
Toward A Political Theory of the Business Firm? A Comment on “Political CSR”

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A COMMENT ON Glen Whelan (2012), “The Political Perspective on Corporate Social Responsibility: A Critical Agenda,” *Bus Ethics Q* 22(4): 700–737.

ABSTRACT

Glen Whelan (2012) attempts to advance what he refers to as a “critical research agenda” for the “political perspective on corporate social responsibility (CSR).” Although I think his is a worthy attempt to build a political conception of the business firm and could represent a great intellectual journey, I make some remarks about the meaning and scope of this research agenda. My argument is simple: Rawlsian egalitarianism provides resources for a political theory of the business firm, but one that leads us in different directions than Whelan’s political CSR.

IN A RECENT paper, Glen Whelan (2012) attempts to advance what he refers to as a “critical research agenda” for the “political perspective on corporate social responsibility (CSR).” He uses the notion of political CSR to label recent works on corporate citizenship, the “political conception of corporate responsibility” and the idea of “corporations as governments” (Whelan 2012: 709). This fits well with recent scholarship in which the general call for more “corporate

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citizenship” in business circles has clearly become a more ambitious call for a political theory of the business firm.

But what does it mean exactly to adopt such a “political perspective”? Why do we need a political conception of the business firm? In which directions should it lead business ethics scholars? Despite the growing literature, answers to these questions remain relatively unexplored.² In particular, it seems to lead quite often to a simple reaffirmation of the CSR agenda. Whelan makes then a valuable contribution here by suggesting new directions to advance a better understanding of what he terms “political CSR.” He makes four interesting claims: (a) the transformation of corporations (especially multinationals ones) into political actors should not be viewed as a necessary consequence of globalization but as one possible form of globalization; (b) the critical research program should take more seriously the profit imperative of MNCs (at least Western ones); (c) political CSR implies a need for new political conceptions of corporate governance; and (d) both Rawlsian and Habermasian accounts of political CSR are unsatisfactory.

To be clear, I think the attempt to build a political conception of the business firm is a worthy one and could represent a great intellectual journey. Nonetheless, I would like to make a couple of remarks about the meaning and scope of this research agenda. In order to do so, I would like to focus here on claim (d), and even more precisely on Rawls. My argument is simple: Rawlsian egalitarianism can provide resources for a political theory of the business firm, but one that leads us in different directions than Whelan’s political CSR.

Why *Political* CSR?

Whelan characterizes the current literature on political CSR as being mainly “concerned to normatively prescribe, and positively describe and explain, the political duties and activities of corporations, and MNCs in particular” (2012: 711). This is important. It means that political CSR does not simply represent a call for a better normative theory of corporate political activities like lobbying. As Whelan remarks, most authors have a *stronger* conception in mind. They argue that corporations become political actors only when they assume, with

² Interestingly, Marcoux (2009) argues that most approaches in business ethics are already *too* political.

an eye on the common good, a new set of political responsibilities within extended models of governance, with business firms contributing actively to global regulation and the provision of various public goods (like healthcare and security).

When Whelan is evaluating (and rejecting) Rawlsian and Habermasian frameworks, he is therefore assessing their usefulness for justifying *this* specific and strong view of corporate political engagement.

What should (broadly) Rawlsian egalitarians think of political CSR? It is true that Rawls struggles in making sense of the importance of business organizations, for various reasons partly highlighted in Whelan's paper.³ The main problem in Rawls' account is his exclusion of business firms from what he refers to as the *basic structure of society*, or the way in which the major social institutions distribute fundamental rights and duties. From this perspective, what matters for justice is the design of these basic institutions. Organizations like business firms simply fall into the domain of private *associations*. Rawls is therefore unable to think of business organizations as being part of the relevant set of institutions that matter for distributive justice. But while this neglect represents an important weakness in his theory, it remains addressable. Rawlsian egalitarians need here to show how the contemporary business firm and its main features matter for justice, in a similar way to what feminists did with the family. After all, today's limited liability corporations are no longer spontaneous, purely "private," associative creatures. They are *legal* creatures submitted to a wide set of legal constraints. They control important human, financial and epistemic resources and crucial decisions about the distribution of resources and power are left to them. Corporate governance patterns like shareholders primacy and compensations schemes deeply affect the distribution of resources and help perpetuate inequalities. And business organizations are also loci of power and hierarchical structures in which managers have authority over workers. (See McMahon 2012 for an account of this issue.)

³ As he points out, Rawls's theory of international relations is too statist in comparison to the cosmopolitanism that inspires political CSR. But in all fairness it also has to be reminded that some of the most fruitful cosmopolitan approaches developed in the last 20 years are broadly Rawlsian in spirit, especially the one developed by Thomas Pogge (2007).

These are clearly relevant “political” issues that Rawlsian egalitarians should be able (and need) to grasp in a fruitful way. But surprisingly, these issues only *partly* represent what the current research agenda is about. Rawlsian egalitarians should then try to take it further by highlighting the distributive effects of corporate policies and structures and showing how these are crucial parts of the arrangements that provide an answer to the question of “who gets what from whom?” in our societies.

It is worth noting here that an interesting contribution made by Whelan is the suggestion that political CSR should go hand in hand with the articulation of alternative “political” models of *corporate governance*. Rawlsian egalitarians could agree here that reforms in corporate governance might be required from a “political” perspective, but for reasons of *distributive justice*.

Rawlsian egalitarians would also differ in their appreciation of the new political roles of corporations within political CSR. Following Ronald Dworkin (2002), they will see strong corporate political involvement as a threat to a democratic society understood as an egalitarian community, or what he calls a “partnership of equals.” Citizen equality, according to Dworkin, is jeopardized when the wealthy and business actors are the main players in the political contest. Those disparities in political influence are labeled by Rawls (2005: 326) as failures to achieve the “fair values” of equal political liberties.⁴

Of course, more should be said about these broad Rawlsian egalitarian suggestions. But the important thing here is that they all point in directions that are fruitful (I think), but far from the current political conception developed by Whelan, Scherer, Crane, Matten and others. There is a plausible Rawlsian political theory of business firms, but it is not “political CSR.” (See Heath, et al 2010 for a “political philosophy” approach to business ethics that is partly inspired by Rawls but distant from “political CSR.”)

⁴ The requirement of “fair values” applied to equal political liberties, according to Rawls (2005: 326): “means that the worth of the political liberties to all citizens, whatever their social or economic position, must be approximately equal, or at least sufficiently equal, in the sense that everyone has a fair opportunity to hold political office and to influence the outcome of political decisions.”

The Political Theory of the Firm: Four Views

With these critical remarks in mind, it is worth taking a few steps back to think about our options when attempting to build a political conception of the business firm. Let me quickly propose a typology of different views (through which I am following and trying to refine some suggestions made in Néron 2010):

1 **The Social governance view:** This involves a rethinking of the classical *division of moral labor* between states and firms and the complex attribution of responsibilities within new post-Keynesian processes of *social governance*. This view explicitly, and quite enthusiastically, gives a new set of political tasks and responsibilities to corporations.

2 **The Descriptive view:** This aims to highlight the need for a better empirical understanding of the political nature of business organizations. But this view does not necessarily lead to a commitment to (1). Authors as diverse as Hansmann (1996) and Reich (2008) attempted to do this without being committed to it.

3 **The Shift in subject view:** I refer here to a more modest attempt to draw attention, in the business ethics literature, to the need for a better normative theory of corporate political activities such as lobbying. According to this view, corporations are political actors even without assuming a political mandate. They are so because they intentionally attempt to shape their political environment, which requires more normative scrutiny. This view could lead to (1), but not necessarily. For example, it could also go with a radical scepticism toward the attribution of an explicitly strong political mandate to corporations, like in Reich's account (2008).

4 **The Distributive view:** According to this view, a political conception of the business firm is needed in order to show how business organizations, patterns of corporate governance, and management matter for distributive justice. From this perspective, this is the reason why we need to theorize corporations through a political lens. This view could lead to the justification of reforms in governmental regulations and in corporate governance structures (and probably to an alternative reading of corporate law). This is the neglected view that I was arguing for in trying to sketch a Rawlsian reply to Whelan.

All these views are plausible but have different normative implications concerning the tasks we want corporations to assume. Whelan

is mainly concerned by (1), which is now the dominant view in the literature, while surprisingly neglecting (3) and (4). He suggests, rightly I think, that taking the political roles of corporations seriously should lead us to think about reforms in corporate governance, but he is doing it without focusing on issues of justice and therefore without being committed to (4). And, like most proponents of (1), he ignores the issues of distributive justice raised by the enthusiastic adoption of (1), in terms of the distribution of what Rawls labelled as the distribution of powers and prerogatives of offices and positions of responsibility. I would suggest that if we are to articulate a political conception of the business firm, more should be said about (3) and (4), but also about the complex and potentially problematic relations between the social governance view and the distributive one.

Why Political CSR?

This typology highlights the possibilities of the research agenda for the political conception of the business firm. But I would suggest it also highlights the unfortunate use of the “CSR” label in Whelan’s paper and other works on this topic. With the development of this body of literature, one could have expected scholars to finally take some distance from the CSR label in order to normatively theorize crucial business practices and institutions of contemporary capitalism. The attempt to unveil the political dimensions of business organizations raise complex issues concerning the fair distribution of goods and resources in our societies, the roles of business organizations in the growth or reduction of economic and political inequalities, the legitimacy of managerial authority, the very nature of commercial activities, the transformations of social governance, the mutations of citizenship, and so on. But Whelan and others, quite surprisingly, appear to be unwilling to talk about these issues without using the CSR label. (It is even more surprising given that Crane, et al 2008 did so much to show the usefulness of the language of corporate citizenship and its political connotations.)

This is regrettable. The label is of course useful in some contexts and does a good at capturing a certain desire to go beyond “orthodox” business models, but as a theoretical tool for such research agenda, it appears quite unpromising. It does not capture very well many of the issues just mentioned above. As I argued, a political theory of the firm should lead us, among other things, to a better understanding of the

distributive issues raised by various patterns of corporate governance and management. But the use of the CSR label would be misleading here. We already have sophisticated theoretical tools provided by different theories of justice or democracy that could be applied or transformed. For example, neither the attempt to identify inequalities in pay between CEOs and workers as being unjust nor the one to highlight the problematic features of managerial authority would profit from a simple reaffirmation of CSR. Finally, CSR does not seem to capture the variety of normative stances on different issues in business ethics (the Rawlsian egalitarian one I was exposing here being a good example). It limits our map of normative possibilities.

To put it in controversial way, the issues and objects mentioned above are too important to be dealt with by using this label that undermines our understanding of complex issues and limits our imagination. Proponents of this “critical” research agenda should aim to make one further critical move: taking some distance from the CSR label.

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