of Chinese dissidents who had used Yahoo email, thinking their email addresses would shield their anonymity. One, a journalist, was sentenced to ten years in prison for sharing with foreigners a message his newspaper had received from Chinese authorities, urging it not to overplay the fifteenth anniversary of the Tiananmen Square disturbances. Another whom Yahoo helped Chinese authorities trace down was sentenced to eight years, and a third, to four years. It remains unclear how many more dissidents are in Chinese prisons because of Yahoo's cooperation with Chinese authorities.

Yahoo's decision ignited a firestorm. Its executives explained the firm had no choice but to comply with Chinese law if it wanted access to China's huge and growing market – and Yahoo said it needed to be in China to move China toward democracy. "I've always taken the attitude that you're better off playing by the government's rules and getting there," Yahoo's chairman told attendees at a Web conference in San Francisco. "Part of our role in any form of media is to get whatever we can into those countries and to show and enable people, slowly, to see the Western way and what our culture is like, and to learn."[56] Yahoo's <u>role</u>? The firm was never anointed the vessel of Western culture, nor the arbiter of how best to present it to China. That's not the business of any global company. Indeed, most global companies do everything in their power to <u>avoid</u> the appearance of representing any particular culture, nationality, or ideology – unless such representation helps them sell their products.

The most damning indictment of Yahoo's decision came from Liu Ziaobo, a Chinese dissident in Beijing who had served time in a Chinese prison, in an open letter to Yahoo's founder, Jerry Yang. "I must tell you that my indignation at and contempt for you and your company are not a bit less than my indignation at and contempt for the communist regime," he wrote, according to a translated version appearing on the Website of the China Information Center, based in Virginia. "Profit makes you dull in morality. Did it ever occur to you that it is a shame for you to be considered a traitor to your customer?" Liu was unimpressed by Yahoo's argument. "What you have said to defend yourself indicated that your success and wealth cannot hide your poverty in terms of the integrity of your personality." His letter concluded with a bitter salvo. "[Y]our glorious social status is a poor cover for your barren morality, and your swelling wallet is an indicator of your diminished status as a man."[57]

Both sides of this moralistic debate – Yahoo's and Liu's -- reflect a fundamental misunderstanding of the role of the modern corporation in a democracy. Yahoo is not a moral entity, and no one authorized it to undertake any ethical balancing between sending dissidents to prison and exposing the Chinese to American culture and democracy. Yahoo's executives have only one responsibility under supercapitalism – to make money for their shareholders and, along the way, satisfy their consumers. In this instance, one of Yahoo's key "consumers" was the Chinese government, because it was the gateway to all other Chinese consumers. Unless barred by legislation in the United States, Yahoo will continue to do whatever the Chinese government demands of it because the competitive stakes are too high and the potential profits too great to do otherwise. China is the second-largest Internet market in the world after the United States. As of

2006, more than one hundred million Chinese had already logged on. At the rate Internet usage is growing there, within a few years there will be more Chinese on the Internet than Americans.

Google also found itself on the hot seat when it created for the Chinese authorities a censored version of its search engine, removing such incendiary words as “human rights” and “democracy.” “I think it’s arrogant for us to walk into a country where we are just beginning operations and tell that country how to run itself,” Eric Schmidt, Google’s chief executive, told reporters from foreign news organizations.[58] But Google’s decision to cooperate with China had nothing to do with arrogance or modesty. Like Yahoo’s, it was all about profits, as it <u>had</u> to be. A few days before revelations about the firm’s compicity with Chinese authorities, Google displayed heroic arrogance toward the United States government, which had demanded from Google information about child pornography searches conducted on Google’s Website, plus a random sample of a million Web searches. The U.S. government was trying to build a case for reinstating the Child Online Protection Act, which the Supreme Court had ruled to be overly broad in violation of the First Amendment. Google refused to cooperate.[59]

Why did Google decide to cooperate with Chinese authorities and not with American? If it were really trying to act morally, it would have resisted the demands of a totalitarian regime and deferred to a democracy. But morality had nothing to do with it. Access to China’s huge market depended on the acquiescence of the Chinese government, and Google – like Yahoo – figured the only way to get that acquiescence was to do whatever the Chinese authorities wanted of it. Google didn’t want to risk it being banned while Microsoft would be free to market its own search engine in China. Access to American consumers, by contrast, does not depend on the acquiescence of the U.S. government. Google can sell its search engine to Americans regardless of whether it complies with a government's request which, in this instance, Google was prepared to fight in court. Indeed, Google's refusal to comply with the U.S. government made good business sense because it protected the privacy of Google's American consumers – who would have been incensed had Google turned over information about them. The difference, of course, is America is a democracy and China is not. Google's executives did not really concern themselves with the moral question of when to defy a government. They have no authority to make such a decision. They are in business to make money for their shareholders.

Any decision about Yahoo's or Google's "social responsibility" was and is best left to the democratic process in the United States, where the firms are headquartered and whose citizens have a presumed stake in human rights around the world. Hence, one appropriate forum for sorting out these firms' duties is Congress, before whom their executives were summoned to appear. The question that body needed to address was whether American high-tech companies should be barred from cooperating with dictatorial governments to abridge human rights, even if this means losing business. That didn't happen, however.

The House Subcommittee on Human Rights held the hearings in February 2006. In addition to Yahoo and Google, the panel summoned the executives of Microsoft and Cisco. Microsoft had removed blogs the Chinese government didn't like; Cisco had peddled its equipment to the Chinese police – creating for them a wireless Internet system to track individual users, a video surveillance system, automated surveillance of telephone conversations, and means of scanning the emails of every Chinese citizen.

New Jersey Republican Christopher Smith, chairman of the subcommittee, told the New York Times he was incensed. “This is about accommodating a dictatorship. It’s outrageous to be complicit in cracking down on dissenters.”[60] During the hearing, Smith accused Yahoo of entering into a “sickening collaboration.” He ridiculed the firm’s avowed justification for revealing the names of dissenters, saying if Anne Frank had put her diaries on email and Nazi authorities wanted to trace her down, Yahoo might have complied if Yahoo’s email system had exposed Nazi Germany to American culture. Tom Lantos, a leading Democrat on the committee and the only Holocaust survivor in Congress, asked the assembled executives “are you ashamed? Yes or no?” He called their behavior a “disgrace” and asked how they could sleep at night. James Leach, a Republican from Iowa, accused Google of serving as “a functionary of the Chinese government,” adding that “if we want to learn how to censor, we’ll go to you.”[61]

Smith subsequently introduced a bill to prevent American companies from, among other things, cooperating with censorship, but no one expected it to pass, and neither Smith nor any other member of congress pushed for it. Soon thereafter, the State Department announced it was forming a task force about American Internet companies collaborating with China in repressing free speech. A “task force” is another way to appear to do something in Washington while actually sending the issue back to the circular file.

If the U.S. government wanted to make Chinese human rights a priority, it could pass a law tomorrow barring American companies from helping the Chinese government hobble the free speech of its citizens – just as it once barred trade with South Africa and still bans commerce with countries like Cuba and Burma, and has managed to force most of the world's major banks to eschew business with North Korea.[62] Don't hold your breath. Despite all the self-righteous indignation emanating from Congress, and despite all the talk by the Bush administration about spreading democracy around the world, international human rights don't rank very high in Congress or the White House. First and foremost, American business wants access to China's huge market without interference. During the hearing, Representative Robert Wexler, a Florida Democrat and another member of the Subcommittee on Human Rights, followed up on Lantos's questioning of the executives and asked if Congress ought to be ashamed of itself for having granted China special trade status as a most favored nation. In a rare moment of candor, another panel member, Dana Rohrabacher, a California Republican, denied Congress's culpability in granting China such trading privileges. "Who lobbied for that?" he asked, rhetorically shifting responsibility to those who had pushed Congress to grant the trade concessions. "Come on. The corporations did."[63]

Lobbyists for Yahoo, Google, Microsoft, and Cisco understood the public's concern about what these companies have been up to in China. Presumably, they also knew the public wanted to be reassured that Congress was "taking action." In all likelihood they cooperated with Congress in putting together the conspicuous display of public scolding – for the cameras. They almost certainly knew Congress would do nothing to follow it up.

All the while, as expected, consumers and shareholders of these firms remained unconcerned. A consumer boycott was threatened (booyahoo.blogspot.com urged “freedom-loving citizens of the Internet to discontinue their use of Yahoo services as a result of their oppressive policies”) but nothing came of it. Reporters Without Borders, a Paris-based organization, got more than two dozen “socially responsible” asset management firms representing about $21 billion in assets to sign a resolution calling on Internet businesses to ensure their products were not used to commit human rights violations, and to introduce and support shareholder resolutions supporting freedom of expression – but nothing came from the resolution. A UBS analyst warned his clients that “negative PR will damage Google’s brand,”[64] but he was proven wrong. A formal shareholder proposal to be voted on at Cisco’s annual shareholder meeting requested the firm develop and implement a company human rights policy, but it went nowhere. Did anyone really expect investors to dump Cisco, Microsoft, and Google stock over this imbroglio? To the contrary, access to China’s huge market was almost sure to increase profits and share prices in the future. Did anyone suppose American consumers would turn their backs on these companies’ products? Not a chance. Where else would they turn?

None of these companies broke American law when they helped Chinese authorities suppress human rights in China. All obeyed the prevailing rules of the game. In supercapitalism, that’s all we can and should expect companies to do. Framing the issue in moral terms -- citing the shameless behavior of these companies and their executives -- diverted attention from the harder but more important question of whether the rules of the game should be altered.

When Joe Biden, a putative presidential candidate in 2008, attacked Wal-Mart for treating its employees badly, Biden was credited with being concerned about working people -- without having to introduce or push specific legislation to change the rules so Wal-Mart and all its competitors would have to behave differently. When John Kerry, as Democratic candidate for president in 2004, attacked the heads of companies that outsource jobs abroad for being "Benedict Arnold CEOs," he was similarly credited with having compassion for the millions of American workers whose jobs have been lost and whose wages have been going nowhere for years. His moral outrage, however, only served to divert attention from the sobering fact that Kerry had no real plan then for curbing the practice, and has not followed up with one since.

7. Letting Corporations Off the Hook

Politics is also diverted when politicians ask corporations to take some action <u>voluntarily</u> in the public interest, as Senator Grassley asked the oil companies to do. Early in the Bush administration, the White House embarked on an initiative dubbed "Climate Leaders," in which the President, with great fanfare, asked the nation's major industrial polluters to commit to reducing their greenhouse gas emissions by at least 10 percent within the decade. The event suggested the Administration was taking action on global warming, but it was doing no such thing. By January 2004, only fifty of the thousands of American firms with major greenhouse gas emissions had agreed to become Climate Leaders and reduce their emissions, and of these only fourteen announced specific goals. Although energy utilities are the nation's major polluters, only six of these fifty were utilities. Within a few years the Climate Leaders initiative had died a quiet death. A 2004 report by the World Economic Forum at Davos applauded the efforts of some forward-looking multinational companies to reduce greenhouse gas emissions but concluded that voluntary actions were inadequate to counter effects of climate change.[65]

Of course they're inadequate. Supercapitalism does not permit acts of corporate virtue that erode the bottom line. No company can "voluntarily" take on an extra cost that its competitors don't also take on – which is why, under supercapitalism, regulations are the only means of getting companies to do things that hurt their bottom lines. As Professor David Vogel concluded after surveying so-called "voluntary" corporate environmental initiatives in the United States and Europe, few companies undertake them in the absence of regulations or the impending threat of them.[66] To suggest that a vast, untapped reservoir of corporate benevolence is available for the asking is to seriously mislead the public – and once again divert attention from the important job of deciding what such regulations should be. In fact, the outpouring of "voluntary" corporate initiatives on global climate change is deflecting public attention from the necessary work of enacting tough laws and regulations to deal with it.

It is much the same with what passes for corporate charity. Companies donate money to the extent – and only to the extent – it has public relations value, and thereby helps the bottom line. Shareholders do not entrust their money to corporate executives for them to give it away, unless the return is greater. When the 2005 tsunami devastated Indonesia and other parts of coastal

Southeast Asia, President Bush asked American corporations to come to the aid of victims. After several companies contributed millions of dollars, Bush extolled CEOs for their generosity. "One of the less reported aspects of the U.S. business community is the tremendous amount of good they do, giving back to the communities in which they operate," he said. "[T]he tsunami has presented the private sector here in America with a genuine watershed moment. I believe it's ushered in a new era of corporate social responsibility."[67] His words were greeted with loud applause, but they made no sense. The assembled CEOs had not been generous – they had not contributed their own money. They had donated their shareholders' money. Presumably they had done so in the belief their shareholders would benefit from the public relations value such contributions added to the firms' bottom lines. Otherwise, these CEOs would have violated their fiduciary duties and risked having their shareholders switch to other companies that didn't give away their money. Shareholders did not invest in their firms expecting the money would be used for charitable purposes. They invested to earn high returns. Shareholders who wished to be charitable would, presumably, make donations to charities of their own choosing in amounts they decided for themselves.

The larger danger is that these conspicuous displays of corporate beneficence hoodwink the public into believing corporations have charitable impulses that can be relied on in a pinch. An earthquake that hit Pakistan in October 2005 killed more than 87,000 people and displaced three times as many as those affected by the Indian Ocean tsunami. Yet the Bush administration initially pledged only $500,000 in aid – a sum so small as to be derided by many Pakistanis.[68] Bush then pledged more, and also asked five prominent CEOs to mount a major fundraising effort from American corporations. General Electric contributed more than $5 million in cash and health care and energy equipment; Pfizer, $1 million to relief agencies and $5 million in medicines and health care products; Xerox, $1 million in cash; Citigroup, $3 million. In total, the CEOs raised about $100 million, moving the President to another effusive outpouring of gratitude. "If the international community had not stepped in," he told the assembled executives, "the door might have been opened for more radical Islamic influences."[69]

Actually, the "international community" failed to step in as much as it should have. Pakistan needed billions of dollars, not hundreds of millions – and needed it quickly. While more than $3 billion in aid had been distributed to areas hit by the tsunami within two weeks of that disaster, a total of only $17 million had been distributed to Pakistan as late as six weeks after the quake. And according to the United Nations, total pledges to Pakistan still amounted to only a quarter of what was needed to cope with the devastation. The void was partly filled by radical Islamist groups. The Pakistani interior minister acknowledged that the radicals were "the lifeline of our rescue and relief work."[70]

In the wake of Hurricane Katrina in the summer of 2006, the President again asked large corporations to come to the aid of victims – which they did. Steve Odland, CEO of Office Depot, offered some $17 million of office supplies, water, batteries, and school supplies. As noted, Wal-Mart's Lee Scott, Jr. donated millions of dollars. "We are such a part of the fabric of these communities that you have a responsibility to respond," he explained. But responsibility had nothing to do with it. As we've seen, the conspicuous show of corporate kindness was essential to Wal-Mart's strategy of countering the bad press it was getting from the anti-Wal-Mart campaign.[71]

Corporations are not set up to be public charities. The world's biggest philanthropists, Bill and Melinda Gates, do not draw on Microsoft's profits; they draw on their own vast fortune. The only legitimate reason for a corporation to be generous with its shareholders' money is to burnish its brand image, and such a rationale will go only so far. In Katrina's aftermath, Wal-Mart's Scott was candid about the limits of his firm's generosity. "We can't send three trailer loads of merchandise to every group that asks for it," he said, turning down a request for two thousand blankets. "We have to, at the end of this, have a viable business."[72] Charitable giving by corporations is infinitely small compared to what the public sector dispenses.

Corporate "thank you" rituals have become a staple of American public life, but it remains unclear who exactly deserves thanks. "Ajay, please come up here!" Bill Clinton summoned a Citigroup executive, Ajay Banga, onto the stage at his annual corporate give-a-thon. Before a full house of CEOs and millionaire investors, Clinton praised Citigroup for committing $5.5 million to support financial education for the poor.[73] But who exactly was Clinton praising? The $5.5 million wasn't Banga's money. Presumably, it came out of Citicorp's profits. If Citigroup's shareholders benefitted indirectly from the positive publicity because it improved Citigroup's bottom line, the shareholders didn't deserve thanks; they had sacrificed nothing. If they did not benefit, Banga and the other Citigroup executives deserved to be criticized rather than thanked because they had no business giving away their shareholders' money. After Hurricanes Katrina and Rita, and the Indonesian tsunami, the Red Cross ran a two-page spread in the New York Times, publicly thanking more than 225 “donors” of a million dollars or more. The list included a few families and foundations, but mostly publicly-held corporations. Some of these corporations were recognized for donations made by their employees or customers but most were recognized for making the gifts themselves. “Thank you for your support during the most demanding time in our 125 years of serving America,”[74] read the ad. Here again, it was unclear who the Red Cross was thanking.

Corporations do some good deeds but corporate thank you rituals mislead the public into believing companies do these things out of selflessness – indeed, that there is a “self” there deserving commendation in the first place. But there is no corporate selflessness, and there is no corporate self. In supercapitalism, companies exist only to serve consumers and thereby make money for investors. This is how they serve the public.

8. The Inversion of Responsibility

Democracy and capitalism have been turned upside down. Look at federal and state governments and you see that capitalism has invaded democracy. Legislation is enacted with public rationales that bear little or no relation to the real motives of the corporations and their lobbyists who pushed for them and legislators who voted for them. Regulations, subsidies, taxes, and tax breaks are justified as being in the public interest but are most often the products of fierce lobbying by businesses or industries seeking competitive advantage. The broader public is not involved. Citizen voices are drowned out. The public rationales mask what's really going on – which companies and industries gain and which lose.

At the same time, a kind of faux democracy has invaded capitalism. Politicians and advocates praise companies for acting responsibly or condemn them for not doing so. Yet the praise and blame are disconnected from any laws and rules defining responsible behavior. The message that companies are moral beings with social responsibilities diverts public attention from the task of establishing such laws and rules in the first place. The praise or blame is soon forgotten, and barely affects the behavior of consumers or investors. Meanwhile, the real democratic process is left to companies and industries seeking competitive advantage.

The first step in turning democracy and capitalism right side up is to understand what's really happening.

Notes

There is a large and growing literature on corporate social responsibility. Among the best recent books are David Vogel, The Market For Virtue (Washington, D.C.: Brookings, 2006); Michelle Micheletti, Political Virtue and Shopping: Individuals, Consumerism, and Collective Action (New York: Palgrave Macmillan, 2003); and David Henderson, Misguided Virtue: False Notions of Corporate Social Responsibility (London: Institute of Economic Affairs, 2001). Most contemporary writing on the subject emphasizes the connection between corporate social responsibility and profitability. See, for example, Christine Arena, Cause for Success: Ten Companies That Have Put Profits Second and Come in First (Navato, California: New World Library, 2004); Robert Willard, The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line (Gabriola Island, B.C.: New Society, 2002); Malcolm McIntosh, Deborah Leipziger, Keith Jones and Gill Coleman, Corporate Citizenship: Successful Strategies for Responsible Companies (London: Financial Times, 1998); Ira Jackson and Jane Nelson, Profits with Principles: Seven Strategies for Delivering Value with Values (New York: Currency/Doubleday, 2004); Kevin Jackson, Building Reputational Capital: Strategies for Integrity and Fair Play That Improve the Bottom Line (Oxford University Press, 2004); Michael Hopkins, The Planetary Bargain: Corporate Social Responsibility Matters (London: Earthscan, 2003).

---

1. Both surveys from Ronald Alsop, "Recruiters Seek MBAs Trained in Responsibility," Wall Street Journal, December 13, 2005, p. B6.

2. Quoted in Claudia H. Deutsch, "Companies and Critics Try Collaboration," The New York Times, May 17, 2006, p. E1.

3. For information on Dow's efforts to reduce its carbon emissions, see the Dow web site for energy and climate change, at http://www.dow.com/energy/ . On McDonald's shift to more humane slaughtering techniques, see Joby Warrick, "Big Mac's Big Voice in Meat Plants," The Washington Post, April 10, 2001, p. A11. On Wal-Mart's adoption of green packaging, see

Harold Brubaker, "Wal-Mart Picks Corn for Its Packaging," The Houston Chronicle, October 21, 2005, Business Section, p. 4. On Starbuck's employee health insurance, see Lisa Schmeiser, "Perks Can Aid Bottom Line," Investor's Business Daily, October 17, 2005, p. A10. See also David Vogel, The Market for Virtue (Washington, DC: Brookings, 2005), p 130.

4. On these instances of corporate sensitivity to consumer concerns about fatty foods, see "Wendy's Cuts Trans Fats in Fries and Chicken," Consumer Affairs, June 9, 2006, available from the Consumer Affairs web site: http://www.consumeraffairs.com/news04/2006/06/wendys_transfat.html; "Oreo Takes on a New Twist with New Varieites that Contain Zero Grams of Trans Fat Per Serving," PR Newswire, April 6, 2004; "Frito Lay Chips Down – To Zero Trans Fat," The Houston Chronicle, September 28, 2003, Business Section, p. 10; "Cereals Will Get Healthier," The Houston Chronicle, October 1, 2004, Business Section, p. 1.

5. Starbucks full-page ad, The New York Times, July 24, 2005, p 13.

6. Milton Friedman, "The Social Responsibility of Business is to Increase Profits," The New York Times Magazine, September 13, 1970.

7. For these illustrations of how investors have punished companies that sacrifice profits to "social responsibility," see, on Cummins Engine, Michael Oneal, "Global Economy Strains Loyalty in Company Town," Chicago Tribune, April 4, 2004; on Dayton-Hudson, see Caroline Mayer, "Dayton Hudson Acts to Fed Off Hafts," The Washington Post, June 20, 1987, p. C1; on Levi-Strauss, see "Levi Strauss Announces Intention to Close Six Plants," The Associated Press State & Local Wire, April 8, 2002; on Polaroid, see Claudia Deutsch, "Deep in Debt Since 1988, Polaroid Files for Bankruptcy," The New York Times, October 13, 2001; on Marks & Spencer, see Michael Skapinker, "Why Corporate Laggards Should Not Win Ethics Awards," Financial Times, July 21, 2004, p. 8

8. Peter Landers and Joann Lublin, "Merck's Big Bet on Research by its Scientists Comes up Short," Wall Street Journal, Nov 28, 1993, p 1.

9. On this point, see Alison Maitland, "Scandals Draw Attention to 'Superficial' Measures," The Financial Times, December 10, 2002, Management Section, p. 1.

10. Felicity Barringer, "Exxon Mobil Becomes Focus of a Boycott," The New York Times, July 12, 2005, p. A19.

11. Claudia H. Deutsch, "New Surveys Show that Big Business Has a P.R. Problem," The New York Times, December 9, 2005, p. C1.

12. See Dan Ahrens, Investing in Vice: The Recession-Proof Portfolio of Booze, Bets, Bombs and Butts (New York: St Martins, 2004). See also, Oaul Koku, Aigbe Akhigbe, and Thomas Springer, "The Financial Impact of Boycotts and Threats of Boycott," Journal of Business Rresearch 40, no. 1, (1997), pp 15-20.

13. See Jeffrey Hollender and Stephen Fenichell, What Matters Most: How a Small Group of Citizen Pioneers is Teaching Social Responsibility to Big Business and Why Big Business is Listening (New York: Basic Books, 2004), p. 47

14. Paul Hawken and Natural Capital Institute, Socially Responsible Investing, (Sausalito, California: Natural Capital Institute, October, 2004)

15. David Vogel, The Market for Virtue: The Potential and Limits of Corporate Social Responsibility (Washington, D.C.: Brookings Institution, 2005), p. 73.

16. Full-page ad, The New York Times, August 10, 2006, p. A7.

17. "Do We Have a Story for You!," The Economist, January 21, 2006, p 57.

18. See Dara O'Rourke, "Market Movements: Nongovernmental Strategies to Influence Global Production and Consumption," Journal of Industrial Ecology, vol. 9, no. 1-2 (2005), citing J. Makower, "Whatever Happened to Green Consumers?" Organic Consumer Association, July/August 2000.

19. Vogel op cit p. p.135.

20. Michel Capron and Francoise Quairel-Lanoizelee, Mythes et Realities de l'enterprise Responsible (Paris: La Decouverte, 2004), p. 57

21. See Vogel, op cit., p. 54.

22. Vogel, op cit., p. 154.

23. Ibid.

24. Michael Barbaro, "A New Weapon For Wal-Mart: A War Room," The New York Times, November 1, 2005, p A1.

25. Vogel, op cit., pp. 112-113.

26. See the AFA's online petition, at http://www.afa.net/Petitions/IssueDetail.asp?id=220 .

27. Ann Zimmerman, "Morning-After Pill Comes to Wal-Mart," Wall Street Journal, March 18-19, 2006, p. A2.

28. Jeremy Peters, "Gays Pressure Ford to Reject Boycott Group," The New York Times, December 13, 2005, p C4.

29. Jeremy Peters, "Ford, Reversing Decision, Will Run Ads in Gay Press," The New York Times, December 15, 2005, p. C3.

30. Donald E. Wildmon, Chairman, American Family Association, Letter to Chairman Bill Ford, January 10, 2006, available at http://afa.net/fordletter.asp .

31. On Focus on the Family's urging of consumers to boycott Procter & Gamble, see David Kirkpatrick, "Conservatives Urge Boycott of Procter & Gamble, The New York Times, September 17, 2004, p. A18. On the Action League of Chicago's attempt to boycott American Girl dolls, see Laura Berman, "Don't Drag Girls into Debate," Chicago Sun-Times, November 28, 2005, p. 61. On the National Rifle Association's attempt to pressure Conoco Phillips, see Ralph Blumenthal, "N.R.A. Fights Energy Giant Over Stance On a Lawsuit," The New York Times, August 3, 2005, p. A13.

32. On Nike, see Tom McCawley, "Inside Track: Racing to Improve its Reputation," Financial Times, December 21, 2000, p. 14; on New Balance, see Chris Reidy, "Labor Group Hit New Balance" Boston Globe, January 7, 2006, p 4.

33. The text of this advertisement appeared in many newspapers. See, for example, The New York Times, April 20, 2005, p. A20. It can also be found at the "Wal-Mart Watch" web site: http://walmartwatch.com/pdg/ad-nyt-042005.pdf .

34. This estimate can be found in Executive Office of the President of the United States, Office of Management and Budget, Analytic Perspectives, Budget of the United States Government, Fiscal Year 2006 (Washington, D.C., U.S. Government Printing Office, 2006), p. 324.

35. Steven Greenhouse, "Opponents of Wal-Mart to Coordinate Efforts," The New York Times, April 3, 2005, A12.

36. Ibid.

37. Michael Barbaro, "A New Weapon For Wal-Mart: A War Room," The New York Times, November 1, 2005, p. A1.

38. On Wal-Mart's response to Katrina, see Michael Barbaro and Justin Gillis, "Wal-Mart at Forefront of Hurricane Relief," The Washington Post, September 6, 2005, p. D1.

39. On Wal-Mart's environmental initiatives, see Mark Gunther, "The Green Machine," Fortune, August 7, 2006. Scott is quoted in Matther Wald, "What's Kind to Nature Can be Kind to Profits," The New York Times, May 17, 2006, p. E1.

40. Matthew L. Wald, "What's Kind to Nature Can be Kind to Profits," The New York Times, May 17, 2006, p. E1

41. Jennifer Kerr, "Comcast to Help Shield Kids from Smut on TV," Detroit Free Press, December 13, 2005, p 4.

42. Sarah Ellison, "Why Kraft Decided to Ban Some Food Ads to Children," Wall Street Journal, October 31, 2005, p. A1.

43. See Andrew Martin, “Leading Makers Agree to Put Limits on Junk Food Advertising Directed at Children,” The New York Times, November 16, 2006, p. C1.

44. Julia Angwin, “News Corp. Sets Online-Safety Ads,” The Wall Street Journal Online, April 10, 2006. Retrieved November 3, 2006, from http://online.wsj.com/purblic/us .

45. See Joe Nocera, “Green Logo, But BP is Old Oil,” The New York Times, August 12, 2006, p. C1.

46. Ibid. See also Eric Reguly, “Facts Discolour BP’s Green Image,” The Globe and Mail, September 21, 2006, p. B2.

47. Jim Carlton, “BP Finds New Pipeline Rupture Cuased by Corrosion in Alaska,” Wall Street Journal, April 17, 2006, p 14. See also, Joe Nocera, “Green Logo, But BP is Old Oil,” The New York Times, August 12, 2006, p. C1.

48. Jad Mouawad, “BP Named in Inquiry on Pricing,” The New York Times, June 29, 2006, p C1.

49. See Dexter Roberts and Peter Engardio, “Secrets, Lies, and Sweatshops,” Business Week, November 27, 2006, p. 50.

50. “Waiting for GE,” The New York Times, March 26, 2006, Section 14 WC (Westchester Weekly Desk), p. 15.

51. Vogel, op cit, p. 122.

52. Vogel, op cit, p. 122.

53. Carol Hymowitz, “Big Companies Become Big Targets Unless They Guard Images Carefully,” Wall Street Journal, December 12, 2005, p. B1.

54. “Mr. Grassley Goes Begging,” The New York Times, November 14, 2005, p. 20.

55. Felicty Barringer, “Panel Questions BP on Managing Alaska Oil,” The New York Times, September 8, 2006, p. A16.

56. Tom Zeller, Jr., “To Go Global, Do You Ignore Censorship?” The New York Times, October 24, 2005, p. C3.

57. Quoted in Zeller, op cit.

58. Jim Yardley, “Google Chief Rejects Putting Pressure on China,” The New York Times, April 13, 2006, p. C7.

59. See Jon Swartz, “Google, Justice Department Face Off on Search/Privacy Issue,” USA

Today, March 14, 2006, p. 3B.

60. Tom Zeller, Jr., “To Go Global, Do You Ignore Censorship?” The New York Times, October 24, 2005.

61. See Joseph Nocera, “Enough Shame to Go Around on China,” The New York Times, February 18, 2006, pp. B1, B13; Tom Zeller, Jr., “Web Firms Are Grilled on Dealings in China,” The New York Times, February 16, 2006, p. C1.

62. See Joseph Nocera, “Enough Shame to Go Around on China,” The New York Times, February 18, 2006, pp B1, B13. See also Joel Brinkley, “U.S. Squeezes North Korea’s Money Flow, The New York Times, March 10, 2006, p. A12.

63. Tom Zeller, Jr., “Web Firms Are Grilled On Dealings in China,” The New York Times, February 16, 2006, p. C1.

64. On the Reporters Without Borders resolution, see Tom Zeller, “Critics Press Companies on Internet Rights Issues,” The New York Times, November 8, 2005. The UBS analyst is quoted in Lee Drutman, “Google May be the Least of Three Evils,” Providence Journal, February 21, 2006.

65. See Vogel, op cit., pp 131, 132.

66. Vogel, op cit., p. 134.

67. Quoted in “Corporate Social Responsibility in Action: Private Sector Summit on Post-Tsunami Rehabilitation and Reconstruction,” Asia Society, Washington, D.C., May 12, 2005.

68. Elizabeth Davies, “Earthquake Tragedy: West’s Response Condemned as Slow and Inadequate,” The Independent, October 11, 2005, p 1.

69. William Holstein, “The Impact of Image on the Bottom Line,” The New York Times, April 9, 2006, Section 3, p. 13.

70. See Husain Haqqani and Kenneth Ballen, “Earthquake Relief: If We Don’t Help Pakistan, Al-Qaeda’s Friends Will,” Carnegie Endowment for International Peace, November 17, 1005.

71. Alan Murray, “The Profit Motive Has a Limit: Tragedy,” Wall Street Journal, September 7, 2005, p. A2.

72. Alan Murray, op cit.

73. Celia W. Dugger, “Clinton, Impresario of Philanthropy, Gets a Progress Update,” The New York Times, April 1, 2006, p. A9.

74. A copy of the Red Cross advertisement can be found at www.nestle-watersna.com/PDF/ARC

.