The Game of Giving Back: Rethinking Corporate Capitalism and the Trend of Corporate Social Responsibility

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This thesis is dedicated to my fellow anthropologists-in-training; don't be afraid to study "upwards."

All the world is a fieldsite.
Abstract

Should corporations take on responsibilities towards society beyond the production of goods and services? Can there be a motive beyond the profit motive? The following thesis will be an overview and a critique of corporate social responsibility (CSR), a trend that has gained greater visibility in the corporate business world for the last twenty years. The idea of CSR will be presented as an agent for modern multinational corporations to connect with the greater society, against the background of its free market capitalist foundation. A focused case study of CSR in the Bayer Healthcare Corporation will take place. The fieldwork for this thesis took place in the cities of Berlin, Germany and Durham, North Carolina, examining personal accounts and perceptions of western corporate culture in the twentieth century, and its influence on people within as well as outside of the corporate setting. The concept of corporate personhood in the legal and social sense will be challenged, in favor of the view that corporations are ultimately profit-seeking machines that are incapable of responding as real humans. In view of the modern corporation's purpose and relationship with society, I will argue that CSR is not a sustainable part of the corporate agenda and should not be seen as an indication that corporations are capable of operating for ends beyond profit. The CSR discourse raises critical questions about western people's relationship with the modern corporation and the functionality of the current free market capitalist system in America.
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# Table of Contents

Preface 6  
Introduction 7  
  Fieldwork Methods 15  
  Literature Review 20  
  Chapter Outline 23  

Chapter One: Expansion of Capitalism in the United States and Germany 31  
  The Rise of Corporations in Relation to Capitalism 36  
  Multinational Corporations Today 42  

Chapter Two: An Overview of CSR-- Origins, Strategies and Impact 50  
  The Idea of Social Responsibility 50  
  Appearance and Evolution of the CSR Concept in the 20th century 54  
  Interpretations of CSR 60  
  The Case of Wal-Mart 69  
  Evaluating the Impact of CSR 72  

Chapter Three: Social Responsibility in the Pharmaceutical Industry 74  
  Growth and Internationalization of the Pharmaceutical Industry 78  
  Focus on Bayer AG 82  
    Codetermination and Education at Bayer 84  
    Controversies with Bayer Healthcare 86  
  CSR According to Bayer 89  

Chapter Four: The Limits of CSR and Corporate Capitalism 95  
  The Paradox of CSR 95  
  Conflicts in the Multinational CSR Agenda 104  
  The Clash Between Mauss, Free Market Capitalism, and CSR 110  

Conclusion 121  

Bibliography 127
Preface

My interest in the concept of social responsibility branched out of a consistent curiosity about the small, daily interactions between the people around me. Some of the most interesting things about getting to know other humans are observing how they perceive and treat society, or other individuals, how far their generosity extends towards another person, and how reliable someone could be. When using public transportation I like to observe the people on the bus or in the same train car as me, and imagine how trustworthy and compatible they would be if, for some ridiculous reason, we were all stuck in an impenetrable cave together for eternity rather than a momentary bus ride. Which of my fellow passengers seems most inclined towards fostering community spirits and helping others cope with the idea of eternity? How do people define and demonstrate their concern for society, and where does a sense of social responsibility come from? I wonder, especially in this age of private, 24-hour Internet access, if humans living in highly-developed societies retain a connection to each other simply as fellow humans in the struggle for survival, or if many people are inwardly removed from society and have minimal motivation to engage in behavior for common benefits.

As an undergraduate at Duke University, I was constantly bombarded with e-mails, flyers, and other forms of announcement regarding ways to volunteer in the Duke and Durham communities, invitations to community-wide barbeques and cultural festivities, calls to save resources and preserve the environment, and pleas to participate in weekend charity events. Interestingly, there seemed to be many minds behind the instigation of such community-oriented activities, but few of these initiatives managed to rally an overwhelming percentage of the student body together. I must admit that I was not a regular participant at many campus-wide events myself, but if I went it was mostly to observe people. When I wasn't studying books and articles I was studying my peers. I noticed that most people strongly separate their social and academic identities; in class they appear to be socially-conscious, thoughtful agents towards building a better America, but outside of the classroom the number-one priority is their individual image, personal progress in the pending career world, or glorious summer plans. I wondered, then, on what basis my peers chose their first, and possibly life-long, occupations. Being from Duke, a common post-graduation destination is the office of a multinational corporation or investment bank in New York City. In light of the monopolizing role of multinational corporations in today's society, including their tendency to leave large social and ecological footprints unaccounted for, would my peers ever reconcile what they recognize, in an academic setting, to be good for society and what is personally important? I wanted to investigate whether the neo-classical economic, corporate setting somehow distracts from people's sense of social responsibility.

Oddly, my intellectual motivation has not been geared towards a preferred field, but rather the examination of one field via another. I have found that I enjoy exploring economic themes from a non-economic perspective. As I delved into the field of cultural anthropology in the Fall of 2008, the texts that attracted my attention the most were ethnographies highlighting various themes of the American economy, theories on the nature of material exchange, critiques of economic systems, essays on globalization, and books by investigative journalists uncovering shocking aspects of particular institutions, many of which have influenced my point of view in this thesis.

--Nadine Gloss, Spring 2010
Introduction

A: "So what did you say you are doing in Berlin?"
Me: "I'm conducting research for my bachelor's thesis...it's on social responsibility in German corporations; you know, why large corporations should be obligated to give back to the community, and how this fits into capitalist thinking in Germany."
A: "Is social responsibility much different here than in America? I've heard that health insurance is dependent on income over there...how does that work out?? I guess that will change, though, with Obama."
Me: "Well, I think that Germans have a more regulatory idea of social welfare...there are more government institutions to ensure social survival here than in America, such as the large unemployment benefits. I've talked to some unemployed people in Berlin who happily refer to the Hartz IV. In America it is often a shame to be unemployed."
A: "Yeah, unemployment in the East has always been higher than in the West. That's why you see so many people, especially immigrants, in Berlin just hanging out all the time."
Me: "I think it's remarkable that people are equally well-insured in Germany; the German welfare system is astonishingly generous. It probably makes for a happier population."
A: "Well, it's a social state, isn't it."

During the second week of my summer fieldwork in Germany I had come across a student engineer at the Technical University in Berlin whose company I would occasionally solicit for a drink and a chat at the reggae bar along the Spree River. Although his background initially appeared to be irrelevant to my research, he proved to have interesting responses to my research interests. Actually, what made his comments valuable was not so much their insight on the subject of my fieldwork, as much as the fact that they were based on his lack of thought to any other economic and social structure beyond those in Germany. He had never been to the United States, or anywhere outside of Germany other than the occasional summer vacation to Spanish Mallorca, which is hardly an international experience, being overrun with Germans. As the conversational excerpt above exhibits, he had grown up in a country whose government operated many social institutions, and took for granted the condition of Germany as a social state. He was a helpful contributor to my research, the product of a social structure that I was deeply interested in examining.
I tried not to limit my fieldwork experience to the interviews that I scheduled, so I eagerly ventured into the city of Berlin, absorbing the social atmosphere and telling people who would listen about my project. Most of the people that I met wanted to know what I was doing in Berlin, so it was easy to collect opinions on social responsibility, the role of corporations, and capitalism. One young Pole I talked to suggested that I investigate the demonstration at Tempelhof Airport protesting the gentrification of East Berlin. Behind the sleek, sophisticated political facade around Potsdamer Square and the Brandenburger Gate, the German capital turned out to be a haven for alternative, eclectic European youth ready to speak out against neo-classical capitalistic forces whose commercial culture had taken over the western part of the city and was slowly beginning to infiltrate the run-down, ash-colored, traditionally sub-culture-dominated east side. Already, the demonstration at Tempelhof Airport signaled a clash of interpretations regarding social responsibility. The local government believed that it would be providing a service to the people of Berlin by re-developing and modernizing the grounds of the abandoned airport, whereas the protesters saw the re-development of the venue purely as a way for the elite and upper middle-class citizens of the city to spread their commercial lifestyle through more shopping areas, urban lofts, and chic eateries. Those who attended the demonstration would prefer the abandoned runways and surrounding grassy fields to be opened as a communal gathering area to be developed gradually by spontaneous, creative minds that flock to Berlin for precisely such reasons. I could tell that Berlin was fertile ground for anthropological research, and I proceeded with excitement.
At first glance the term corporate social responsibility (CSR) appears to advocate a highly reasonable, manageable course of action for largely dominant, influential organizations in the world economy and society at large. I first came across the term when a friend of mine sent me an article published in the Harvard Business Review in December 2006 on CSR strategies. The authors of this article, Harvard business professor Michael E. Porter and Mark Kramer, director of an international nonprofit consulting firm, were essentially interested in how to help large corporations to help society, insisting that "CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage" (Harvard Business Review, December 2006). The article went on to criticize current CSR strategies before presenting ways that businesses could make better use of CSR in order to benefit themselves as much as society.

Interestingly, this article was written from the producer's perspective, namely business interests, whereas most of the articles that I had previously read about corporations and society were from the consumer's perspective, written by activists, investigative journalists, and scholars who claimed to represent the public and took a more pessimistic, critical stance towards the future of American corporations in society. CSR was a uniquely optimistic approach to the question of what to do about the havoc allegedly resulting from the activities of multinational corporations around the world.

One of the most famous CSR scandals featured the Shell oil corporation in 2004 when, despite its much-publicized CSR policy which emphasized transparency, integrity, and honesty in its activities, it over-reported its actual oil reserve count in order to boost investment prospects, severely damaging its reputation and leading to accusations of
hypocrisy. After hearing about such cases of corporate deception and misrepresentation of their activities I proceeded to investigate how CSR was interpreted and approached by multinational corporations today. This proved to be an extremely easy task, since most large corporations have a link on their homepage to their most current CSR report. The format for online CSR reporting appeared to be quite formulaic: soothing colors, usually blue and green, bordering photographs of healthy, happy looking people and scenes of natural environments; neatly organized categories of social responsibility, including human rights, education, environmental conservation, ethical codes, and corporate governance. In addition, popular key words on companies' CSR pages include strategy, values, sustainability, integrity, sharing, and responsibility. The tone of the reports is often meant to be inspiring, reassuring, confident, and marketable, clearly crafted by public relations specialists hired by the corporations for the purpose of producing such annual reports. I find it peculiar that the reports are presented so insistently and seductively, like product advertisements, yet they are quite vague with regard to how the corporation is proactively carrying out "sustainability" and "commitment." Take the CSR mission statements of the following three companies for example:

We believe there is only one way to be beautiful, nature's way. We've believed this for years and still do. We constantly seek out wonderful natural ingredients from all four corners of the globe, and we bring you products bursting with effectiveness to enhance your natural beauty. While we're doing this we always strive to protect this beautiful planet and the people who depend on it. We don't do it this way because it's fashionable. We do it because, to us, it's the only way. -The Body Shop, 2009

We will participate across the hydrocarbon value chain to:

Explore for, develop and produce more fossil fuel resources that the world needs.
Efficiently manufacture, process and deliver better and more advanced products.
Be a material contributor to the transition to a low-carbon future.

We expect Exploration and Production (E&P) to be our core vehicle of growth. We expect to make investments across the full life cycle of our assets with an increased emphasis on technology as a source of productivity, access and competitive advantage. We expect to strengthen our position further by securing new access and achieving exploration success. -- *British Petroleum, 2009*

At PepsiCo, we're committed to achieving business and financial success while leaving a positive imprint on society - delivering what we call Performance with Purpose. Performance with Purpose is at the heart of every aspect of our business. We believe financial achievement can and must go hand-in-hand with social and environmental performance. Our approach to superior financial performance is straightforward - drive shareholder value. By integrating a commitment to social and environmental performance into all of our businesses, we're able to manufacture our products more efficiently and economically, attract even more of the world's best talent, and sharpen our competitive edge in markets all over the world. -*Pepsi Company, 2009*

The statements above suggest the creation of a "CSR brand" that corporations are putting forth in order to expand the consumer base to include socially and environmentally-conscious consumers and skeptics of corporate production methods. Of course, these corporations are in the business of marketing themselves and their products in order to succeed in the competition for profits, but when it comes to discussing their business strategies in public and how it affects the world, many corporations are suspiciously inexplicit about their intentions, and about the specific examples of the implementation of their values and ethical codes. As a result, the corporate jargon, such as "Performance With Purpose" or E&P, are meaningless and serve more as a distraction to readers than a reliable assertion of social responsibility. The clearest of the CSR statements above would be the one from British Petroleum, seeing as "they" actually laid out three bullet points detailing improved production methods, but as a consumer, one would still be unable to explain how exactly BP will provide better products in the future, or what exactly the "hydrocarbon value chain" is, and why BP should be applauded for its recognition of this.
A few months after I read Porter and Kramer's article there was a story published by the Independent Media Institute about Coca-Cola's "latest environmental scam"* denouncing the corporation for hoarding water resources in rural parts of India, causing Indian farms to suffer declines in crop production. Moreover, Coca-Cola released a CSR report that year, announcing its newest initiative in favor of water conservation around its bottling plants. Supposedly, the company was planning to become "water neutral" in India by the end of 2009, meaning that it would return as much water to the environment as it consumed.*

Considering the Coca-Cola Corporation's continued failure to properly conserve water resources in India and the fact that the term "water neutral" is scientifically invalid and impossible, I couldn't help thinking what a betrayal this situation was to CSR.* It was daylight deception; it is already disturbing to hear about corporations ignoring the ecological destruction of their production methods, but to imagine a multinational business pretending to be environmentally conscious, while continuing to produce destructively is scandalous and unbelievably twisted. Moreover, Coca-Cola was probably not alone in its public relations abuses. I wondered how many other corporations were using CSR as a deceptive shield against the growing criticisms of their activities and lack of contribution to society. The Australian supermarket chain Woolworths Limited also failed to operate up to its CSR report, which assured consumers that its tissues were made of "sustainable forest fiber," certified by a "certified environmentally managed company that is environmentally, socially, and economically responsible." However, environmental groups, such as London-based Friends of the Earth, confirmed that Woolworths was actually sourcing the material for its tissue products

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* See http://www.alternet.org/water/110365/coca-cola%27s_latest_environmental_scam/ from December 2008
* See http://indiaresource.org/campaigns/coke/index.html, which includes more links to resources on Coca-Cola's activities in India and the concept of water neutrality
from China, where the logging and other environmental laws are much less stringent than in Australia. *Woolworths Limited is just one example of how discontinuities in the CSR agenda often occur within the production chain of corporations.

I began to question the validity and motivation behind the CSR campaigns and reports released by large companies. First, why was the idea of social responsibility of corporations even set up and regarded as a separate goal for multinational corporations to pursue? Most people to whom I explained my research regarded CSR as a mundane acronym—they reacted incredulously to the idea that corporate social responsibility was actually a subject that required frequent enough discussion or reference to merit a shorter form. Generally, phrases are given an acronym because the initiative or phenomenon they stand for is officially grounded and supports a clearly controversial issue, such as PETA (People for the Ethical Treatment of Animals), or GMO (genetically modified organism), or DUI, (driving under the influence). However, the acronym CSR neither stands for a grounded institution nor is it intuitively controversial, or even based on a novel concept. So then, why do corporations make an effort to advertise good citizenship in society and respect for the environment? Taking another step back, should corporations have an obligation to society beyond producing their respective goods for consumption? I also wondered how the idea of CSR fits into the neo-classical idea of the corporation in the United States, and whether CSR was merely an offspring of free market capitalism.

I asked myself to what extent CSR is simply another marketing campaign used by corporations to improve their image to consumers and shareholders. Most importantly, are the strategies and activities behind CSR effective? Do they truly demonstrate a responsibility outside of corporations? I ultimately wanted to find out whether CSR is a sustainable practice

of corporations that shows their dedication to society, and whether CSR is an indication that corporations are capable of acting with consideration for society, independently of outside regulation. In this thesis, I use the word "sustainable" in reference to practices and ideologies that can be carried out or followed in the long-term that will ensure social and environmental health for generations of people living beyond the three to four month business cycle. Also, the word "society" encompasses the people outside of the productive forces of the corporation who may be affected by a business's products or production methods.

There have been ongoing debates around the practice and effectiveness of CSR since the establishment of the acronym and the ideology behind it. Many environmental and consumer interest groups, such as Friends of the Earth and Greenpeace, maintain that CSR is a method embraced by tobacco, drug, oil, and fast-food corporations in order to distract from the ethical questions surrounding their core operations. Another group of critics, represented by Milton Friedman, opposes the practice of CSR because the only responsibility of a corporation should be towards increasing shareholder value of the corporation through profit maximization. Such critics believe that only people can be socially responsible, and since corporations are not human, they can only be responsible for the products that they churn out. Another popular opposition to CSR is that it is inherently contrary to the nature and purpose of business under modern capitalism.

The discourse on CSR takes place in a variety of fields, often from sociological, political, and economic points of view. I will be discussing the debate around CSR from an anthropological perspective, by sharing conversations I've had about CSR, observations about the role of corporations in Germany and in the United States, and opinions that I have gathered about social responsibility in different capitalist systems that endorse CSR. Based on these methods I will critique CSR from the premise that corporations are not people and cannot,
therefore, be expected to take on a committed, socially responsible role. When explaining the
rise and spread of the CSR discourse I will portray the structure and purpose of a corporation
as the product of human development and culture.*

I will examine the way people interact with the idea of CSR, evaluating its
sustainability based on my studies of how my informants interpret the practice CSR in
multinational corporations. I will explore the mechanism of CSR as a tool of the capitalist
system, placing it in the context of the rise of capitalism in the twentieth century. An
advantage of the anthropological method is the direct engagement in the environment of the
topic of interest, allowing the researcher to understand the human component of an institution,
movement, trend, or ideology. In the context of this thesis, anthropology is a reminder that
human culture and experiences behind economic systems influence the nature of economic
institutions and policies. Interaction with the people behind the theme of interest is crucial to
anthropological studies; accordingly, it is largely the observations and conversations that I had
with people that shaped my argument in this thesis.

Fieldwork Methods

The research for this thesis began last summer in Berlin, Germany. At first, I was
interested in the workings and structure of the German business world and wanted to factor
this into a comparative study of CSR between corporate America and corporate Germany.
However, after doing research on CSR in America and Germany online, and speaking with
people while I was in Berlin, it quickly became clear that a comparative study would not be
necessary because much of the CSR discourse and approaches in Germany were derived from
Anglo-American corporate trends that dominated multinational corporations. Still, I decided to

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* I define "culture" in this thesis as the set of tactics, habits, values, and ideas embraced by people to experience
and derive purpose from life
stay in Berlin and continue my research on CSR there because the city hosted several major branches of multinational corporations (many of them German in origin) that I hoped to interview. Moreover, since Germany is one of the major global business players today it was worth including in a discussion of CSR on the multinational level. I also had the advantage of knowing the national language and harboring a deep interest in and familiarity with German culture, which helped me to capture sociolinguistic and cultural factors in my informants' thoughts.

Aside from the many corporate headquarters nestled within the city, Berlin had a very unique history and relationship with free-market capitalism (compared to other western urban hubs) that I was eager to learn more about from the locals. As I describe in the first ethnographic account, Berlin was once officially divided because of sociopolitical differences and opposing attitudes towards capitalism that are still present in the city today: As one part of the city bathes in the free-market forces and American cultural imports that brand distinct western economic values into Berlin, another part remains skeptical and resistant to the loud commercialism and capitalist representations that characterize the other side. Berlin offered unconventional insights on the interplay between capitalist ideology and community that I wanted to eventually incorporate into my research on CSR.

I got in touch with my main informants in Berlin by looking up their e-mail addresses on the websites of their respective organizations. I relied on the German Parliament website, as well as the website of the local parliament of Berlin. Most of the people that I interviewed were local politicians from the five main political organizations-- the Social Democratic Party (SPD), the Christian Democratic Union (CDU), the Green Party, the Leftist Party and the Free Democratic Party (FDP). At first, I was hoping to secure more interviews with members of the national parliament (Bundestag), but I quickly learned that the month of June would be the last
session before the national elections in the Fall, so most of the politicians that I e-mailed declined my interview request due to a lack of time.* However, many of the local politicians that I contacted responded positively, and were therefore my main sources of insight into the political attitudes towards CSR.

For this thesis, I decided to focus on my conversations with Representative Thorsten Fischer* of the Leftist Party and Representative Volker Schulz of the Free Democratic Party. Representative Schulz was a member of one of the more right-leaning parties, favored by business interests in Germany. I sought him out due to his association with a business-friendly party and because I had read that he had worked as a corporate consultant before entering politics. Based on his experience with business operations, Schulz certainly provided good examples and useful opinions on the CSR discourse in Germany. Unlike Schulz, Representative Fischer came from a left-leaning, consumer-based perspective on business. As a German citizen who had experienced two very different sides of German politics and society in the past thirty years, Fischer proved to be a fascinating informant with a compelling, bold take on the topic of CSR. I sought out Fischer because I had read on his website that before the Wall fell he had been very interested and socially active in the politics of the socialist government of East Germany. After 1989, Fischer remained in Berlin to study and enter local politics, registering with the nouveau-socialist party (PDS) before associating with the Leftist Party. Having been exposed to two opposing business-government relationships in his lifetime, Fischer provided interesting opinions on the potential of CSR that I eagerly included in this thesis.

* I did manage to secure one interview with Mr. Jörg-Otto Wagner, an SPD politician who worked in the Bundestag. The most interesting and significant part about getting in touch with him actually turned out to be the process of getting to his office before conducting the interview, which I will recount in an ethnographic story in Chapter 2.

* All informants' names have been changed throughout this thesis to preserve research confidentiality.
In addition to politicians, I also spoke with two professors and one interest group representative, recommended to me by one of the professors. The first professor I interviewed was based in the Institute of European Ethnology at the Humboldt University in Berlin, and the second was a Professor of Sociology at the Free University in Berlin. Professor Müller proved to be a good informant because of his detailed knowledge of German political and social history. I chose to speak with Professor Schmidt because of his interest in economy-civil society relations and work on gift-giving in modern society, as well as Max Weber's notions of the "spirit of capitalism" in today's world seemed relevant to my own research. Both professors provided compelling insights and also posed interesting questions regarding my investigation into CSR.

My last interview was with the director of a CSR-interest group called Aktive Bürgerschaft (Active Citizenship), whose contact information I received from Professor Schmidt. I decided to spend time learning about this organization because it was a group dedicated to spreading the CSR discourse among German businesses and advising corporations on CSR initiatives. The director, Johan Krüger, was able to inform me of some ways that CSR is being approached in Germany. The interviews averaged about thirty minutes per person, depending on how much time the informant had, how long their answers were, and how much extra information they chose to provide. In the end I decided to use five interviews for my thesis research.

I also e-mailed about ten corporations, including Deutsche Bank, Die Bahn (national train service), Siemens, Karstadt (department store), and Bayer-Schering Pharmaceuticals, but all of them declined interviews due to current insolvency issues, lack of time, or lack of
interest.* Instead, a few of the companies directed me to the CSR section of their websites. I deliberately wanted to speak to a representative rather than gather research material from a CSR report. As previously discussed, many CSR reports are often crafted by public relations specialists hired by companies to embellish their socially responsible activities in print or online, and I was not convinced that CSR reports would be a good resource for investigating the individual opinions regarding CSR of the people behind the corporate facade because of the commercialized way in which the reports are written. I had to investigate the activities of German companies by accessing German newspapers online and relying more on books and journals rather than interviews in order to talk about specific corporations in my thesis. Thus, securing interviews with corporations for this thesis, especially in the midst of the financial crisis, proved to be impossible.

I also conducted three useful interviews after returning to the United States, one with a professor at the Duke Fuqua School of Business who specialized in corporate social impact management, another with Representative Stephen Knowles, a local North Carolina politician in the state committee for business, entrepreneurship, and commerce, and the third with the owners of the Triangle Brewing Company on Durham, North Carolina. Although my interview with Representative Knowles was very short compared to my other interviews, his responses were useful to my research because he offered a strongly pro-business take on CSR that was not apparent in any of my other interviews. The owners of the Triangle Brewing Company turned out to be very compelling informants due to their involvement in local business and community engagement. The small company was a valuable contrast to all of the big

* At the time I was in Berlin, I wasn't sure yet which industry I wanted to investigate for a close-up case study on CSR, so I wrote to a variety of companies. I selected them based on their size/presence in the market on a global and national scale, the fact that they had a CSR-link on their webpages, and the location of a major branch in Berlin. I ultimately decided to focus on the pharmaceutical industry because of I was interested in the distribution of drugs in society and how such an activity challenges as well as embodies social responsibility. Furthermore, as one of the bases for many major firms in pharmaceutical history, Germany was the perfect place to look at such an industry.
businesses from which I had been soliciting information, and allowed me to evaluate the functionality of social responsibility initiatives on a trans-national versus local level.

Again, I attempted to secure interviews with executive employees at a number of corporations in North Carolina, including the Bayer Pharmaceuticals branch in the city of Clayton, Roma (a food corporation), and Evergreen Pharmaceuticals, but I was either declined or re-directed to the marketing/public relations department. Dr. Mitchel Abolafia at the University of Albany discussed the difficulty of doing ethnographic research in corporations in a piece entitled *Markets as Cultures*, which reminds me of my own experience. He observes that, "in most sectors of advanced capitalist economies, market-making is the province of corporate elites...they generally have the power and status that derive from their position in these organizations. Like other elites, they are insulated from observation and protective of their time. The researcher must often pass through several levels of gate-keepers to gain access and may be rebuffed at any level" (Abolafia, 1998: 79).

As expected, most of my older informants, generally over forty-five years old, had never come across the term "CSR" or had considered the growing trend around it, but were willing to discuss their opinions on social responsibility and their experience or observation of business activities in capitalist economies. The interviews that I conducted over the summer and in September 2009 were mostly helpful in the construction and support of my views on CSR for this thesis. In addition to the interviews I drew from the written ideas of several economic anthropologists, sociologists, investigative journalists, historians, and political scientists to enrich and support my argument.
Literature Review

Before delving into literature specifically addressing CSR, I sampled the anthropological, sociological, and historical literature on modern capitalism, and the rise and function of the corporation. In order to understand how CSR came about and how it fits into capitalist economics it is essential to study the nature of western capitalist models before the rise of CSR, and particularly under what ideologies the corporation was formed. For the second, third and fourth chapters I relied on books and articles specifically focusing on the CSR trend in the last thirty years. In the following paragraphs I shall briefly present some of the books that gave me a sense of the corporation in the context of capitalism, as well as a few influential pieces on CSR which provided the foundation for the conclusions made in this thesis.

One of the first books that I read for this thesis was *Economies and Cultures: Foundations of Economic Anthropology* by anthropologists Richard Wilk and Lisa Cliggett from Indiana University and the University of Kentucky, respectively. Wilk and Cliggett give a comprehensive overview of the birth of western economics, including the rise of classical liberalism and neoclassical microeconomic theories as the basis for capitalism from an anthropological perspective. One of the ideas asserted in this book is that "theories of economics were very much a product of their times and of dominant Western culture" (Wilk & Cliggett, 2007: 55). The ideas of economic historian Karl Priban are frequently cited throughout the book, including his claim that German economists historically mixed nationalistic, evolutionary, spiritual, and racist notions into their theories, showing that the development economics is closely tied with culture and human experiences. This book also discusses the opinions of Emile Durkheim on the relationship between individuals and society, as well as Karl Marx's theories on capitalism, which helped to develop the perspective on
society in relation to capitalist ideology in this thesis. The work of Wilk and Cliggett helped me to contextualize my discussion of the rise of capitalism and free market economics as cultural products that give rise to other cultural trends associated with economics, such as CSR.

For deeper insight into the capitalistic roots of the development of CSR in Germany I looked at Duke political science professor Herbert Kitschelt's book entitled *Germany: Beyond the Stable State*. Kitschelt describes “Model Germany,” the German political-economic form of the 1960s to the 1980s, and how drastically this changed at the beginning of the 1990s after the wall fell. He references the opinions of other authors in his book to portray the transformation of the German economic and political systems, distinctly referring to it as a, “disintegration.” While the cynical bias of this book is something to keep in mind while collecting ideas, the high concentration of German opinions in this book, from the author himself and from his colleagues, serve as one part of the spectrum representing German attitudes towards economics today. I am also interested in the parallels that Kitschelt points out between economic change and the changes in German “public opinion, social lifestyles, and political mobilization in parties, interest groups, and social movements.” These are the sorts of connections that I am attempting to make in order to evaluate how CSR fits into German society.

For an understanding of the functioning of corporations and the people who work in the corporate setting, two of the books I read were Karen Ho's *Liquidated: An Ethnography of Wall Street* and Charles Perrow's *Organizing America*. In her recent publication, Ho describes the extreme job insecurity, treatment of, and mindset of workers in large investment banks in New York City. She discusses the "culture of liquidity," which is characterized by instability and crisis, and an overall "continual existence on the brink of annihilation." Ho observes the
way such a work atmosphere influences the employees of these investment banks. A remarkable point that she made was that the market abstractions under which the Wall Street workers operate daily become so ingrained in their thinking that it actually influences their world view, and they are unable to separate professional from personal behavior. Such restructuring of the social world according to virtual economic models, in this case, the capitalist model, has helped me to understand some of the actors in large corporations who are expected to stand behind the CSR ideal, and are expected to work in such a way that keeps the corporation strong and able to maintain its CSR-image.

In *Organizing America*, Perrow asks how and why the most important feature of the American social landscape is the "large organization," namely the corporation. Perrow's book has helped me to follow the development of corporate America since the beginning of the twentieth century, including the structural and regulatory conditions behind the earliest form of the corporation. Perrow points out the lack of democracy in large, private organizations that serves as a counter to the purpose of government, introducing the fundamental question of how much control over social concerns private organizations should have, given their original purpose for existence and the ideology behind it. Like Ho, he also talks about the infiltration of workplace culture into daily, personal culture. A look at the specific people working in a corporation that is expected to carry out CSR is crucial to determining the effectiveness of CSR.

Another particularly influential text that I refer to frequently in Chapter Two is *Corporate Social Responsibility: A Critical Introduction* by Michael Blowfield and Alan Murray. As academics, practitioners, and consultants working in the field of CSR for companies, civil societies, and government organizations, Blowfield and Murray cover an abundance of components in the CSR discourse, including a taxonomy of possible business
responsibilities throughout history, the effects of globalization, methods of social accounting, CSR management today, and criticisms and successes of CSR-based initiatives. This book was particularly helpful when I was first learning about CSR in the early stages of my research because it was a compact, well-structured guide with numerous examples of CSR practices from various corporations. This book also provided several other online and printed sources on CSR that I could turn to for supplementary information on a summarized topic within the text. So far, it is the only material on CSR written in a step-by-step, "user's manual" form on the history, theory, practical implementation, and societal impact of CSR, directly mirroring the strategizing of social responsibility.

In the third chapter, where I zoom-in on the pharmaceutical industry's record of CSR, I start out by referring to James Taggart's *The World Pharmaceutical Industry* and Barrie G. James' *The Future of the Multinational Pharmaceutical Industry* for an overview of the industry's development in the twentieth century. It is important to note that both Taggart and James served as marketing consultants for the pharmaceutical industry prior to publishing the above texts, working and thinking from within the pharmaceutical world. I chose to reference these two books because I wanted to explore and take into account the perspective of the producer in my thesis, especially with regards to the pricing and marketing mechanisms of pharmaceutical corporations. Their version of the growth and spread of the pharmaceutical industry is included at the beginning of chapter three as an industry-based perspective on the popularization of drug treatments around the world.

**Chapter Outline**

The first chapter will be devoted to an overview of the corporation based on anthropological, economic, historical, political and sociological works, tracing the
development of corporations within the context of capitalism over the past one hundred years. The purpose of this is to build a foundation from which to explain the growth of CSR in the next chapter. I will begin by focusing particularly on the different styles of capitalism that have developed in the United States and in Germany over the last one hundred years. Next, I will compare the development of corporations in Germany and America, showing how both countries would provide the economic and political fuel for the appearance of CSR on a transnational scale. Following this, I will create a profile of the multinational corporation as it exists today, and discuss corporate structure and operation based on sociological studies and ethnographies of large corporations. I want to discuss the anthropomorphization of corporations from a legal perspective, and also how individual humans interact within the corporate setting. I will go over the rapid rise of corporate power after World War II in the United States and in Germany, and the resulting social and ecological burdens that corporations have placed on society. I will highlight advertising and monopolization as two major components of corporate culture today, referencing examples in the food and agrochemical industry.

In the second chapter I will define CSR by identifying the difference between the trend of CSR that is taking place in the corporate world, and the basic idea of social responsibility. I will start by presenting a view of social responsibility through the institution of gift-giving and receiving in human history, based on the work of French sociologist Marcel Mauss. The book that I will be referring to is *The Gift*, written by Mauss in the first half of the twentieth century. Using Mauss' analysis of gift-giving and reciprocation as a medium for establishing social bonds between people, I will apply the traditional implications of giving and receiving to the CSR trend as a gift-giving agent for business-society relationships.
Following this, I will describe the development of CSR in the United States from the 1950s to the present, noting the historical movements and events that pushed corporations to approach the concept, carry it out, and establish a CSR-image. I will share the various interpretations that I have gathered regarding CSR by discussing my informants' opinion, highlighting the German government's interest in the CSR agenda. I will also examine current CSR-based initiatives undertaken by Wal-Mart as an example of the face of CSR today based on its corporate webpage. Finally, I will reflect on the social impact of the CSR movements carried out thus far.

Chapter three will take a closer look at the CSR strategies of the Bayer Healthcare Corporation active in both Germany and the United States. I will spend the first part of the chapter discussing the reasons why big pharmaceutical corporations are an appropriate example of corporate approaches to CSR, followed by a discussion of the history, strategies, marketing, and internationalization of the pharmaceutical industry. I will reflect on the analysis of Dr. John Ambramson regarding his experience in the American medical field and with the pharmaceutical industry. In the second part of chapter three I will provide a brief history of the Bayer Corporation and the internal corporate framework today by discussing the institution of codetermination at Bayer. I will also talk about two major product controversies that Bayer was involved in, followed by an overview of how CSR is interpreted and carried out by the company. Bayer presents an interesting case, not only due to its status as a multinational corporation present in the two countries of interest in this thesis, but also because its mission as a pharmaceutical company has become quite controversial in the past decade, so that an analysis of how it reconciles social responsibility and profiting from lapses in human health would be quite compelling. Specifically, I want to use Bayer to show the merging of business
trends, especially the manifestation of American CSR strategies within Bayer, as part of the trans-nationalization of corporations.

In the last chapter, I am ready to present specific criticisms of CSR based on the structural framework of corporations, their media appearance, relation to society, and the example of Bayer laid out in the last chapter. I will begin by discussing the functional flaws of the corporation itself as a major reason for the flimsiness of the CSR agenda. I will question how CSR fits into the inherent purpose of corporations, showing how it is actually contradictory to the mission of a corporation.

Following this, I will discuss the inherent ideological and practical problems with the CSR trend that I have observed in multinational corporations today. I will show that CSR distorts the definition of social responsibility by placing too much attention on external contributions of a business, without enough regard for sustainable production methods as important components of showing responsibility to society. I will argue that CSR is a symptom of a disconnect between business and society, and that social problems cannot be mended by a corporate trend. I will echo economic terminology by describing CSR as a "reaction to the market," or a reaction to a current "demand for social responsibility" in the market, showing that through CSR, corporations commodify social concerns and boost their public relations image. However, I argue that social problems cannot simply be factored into the economic "games" that corporations play in order to maximize profits, and it is precisely such unsustainable treatment of social responsibility that CSR represents. The third part of this chapter will be a critique of monopoly capitalism and the free market ideology that fuels it, presented as an incompetent foundation for CSR. Referring to the effects of free-market initiatives such as NAFTA, as well as the views of Muhammad Yunus, I will elaborate that
CSR is actually covering up an inherent problem with the current system of corporate capitalism in its relation to society.

Finally, the focus on German market-society relations throughout this thesis will develop a clearer purpose as I finish up the chapter by explaining that there are alternatives within the capitalist philosophy that could be understood and considered as improvements for the current American style. At this point I will evaluate the ideas brought up in the background research done on German and American capitalist and corporate history, looking to alternative forms of capitalism as potential models for beginning to reform the systemic foundations of American business-society relations. I will explain how this would be a more sustainable move than attempting to build up and rely on strategic extensions, such as CSR, of a fundamentally flawed form of capitalism to put large corporations in check.

In the conclusion I will emphasize that social responsibility should not be made into a personalized, marketable strategy because this encourages a commercial, individualized attitude towards society that only encourages corporations to treat social issues like the disposable products and investments that they usually deal with. I will stress that the devotion to shareholder value is an impediment to social responsibility initiatives and that this must change to reflect corporate dependence on society, rather than the other way around.
The U1 subway line in Berlin runs from the western part of the inner city to the far East side of the inner city. It is the only line that runs in a relatively straight line from the East to the West. When the Wall was built in 1961, trains that ran from the West to the East were no longer permitted to stop at the stations along the way in the East, and the subsequent abandoned "ghost stations" were only re-opened thirty years later after the fall of the Wall. Today, the U1 runs smoothly from East to West every few minutes, crossing what was once a fiercely enforced boundary between two opposing economic and political systems. Divisions between East and West today are still visible, but are predominantly socioeconomic and cultural. As part of my more focused observation of the city of Berlin over the summer I often rode the U1 from West to East, just to immerse myself in the gradual transformation of scenery and passenger types as the train traveled farther and farther East...

Thursday afternoon, Berlin-Kurfürstendamm
I pulled myself through the throngs of wandering tourists and local trend-setters, past the street hip hop crew and the flashy stores lining the streets of the Kurfürstendamm shopping area. I somehow always convinced myself that it would be a pleasant stroll along the wide pedestrian zone of the Kurfürstendamm area, but I always forgot that it was spilling over with tour groups and shoppers mingling on the sidewalk, making it impossible to walk at a regular pace. The streets were lined with giant retailers in massive glass boxes housing endless piles of flimsy cotton outfits, and blasting the latest pop melodies. I couldn't believe how many Starbucks coffee shops were concentrated in this one area, squeezed in between other massive symbols of western commercial culture such as the T-Mobile store and the enormous Karstadt-Quelle department store. I pattered down the steps of the nearest subway entrance, leaving scents of sausage and signs for huge-summer-blowout sales above ground.

The station rumbled around me as the train approached rapidly from the tunnel, first a pair of gleaming round eyes that got brighter and brighter and then a series of train cars whizzing by, blurring the people within. I took a seat in the far left of the train car and watched as others stepped onto the train. An elegantly dressed young woman trod lightly across the platform and took a seat across from me. Mildly sighing she began to stare out the window, already waiting for the routine of the commute to end. A group of giggling girls scurried into the train, sporting H&M shopping bags, and clustered towards the middle seats of the car. Glancing around for a bit, they settled into a light conversation about their plans for the next few hours. The train accelerated slowly as we pulled away from the platform and sped through the dark tunnel towards the next stop. At Wittenberg Platz, some more shoppers hurried onto the train, lugging their bags and leftover to-go meals. Many tourists hopped on as well, clutching the poles at the center of the car, anxiously squinting at the route plan above to make sure they had caught the right train.

At Nollendorfplatz a pair of Turks strode onto the train and sat down next to me, conversing loudly in Turkish. The one directly beside me seemed to be giving advice to his companion who would grin and nod amicably with his friend's comments. A tall, blond biker in tiny shorts that enunciated his buttocks more than any shorts of mine ever have wheeled his bike onto the train beside us and looked around boldly at the surrounding passengers. Some businessmen got on, along with some student-looking types with backpacks and books, wearing neat, comfortable-looking clothing. The train sped off eastward and the people around me remained silent, staring past each other out the windows. Suddenly the sleek-haired Turk next to me nodded at the biker..."Can I help you?" The biker looked surprised and shook his head. "Are
you into men?" he asked, raising his eyebrows and smiling ironically. "No..." the biker seemed confused and quickly looked away. The two Turks shrugged and continued on with their conversation.

As we pulled into the Kottbusser Tor station, a flood of Arab and Turkish immigrants got in, as the two Turkish men beside me sauntered out. Kottbusser Tor was in the middle of a densely immigrant-populated district of Berlin, and someone had mentioned to me that a few years before it was a popular site of vicious drug deals in the city, before the local government "cleared out" the place. Now the only loiterers are policemen in full black garb, loosely patrolling the entrance and exits of the station.

As we emerged from Kottbusser Tor, signs of leaving the West side became clearer: As we entered the East-West border district of Kreuzberg the apartment buildings appeared shabbier and excessively smothered in graffiti. There were no signs of towering department stores or dark green umbrellas from the Starbucks coffee shops anymore. I always looked forward to passing the enormous mural of a person’s face and upper body, made up entirely of piles of naked men all rammed together on the side of an apartment building. It was one of the famous street art productions that Berlin is well-known for, but only a preview of all the insane, colorful, intense art that characterized the buildings of East Berlin and, of course, the remains of the Wall.

As the train passed deeper into the East side, even the train stations and platforms become grimmer and bleaker. The passenger demographic changed quickly as well. I watched as a young man in a black hoodie, rugged pants, and black boots walked into the train with a sullen, stoic look on his face, which he maintained throughout the duration of the ride. At the second to last stop, Schlesisches Tor, two wildly-dressed girls with dreadlocks and numerous facial piercings walked in, chatting urgently about where the money for next month's rent and electric bill would be coming from. Schlesisches Tor definitely had the most character out of all of the stops along the U1. Resembling a small, old-fashioned, run-down cross between a palace and a mansion, the station even had a lively bar on the bottom floor. From the outside it was certainly quaint, but the inside was reminiscent of an abandoned house--dirty, sometimes boarded up windows, along with filthy, cracking floors, and careless graffiti that appeared to be the result of rage.

When the train finally reached Warschauer Strasse, the final stop, I stood up and walked out of the train onto the street leading to the remains of the Wall. I turned around to look at the automobile and foot traffic scattered across the Warschauer Bridge. Everyone looked and dressed much more casually and people moved more freely--less clustered against clamoring symbols of commerce. People walked out of 1980s-style buildings with narrow windows and exteriors covered in elaborate art, as if emerging from the labyrinth of a street artist's imagination. How differently space seemed to be defined and taken up in this part of the city! I was always amazed at the immense difference between the cultural atmosphere in East Berlin and that of the commercial areas of West Berlin. Twenty years after the two sides of the city had merged under the direction of the Federal Republic (West) of Germany... and the East Berliners still stubbornly refused to embrace the mood and artistic/architectural aesthetic of their western counterparts. The scattered, un-developed grassy areas around the bridge followed the dreary, grayish pattern of the streets of the inner city East side--both lasting signs of a repressive, totalitarian era that had finally been torn down, finally allowing the eastern populace to be introduced to its long-lost, capitalistically-indoctrinated western sister.

Rather than breathing easily again in the arms of a new systemic foundation--this time in that of material magnificence, marketing mania, and polished, modern architecture-- the East seemed to cringe from the boastful, upper floor brightness of the consumer culture enveloping
the West. The excitement of East Berlin is found in the courtyards of abandoned buildings, in the nightclubs below the bridges decorated by street artists and transformed by underground disc jockeys, in the local bars and shops with kinky themes and attractions...these institutions, central to East Berlin culture, passively coexist with the West Berlin big businesses and fluctuating fashions, ten subway stops away. However, within the aging architecture, along the rickety streets, and behind the bold drawings on the walls, East Berlin ardently strives to retain its sub-culture of challenging commercialism and blind consumerism rooted in the values of corporate capitalism.

"Capitalism destroys (hor), kills (ver)"

"Advertisements are the water for the mills of capitalism"
Chapter 1
The Expansion of Capitalism in the United States and Germany

The birth of CSR has its roots in the capitalist economic system, dominant in the United States and Germany, in which the means of production, namely labor and raw materials, are privately controlled and the profits from producing and selling goods are primarily allocated to the owners of capital, or invested in technology or industry. Before launching into a critical analysis of CSR it is necessary to provide a contextualized background of the economic system in which it arose, namely capitalism. CSR is not an ideal that came about independently of the institutions around it, and what an anthropological perspective can offer is a look at the way it has been formed by the culture and history of the capitalist economic system, by presenting personal accounts of life and work within the system. A look at the capitalist ideology will show how corporations and later multinational corporations, the principle representatives of neo-liberal capitalism, came to effect societies in the ways that they presently do, ultimately mandating the spread of CSR among transnational companies. Understanding capitalism and the formation of the corporation will show that corporations do not have to be monopolizing, self-absorbed entities based on examples that they have indeed had a better reputation than they do today. Furthermore, the examinations of capitalism and corporate history in this chapter will serve as a basis for exploring alternatives within the capitalist system to address the problem of corporate social and ecological damage that CSR claims to be able to resolve. In short, I plan to show that capitalism is not a trans-historical or trans-cultural system, rather that it is a historical product of humans with various social experiences and biases, that may be subject to reform based on past and present examples of capitalistic management of the economy.
In the seventeenth century, the growth of commerce, cities, and the human population provided fertile ground for the rise of capitalism (Wilk & Cliggett, 2007: 83). Although the capitalist era and the earliest corporations date back to the sixteenth century in western history, preliminarily in England, the emergence of a predominant capitalist-structured economy is traced back to the second half of the nineteenth century in the United States. From 1865 to 1901, also known as the Gilded Age in American history, trusts, financiers, and holding companies acquired control over large areas of industry, and big, oligopolistic firms began to collect remarkable amounts of profit. During this era, monopolies were established and the complex system of banking, equity markets, and corporate holdings of capital through stock ownership were developed. This increase in monopolies, especially in the petroleum, telecommunications, railroad, shipping, banking, and financial industries, characterized by fluctuating boom and bust business cycles, instigated antitrust laws and significant government regulation of industry in the Progressive Era from the end of the nineteenth century to the 1920s. The Progressives, mostly members of the middle class, advocated economic, social, political, and moral reforms for the budding capitalist system, resulting in the implementation of noteworthy institutions such as the income tax and women's suffrage.

However, even before the Progressive Era and Great Depression of the 1930s, many thinkers, most notably Karl Marx, were questioning the long-term survival of capitalism. In the first part of *The German Ideology*, written together with Friedrich Engels in the mid-nineteenth century, Marx emphasizes the division of labor as the first example of how a person's own labor power "becomes an alien power opposed to him, which enslaves him instead of being controlled by him" (Tucker, 1978: 160). As a result, tense inequalities would develop within the economic system that would first manifest themselves within the hierarchy of the industrial structure, and later between the individual and the community. The
contradiction between the interest of the individual and the interest of the community that is found in the capitalist mode of production is what Marx would elaborate on as one of the most unstable components of capitalism. This contradiction that has developed in the division of labor system within what Marx termed the "world-embracing market" lives on in the modern corporations that represent neo-classical economics and the functions of capitalism.

Corporate capitalism managed to push through as the major social and economic structure of the United States, despite President Roosevelt's strong regulatory efforts towards industry in the New Deal reforms after the Great Depression, which actually offered the loopholes necessary for companies to go ahead and slip in the "self" in front of the many regulations at the time. Even the post-World War II Keynesian economic stabilization policies, marked by the idea of the welfare state, would only serve as a gateway to an era of intense free market capitalism and the rise of large corporations. Interestingly, the philosophy of economic liberalism, which supports the system of capitalism, consistently surfaced as the most viable alternative to initiatives for stabilizing the American economy in the middle of the twentieth century. Supported by economists Friedrich Hayek and Milton Friedman, laissez-faire capitalism and classical economic liberalism, originally articulated by Adam Smith and David Ricardo, gained popularity in the United States during the 1970s and into the 1980s. Public interest shifted from collective concerns to individual freedom and personal choice, known as "remarketized capitalism" (Fulcher, 2004: 47).

Today, neo-classical economic thought, or neoliberalism, prevails in the United States. Having risen out of classical economic liberalism, the prevailing idea of neoliberalism is the transfer of public control of the economy to the private sector, based on the theory that this will produce a more efficient government and more accurate indicators of a nation's economic status. Under neoliberalism, markets are the prime indicators of the economy rather than
Key features of neoliberalism include market-determined interest rates, trade liberalization, the privatization of state enterprises, such as health and education, and the abolition of regulations that restrict entry into the market. Furthermore, neoclassical economics is often practiced under a neoliberal system. According to neoclassical economics, people are expected to have rational preferences that can be identified and associated with value, as well as act independently on the basis of full information. In addition, it is assumed that individuals will maximize utility while firms will seek to maximize profit.*

The driving force for the capitalist economy is the profit motive, which ensures that companies will produce the goods and services desired by consumers. In order to influence consumer choices and secure demand for their supply of goods in order to yield profit, companies engage in advertising and marketing. The need for profits in order to sustain the firm causes businesses to seek the most efficient methods of production possible. By using less capital and labor while producing a consistent supply of goods, firms can slash production costs, thereby collecting more profit. Under neo-classical economics, as emphasized by critics and supporters of this system, (including one of my informants, Representative Stephen Knowles) the primary responsibility of a firm is to produce goods and generate profit, which will be further examined in relation to the development of the corporation.

Accordingly, in the United States, capitalism manifests itself through the dominance of supply and demand forces in the market, and competition among businesses. Despite anti-monopoly laws put in place to preserve competition by controlling the development of monopolies, large corporations still tend to dominate entire industries, which has often been the case in the United States. Under American capitalism, individuals also act independently to

* See Marx in Capital, Volume I, in which he discusses the role of surplus-value in capitalism: "The directing motive, the end of capitalist production, is to extract the greatest possible amount of surplus-value, and consequently to exploit labor-power to the greatest possible extent" (Tucker 1978: 385).
determine which products to buy, where to work, and which companies to invest in. As anthropologists Richard Wilk and Lisa Cliggett put it, "Most North Americans like to think of themselves as real individuals...consisting of the need for autonomy at all costs." Furthermore, government intervention in the economy is limited, allowing firms to determine labor wages, product prices, and most importantly, profit distribution. What the government does regulate is the flow of capital through the setting of interest rates, and it also supervises public utilities and enforces private contracts. Although labor unions were once quite influential in the United States, particularly before World War II and through their successes in establishing a minimum wage and an eight-hour working day/five days per week, unions today are relatively weak. Overwhelmingly, the American capitalist system is characterized by free market advocacy through the limiting of government and union involvement in business activities, risk-taking for the maximization of profit, and extensive coordination of the market.

"If you were to compare the development of American and German societies, you would observe that the development of a society of immigrants in the USA who overwhelmingly immigrated from Europe, ultimately plays a role in the notion that everyone can blaze his own path in the spirit of individual freedom, and this seemed to "throw" people together--to unite them...in Germany, at the same time, during the second half of the nineteenth century, the main concerns were security, mutual responsibilities, and safety, which led to the implementation of the Bismarckian social security laws--a huge social integration project "from above" (on the social and political ladder) in that there were official assurances of social security for people, especially in the realms of aging and unemployment...it was, in a way, an "opposite project" of what was going on in the United States...rather than "Good luck as you set out on your own"
the motto was "Let's integrate and help each other," and this surely influenced the subsequent development of capitalism in Germany."

--Dr. Werner Müller
Professor of European Ethnology, Humboldt University
July 8, 2009

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The Federal Republic of Germany, or West Germany, embraced the same neoliberal economic ideas of Friedman and Hayek shortly after World War II, and reconstructed the economy of the West according to the American model of capitalism at the time. Germany already saw the rise of industrial monopolies and cartels during the Weimar Republic of the 1920s, which were weakened during and after the Great Depression, only to gradually rise again after the fall of the National Socialist regime. The Germans ultimately adopted a capitalist market structure quite similar to that of the United States in the latter half of the twentieth century. However, post-World War II economic advisors Alfred Müller-Armack and Ludwig Erhard fashioned a unique brand of capitalism for West Germany (later including East Germany, after unification), called the social market economy (*die soziale Marktwirtschaft*), which was still based on the free market philosophies of Friedman and Hayek. Characteristic of the German social market economy is the role of the government in maintaining an economic "frame of order" (*Ordnungsrahmen*) for the preservation of competition against industrial monopolies.

In his book, *Reforming Capitalism*, German political economist Werner Streeck refers to the German market model as "organized capitalism," defining it as a combination of public and private arrangements for governing a capitalist economy. He emphasizes the equal importance of solidarity and efficiency in the German economy. Streeck explains the intended purpose of the German "organized capitalism" model as a way to prevent the "anarchy of the
capitalist mode of production," which is inherently adverse to efficiency by "destroying vast sums of capital in cyclical crises," and also undermines solidarity by "cutting off workers and their families from their means of subsistence, giving rise to widespread misery and divisive class conflict" (Streeck, 2009: 150). Streeck notes that throughout the 1990s and into the new millennium, however, the German capitalist model has increasingly evolved into a more neo-liberal, less regulated form. Still, he maintains that this increased liberalization of the German market structure will not necessarily result in less institutional (governmental) influence on the economy. Although the German market economy has started to mirror the intense free market tendencies of the American system, there remain considerable differences in each country's style of capitalism, such as the stronger influence of labor unions on corporate activities and production in Germany. The neo-liberal economic basis for the economies of both the United States and Germany would provide ideal economic and social conditions for the growth of multinational corporations, and subsequently, the CSR trend.

The Rise of Corporations in Relation to Capitalism

Organizational theorist Charles Perrow asked the question, how and why is the most important feature of the social landscape in America the large organization? Why is it that over half of employed Americans work for organizations with five hundred or more employees? In his most famous work, Organizing America, Perrow tries to understand how the model of large corporations came to dominate the American social and economic scene, tracing the history of the corporation to the beginning of the twentieth century. By 1910, the organizational model was set; big bureaucratic organizations were turned out in all sectors of society. Corporations were allowed to expand un-checked until the 1930s, at which point the economic ruin of the Great Depression provoked increased governmental regulation and
redistributive efforts of the economic and social structure of the United States over the next forty years. However, the centralization of wealth and the surge of large corporations re-surfaced in the 1970s, continuing through the end of the century.

Perrow makes a compelling point regarding the influence of corporations on society in the introduction of his book, concluding that aside from "basic demographic forces and cognitive structures of the mind...bureaucratic organizations are the most effective means of unobtrusive control human society has produced, and once large bureaucracies are loosed upon the world, much of what we think of as causal in shaping our society-- class, politics, religion, socialization and self-conceptions, technology, entrepreneurship-- becomes to some degree, and to an increasing degree, and a largely unappreciated degree, shaped by organizations" (Perrow, 2002: 3). While it is true that organizations are made up of people with their own culture and values, it is also important to remember that large organizations also shape culture and people's decisions. The notion that large organizations are a crucial causal factor in shaping society and the idea that corporate values and world views have leaked into American society are reasons why people would expect big, especially transnational, corporations to take on some sort of responsibility for society in addition to simply providing goods for purchase.

The idea of the corporation that is taken for granted today was actually a subject of intense debate during the late eighteenth and nineteenth centuries. Initially, American colonists were wary of the concentration of wealth and power, from which they had escaped in England and continental Europe. They made sure to establish a government with separation of powers and limited the power of local governments, religious, and economic organizations. There was a strong awareness that granting privileges to select organizations advocating "concentrated, collective action" would place power in private hands, potentially against public interests. There were no business corporations in the South until 1781, and at the time there was much
opposition in the North to the rise of private bodies. However, entrepreneurs soon realized that increased productive efficiency required mass accumulation of capital, which in turn called for market control (IBID 33-35).

First, in order for corporations to have been able to spread so widely in America a legal revolution had to take place that allowed for minimal governmental regulation, limited liability, profit maximization for private benefit, and public-interest-minimization. In 1819 the Supreme Court's decision in the *Dartmouth College v. Woodward* case marked a turning point in corporate legal history. At the time the state of New Hampshire attempted to force Dartmouth College to become a public institution, thereby placing the appointment of its trustees in the hands of the state governor. However, the Court ruled in favor of Dartmouth remaining a private institution, setting a precedent that limited local control over corporations. Another major decision of the Supreme Court in 1819 found that "the states have no power, by taxation or otherwise, to retard, impede, burden, or in any manner control the operation of constitutional federal laws," for a case in which the state of Maryland attempted to enforce a prohibitive tax against a branch of the new national bank. Local government control over corporations was immensely reduced, based on the supposed upper hand of the federal government, yet whose power was already quite limited. It was the beginning of economic deregulation and the rise of privatization, beginning with the railroads. Americans had turned their fear of concentrated private power into an aversion to state power.

Moreover, many of the legislators in the federal and state governments had wealthy backgrounds and were quite interested in supporting large private corporations. The Federalist Party in the early nineteenth century primarily stood for economic liberalism. However, the idea of increased "marketization" of the American economy was soon adopted by the Republican Party as well, revealing the infiltration of elite and corporate interests that are
characteristic of the party today. Thus, an influx of wealthy interests in the government provided a push towards corporate capitalism. Inevitably, the state contains people with private interests who will use their political positions to further their interests. In addition, many lawyers at the time, referred to by Perrow as the "shock troops of capitalism," were the offspring of strong entrepreneurial interests, bringing a perspective to their profession that was largely shaped by their family's business background. Naturally, such lawyers would argue in favor for the laws that were needed for the expansion of large private corporations, such as eminent domain, the right of the state to seize public land and turn it over to private companies for development, especially in the era of railroad construction. It was during this time that American politics began to be dominated by private interests, namely organizational interests, and the legal setting provided a way for these growing corporate interests to express the desire for expansion.

By the time corporations had secured the legal framework necessary for their development, it was clear that there were basic methods that they needed to be able to utilize in order to pursue their activities. The idea of limited liability of the shareholders is central to a corporation's livelihood, and it is also principally emphasized today, that the preliminary obligation of a corporation is towards its shareholders. In addition, a corporation must be able to "operate for the private good without a requirement that it consider the public good, including externalities such as pollution, congestion, waste of natural resources, and so on" (IBID 36). This characteristic of the corporate form will be further examined in Chapter 4 as part of a critique for CSR.

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The first major boom in the rise of corporations in Germany happened towards the end of the nineteenth century. The 1870s included the appearance of the stock market, the rise of the company manager, and more generally, the dawn of industrial capitalism in Germany. As Germany moved towards industrialization, entrepreneurs knew that capital was required to fuel growing industries, and the economy shaped itself around profit-minded capitalism with its tendencies towards private ownership and private access to capital. In response, the bourgeoisie would become the dominant group in economic matters. However, as in America and most of the industrialized world at the time, the Germans experienced a long period of depression during the reign of Kaiser Wilhelm, beginning in 1873 and continuing into the 1890s. The German economy did not revive until 1895, and it was during this time that the image of Germany as a highly industrialized society was realized.

Before the Wilhelminian Empire, Chancellor Otto von Bismarck had already favored heavy industry, and his protective tariffs set the foundation for the expansion of large German corporations. German historian Michael Schneider noted that at the time when industry was developing in Germany, "the banks exerted considerable influence on economic development, not merely as lenders but also as shareholders...industrial and banking capital began to merge, one of the typical signs of the organization of the capitalist economy" (Schneider, 1991: 30). By the end of the nineteenth century, five major banks, including Deutsche Bank and the Dresdner Bank, controlled about half of all bank deposits in Germany. Moreover, cartels formed more quickly and strongly after the depression, and the electrical engineering industry was dominated by AEG (Universal Electricity Corporation) and Siemens. Businesses continued to expand in Germany through the 1920s until the Great Depression.

When the Nazi regime took over in 1933, big business was revived again and almost exclusively geared towards the preparation of the intense warfare that would ensue. The strong
labor movement that had accompanied heavy industrialization was severely oppressed, and the production of goods for consumption by German civilians was minimal. As Mark Mazower, director of Columbia University's Center for International History, put it, "Germany had conquered enormous territories, and yet food consumption in the Reich was descending to the miserable rations of the First World War" (Mazower, 2008: 285). The National Socialist regime had an economic vision for Europe that was set up to oppose the "basic assumptions of free market economics as nothing more than an outmoded theoretical rationalization for English supremacy" (Mazower, 2008: 122) Much of Hitler's economic agenda involved the rejection of laissez-faire economics, in favor of fascist economics, which included controlled trade and the support of large industrial cartels across Germany and the occupied territories. Under the Third Reich, Germans directly witnessed the abuse of big business and the oppression of competition, which would greatly influence the economic vision and ultimately the foundation of the new Republic after World War II.

As the founders of the new Republic drafted the new German constitution, they made sure to emphasize the idea that the use of private property must ultimately also benefit the common welfare, which became the fourteenth article in the German constitution (Deutsches Grundgesetz). This article would dramatically impact the role that businesses play in German society, as well as the German people's expectations of business. Article 14 is still referred to in German politics today when discussing the government's relationship to German corporations. The Social Democratic Party (SPD) even brought up the importance of the article in their election platform this year,* deeming it the motto of Germany's social market economy. When I inquired about the nature of and reaction to the fourteenth article of the constitution during my interviews in Berlin, all of my informants mentioned the effect of the

* See page 5: www.spd.de/de/pdf/.../Regierungsprogramm2009_LF_navi.pdf
Nazi regime on the post-World War II economic perspective. One of my interviewees, Representative Thorsten Fischer, even discussed the realization among Germans that "capitalism can also lead to Nazism, or even fascism" if not kept in check by another party. My interviewees made it clear that the German experience during World War II had greatly changed their relationship with corporate capitalism.

With article fourteen in mind, what became extremely important in the development of corporations after World War II was the inclusion of the co-determination model in all businesses with at least five employees. An important foundation to the establishment of co-determination was the Labor Management Relations Act of 1952/1972, under which firms were required to establish a workers' council in which the employees would meet with the executive officers each year to set up a labor contract, and also to discuss the structure of the firm. This would ensure that those most directly affected by the activities of the firm would have a say in the carrying out of these activities, and that corporate managers were as obligated to their workers, and thereby the community outside of the firm, as they were to the shareholders. The degree of employee involvement in the activities and structure of the corporation is perhaps the greatest difference between American and German corporations, and will be discussed further in the next chapter.

Despite the relatively high level of involvement of the government in the structure of German corporations after 1945, the German corporate scene was able to expand to a global level that matched that of the United States throughout the twentieth century. Many businesses were able to grow by adopting the same Anglo-Saxon, neo-liberal economic models that American businesses follow. Several German companies today have become transnational, including Deutsche Bank, Bosch, Siemens, BMW, and Mercedes-Benz, and German corporations must therefore be included in the discussion of CSR.
Multinational Corporations Today

Regardless of a corporation's German or American origin, the same basic internal functions and external effects are currently exhibited by multinational corporations originating in either country. Since large corporations generally include a huge body of employees, many people are dependent on corporations for wages and benefits. Moreover, due to the competitive nature of corporate capitalism, stressing the urge to be as productive as possible in order to increase and centralize surpluses, most corporate workers spend a vast portion of their day in the corporate setting. In this way, corporations can influence the culture, values, and habits of society. This raises an interesting question: If corporations are made up of people who bring their own values and world views to the corporation as much as they extract corporate ideas and habits into their own social spheres, then why is there a disconnect between the expectations of a corporation towards society and the effects that corporations are actually having on society? It is the existence of such a division between the corporation and society that has encouraged the rise of the CSR trend as a way to get corporations to "bond" with society. A truthful answer to this question may help in assessing the validity and long-term success of CSR.

Several ethnographies (Jackall 1988; Abolafia, 1998; de Montoya, 2004; de Nève, 2008; Esperanza, 2008; Prentice, 2008; Berlan, 2008; Ho, 2009) have been produced by economic anthropologists in the last twenty years on the experience of corporate employees and on the general "market culture" that has evolved with the rise of corporations. As Perrow put it, "organizations socialize us to fit their needs...from working in organizations, we get organizationally friendly cognitive patterns of the mind..." (Perrow, 2002). Spending most of one's time in the workplace results in the adoption of the workplace culture which is often carried over into personal culture, outside of the work setting.
This phenomenon is the theme of anthropologist Karen Ho's recently published ethnography of Wall Street workers. In her book, *Liquidated*, Ho is interested in the ways that the culture of the investment banks in New York City (collectively referred to as Wall Street) shapes the global and personal perspectives of their employees. Based on observations of her co-workers in her fieldwork site as an investment bank employee herself, Ho notices that many of the workers on Wall Street will actually "restructure their social worlds according to the virtual economic models" that they deal with daily. They attempt to make the "real world" conform to the virtual expectations of humans in neo-classical economic theories, which Ho views as an extreme manifestation of workplace culture.

Characteristic of Wall Street culture, that has its roots in neo-classical economics, is frequent replacement of employees, resulting in inherent job insecurity. Managers as well as workers are transient in investment banks, creating a culture greatly lacking in loyalty. Wall Street employees are taught to view such job insecurity as an exercise in character-building, which they often apply to their personal lives as well. Market liquidity, an important economic term, refers to the degree of flexibility with which an asset can be turned into monetary capital and sold without a significant fluctuation of its price and a minimal loss of value. The concept of liquidity is extended to the recruitment and lay-off of employees, which Ho calls the "culture of liquidity" in the workplace environment to explain the cause of instability and, in light of recent economic downturns, crisis in investment banks: "Employees are readily liquidated in the pursuit of stock price appreciation" (Ho, 2009: 12). Ho maintains that market abstractions, such as liquidity, become like a religion for investment bankers that they eventually extend beyond their professions, entering a "continual existence on the brink of annihilation."
Dr. Müller commented on the characteristics of the employees in German corporations that mirrored Ho's description of the influence of investment bank culture on the workers. He mentioned that one of the significant changes in German corporate structure that had taken place in the last twenty years was the frequent change of managers, which has resulted in less intimate relationships between the manager and the company. Since such constant replacement of managers has become the norm, there is a lack of attachment and genuine passion for the sustenance of the company beyond the short-term business cycles, and most of the employees will tend to be "socially uneducated," and generally inexperienced when it comes to understanding how a corporation's activities affect the world around it. Müller lamented that many of the people that go to work for large corporations are so one-dimensionally prepared for the job, to the extent that they miss out on different social perspectives; they will never understand what it means to start a career "from scratch" because they have only been trained to operate with "instruments of power" (advancing technology of financial tools) in settings where they are far removed from other social realities around them and never get to witness the impact of their work on outsiders.

Ho spends the first chapter of her book discussing her observations of Wall Street workers' profiles before and after recruitment. The time she spent as an undergraduate at Stanford University and later, a graduate student at Princeton provided the ideal places to study the early formation of the ideal investment banker, as both schools are prime recruiting grounds for Wall Street. Humorously referring to investment banking recruitment at elite universities as "hunting season," Ho documents the ubiquity of Wall Street culture in undergraduate life: "This early and intense branding of Wall Street careers as the symbol of arrival, the equating of investment bank with 'career' in general, serves to narrow students' notions of success and gives the impression that for graduates, there's nothing else out there
besides investment banking and consulting" (IBID 61). Ho describes how this mindset is carried over to the working world, when college graduates arrive at Wall Street, identifying a "culture of smartness" through the way in which investment banks use "proclamations of elitism (through world-class universities, the discourse of smartness and globalization)" to entice university students to work for them. Through her discussions with students from Harvard and Princeton, Ho observed the way that investment banks tried to position themselves as extensions of the elite universities from which they recruit, instilling a distinct, individualistic superiority complex in the workers regarding their social status and capability to influence the world by using their financial tools and technical skills: "From this foundation of smartness and elitism, they proclaim their place in the global social order, both how their firms are working to reshape the global business landscape and the global opportunities their firms make available to its employees...a global kinship of powerful actors based on smartness is the building block of global financial networks, which spur financial capitalist accumulation" (IBID 71-72).

The investment banks are an example of the way the individuals that work for corporations are molded to serve a very specific career field, and ultimately social class, that is based on exclusive, stiff methods of gathering knowledge about the world. As professor of sociology Robert Jackall observes, "the corporate work environment places a premium on a functionally rational, pragmatic habit of mind that seeks specific goals" principally benefiting the future of the corporation (Jackall, 1988: 5). Thus, the major impact of the corporate work ethic and world perspective is the imposition of neo-classical economic ideals on non-corporate situations, a substitution of virtual models of how society works for "real life complexities." Indeed, many corporate employees refer to their world of work as "the real world," superior to other working worlds in fields such as the arts, education, and healthcare.
What is fascinating about corporations is not only the extent to which they shape the individuals that operate them, but the degree to which American law has attempted to anthropomorphize the corporation by giving it the rights of an individual human. Although a corporation is owned by the various stockholders who invest in it, they are not obligated to represent or take any responsibility of the company when concerns over finances or structure crop up. Therefore, the law has to appoint someone to take on the legal rights and duties needed by firms to function in the economy. The corporation itself has become this 'someone,' "having perpetual succession under an artificial form, and vested, by the policy of law, with the capacity of acting, in several respects, as an individual, particularly of taking and granting property, of contracting obligations, and of suing and being sued, of enjoying privileges and immunities in common" (Bakan, 2004: 15). Canadian law professor Joel Bakan outlines the role and rights of corporations in western society in his book, The Corporation, showing that a corporation essentially has every right that a living person has, except that of suffrage. In a legal sense, the personification of the corporation, created as a "free individual," has assumed the place of the real, flesh-and-blood people who actually carry out the corporate activities. In Chapter Four I will question corporate personhood as a reasonable status to assign to a profit-seeking entity in light of social responsibility.

After 1973, when the American economy succumbed to the surge in oil prices dictated by the Organization of the Petroleum Exporting Countries (OPEC), the power of corporations increased as the country became disillusioned with the ability of government intervention to boost the economy. As neo-liberalism became more popular, economic freedom for individuals and corporations soared as government intervention was limited and deregulation, privatization and spending cuts quickly characterized the American economic scene. With the accompanying rapid development of telecommunications and transportation modes, the
anthropomorphized corporations were free to run wild around the world, employing cheap labor where labor standards were low, extracting raw materials for production from politically and economically vulnerable countries, and generally operating in multiple locations all over the globe (Bakan, 2004).

As a result, the social and ecological footprints of corporations have increased as their externalities (the economic term used to describe the effect of a corporation’s activities outside of the corporation, generally not reflected in the price of the products or labor) spread. There are a number of positive externalities of corporations, such as job provision for members of the community in which a branch of a corporation is situated, corporate sponsorship of community endeavors, and the contribution to the gross domestic product (GDP) level through the production and selling of goods. However, there are also many negative externalities inflicted by corporations that cannot be ignored, as they compete to produce as largely and efficiently as possible. Some basic examples of negative externalities include pollution, the exhaustion of natural resources, mass layoffs, as discussed through the work of Karen Ho, and also the exploitation of labor and consumers.

Corporations tend to be extremely effective advertisers, seen by their consistency in slapping their logos on every piece of merchandise for the activities that they sponsor from sports stadiums, to T-shirts, to drink containers, public benches, public transportation, and billboards along the freeway. It is very difficult to avoid the purchase of corporate products since many industries nowadays are dominated by just a handful of corporations. A major example of corporate monopolization can be found in the seed and chemical fertilizer industry, which is run by the three large corporations Monsanto, DuPont, and Syngenta (ETC Group, 2008). Monsanto's mission and marketing strategies have become the subject of ethical controversy among food activists in the last ten years due to their experimentation with
genetically modified seeds that they patent and sell around the world. Although they claim to be working to eliminate global hunger and poverty by way of their high-tech agricultural methods, Monsanto has been accused of contaminating Mexican corn fields with genetically modified organisms (GMOs), while suing several farmers for saving their seeds for the next season rather than buying a new batch from the corporation each year. In addition, their persistent ambiguity as to the long-term health effects of GMOs and their manipulation of the United States Department of Agriculture (USDA) and the Food and Drug Administration's (FDA's) regulations for food labeling has allowed them to avoid printing full product information about the food produced from their seeds, thereby denying consumers full information about their purchases. To many activists, Monsanto is the classic example of the corporation that will do whatever it needs to in order to produce and sell as much and as efficiently as possible for the sake of bringing in enough profits to sustain its domination of the food industry.

The food and pharmaceutical industries provide stunning examples of present corporate monopolization of industries, as documented by the Action Group for Erosion, Technology, and Concentration (ETC Group). According to the ETC Group, the top ten pharmaceutical companies reign in 55% of global drug sales, while the top ten seed companies control 67% of the global seed market. The top chemical, pharmaceutical, gene synthesis, and food retailing corporations are of American or German origin, including Aldi, Merck & Co., GeneArt and BASF Chemicals from Germany, and Wal-Mart, Pfizer, Blue Heron Biotech, and Dow Chemicals from the United States. As a result of their immense commercial influence around the world today, corporations have become major shapers of social, economic, and trade policy wherever their products can be found. In light of corporate global visibility and the tactics that corporations use to expand, it is crucial to question whether corporations can
continue to produce for society without damaging the social and natural environments around them. Corporations are aware of the concerns that have appeared regarding their role in the world today and have insisted, through CSR, that they can willingly take responsibility for their activities.

I have described the free-market capitalist basis for CSR, and the history of corporate expansion in America and Germany up to the emergence of the multinational firm. I have also pointed out that although corporations are given the status and rights of people in America, they have a very manipulative relationship with real people and with laws. Based on the neoclassical capitalist model on which modern corporations have been formed, as well as the human actors operating corporations, the visible externalities inflicted by corporations, and their sheer size and spread across the globe, I will assess whether the free engagement of corporations in socially responsible business practices can indeed contribute to the long-term improvement of social and environmental conditions.
Chapter 2
An Overview of CSR: Origins, Strategies, and Impact

The Idea of Social Responsibility

Before a presentation of the concept of CSR can begin, a discussion of the notion of social responsibility must take place. What does it mean to be a socially responsible entity today and why is it viewed as an obligation? Should a person’s or a group’s responsibilities to society correspond to their level of material wealth? Such questions underlie the debate about social responsibility in contemporary society. There are at least two broad categories of social responsibility that I would like to identify: passive and active. Passive responsibility is simply “minding one’s own business” by taking no more than one needs of the world’s resources, being careful not to inflict stress on the surrounding social and natural environments, essentially leaving minimal damaging evidence of one’s existence on the Earth. One could argue that the lifestyles in many primitive societies, such as those of the pre-colonial Native Americans, were examples of passive responsibility towards the social and natural environments. By maintaining relatively small social units, keeping up sustainable ways of feeding themselves compared to modern food production, and relying on non-synthetic, non-industrial modes of technology to aid in their daily lives that did not threaten to imbalance atmospheric or aquatic ecosystems, Native American people lived with nature rather than beside it. By maintaining their materialistically simple lifestyles, they were able to respect their natural surroundings and preserve the environment for their neighbors and future generations.

Active social responsibility, on the other hand, would involve engaging proactively in efforts to improve the conditions of the social and natural environments by, for example, joining a recycling campaign that travels around a community each week encouraging people...
to properly dispose of their plastics, papers, and electronics; being a restaurant owner who commits to preparing dishes made only from free-range livestock; lobbying on behalf of an interest group for the preservation of forests and fisheries; or by volunteering one’s care-taking abilities at a community daycare for the children of single, working mothers. As a result of booming human populations in the past few centuries which has inevitably led to the increased depletion of natural resources, but also the need for increased industrialization and therefore, more advanced technologies, social and environmental problems have emerged, such as extreme economic inequality, the overload of chemical waste in natural environments as a by-product of advancing technologies, rising rates of infectious diseases, and political struggles over natural resources for industrial production, among countless other issues.

For this reason, active social responsibility is generally the most recognized form of responsibility towards society today, whereas passive social responsibility is more difficult to defend as a form thereof since the majority of people in modern industrial societies are dependent on, and therefore indirectly support, processes that lead to environmental degradation and social injustice. At the same time, because most people in highly-developed societies are essentially out of touch with the production processes that allow them to acquire material possessions, it is hard for people to remember how their role as consumers largely fuels these processes that ultimately have negative side-effects on the aspects of the world in which the production of goods is embedded. Speedy communication technologies leave little excuse for ignoring the daily news of environmental and social troubles, further enhancing the urgency for active social engagement and invalidating the idea of simply abiding by the golden rule as a form of social responsibility.

Nevertheless, people are free to choose whether or not to put forth efforts for the betterment of society. The idea of “giving back” to society has become a popular way to
describe voluntary initiatives towards the eradication of social and environmental ills, lightly acknowledging that “something” has indeed been taken from society or nature. The mentality of “giving back” as a social obligation is reflected in French sociologist Marcel Mauss’ essay *The Gift*, first published in 1954. In his piece, Mauss propounds the idea of the gift as an example of a “total social phenomenon” because it involves legal, economic, moral, aesthetic, social and other aspects of human relationship and interaction. Gifts are more than just objects expressing generosity and appreciation, they are symbols of individual identity and social bonds that bring humans together and foster cooperation. Referencing customs of exchange in archaic societies, Mauss analyzes the implications of the gift in an attempt to understand what it is about human legal customs and self-interest, “that compels the gift that has been received to be obligatorily reciprocated” (Mauss, 1954: 3). According to Mauss, the act of giving and accepting a gift creates a bond between the giver and the receiver that necessitates reciprocity in order to maintain the honor of the receiver and the bond between the giver and the receiver. Mauss asserts that there is always a part of the giver himself (a piece of his essence or individuality) that is retained in the gift that is acknowledged by the receiver through the returning of a gift: “In short, this represents an intermingling. Souls are mixed with things; things with souls. Lives are mingled together and this is how, among persons and things so intermingled, each emerges from their own sphere and mixes together” (Mauss, 1954: 20). To fail to reciprocate a gift, therefore, is to undervalue the individuality of the giver and to reject a social bond.

In Maussian terms, social responsibility means being conscious of the value and symbolic identity imparted on the gifts that one receives in life, and making sure to reciprocate these gifts. Mauss’ views can be extended to the example of today’s businesses extracting raw materials and human capital for production (nature’s gifts to man and society's gifts to
industry) and the dilemma of how to start returning these gifts, which is what CSR attempts to embody. In his book *Capitalism 3.0*, Peter Barnes, founder and former CEO of Working Assets, neatly points out the difference between private wealth -- what corporations strive to maximize, and common wealth,--which is what corporations take in order to achieve private wealth:

"But there's another trove of wealth that's not so well-known: our common wealth. Each of us is the joint recipient of a vast inheritance. This shared inheritance includes air and water, habitats and ecosystems, languages and cultures, science and technologies, social and political systems...common wealth is like the dark matter of the economic universe- - it's everywhere, but we don't see it. One reason we don't see it is that much of it is, literally, invisible. Who can spot the air, an aquifer, or the social trust that underlies financial markets? The more relevant reason is our own blindness: the only economic matter we notice is the kind that glistens with dollar signs. We ignore common wealth because it lacks price tags and property rights" (Barnes, 2006: 66-67).

Barnes goes on to describe his own version of how to carry out social responsibility mirroring the Maussian way--by recognizing and returning nature's gifts that have enabled corporations to grow and produce all the synthetic gifts that people give to each other during culturally significant times of the year. His ideas require a reform of the current capitalist economic system in America, which will be discussed further in the fourth chapter.

Today, social responsibility is a struggle that individuals and corporations face as inhabitants and consumers of the Earth's resources. Social responsibility is not a novel concept of recent relevance; it is an obligation that people have felt in some way towards one another throughout human history as a result of the growth of communities, and ties of kinship and
friendship. What makes it an interesting subject, though, is the way for-profit firms are organizing and strategizing techniques for being socially responsible members of society without necessarily establishing and maintaining the Maussian social bonds that accompany giving. The rest of the chapter will be an analysis of the approaches of active social responsibility that characterize the idea of CSR, followed by a look at the results of the current CSR strategies carried out by multinational firms. The following pages will lay the foundation for the argument that CSR is a symptom of structural inadequacies within the free market capitalist dogma, and that as a tool of capitalism it mainly serves to cover up these structural flaws.

**Appearance and Evolution of the CSR-Concept in the Twentieth Century**

What is referred to in business circles as CSR is fundamentally a strategic trend that several large corporations have embraced as a way to adopt a more socially- and/or environmentally-conscious image. It is an organized, modernized agenda for a dated, intuitive activity for sustaining human communities and strengthening cooperation. In ethical terms, the CSR-concept is part of a long debate over the ethics of utilitarianism, or the idea that the best acts are those that benefit the greatest number of people, or those that maximize utility. However, the current trend around CSR has been in favor of corporate actions that take into account minority, or otherwise overlooked, stakeholders in business activity, such as local farmers, the well-being of individual workers, and the natural environment. This trend tends to refute the idea that a fair distribution of benefits means the most for the majority at the expense of the minority. The current CSR discourse is an attempt at defining social responsibility as a corporate commitment to all stakeholders, for a change, rather than a handful of profit-seeking actors masquerading as the majority. As a technique for social responsibility, CSR is a
response to growing expectations of the proactive role that business should take on for the alleviation of the economic, social, and ecological challenges that appear in the regional venues of business activity and resource extraction. A 2005 study done by the Ashbridge Business School in Denmark has categorized CSR into different classes of responsibilities that businesses may carry out, which include:

- Ethical leadership
- Responsible customer relations
- Product responsibility (including responsible product labeling)
- Ethical competition
- Employee communication and representation
- Work-life balance for employees
- Responsible firm restructuring
- Driving social and environmental standards through the supply chain
- Promoting social and economic inclusion via the supply chain
- Transparent reporting and communication
- Volunteering employee time in the community
- Financial donations
- Being a good neighbor
- Responsible waste management
- Transport planning

(Ashbridge Center for Business and Society, 2006)

The majority of the possible engagements in the list above are tremendously broad and left open to various interpretations, such as “being a good neighbor” and “transport planning.” The generality of this list reflects the ongoing, relatively new debate around the meaning and central components of CSR among stakeholders (people effected by the activities of a company, such
as employees, consumers, demographic groups, and residents around the company’s branches) academics, and businesses themselves. The definitions and conceptions of CSR have changed over the course of business history, and are largely a product of the economic and social attitudes of the particular eras in which CSR has been a subject in the corporate world. A brief overview of early incidents of social responsibility in western countries will help in understanding the social ideals and conditions that influenced the modern layout of CSR. Moreover, it will become clear that today’s standards in the CSR agenda had direct, historical precedents when businesses began to adopt social responsibility measures. Reflecting today’s CSR trend in history will expose how the recycled ideals for business responsibility are merely being framed and modified in contemporary strategies.

The earliest calls for western corporate responsibility arose in the industrial revolution of the nineteenth century, when mass employment in factories and mines rose dramatically. The crowding of workers into buildings for several hours per day, engaging in repetitive tasks eventually provoked civil unrest characterized by complaints of human exploitation, poor working conditions, and low wages. As a result, the first Factory Acts, preventing the cotton mills from employing children under nine and establishing a maximum 12-hour work day for workers up to 16 years old, were passed in the United Kingdom in 1819, followed by laws enforcing better working conditions in the mines in 1842. In addition, mill owners, such as Robert Owen in Great Britain, as well as renowned chocolate manufacturers Richard Cadbury and Joseph Rowntree were pioneers in philanthropy and early examples of socially responsible business owners through their establishment of living communities for their workers near the manufacturing plants. Andrew Carnegie was, of course, the leading businessman-philanthropist of the late nineteenth and early twentieth centuries, donating millions to the construction of libraries, universities, and schools in America. However, government would remain the
primary enforcer of corporate responsibility in the United States and in western Europe-- that is, until the end of the Second World War (Blowfield&Murray, 2008: 44). Thus, corporate responsibility is a concept of historical importance that has essentially drifted away from government intervention and more deeply into the hands of corporations themselves, as will become apparent throughout this section and into the next one.

As was discussed in the previous chapter, the end of the nineteenth century also marked the rise of business incorporation and quickly allowed corporations to gain economic power and significant legal rights that permitted their expansion. By the early twentieth century, there was "a huge increase in the number of mergers and corporations came to be seen by some as huge, impersonal monoliths that were beginning to exert political pressure as never before, leading to public calls for greater regulation and supervision" (Blowfield&Murray, 2008: 46). The period before World War I was characterized by thriving global free trade, whereby private self-interest was increasingly championed as serving the public good. Immediately following the leadership failures and immense casualties of the First World War, however, the atmosphere in the United States was one that stressed weariness of strong economic and political forces, including corporations. Under the spirit of "New Capitalism" (Blowfield&Murray, 2008) business leaders were compelled to consider the impact that their activities were having on society. Closely mirroring the appearance of today's CSR idealization, New Capitalism was grounded in the idea that companies should "voluntarily take steps to portray itself and its activities as beneficial to society at large" (Blowfield&Murray, 2008:47). However, due to a retained confidence in the idea that economic growth was the key to eradicating social ills, the ideas of New Capitalism were quickly abandoned during the 1920s, and would only exert influence again after the economic depression of the 1930s.
When the Great Depression hit industrialized economies, trust in businesses reached a historically notable low-point, causing a major push for more responsibility of businesses towards society. In response, Roosevelt's New Deal programs took control of the American economy by creating legislation that influenced the management of businesses. The Public Works Administration (PWA), for example, was designed to reduce unemployment by spending $3.3 billion with private companies to engage in several large construction projects. In addition, the National Industrial Recovery Act (NIRA) encouraged union activity and ensured workers' rights to collective bargaining. There were also programs to aid tenant farmers and migrant workers, as well as the Fair Labor Standards Act of 1936, which set maximum hours and minimum wages for many classes of workers. The principles of the New Deal would influence the types of welfare states that emerged after World War II in many western European countries. One of my informants, Professor Schmidt in the Sociology Department at the Free University in Berlin, even put forth that 1940s welfare capitalism and today's CSR discourse are very similar initiatives, both of which respectively influenced and is influencing corporate strategy in the United States and in Germany. The post-war government of West Germany, for example, adopted a new model of governance under the social market economy that emphasized the voice of workers, along with corporate shareholders, in the management of firms. The renewed interest of many national governments in the aftermath of the Second World War also gave rise to the Universal Declaration of Human Rights, which is referenced in today's CSR initiatives.

In the midst of the many social concerns of the first half of the twentieth century, the 1950s included the recognition of environmental challenges that remain primary CSR subjects today. Pollution and rising levels of carbon dioxide and other greenhouse gases in the atmosphere were increasingly acknowledged as predicaments to be dealt with. In 1962, Rachel
Carson's *Silent Spring* drew attention to the environmental effects of man-made pesticides, leaded petroleum, and chemical seepage from factories. The connections between environmental degradation and corporate activities became clearer, setting the scene for a growing movement for corporate responsibility initiatives.

Accompanying the rise of social and environmental consciousness in the 1960s and 1970s, was the detrimental economic condition termed "stagflation" (high unemployment, yet high inflation), which was blamed on the post-war regulatory constraints of the industrialized nations. The United States and Great Britain quickly loosened government intervention in the economy, allowing private enterprises to flourish and created more incentives for private investment. Corporations began to invest globally, and greater global investment opportunities made possible by developing countries such as China, Indonesia, Malaysia, and Mexico led to industry consolidation on a worldwide scale--thus, the creation of the multinational firm. The result of company production sites transcending national boundaries has been the expansion of the corporate social and ecological footprint around the world, giving rise to the case for corporations taking increased responsibility for their activities and for the fate of the affected communities.

Critics have claimed that globalization has undermined the national sovereignty of the developing countries that host corporate production processes. For example, countries that wished to receive aid from the major financial institutions, such as the International Monetary Fund and the World Bank, would be required to agree to the Washington Consensus, which promoted western, neoliberal economic ideals, such as minimal state intervention, the elimination of trade barriers, and the reduction of welfare provision. Leaders of developing nations, such as Argentine president Carlos Menem, felt pressured to comply with the Consensus and also to refrain from enforcing protective labor or environmental laws in order to
attract foreign businesses (Blowfield&Murray, 2008: 84). Questions regarding the ethics of holding double standards in social and environmental production--according to the strictness of the policies in the different venues of production--have come up as part of the CSR agenda. CSR can be seen as an attempt to fill the vacuum in global governance for corporations caused by the uneven social and ecological production standards.

The CSR movement is also one that tries to define what exactly the role of business should be in today's contexts. Economist Milton Friedman has famously stated that "the only social responsibility a law-abiding business has is to maximize profits for its shareholders," staunchly emphasizing the legal and technical purpose of the corporation that was discussed in chapter one. However, in light of the changing social and environmental contexts in which businesses are acting today, Friedman's belief has been challenged by many alternate ideas of corporate responsibility that will be discussed in this chapter. Professor Archie B. Carroll at the Terry College of Business outlined four basic types of responsibilities that businesses should take on, as part of an early conceptual model for corporate social performance:

- Economic responsibility: the fundamental responsibility of business to produce goods and services that society wants, and which it sells at a profit.
- Legal responsibility: the obligation of business to fulfill its economic mission within the confines of the law.
- Ethical responsibilities beyond legal compliance.
- Discretionary responsibilities: voluntary responsibilities, such as philanthropy, which a company can assume even if there are no clear-cut societal expectations.

(Carroll, 1979)
Carroll's basic guidelines for the responsibilities of business have been expanded upon by more sophisticated frameworks for designating corporate responsibilities in today's world, particularly with regard to the last two points on ethical and discretionary responsibilities. Currently, CSR agendas of multinational corporations tend to focus on philanthropy, such as Microsoft and the Ford Motor Company over the years; sustainable environmental management, particularly in the energy industry in the Shell oil company or Beyond Petroleum (BP) in recent years; workers' rights and welfare, as seen in the new efforts made by Wal-Mart in their employee relations; improving market relations within the supply-chain, exhibited by the fair-trade coffee bean movements for the benefit of small farmers; and combating internal management corruption. The following section will go into detail on the current CSR discourse within academia, politics, and interest groups and the CSR mission statements found on corporate webpages.

Interpretations of CSR

It should not be surprising that there are many variations in the definitions and expectations from CSR because the principal characteristic of the CSR concept is that it is a voluntary, free-style engagement on the part of companies regarding which concerns to address, which strategies to employ, and how much money to spend on discretionary responsibilities. The research methods of anthropology have proved remarkably ideal for the understanding of personal accounts and experiences with the present CSR discourse. The investigation of higher-up, corporate personalities is a relatively new undertaking in the field of anthropology, which proved to be a major obstacle in my fieldwork. As a child of western colonialism, anthropology has traditionally focused on the people affected by the workings of greater economic and political forces rather than the actors behind the dominant social
organizations. Historically, such actors have been difficult to access for those not already recognized within their social networks, which I experienced first hand during my fieldwork. Of the more than fifty e-mails that I sent out to corporate figures and politicians in Berlin, I was grateful to hear back positively from only about ten percent of the people I sought out. About half of my requests for interviews--mostly from corporations-- were rejected for reasons ranging from lack of time to outright refusal to speak with a researcher. Nevertheless, anthropological contributions through interviews and participant-observation with those political actors who do choose to open up provide relevant commentary on the topic of CSR, as this section will show.

The main object of my initial research and fieldwork on the subject of CSR was the meaning of CSR across different groups in society. The first group I looked to for interpretations was academia, both in books and in conversations with professors in Berlin and in Durham. Michael Blowfield, professor at the London School of Business, and Alan Murray, online editor of the Wall Street Journal, collaborated on a recent book about CSR from the business perspective, in which they draw the distinction between defensive and offensive corporate responsibility. According to Blowfield and Murray, the defensive approach is employed to "maintain a company's reputation and to avoid legal liabilities...when companies are seeking to resolve problems of their own making" (Blowfield and Murray, 2008: 102). In contrast, "the offensive approach (to social responsibility) can involve companies offering themselves as the solution even if they had no (direct) part in creating the problem" by exploiting "their full capabilities to find an implement solutions" (Blowfield and Murray, 2008: 103). According to Blowfield and Murray, most of the advocates of CSR today favor the

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* See pages 64-65 and 87-89 for ethnographic memories depicting the obstacles of doing fieldwork in institutionally exclusive circles.
"innovative, forward-looking agendas that are implied in the concepts of offensive corporate responsibility" (Blowfield and Murray, 2008: 103). Corporations are trying to play an active role in the mitigation of major societal challenges and the consequences of large-scale production and consumption. The growing embrace of social and environmental issues in the corporate management agenda is a defining trait of the idea of CSR being discussed in this chapter.

When I talked to Professor Thomas Bradley at the Fuqua School of Business at Duke University, the most striking thing about his interpretation of CSR was the way he kept referring to it as a "game" that corporations like to play nowadays. As a professor of Corporate Social Impact Management at Fuqua, I asked him why he thought that CSR often appears in the marketing department of corporations. He explained that CSR is an "effective way to differentiate a company," and that based on his study of marketing strategies and work experience in the marketing sections of large companies, "consumers tend to prefer brands associated with social responsibility." Corporations realize that there is a segment of consumers that they are able to win over by engaging in CSR. However, he asserted that "one of the biggest driving forces (for CSR) is the ability to attract employees" more so than attracting customers. Professor Bradley compared the involvement in CSR initiatives to the prisoner's dilemma scenario describing the CSR trend as follows: "The idea is, you get this game going on where, if you're not participating then you're really going to get a huge loss--in the prisoner's dilemma, the loser goes to jail for eternity--so you gotta play."

His perception of CSR as a game matched the view that I had been getting from other resources that I had looked into before speaking with him, but he was the first person I talked to who bluntly assimilated it to a form of play, a sort of diversion that businesses were getting into, rather than a serious commitment or systemic revolution. At the end of the interview he
concluded that, "As long as people (corporate actors) are playing by the rules, are being fair, aren't hurting anybody, aren't lying to anybody, and are making a lot of money and employing a lot of people--they're helping society a lot...and when you add to that the (corporate) tax payments, there's nothing wrong with that (raking in exorbitant returns)...they don't have to layer a lot of social initiatives on that." I related his words to Friedman's belief that "the business of business is business" and that if good comes out of this, it is merely a bonus of sorts. Of course, Bradley's interpretation included a more ethical component, namely playing by the rules of the "game," but his idea of CSR was still strongly rooted as a movement that takes place within the corporation and as a result of the corporate framework.

I encountered a more exclusive centralization of CSR on the business sector in an interview I carried out with Representative Stephen Knowles in the Commerce Committee of the North Carolina General Assembly. When I asked him what CSR meant to him he responded very curtly, "To me Corporate Social Responsibility means that a corporation does what is best for the consuming public. As a legislator I rarely hear the term and it almost never is mentioned in our Commerce Committee. As an investor, funds using social responsibility as an investment criterion usually have mediocre returns." When I asked him specifically how a corporation could "best serve the consuming public" he replied "through the provision of goods and services," but "a business' only obligation is to its stockholders" and "it can do whatever it wishes with its profits." I found it interesting that he chose the term "consuming public" rather than simply, "the public," suggesting that there may be a sector of the public that may not consume, and therefore should not be included in the any responsibility that a corporation may have on its human and natural surroundings. Unfortunately, he was on a tight schedule, which left little time to go into detail on the nature of his responses. From our short conversation, however, I understood that he viewed CSR as an engagement taken on at the expense of
corporate stockholders, and that he believed that government legislation was the biggest impetus for social responsibility among businesses.

9:50AM...another cloudy, windy summer morning in Berlin as I rushed up the steps of the Nollendorfplatz train station to catch the subway to the parliament building, praying that it wouldn't be more than a few stops away. I had ten minutes to get to the Bundestag. An old woman eyed me for a second and frowned, pointing to the right side of her face. I glanced at my reflection in the train window as it pulled away from the platform, hastily wiping away a marmalade smear from my cheek. I am so not ready to interview the kind of person I'm about to go see right now: why am I still wearing the same pants from two days ago, how did I manage to walk out of the bathroom with a food stain on my face, and why couldn't I find my list of questions this morning? This really did not feel like fieldwork as I had imagined it from accounts I read last semester by Bronislaw Malinowski, E. E. Evans-Pritchard, or Hortense Powdermaker. I felt more like I was headed for a job interview for an out-of-my-league position in a highly respected organization.

"Please wait at the South entrance of the Bundestag at 10AM on June 23, 2009 where a security guard will verify your identity and you will be escorted to a waiting room where Representative Wagner's secretary will meet you." Those were the directions I received from Mr. Wagner's assistant last week. At least they didn't insist on picking me up from my apartment as was the case before the previous interview--that was intimidating; it's hard to relax before an interview when there are so many formalities to go through beforehand. Interviews are already a strange enough way to get to know someone.

10:10 AM...of course, I can't find the entrance. I don't even know which side I'm on. The oddly-shaped Bundestag loomed over me, as if gleeful that its modernist-style, futuristic
architecture had foiled my sense of direction. Maybe it would have been better if they had picked me up again. I ran over to a maintenance worker and asked for the South entrance. He responded in a barely intelligible, thick Berlin accent and waved me in a general direction. When I finally found the right door I couldn't figure out how to open it. I walked back and forth a few times and the tinted glass structure finally opened, revealing a line of sheepish looking receptionists behind some more glass. I am asked to explain myself, sign a sheet, and put on a visitor's tag. So much for studying "upwards" on the social ladder...I hope Mr. Wagner likes to talk a lot.

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Meanwhile, across the Atlantic Ocean, the CSR discourse progressed on a very different track than in the United States. Indeed, Blowfield and Murray noted in their book that, "Defining the company's corporate responsibility purpose is further complicated by the fact that perceptions of responsibility differ from country to country" (Blowfield and Murray, 2008: 101). As an example, they wrote that, "in Germany, it is a priority that companies provide secure employment..." (Blowfield and Murray, 2008: 101). Ensuring workers' rights has generally been one of the most important social responsibilities that German companies are expected to carry out, from job security to adequate wages, working conditions, and working hours, echoed by Representative Wagner during the interview following the fieldwork memory above. As German economist Alexander Börsch wrote, "Germany runs the most extensive formal system of employee representation worldwide...the most important law in this context is the Codetermination Act of 1976...the crucial provision of this law is that employees must have fifty percent representation on the supervisory board (committees within corporations that determine firm structure and management)" (Börsch, 2007: 46). Following giant retailer Arcandor's recent bankruptcy, many employees who had built up their careers at the company
were suddenly laid off and left utterly at loss regarding how to get back into the working world. Mass layoffs are still unusual in Germany, even during financial crises, because one thing that people are used to expecting from companies is job security.

One of the first people that I spoke with when I arrived in Berlin was Dr. Werner Müller, an elderly professor of European Ethnology at Humboldt University. In view of his research interest in national identity formation, I had e-mailed Dr. Müller with the hope that he would talk to me about connections between German national identity and business culture in the twentieth century. I was at the point in my research where I was particularly interested in cultural and commercial overlaps in the business world. One of the growing trends in the German business world that he emphasized (and lamented) during our interview was the increasing turnover rate of German corporate managers, particularly in German multinationals, which reflected a decreasing loyalty from managers towards their firms. According to Dr. Müller, the culture of lifetime employment at a company was traditionally very strong in Germany until recently, as a result of Anglo-American corporate management influence. Dr. Müller identified a growing ethical problem throughout large German corporations, citing the lack of social responsibility in places where German multinationals like to produce, such as developing Caribbean and Southeast Asian countries, as opposed to the multitude of philanthropic projects in their country of origin. He believed that the philanthropic component of CSR is rightfully voluntary, but that there are policies that come under CSR that should not be based on free engagement, but should instead be ethically required responsibilities of corporations. It was clear, by the end of the interview, that Dr. Müller perceived CSR as a trend that emphasized the free-will of corporations, and especially the act of philanthropy more than other kinds of engagements with society.
In German academia, my informants were generally not as familiar with the specific trend of CSR that I was inquiring about, but had detailed opinions on the idea of social responsibility in corporations. When I briefly clarified what CSR was about in the past ten years they understood it as merely a management strategy based on concepts and expectations that were hardly novel in the German business world. Professor Schmidt concisely summarized his take on CSR:

"It's (CSR) about ideas that are relatively old, but have acquired a new name...I think that it is very astonishing that this has become such a huge topic in the last ten years. If you look at small and medium-sized companies (in Germany) since the nineteenth century, it has always been the case that the firm owner has taken responsibility, not only for his employees and society, but also for the environment...such implicitness may of course not be so implicit in larger corporations, where it is perhaps a more central, important debate." (translated)

Later, a representative of a CSR interest group that I interviewed would echo a similar view of CSR. Thorsten Krüger, head of Active Citizenship, a consulting group for corporations on the management of social responsibility, offered a very technical interpretation of CSR. He mentioned at the start of the interview that the term CSR has only recently, in the last ten years, been introduced in Germany. His answer to my question regarding the understanding of CSR, from his experience, was a list of ways that corporations demonstrate consideration for social causes, including "corporate giving programs" and initiatives to promote gender diversity in the work force. Mr. Krüger also pointed out that financial donations were often the "most sufficient" and efficient form of CSR that corporations could take on, but systemic social problems, giving the example of motivating under-performing, minority students in Germany to excel in school, was something that philanthropy alone could not solve.
I also investigated the perspective of CSR in relation to the government sector in Germany. The first politician that I spoke with, Thorsten Fischer, was a young representative of the Leftist Party in Germany and a member of the Berlin State Parliament. At the time I was in Berlin he was campaigning for a position in The Ministry of External Affairs in the German Bundestag. Due to his interest in foreign politics I believed he would be able to tell me about the internationalization of German businesses, and his status as a relatively young member in politics convinced me that he may be more familiar with the recent CSR trend in German multinationals. Mr. Fischer explained that much of the regulation over industry that the German government historically maintained had been eliminated in the past ten years, which, from his view, paved the way for the growth of CSR. He saw CSR as a strategy that was "filling the gap" created by the decrease in government regulation. Like Professor Schmidt, he thought of CSR as a challenge for large companies, which have increasingly withdrawn from the historical tradition of corporate responsibility practiced by small and medium-sized firms.

Another politician that I spoke with, Volker Schulz from the Free Democratic Party in Germany, chose to emphasize the free-will aspect of CSR as its defining characteristic, as Professor Müller had done. Unlike Mr. Fischer, he was an elderly politician with an eighties-style mullet and a friendly disposition. As a former corporate consultant I knew he would be able to describe German business culture to me for a first-hand perspective (He also expressed his interest in Anglo culture and perspectives by using English terminology throughout the interview more than any other informant had, and telling me about his Australian wife). Mr. Schulz was certainly more optimistic about the potential of self-imposed corporate obligation than Professor Müller was. He elaborated that he believed that the social engagement of German corporations, outside of CSR, was "exceptionally high" due to the foundation of the social market economy and the tradition of social responsibility in family-run companies in
German business history. Further research on the political perception of CSR in Germany revealed that the German government is actually quite enthusiastic about the rise of CSR among corporations. According to a position paper released by the Bundestag (national congress) in July 2008, there is even talk of crafting a "coordinated, national CSR-Strategy" in order to make the many possible CSR activities for companies "more visible and more organized," and ultimately to "strengthen Germany's CSR profile" (Habisch, et al, 2008: 6).

What became apparent after an analysis of my interviews in Germany and in America was that there was definitely an alignment of interpretations of CSR across the two countries. Informants from both sides of the Atlantic saw it as voluntary initiative, even if not all of them agreed on the effectiveness of the free-will component of CSR. All of them agreed that there was a need for businesses to be socially responsible in some form, and all of them acknowledged the Anglo-American origins of the CSR discourse. It began to make sense that CSR was merging into a strategy for multinational corporate operations, loosely taking into account various interpretations and visions corresponding to corporations' national origins. As the homes of several of the world's most expansive multinationals, Germany and America are clear leaders, yet with two differing economic and political support systems, for the progression of CSR. In the following two chapters I will reflect on the differing systems in each country and the role of CSR in each one, ultimately challenging the purpose and need for a CSR agenda.

**Manifestations of CSR: The Case of Wal-Mart**

Corporations have quickly realized the benefits of engaging responsibly in the community, not only to society itself, but also to corporate image and public relations. According to professors Andrew Crane and Dirk Matten at the Schulich School of Business in
Canada, "the most common form of corporate philanthropy was relatively passive, after-profit direct cash donations...over time philanthropy became more directly related to firm strategy and marketing" (Crane, Matten, & Spence, 2008: 270). Large companies are eagerly seeking regions and disasters to contribute humanitarian aid, such as poverty-stricken developing countries or places devastated by hurricanes such as the Dominican Republic. Crane and Matten have identified the competitive advantage factor to be, "arguably the most important" of any other incentives for CSR because "a strong reputation with the stakeholders is necessary for the long-term success of the firm" (Crane, Matten, & Spence, 2008: 273). Crane and Matten refer to the build-up of socially responsible initiatives as "reputation assets" that "may pay large dividends" over time. In addition, firms have learned that there tends to be "less resistance to their operations not only from the community, but also from environmental and human rights special interest groups as well" when they exhibit social responsibility (Crane, Matten, & Spence, 2008: 275). Thus, corporations are able to quantify and even "spend" their CSR involvement to increase their wealth and remain competitive in the market.

The most common example of a multinational corporation that has painstakingly worked to establish a CSR-image over the past few years is Wal-Mart. Along with being one of Fortune 500's most admired companies in terms of business strategy and marketing, it is simultaneously one of the most distrusted and criticized corporations in America. It even has its own NGOs* dedicated to exposing its allegedly unethical practices in the supply chain. In the last few years, however, Wal-Mart has realized the "reputation assets" and other advantages that can be earned by responding to its numerous critics and has joined the emerging CSR trend. The official mission statement of the newly-created Wal-Mart Foundation is now:

* See www.walmartwatch.com and www.wakeupwalmart.com
The Walmart Foundation strives to provide opportunities that improve the lives of individuals in our communities including our customers and associates. Through financial contributions, in-kind donations and volunteerism, the Walmart Foundation supports initiatives focused on enhancing opportunities in our four main focus areas:

- Education
- Workforce Development / Economic Opportunity
- Environmental Sustainability
- Health and Wellness

The Walmart Foundation has a particular interest in supporting the following populations: veterans and military families, traditionally underserved groups, individuals with disabilities and people impacted by natural disasters.*

Wal-Mart now claims to be committed to Feeding America, the largest hunger-relief charity in America, and has started numerous "giving programs" for education, disaster relief, and returning military members. On the Wal-Mart Foundation's homepage, are several links to statistical factsheets and sustainability reports, insisting on the corporation's improvement since 2005. Similar to other corporations' CSR webpages, such as those of the Body Shop, BP, and the Pepsi Company cited in the introduction, Wal-Mart's CSR webpage is colored by photographs of smiling consumers, philanthropic recipients, employees and executives, all appearing to be delighted to be a part of the "Wal-Mart community." Viewers go through an almost surreal, paradise-like experience perusing the Wal-Mart CSR-page. Each paragraph explaining the company's giving schemes are ridden with upwards from five-digit numbers, boasting the generosity of Wal-Mart beyond the discounts of its store walls. A question posed by professor Geoffrey Heal at the Columbia Business School in light of the "new" Wal-Mart is

whether the negative press against it actually mattered to Wal-Mart in the first place. It had, after all, managed to thrive throughout the many years of hostility from activists, and remained tremendously popular among low-income American families before and after the uptake of CSR. Did they really need those "reputation assets?" The only places where Wal-Mart would have the potential to expand even more are large urban areas, such as New York, Los Angeles, and Chicago, but these are also where the corporation has faced the most opposition and concentration of activism to its reputation as a producer.

_Evaluating the Impact of CSR_

Given that CSR is a relatively new trend among multinational corporations, it is difficult to fairly and accurately judge its impact on the "bigger picture," which includes such challenges as the consequences of globalization, climate change, labor exploitation, corruption, and sustainable economic growth. Companies such as BP and Unilever have certainly made sure to take a leading role in promoting sustainable business practices by, for example, greatly reducing the emission of greenhouse gases in their production processes. Corporations such as Diageo and Procter and Gamble have also successfully reduced their water usage by more than fifty percent in the past few years, and even Starbucks has been raising the wages of its growers and harvesters since 2003 (Heal, 2008: 134). The individual improvements that corporations have made on society and on the environment under the umbrella of CSR are countless and are frequently reported in reviews such as _State of Corporate Citizenship in America, Sustainability Reporting Survey_ (Germany), and Transparency International's Global Corruption Barometer.

However, as Blowfield and Murray have pointed out, "The use of particular standards--even if well regarded--tells us only so much about impact" (Blowfield and Murray, 2008: 311).
Corporations themselves often have a significant voice in the content of CSR reports, and it is
difficult to derive assurance of the positive results and future potential of corporate
responsibility from a CSR webpage, which, from the excerpts above and in the introduction,
are clearly designed to instill complete trust and support for corporations' ability to repair the
social and environmental unrest that they have caused, and even to take on expansive
degradation of social and environmental conditions. Moreover, few companies provide a clear
definition of sustainability and other broad key words in their reports and on their webpages,
and even when such definitions are available, they are not reflected in the rest of the report.
CSR webpages rarely define the issues that they claim to address, assuming that readers will
universally agree on the negative effects of educational disadvantages and the best strategies
for overcoming such conflicts. In addition, companies do not show, through their CSR reports,
that they understand what it means to be a sustainable business, and rarely offer evidence to
show that the corporation would even be capable of making the transformation to truly
sustainable production methods.

An important point that was emphasized in this chapter was that there were ideals and
agendas for ensuring responsibility towards society from business endeavors long before the
idea of a free-will-based CSR discourse arose. As powerful, socially dominant institutions,
corporations have successfully shown that they possess the financial and human resources
necessary to improve concentrated aspects of society and nature. However, a crucial question
that comes to mind is whether the tools of CSR, or the resources and power of corporations are
able to carry out and expand the singular impacts of CSR initiatives on a broad, long-term
scale. The final chapter will be an in-depth analysis of and answer to this question, but first,
another section will be devoted to investigating corporate claims, strategies, and impacts of CSR, as exemplified by the pharmaceutical industry.
Chapter 3
Social Responsibility in the Pharmaceutical Industry

Major pharmaceutical companies today, which I will refer to as Big Pharma, are wonderful examples of how businesses confront challenges in being socially responsible and how multinational corporations are approaching CSR. The idea of the business of healthcare seems like it would be the model industry of social responsibility. However, since pharmaceutical companies began crossing national boundaries, selling drugs beyond their first-world origins, the industry's activities have been increasingly criticized for sacrificing its responsibility to society in the competition for expansion and power. Despite the implicit service to society that pharmaceutical companies offer through their products' support for human survival, they have actually been some of the most denounced corporations in the past fifteen years in light of social responsibility. The CSR approaches within the pharmaceutical industry support the observation that CSR is a direct offspring of free market capitalist ideology, which will be further explained in the final chapter.

Three main criticisms of Big Pharma have come up: the first focuses on the controversy around drug pricing and access to medicine, criticizing companies for unfairly charging exorbitantly high prices to the disadvantage of people who urgently require medical treatment. The most famous example of this claim was the incident of Pfizer, GlaxoSmithKline, Bristol Meyers and thirty-six other major corporations filing lawsuits against the South African government in 1998 due to deals that then-President Nelson Mandela had made with small pharmaceutical companies, such as the Indian firm Cipla, to sell anti-AIDS drugs to South African AIDS victims at a fraction of the United States list price. *

* For a further example of the nexus between AIDS, poverty, and politics see anthropologist Joao Biehl's work Will to Live (2007), in which he discusses the before and after impact of the introduction of generic AIDS drug brands on Brazilian AIDS
Big Pharma claimed that Mandela was violating international trade agreements, such as the Trade Related Intellectual Property (TRIP) provisions of the World Trade Organization. Unfortunately for the drug companies, the economically disadvantaged AIDS victims had the support of several loud activist groups and NGOs who were able to pressure the suing corporations into dropping the lawsuit and even reducing the prices of medications in developing countries (Heal, 2008: 100-101). Big Pharma suffered a serious media blow in western countries, as seen by the following comment in *The Economist* regarding the issue:

> Powerful medicines can have powerful side-effects, sometimes clouding the judgment or blunting reactions. As the public debate over how to get expensive rich-world medicines to poor countries shows, this is true for those who make the drugs as for those who take them. (The Economist, 2001)

The public relations catastrophe caused by the lawsuit made Big Pharma realize that they would have to accommodate the reality that there were poor people who desperately needed their products, and there were enough people in the world who would not tolerate the deaths of thousands of AIDS sufferers due to overpriced medications.

The second major criticism and reason why Big Pharma provides an interesting case study for CSR involves the idea of transparency of product information. There have been reported cases of Big Pharma's reluctance to reveal all pertinent information about the safety of their products before releasing them on the market. Merck&Co. voluntarily withdrew their painkiller, Vioxx, in September 2004 due to discoveries that patients who took the drug regularly over a long period experienced cardiovascular problems. After having received approval by the Food and Drug Administration in 1999, Vioxx was promoted by "heavy direct-to-consumer advertising and became one of Merck's most profitable products, yielding a surplus over manufacturing costs of about $2 billion annually" (Heal, 2008: 105). Before

patients in the 1990s. His work shows a unique example of the rise of social responsibility in the face of corporate takeovers in medicine.
Merck officially withdrew Vioxx from the market they had been conducting clinical trials of the drug for three years to test for its effectiveness against other ailments, such as colon cancer. In the process, evidence accumulated that the firm knew about the cardiovascular side effects of Vioxx. As a result, the corporation lost a lot of money, more than Vioxx brought in, because of the lawsuits filed against it for understating the effects of its product.

The third major criticism, and less referenced one, of Big Pharma revolves around the idea that the industry is amorally making money off of people's health by actually "inventing" physical and mental ailments in order to create and sell more drugs. This is the subject of Dr. John Abramson's book, Overdosed America, published in 2005. Abramson argues that Big Pharma has successfully turned healthcare into a profit-maximizing business at the expense of consumers worldwide, and moreover, that pharmaceutical companies are falsely informing doctors about their products in a way that will encourage doctors to prescribe their drugs. Abramson's main concern is the commercial takeover of American medicine through the marketing and funding techniques of pharmaceutical firms, lamenting that, "As the function of medical research in our society has been transferred from fundamentally academic and scientific activity to a fundamentally commercial activity, the context in which the research is done is similarly changed: first in universities funded primarily by public sources, then in universities funded primarily by commercial sources...and most recently, the three largest advertising agencies, Omicron, Interpublic, and WPP, have bought or invested in the for-profit companies that perform clinical trials" (Abramson, 2005, 109).

The criticisms discussed above directly call into question the structure and expectations of CSR raised in the last chapter. Big Pharma's tendency to inflate drug prices, for example, evokes the question of whether it should be part of a corporations social responsibility to provide services to people at fair prices rather than raising prices just because there will still be
demand in some regions. This is a responsibility that is actually relatively unique to the pharmaceutical industry; as Geoffrey Heal points out in his book, *When Principles Pay*, "Drug companies are in a unique situation here: it is true of most industries that many people cannot afford their products, and neither they nor the rest of society are concerned about this...we don't worry that most people cannot afford Ferraris or Manhattan penthouses" but drugs are different; they are not like other commodities...they can make the difference between life and death, or being sick and being well, and many people would agree that these conditions should not be dependent on income (Heal, 2008: 106). There are different expectations for the social responsibility of drug companies because if one maintains that everyone has a right to healthcare, as stated in the Universal Declaration of Human Rights, then there is an inherent expectation that everyone should have access to medicine, and as long as this expectation remains unsatisfied, pharmaceutical companies will be under pressure to set socially conscious prices.

The claim that Big Pharma may not be providing honest information about the safety of their products directly conflicts with the proposition that a socially responsible firm should label their products accurately so that consumers may make informed, sustainable choices. According to Blowfield and Murray, one of the underlying principles of ethical business codes should be transparency, which is becoming a more magnified component of the CSR discourse. Again, the pharmaceutical industry is in a particularly critical position with regard to responsible product labeling because their products are directly meant to affect the physical and mental conditions of consumers.

Finally, the theory that Big Pharma may be profiteering from healthcare by providing false or exaggerated information to healthcare professionals in order to increase the sales of their products goes against the principle of business integrity and upholding responsible
customer relations, including marketing and advertising. It is especially difficult to argue that pharmaceutical companies may be exercising irresponsibility by making up ailments in order to create products to eliminate these supposedly invented medical conditions. Such a claim arouses varying opinions in medical philosophy, regarding what it means to be healthy, whether taking pills is even the correct way to address bodily diseases, and what qualifies as a legitimate diagnosis of illness. It also raises the question of whether it is realistic to believe that corporations would attempt to define health standards and treatment recommendations for their own benefit rather than that of the patient.* Many people find it difficult to accept that a largely recognized, widely consumed brand is actually a facade for an exploitative, money-making machine. However, if one were to consider Milton Friedman's view of CSR, that a corporation's sole obligation is to maximize profits for its shareholders, then it would be worthwhile to investigate the development of the global pharmaceutical industry as a reflection of the growth of corporate capitalism in the twentieth century.

**Growth and Internationalization of the Pharmaceutical Market**

Like other high-technology industries, the pharmaceutical industry is a distinguishing feature of the mid-twentieth century. Until 1900, few advances were made in drug therapy. At the end of the nineteenth century, discoveries in organic chemistry led to the isolation and following ability to synthesize pharmacologically active substances, which allowed for the production and use of lab-manufactured drugs, away from the dependence on botanical, mineral, or animal sources. Between 1900 and 1940, the discoveries of aspirin (by Bayer),

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* In January 2010 the New York Times published an article about the "Americanization" of mental illness standards around the world, echoing the global influence and objectives of corporate transnational medicine. The article is adapted from the book Crazy Like Us by Ethan Watters, which describes how American pharmaceutical giants strategically export western ideas of good and bad health in order to expand their drug market. See http://www.nytimes.com/2010/01/10/magazine/10psyche-t.html?pagewanted=1&sq=The%20Americanization%20of%20Mental%20Illness&st=cse&scp=1
phenacetine, and barbitone in Germany marked the beginning of the rise of the pharmaceutical industry. The advent of the Second World War increased the pace of pharmaceutical evolution, beginning with the development of penicillin by Pfizer in the United States. After the discovery of the anti-tuberculosis agent, streptomycin, in 1943 a long string of new, patented products emerged from industrial laboratories, including corticosteroids, oral contraceptives, antihistamines, antidepressants, and diuretics. With about twenty years, the pharmaceutical industry was "transformed from a commodity business, where each company manufactured the full range of medicaments for pharmacists to compound, into a research- and marketing-intensive business, heavily dependent on patents and brand names" Taggart, 1993: 2). By this time, big companies, such as Bayer and Hoechst in Germany, and Eli Lilly, Pfizer, Merck, and Abbott Laboratories in America were already active in pharmaceutical manufacturing.

By the end of World War II drug consumption had increased substantially due to a combination of factors identified by pharmaceutical strategy consultant, Barrie G. James, such as large growth in income in the main drug consuming markets (United States, Western Europe, and Japan); the technical ability to produce lots of drugs; increasing demand for more and better health care services, including ethical drugs; and the formation of public and private healthcare systems subsidized by governments in many countries. James also brought up an interesting hypothesis about the changing social environment in many western industrialized nations that encouraged the growth of the pharmaceutical industry; he claims that the "pace and pressures of modern living have potentiated mental illness and violence...changes in morality have increased abortions and venereal disease and drug addiction and excesses of eating, drinking and smoking have all served to increase the demand patterns for ethical drugs" (James, 1993: 10). He suggests that more complex social environments lead to increasingly
complex health problems and corresponding treatments. In an industry where success rests upon innovation and developing technology, complex societies are logical breeding grounds for pharmaceutical giants. By 1983 there were 183 major pharmaceutical companies from western Europe and the United States (Taggart, 1993: 4).

Over the past thirty years there has been a swift move towards internationalization in the pharmaceutical industry. The rising costs of pharmaceutical research, innovation, and creation provide a high incentive for companies to look abroad for more economical production sites. Moreover, the life cycles of pharmaceutical products are short, mandating the maximization of worldwide sales as quickly as possible. Also, the majority of the pharmaceutical industry's profits come from patents, which provides another strong motivation to expand across national boundaries, wherever patent protection is offered. As it has internationalized, the industry has also shown distinct signs of classical oligopoly through its tendency for returns to be concentrated in a relatively limited number of firms, the low cross-elasticity of demand between its sub-markets, and the relative lack of price competition compared to other industries (Taggart, 1993: 25-33).

Pharmaceutical firms undoubtedly benefit from the fact their products are considered necessities, and therefore demand will be steady regardless of price changes.* As reported by the Organization for Economic Cooperation and Development (OECD) Health Committee, "Pharmaceutical firms stand to benefit from relatively inelastic demand by pricing at high levels to capture monopoly rents when there is no competition, notably in the case of on-patent medicine for which there is no therapeutic alternative" (OECD Health Studies, 2008). Some countries, such as Canada and Mexico, have implemented price regulations on pharmaceutical

* Anthropologist Joseph Dumit at UC Davis is currently working on a book called Drugs for Life about pharmaceutical marketing strategies and clinical trials which provides more background on the politics of drug pricing.
products in an attempt to curb the abuse of monopoly power. In other countries, such as the United Kingdom and Switzerland, companies are required to file applications for price increases. Still, pharmaceutical prices remain very high in countries that produce the world's largest firms, namely Germany and the United States, mainly due to the fact that the pharmaceutical firms in these countries have historically been allowed to set their own prices (Taggart, 1993:319 and OECD Health Studies, 2008:113). However, unlike in the United States, drug prices are heavily subsidized (up to 88%) by the government in Germany (Taggart, 1993: 318). Moreover, several European Union countries, including Germany, actually encourage competition between branded and generic drug imports as a cost-saving mechanism for patients. In Germany, for example, pharmacists are "required to replace branded pharmaceuticals with parallel imports when the latter are available at a discount of 15% or more" (OECD Health Studies, 2008:114).

The differences in price regulation of the pharmaceutical industry reflect various national governments' relationships and approaches to healthcare and corporations. The ethical issues around pricing provide just one example of the challenges in social responsibility that the pharmaceutical industry faces. The next section will include a deeper look at how the aspects of CSR most commonly faced by the pharmaceutical industry primarily concern the way the industry operates and the products that it sells, rather than how it philanthropically contributes to the greater society, or how it treats its employees.

Another topic that has become relevant to social responsibility in the pharmaceutical industry is the way the industry markets itself and its products. The marketing of drugs is a very controversial subject when it comes to Big Pharma nowadays. After patents, drug companies rely heavily on advertising the effectiveness of their products to physicians and patients, and because consumer continuity generally depends on the intensity or frequency of
illness of the patient, drug companies are pressured to constantly innovate and advertise new
drugs for every possible area of physical, psychological, and spiritual health. Through
conferences, medical journals, and free sampling, pharmaceutical firms try to entice
physicians and other prescribing professionals to endorse their drugs as new therapies for
patients. For many years since its boom, the pharmaceutical industry was only allowed to
advertise to doctors. Then, in 1981, the industry lobbied for FDA approval of direct-to-
consumer advertising (DTCA), which was strictly controlled when it was first permitted, but
restrictions were gradually loosened through pressure from drug companies. In 1997, even
"TV and radio ads could include the conditions a drug was designed to treat without presenting
all of the information previously required..." (Abramson, 2005: 150). Such a new commercial
freedom proved to be quite profitable for the industry as well (Epstein, 2006: 162). The impact
of DTCA may be an obvious success for the drug companies, but it is actually a highly
controversial strategy in terms of corporate responsibility to consumers. There is certainly a
reason to contemplate the implications of commercializing health through the advocacy of
material consumption. While health may be the key to corporate profit-maximization in the
pharmaceutical industry, it is also vital to the functioning of communities worldwide, and one
must question whether the tactics of the drug industry will truly serve this function for society.
In order to understand the relationship between CSR and the pharmaceutical industry better,
we will take a look at the strategies of one of the top companies in the industry.
Focus on Pharmaceuticals: Analysis of Bayer AG *

Brief History and Corporate Structure of Bayer

In 1863 Friedrich Bayer and Johann Friedrich Westkott started a small paint factory in Elberfeld, Germany, which would later evolve into the world's third largest chemical and pharmaceutical company. Skilled in the dyeing trade, Friedrich Bayer knew little about pharmaceuticals, and it was only after his death in 1880 that the chemists at his paint factory, Bayer and Company, began to experiment with drug treatments. Today, Bayer AG is probably most famous for the commercialization of acetylsalicylic acid, trademarked Aspirin by Bayer. As part of the post World War I agreements, Bayer's assets, including its name and trademarks, were confiscated in the United States, Canada, and in several other countries. This trademark confiscation may be interpreted as a policy under the idea of social responsibility—that a company, such as Bayer, that became involved in the political actions of an offending, peace-disrupting nation (Germany) should not merit economic rights, such as the maintenance of assets.

Soon after, though, Bayer was able to join IG Farben, a group of German chemical industries that would quickly form a part of the financial core of the Nazi regime during the Second World War. In this way, Bayer supported another internationally aggressive, dictatorial regime by producing some of the chemicals, such as Zyklon B, that were used in the gas chambers of Auschwitz and other concentration camps. The company also used slave

* Aktiengesellschaft: joint stock corporation
* I chose to focus on Bayer Healthcare because it has a strong presence as a multinational firm in both Germany and the United States—the fieldsites for this thesis. I hadn't decided to investigate the pharmaceutical industry with regard to social responsibility until I was already in Berlin, at which point Bayer stood out as a fitting subject for study since its headquarters are located in Berlin. The juxtaposition of German and American CSR styles within Bayer Healthcare provide an ideal example of the development of the multinational CSR agenda, and ultimately the formation of an ultimate strategy for social responsibility based on anglo free market ideas. In addition, Bayer has made some crucial contributions to western medicine early in its existence that are matched by its controversial reputation in corporate business history, making it a good example of the discontinuity between profit-maximization and CSR.
labor for the production and testing of their chemicals and dyes during World War II. After the war, IG Farben was split up by the Allies and Bayer reappeared as an individual business. On top of that, Fritz ter Meer, the founder of a chemical company that became part of Bayer, was made head of the Bayer supervisory board in 1956, seven years after being sentenced to prison in the Nuremberg Trials for planning the Monowitz concentration camp.

Beginning in 1978, Bayer began to expand by engaging in a series of inter-industry purchases, including the acquisition of Miles Laboratories and later an over-the-counter drug business from SmithKline Beecham, which was merged with Miles in a process that allowed Bayer to reacquire its trademarks and logo in the United States and Canada:

Aside from aspirin, Bayer is also known for the discovery of heroin, a derivative of morphine (which was also a Bayer trademark before World War I), originally marketed as a cough medicine; prontosil, the first commercially available antibacterial antibiotic; levitra, a treatment for erectile dysfunction; polycarbonate, what CDs are made of; and the insecticides parathion and propoxur.

In 2003 Bayer AG was divided into four separate businesses, Bayer CropScience, Bayer HealthCare, Bayer MaterialScience, and Bayer Chemicals. The business of interest for this thesis will be Bayer HealthCare, which specializes in the production of pharmaceutical drugs. One year later, Bayer acquired Roche Pharmaceuticals, followed by Schering AG in 2006, and most recently in 2008, Sagmel, Inc., US-based firm that sells over-the-counter
medications in Eastern Europe. With the possession of a handful of other large pharmaceutical companies, and its widespread presence beyond its German headquarters in countries including Belgium, Canada, France, Italy, the United States, the Philippines, Poland, Jamaica and El Salvador, Bayer has truly established itself as a multinational corporation with a significant social and ecological footprint. It is an ideal example of a company that challenges corporate governance and responsibility standards around the world. In light of its intense trans-nationality, one may ask whether the company retains any of the corporate structural standards characteristic of German firms that were discussed in Chapter 1, or if its native roots have been increasingly blurred according to its expansion. As the following section will describe, Bayer claims to retain the fundamental German corporate feature of codetermination, which is central to the nature of Bayer management's relationship with its employees and greater society.

*Codetermination and Education at Bayer*

According to Bayer, the practice of codetermination* is rooted in a long tradition of cooperation between German employees and employers. Even before the codetermination law came into effect in Germany, Bayer employees were able to bring up their concerns to their employers in worker's commissions, demonstrating Bayer's commitment to "cooperation rather than confrontation" in the workplace (Tenfelde et al., 2008: 313). Furthermore, Bayer demonstrated its commitment to providing opportunities for young people to enter the workforce by enforcing a maximum-employment age of 59, after which older employees will be encouraged to retire and will begin receiving pension money one year after their retirement. Bayer has also been offering courses in information and communications technology for its employees since the early 1980s as part of their commitment to furthering the education of the

* See page 42 in Chapter 1, and page 65 in Chapter 2 for definitions and background
Bayer workforce (Tenfelde et al., 2008: 309). In 1993, Bayer established an education committee to plan the content of its employee-education courses, as well as to discuss the frequency of the courses and access to them (Tenfelde et al., 2008:317).

In an interview with Bayer CEO Werner Wenning, he described the idea of codetermination as a direct support for the “social stability of the German community” and as an institution that plays “an important roll in the democratic culture of the Federal Republic of Germany” (Tenfelde et al., 2008: 435). Wenning also emphasized the importance of trust between workers and employers for the successful development of the firm, as well as Bayer’s continuing engagement in education and research in German society through the Bayer Science and Education Foundation and the Bayer Cares Foundation (Tenfelde, et al., 2008: 439). In his answers to almost all of the interview questions Wenning was very particular about highlighting the idea of partnership between Bayer and society, including its employees and people outside of the Bayer community. Like many German companies, including Bosch, Siemens, and Volkswagen, Bayer does indeed have a reputation for having exemplary relations with its workers and for upholding the concept of codetermination as a distinct feature of German business.

*Controversies with Bayer Healthcare*

While the Bayer Corporation has demonstrated internal responsibility through its upkeep of the codetermination system, one must also consider the past controversies surrounding its external relations. In these terms, two major health-related controversies are prominent in Bayer history: the contaminated HIV blood-product scandal of the early 1980s and the Baycol-related deaths in 2001. To be fair, Bayer was not the only pharmaceutical corporation involved in the distribution of HIV-infected blood products. Armour
Pharmaceutical Company, Baxter Healthcare, and Alpha Therapeutic Corporation were also found guilty of manufacturing and marketing blood factor products as "beneficial medicines" in the early 1980s, when they were actually highly likely to contain HIV and/or the Hepatitis C virus. Interestingly, the mainstream media only began to report on this scandal in the early 2000s, indicating that Bayer was able to keep their public health offenses hidden from the public for more than ten years! When the Food and Drug Administration found out that Bayer's Factor VIII drug (a treatment that provides hemophiliacs' bodies with blood-clotting capabilities) contained the HIV and Hepatitis C viruses, they quickly forced Bayer to remove the drug from the American market.

According to an investigative report by the New York Times on May 22, 2006 a Bayer executive "asked that the issue be quietly solved without alerting the Congress, the medical community, and the public." Soon after, Bayer proceeded to sell Factor VIII overseas in countries such as France, Japan, and Iran. On November 2, 2006 MSNBC news network reported that while foreign government officials are spending time in prison for allowing the infected blood imports to enter their countries, not a single Bayer executive in America has been prosecuted for Bayer's actions. When the New York Times interviewed Bayer about this issue on May 22, 2006, Bayer responded that they "behaved responsibly, ethically, and humanely" and that "decisions made two decades ago were based on the best scientific information and were consistent with the regulations in place." There is a glaring discontinuity with the way Bayer does business and the way the company treats society, exposing an

inherent clash between corporate profit-making schemes and CSR initiatives. This will be discussed further in chapter four.

In the summer of 2001 Bayer was accused of causing 52 deaths worldwide and crippling another 1,100 as a result of their anti-cholesterol drug, Baycol (also known as Lipobay). The victims died of rhabdomyolysis, a condition whereby the muscle cells break down and are released into the bloodstream (CNN.com: August 13, 2001). According to an investigative report in the Journal of the American Medical Association, Bayer was "too slow to pull Baycol off the market in 2001" and that "Baycol's risks were far worse than had been believed at the time Bayer withdrew the drug." Apparently it is most dangerous when taken with diabetic drugs, which is what many consumers of Baycol were also taking (www.consumeraffairs.com: November 22, 2004). Although Bayer took the drug off the market after news of the deaths spread, Germany's health minister at the time, Ulla Schmidt, denounced Bayer for covering up knowledge of the drug's lethality for nearly two months before the German government was informed of the faultiness of Baycol. Along with Merck's alleged cover-up of the negative side-effects of Vioxx, such scandals serve as an alert that pharmaceutical corporations are ready to lie about their products for the sake of putting them on the market for a profit.

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Wednesday, June 17, 2009, 9:54 AM...I stir under the sheets in my little Berlin flat. Even though it's summer my internal alarm clock continues to make sure I rise before 10AM each morning. I reach for my computer beside the bed and proceed to check my e-mails...Inbox (4) says Duke Webmail: "Re: hey"--will read later..."Re: pictures from May"--he responded faster than I thought!..."Liebe Grüße aus Chapel Hill"--love you Daddy!..."Re: your request
for an interview"...my eyes widen excitedly as I click on the subject line. The e-mail is from Bayer Healthcare. Maybe I'll FINALLY score an interview with them.

"Dear Ms. Gloss...First of all, we would like to apologize for our delay in responding to your request from 5 June 2009...we are pleased with your interest in our company and would like to thank you for your request for an interview..." Goodness, it's about time isn't it? I had written to them twice since June 5th, and had almost considered walking into the headquarters two districts north of where I was living if a lengthy conversation with a sociology student in Berlin who was also studying corporations hadn't talked me out of it:

Me: So I was thinking I could just walk in there and ask for an interview...
S: Oh...no, you really don't want to do that. There's just too much bureaucracy around those people (corporate executives)...it's impossible to get by the receptionists and security guards without having a proven, pre-established connection with someone there (in the corporation). I tried doing that with Bosch in Munich last summer and after staring at me incredulously as I walked in they told me that no one was available to talk and that I should try writing to a representative in the Public Relations department...I felt kind of foolish afterwards. The whole setting (in the corporate headquarters) just makes one feel so awkward and inferior sometimes, as a researcher.

So, basically I had to rely on e-mail and corporate sympathy in order to get an interview. I read on..."I can assure you that the number of (CSR) projects has been increasing recently, which has been keeping us very busy...I must ask for your understanding of our inability to comply with your request for an interview at this time..." Shoot! What am I supposed to do now? My stomach plopped. Reluctantly, I read the rest of the e-mail:

"I am assuming that you have viewed our corporate responsibility page on our website; there is a lot of information on the website about how we understand and carry out Corporate Responsibility! I will invite you to have a look at the page again: http://www.bayer.de/de/Gesellschaftliche-Initiativen.aspx..."

Wonderful. Yet another electronic rejection message. I had written to about ten German-American multinationals with headquarters or branches in and around Berlin since I had
arrived, and either never heard a reply or received a decline to be interviewed. Why are corporate figures so difficult to reach? Surely there was someone within the company who had thirty minutes to spare...even the impressions of an administrative assistant regarding the corporate setting would have been valuable to me.

Sighing, I opened the link to Bayer's CSR page in the e-mail and passively scrolled through the blue-and-cyan colored layout around "Engagement for a better life." I glanced at the side bar and smiled wryly as I saw a link to purchase the latest sustainability report...

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CSR According to Bayer

An official report on sustainability and corporate responsibility at Bayer is available for download or even purchase on their website, as if the homepage and all of the links to various categories of CSR, such as "Corporate Compliance", "Corporate Governance", and "Climate Program" all together were not already enough to give people an idea of CSR at Bayer. As on the CSR webpages reviewed earlier, Bayer's CSR display is just as rosy and soothing to the eyes and mind of the reader. Unlike other corporations, however, Bayer includes a list of specific ways that it is achieving its goals and vision for good corporate citizenship. For example, under its list of company principles Bayer promises to "be cooperative in its dealings with all authorities and government agencies. All information communicated to the authorities must be correct and complete and be provided in an open, timely and understandable manner." To ensure that this principle is indeed carried out, Bayer states that, "The company provides employees with access to all the necessary information resources and counsel to prevent violations of the law or company regulations" (Bayer, December 2009). In addition, Bayer claims to stand behind fair competition, integrity in
business dealings, upholding foreign trade laws, and fair and respectful working conditions, among other values (Bayer, December 2009).

Based on its website, social responsibility at Bayer is primarily about being a legally responsible corporation through commitments to transparency, the rights of its employees, honest business processes, and full disclosure of securities transactions. The descriptions of Bayer's various social initiatives appear very insistent and eager to impress consumers and skeptics of Bayer's ability to give back to society. For example, under the "Health and Social Needs" section of their CSR webpage, the opening statement reads:

"Bayer's corporate social responsibility has traditionally involved assistance for those in need and efforts to improve social conditions in all the countries in which the company is active. Important tools of our social responsibility include donations and support for long-term projects according to the principle 'helping people to help themselves.' Here we cooperate closely with both government institutions and non-governmental organizations." (July, 2008)

and the "Environment and Nature" section is opened similarly:

"Bayer's achievements as an inventor company with a long tradition are based on progress in science and research. We focus not only on our own research activities, but also on promoting and strengthening education and research in general. Through various initiatives, Bayer systematically supports the training of young people, the development of scientific talent and innovative approaches to research." (December, 2009)

The use of broad terms that suggest a widespread scope of responsibility, such as "all" and "in general" are meant to give the reader a sense of Bayer's proclaimed global presence and care. It is undeniable that a crucial component of the CSR descriptions on Bayer's website is the use of sympathetic, almost enchanting language to assure the reader of the corporation's commitment to health and the environment, among several other causes. One is tempted to forget about the fundamental corporate role, system, and structure that Bayer ultimately represents and propagates through its continued existence. Perusing the CSR statements of Bayer encourage a more humane view of the corporation-- as an unusually altruistic entity devoted to social well-being and giving.
The number of issues, organizations, and foundations that Bayer claims to support (upwards of twenty, if one were to go through each CSR category and count each donation, foundation, and initiative) is truly overwhelming. It is reminiscent of an over-achieving, college student resume--over-committed, boastful, and carefully designed to impress. Some of the things that Bayer claims to have done include the establishment of the Bayer Science and Education Foundation; the Global Exploration Fund for the securing of new water resources; partnership with the United Nations Environment Program; starting the Billion Tree Campaign; sponsoring the Tunza International Youth Conference and the Youth Environmental Envoy to increase awareness and support of ecological issues; founding the Tuberculosis Alliance; funding the German Disabled Sports Association; aiding tsunami and earthquake victims; organizing an environmental photo and painting competition for youth; and supporting the Naandi Foundation in India which works to eliminate poverty (www.bayer.com, November 2008).

As the list of causes above demonstrates, Bayer primarily concerns itself with the alleviation of the symptoms of social and ecological malfunction and devastation, rather than attempting to address any of the root causes of problems such as poverty, infectious diseases, and deforestation. There is no indication that Bayer's CSR agenda is about questioning the global economic system, the corporate effect on developing societies, or the fundamental reasons for social and environmental ills in light of the status quo. There is a distinct avoidance of the acknowledgment of producer activity on the Earth, making it seem as if these challenges appeared out of nowhere for the purpose of being eradicated by the noble, free will of corporations. The descriptions of the problems that Bayer tries to address appear more like opportunities, rather than real problems, that Bayer will seize in order to build its CSR
There is no sign that Bayer actually understands the problem of extreme hunger and economic disadvantage, or the root cause of such an epidemic--the point of the first sentence seems to be that both are "urgent problems," and thereby provide an ideal way for Bayer to launch a new campaign to show off its social responsibility. Alluding to a "state of emergency" in their CSR reports is a prime public-relations tactic of CSR that makes the corporation look like it is effectively taking charge of world crises. In addition, recent scholarly analyses on CSR show that brand value and reputation of a business are also major motivations for embracing CSR strategies, particularly in the areas of eco-efficiency, social development and human rights (Blowfield and Murray, 2008: Fig. 5.1 page 139).

Interestingly, many of Bayer's projects in CSR directly cater to young people, such as the Eco-Minds Environmental Youth Forum, the sponsoring of several sports organizations in Germany, and the Tunza International Youth Conference. This particular tendency reflects an opinion that Professor Bradley put forth during our conversation, namely that he believed that the main impetus for corporations to get involved in CSR was to attract employees. According to such a theory, Bayer would be using CSR to create an appealing corporate image in the minds of the next generation of employees.

It is also striking to note that a number of the CSR initiatives described on Bayer's website are clearly direct responses to past criticisms and exposed scandals. Two notable
examples are Bayer's EUR 250,000 grant to the World Federation of Hemophilia and its mass donation of Kogenate (blood-clotting drug) to hemophiliacs worldwide. These are most likely measures to repair Bayer's reputation after the scandals around its infected blood-products were exposed, but one must ask whether such measures are enough to make up for the lives that Bayer has endangered with its faulty products, and whether they should be reasons to forgive and trust corporations for their errors. It is difficult to accurately assess the results of CSR initiatives, but it is foolish to derive reassurance and faith from a corporation's CSR page. Is Bayer truly committed to all of the things that are written in its CSR sections, and if so, are they really positively impacting the communities around the world in which they are active? The next chapter will discuss the limits of CSR and corporate reporting patterns, keeping in mind the examples of Bayer Healthcare and other multinational corporations.
"...I went to college in the 1960s, during a time of great social unrest, and although I was a business major I felt a lot of guilt about being a business major because I had a lot of friends who were involved in social action and politics, and I was sort of ignoring that...and then during the summer between my junior and senior year, which was 1967, I had a job as an accountant working at a CPA firm...and that summer was a summer when there were riots in a lot of major cities in the United States, including Newark, New Jersey, and that was where I had the job...it just sort of opened my eyes to how much potential there was for business to do better things in the world and to try to calm down the social unrest, that I hadn't thought about before. Part of this was because two of the companies that I was involved with--auditing that summer--were involved with two different things...one was an audit of a company that had gone bankrupt because of a Wall Street scandal that involved fraud and dishonesty, and there actually was a book written about it...The Great Salad Oil Swindle...I don't know if you've ever been to the Hudson River in New York City...they have all of these tanks there where they store products, and they were supposedly storing salad oil in those tanks but people put false bottoms on the tanks, so they (Wall Street) then used that supposed amount of salad oil which was not as much as what was really there, as collateral to get loans...and millions were loaned to them and they ran off with all that money...so, this opened my eyes to how much bad can happen because of corporate greed or misbehavior, but it also made me think of what good could happen if corporations were socially responsible. So, I came back to school as a senior and decided, I don't want to be an accountant...I want to be a professor, and I want to study how business can be used for social good...I've spent my whole career studying social marketing...I've studied consumer protection, I've done a little bit of work on "green" marketing, and I've studied anti-trust...a lot of the work I did was focused on the Federal Trade Commission because they regulate advertising and information disclosures. They also have an anti-trust enforcement role, so I did spend some of my career focused on anti-trust policy... how to make sure that competition in the marketplace is fair. So, I've looked at it (CSR) from more of a society point of view or a citizen's point of view, in terms of my research and my writing...I'd never, until I came here (Duke) three years ago looked at (CSR) from such a corporate point of view...I looked at what corporations can do, but not so much, how can corporations manage (social responsibility) more effectively. I was more concerned with how should our system work so that society is served best; what should corporations be doing, how should they be regulated in order for society to get the best benefits out of what companies are doing..."

--Dr. Thomas Bradley, Professor of Corporate Social Impact Management, Fuqua School of Business
September 21, 2009
Chapter 4
The Limits of CSR and Corporate Capitalism

Structural Limitations of the Modern Corporation: The Paradox of CSR

"The corporation stops people from having a sense of empathy with the human condition...it separates us from who we are. The language of business is not the language of the soul or the language of humanity--it's a language of indifference, it's a language of separation, of secrecy, of hierarchy..."

As was seen through the example of Bayer in the last chapter, corporations like to publicize their CSR activities colorfully and loudly on- and off-line, primarily through projects centering on financial donations to various “pet causes,” such as a cure for breast cancer, cystic fibrosis, the various environmental causes or in the case of Bayer, education, AIDS and poverty alleviation, to name a few. From Bayer's webpage descriptions of the problems that they claim to tackle and their preferred strategy of simply donating money to these problems, it is clear that corporations approach social responsibility as a momentary opportunity rather than a long-term commitment. Who knows how long Bayer's Tuberculosis Alliance or Billion Tree Campaign will last? Possibly only as long as Bayer is able to rake in more than enough profits to keep itself thriving and its stockholders satisfied. As journalists Matthew Bishop and Michael Green admit in their book, Philanthrocapitalism (which is largely in defense of corporate giving schemes), while CSR is "increasingly being driven by the belief that it can be profitable, or at least boost the firm's reputation so that it can more easily recruit the best talent...when business conditions get tough, philanthropy can often be the first casualty" (Bishop and Green, 2008: 171-188). Moreover Klaus Schwab, founder of the World Economic Forum, adds that companies "pursue short-term profits at the expense of long-term best interests for society...they lose focus on the big picture," and that "this mindset must be

* Anita Roddick, founder and former CEO of The Body Shop, on corporate culture
changed if corporations are to maximize their contribution to society" (Bishop and Green, 2008: 176).

Furthermore, I emphasize that such acts of philanthropy that corporations assign themselves are not to be interpreted as reasons to forgive the social and ecological burdens that corporations have and continue to put on society-- in order to reach the level at which they are able to establish charitable foundations transnational corporations often engage in irresponsible behavior for the sake of mass production or mass sales. Can we forgive Coca-Cola for drying farmlands in rural India through their over-consumption of water resulting from the mass production of their beverages because they now claim to donate roughly $20 million dollars to education in America∗? Similarly, is Bayer's EUR 250,000 donation to the World Hemophilia Federation going to make up for the lives they eliminated in the 1980s for knowingly selling infected drugs to French, Japanese, and Iranian populations? Corporations are not people that can be forgiven and trusted to learn from their mistakes; they are entities that can only understand the language of profits and cannot not be relied upon to fix their own damage.

Despite what the US Supreme Court may have ruled in the *Citizens United v. Federal Elections Commission* case, corporations should not be given the same status or human rights as the people that they serve and effect. Corporations were not designed to be considerate of human problems that transcend the priority to its own survival as a money-making machine. The ideological structure that envelopes the corporation is inherently contradictory to CSR, as Canadian law professor Joel Bakan explains in *The Corporation*. One of the striking figures interviewed in Bakan's book, as well as in the corresponding film, was Marc Barry, whose job title is "competitive intelligence expert." This basically means that he is hired by corporations

to spy-on and get inside competing corporations to find out trade secrets, marketing plans, and other useful strategic information. When asked about the nature of his job, Barry admitted that he "takes comfort from the fact that he is no more morally wanting than the top executives and CEOs who hire him" (having worked for numerous Fortune 500 Companies). He adds, "If you're a CEO, do you think your shareholders would really prefer you to be a nice guy over having money in their pocket? I don't think so. I think people want money. That's the bottom line." According to Barry, "greed and moral indifference define the corporate world's culture," which is why he is able to make a living as a professional deceiver (Bakan, 2004: 54-55). Later, I will elaborate that people, such as Marc Barry, who work for corporations tend to compartmentalize their lives (family vs. professional) so that they live by double ethical standards-- a CEO may endorse outsourcing of labor in a country that employs child labor in order to cut company costs of production, but he would never tolerate his own children working underage in a factory.

A particularly compelling analysis presented by anthropologist Karen Ho in her ethnography of Wall Street, Liquidated, suggests that the immense power of shareholders in the modern corporate structure is the result of the "ahistorical imposition of neoclassical values onto the modern corporation" (Ho, 2009: 170). Ho argues that the core assumptions of the neoclassical economic theory fundamentally clash with the "understanding of the firm as a social organization" (IBID: 171). One must remember that neoclassical thought was founded before the rise of the modern corporation and its subsequent trans-nationalization. Adam Smith's theory of the free market was centered on the individual, assuming that the owner and the manager of a corporation were the same person, rather than separate, as is the case with the modern corporate structure. Neoclassicism assumes that shareholders are closely tied with the
corporation's activities, by supervising its operation, which only makes sense when the firm is small and the shareholders are heavily involved with business.

Today, many shareholders have never run a company and have no real commitment to the mission or social influence of the corporation itself. Instead, the only interest that most shareholders have in the corporation is centered on the value of their personal stock, which is often the only common shared interest of shareholders. It is no wonder that corporations are forced to maximize profits to satisfy the demands of its many disconnected owners. Such an imperative is in no way conducive to the triumph of social responsibility as an end rather than as yet another means to the goal of boosting shareholder value. As Theodore Houser, former CEO of Sears, Roebuck and Co. put it in 1957, "...ownership through widely dispersed stockholding does not generally bring with it a sense of responsibility."

Although the corporation is made up of human beings, as a whole it does not behave like a real human. Unlike human beings, corporations are excessively self-interested to the point where they are unable to feel authentic concern for others. Through his book, Bakan actually mocks the legal interventions that have given the corporation "human status" by diagnosing the corporation as a psychopath. His characterizations for psychopathy include refusal to accept responsibility for personal actions, manipulative and asocial tendencies, a lack of empathy, the inability to feel remorse, and superficiality in relationships: "their whole goal is to present themselves to the public in a way that is appealing to the public but in fact may not be representative of what the organization is really like" (Bakan, 2004: 57). If the corporation is a human in the eyes of the law, then it must be a psychopath, who must be dealt with differently than a normal human due to its socially destructive behavior and convoluted

* Theodore Houser speaking at the Graduate School of Business at Columbia University in 1957, addressing how management in large organizations can pursue growth and profits without "destroying human values in the process"; cited in Liquidated, 2009 by Karen Ho: 196
mindset. The example of Bayer's Factor VIII sales, again, demonstrates psychopathic corporate behavior in support of Bakan's theory because the corporation knowingly released lethal products onto the market and showed no remorse for its actions.

Further support for the contradiction between CSR and corporate ideology is supported by the ideas of staunch free market economist Milton Friedman. While Friedman agrees that business has a certain social responsibility, his idea of social responsibility does not extend beyond the corporate sector. When addressing the view that corporate leaders have a social responsibility that goes beyond serving the interest of the stockholder, Friedman asserts that, "This view shows a fundamental misconception of the character and nature of a free economy...in such an economy there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game..." (Friedman, 1962: 133). Unfortunately for society, the "rules of the game" that corporations abide by are generally economic laws that do little to respect social and environmental standards. Moreover, Friedman openly declares in the above statement, that corporate responsibility towards society outside of the corporation's immediate priorities goes against the original function of the corporation. If corporations were fundamentally designed to create profit before anything else, then it is unrealistic to expect a long-term commitment to CSR from such an entity.

The conflicts that the commercial priorities of corporations would inflict upon society if not supervised were already perceived as a point of political and economic contention during the early history of the United States, as discussed in Chapter One. In 1814, Thomas Jefferson famously stated, "Merchants have no country. The mere spot they stand on does not constitute so strong an attachment as that from which they draw their gains." What Jefferson observed one hundred ninety-six years ago is still relevant to the nature of corporate merchants today. In
the context of Jefferson's words, it is easy to understand why a CSR trend would arise among global corporations. Unlike small and medium-sized companies that are more easily and more personally able to give back some of their profits for local causes (due to their limited region of service) transnational corporations sell and extract from all over the world, making it difficult to remain consistently devoted to a single population. CSR is designed to make up for merchants' "lack of a country" by providing the appearance that large corporations are somehow connected to individual communities via financial gifts. However, multinational corporations, the ones for whom CSR agendas are primarily designed, simply cannot maintain true loyalty to any one nation of people anymore. These companies have long ago crossed the boundaries of their original starting grounds, barely retaining any national ties in the quest for returns. By resisting government control and carrying out free market ideals to the fullest extent they have effectively achieved financial independence and a status far removed from local population interests. Moreover, the multinational backgrounds of large corporate workforces are certainly not conducive to strengthening single-country loyalty. They are forced to see the world as a marketplace rather than as a community in order to consistently extract resources and target customers. With such an outlook corporations cannot be expected to genuinely care about society enough to invest in it for the long-term.

Another structural impediment of corporations that inevitably makes CSR a strategic paradox lies in the fact that the corporation, as mentioned before, only responds to monetary interests. It will only invest in places and in causes that will provide tangible returns to the corporation, or in response to dilemmas in which it may risk losing more money than a CSR initiative would cost. Ironically, strong proponents of CSR in the multinational agenda will often argue that it is for this reason that CSR is a logical, reliable strategy that equally benefits the corporation as well as the people affected by it--that conserving natural resources,
supporting education, and feeding the hungry will always be part of the corporate plan because it happens to be a profitable investment in the long run. However, when a corporation announces that they will be donating millions to education, for example, these funds are often channeled to education in areas where there will be a direct return to the corporation in the form of a new batch of workers, future consumers, or future stockholders. I would like to draw attention to the example of Bayer again to illustrate common destinations for education funds:

"In 2008 the Bayer Science & Education Foundation provided financial support for outstanding scientists, high-achieving university students and dedicated school students. It also sponsored innovative teaching programs in schools... Bayer provided nearly €140,000 to sponsor 23 gifted and ambitious students in the fields of natural sciences and medicine. The foundation also provided roughly €500,000 in funding for 47 school programs in communities near our sites to help improve the conditions in which science is taught."

(www.annualreport2008.bayer.com)

As their CSR-in-education statement shows, Bayer's investment priority lies in places where it is clear that the company will be re-paid for their donation. While there is no deviousness within this strategy, it is certainly instrumental in a way that undermines the globally-inclusive idea that CSR claims to represent. It makes sense, given the nature of the corporation, that it would concentrate on streaming aid to areas related to the focus of the company (in Bayer's case, science and medicine). This was even encouraged as an improvement for CSR in the Harvard Business Review article referenced in the introduction: "The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value—that is, a meaningful benefit for society that is also valuable to the business" (Porter and Kramer, 2006: 6).

However, what often happens along with specialization in social issues is a narrower demographic scope of contribution. In the case of Bayer, funds for education means financial support for "outstanding...high-achieving...dedicated" students who often already have the material support necessary for academic achievement and continuing success. If Bayer really
wanted to reach out to communities in need of educational resources, they would give to fledgling schools in under-developed nations or to under-funded public schools in poorer regions of developed nations. Unfortunately, due to a paucity of social and economic opportunities, the student populations at such schools do not demonstrate as much future career potential as the high-achieving students that Bayer chooses to fund.

The economic prejudice inherent in the distribution of CSR funds ultimately shows that corporations behave un-democratically for the sake of pursuing the best investments. They blatantly favor certain groups and causes, rather than considering which populations would benefit the most from their foundations. As Molly Morgan from the Women’s International League for Peace and Freedom put it in an interview with Citizen Works for Democracy, “Corporations were given the legal rights of people for the purpose of thwarting democracy and maintaining minority rule”.* Most recently, in January 2010, the US Supreme Court actually supported the practice of large corporate giving schemes in election campaigns, essentially undermining democracy and making money a form of speech. This landmark decision will allow corporate interests to dominate American politics more than ever before at the expense of small donors and individual voices, simply because of their relative lack of financial power.

It is disconcerting to observe the way corporations rely on fundamentally undemocratic tactics to dominate the market. The biotechnology industry provides a compelling example of such behavior, as seen in the case of soil scientist Ignacio Chapela at UC Berkeley. In 2001, Professor Chapela and a graduate student published an article in *Nature* exposing the infiltration of genetically modified corn in Mexican fields (which has been illegal in Mexico since 1998). Surprisingly, *Nature* withdrew the article, citing “insufficient evidence” to

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* www.citizenworks.org, Interview with Molly Morgan
support the original paper. Chapela was even harassed via e-mail regarding the article he had published that were traced back to the Bivings Group, Monsanto’s digital public relations firm. Monsanto naturally took a concerned interest in Chapela’s work because they were responsible for the illegal GMO infiltration of Mexican cornfields. Like any corporation fearing for its image and reputation, Monsanto publicly denounced Chapela and even called for his resignation from UC Berkeley. In an interview, Chapela added, “One of the reasons I needed to be kicked out is that I opposed a $50 million donation to the university by Novartis” (Patel, 2007:143).

Chapela’s suspicion of corporate donations to academic institutions is understandable. Corporations that rely heavily on innovation and research would benefit greatly if they bribed the science departments at top universities into researching topics of interest to the industry. On the other hand, they could also risk a blow to their social image if researchers such as Chapela released controversial findings. Therefore, corporations will not hesitate to discredit individuals who threaten their public image and their profit potential, even if it means promoting censorship of scientific data in renowned journals. This is an explicitly undemocratic move that can be found beyond the seed and agrochemical industry. As was pointed out earlier in the examples of Merck and Bayer, corporations have also been known to sit on evidence that may hinder the sale of their products even if it poses a serious health risk. If they deliberately attempt to hide information from the public it is likely that they wouldn’t hesitate to do the same in their CSR reports, which often lack external review.

As non-democratic, non-human entities, corporations have no consideration for economically disadvantaged opinions in the market and have no qualms about treading on the
rights of those who cannot speak with money. As externalizing machines* they lack any real sense of altruism or shame, and are therefore ill-designed to adjust to the needs of future generations, nor should they be regarded as people before the law. In discussing the limits of privatization, entrepreneur Peter Barnes explains why the corporation is unable to cater to future generations:

“Simply turning the commons over to corporations, without compensation or further ado, is like putting the fox in charge of the henhouse. There’s no guarantee that corporations will preserve the asset...We’re asked to believe that corporate owners will do the right things, either because it’s in their self-interest or because they’re socially responsible, but historical evidence and the inner logic of corporations suggest otherwise.” (Barnes, 2008: 61)

Corporations are ultimately machines that cannot learn from their mistakes and therefore cannot be allowed to continue operating when they make mistakes. They will not suddenly become more careful and considerate of society by adopting a CSR plan, no matter how embedded in the corporate structure the CSR strategy may be. The inherent function of the corporations will not be mitigated or changed because of CSR. Instead, the corporation itself must be changed through legal action by real people—an important question to ask is whether the idea of corporate personhood is an acceptable, socially sustainable status to assign to a profit-driven institution.

* term based on the economic jargon "external costs" used by Joel Bakan in The Corporation to indicate that corporations are entities that continuously and necessarily, for their own survival, inflict negative side effects on society and the environment through their activities.
Conflicts in the Multinational CSR Agenda

"In what realm of life, other than the strange world of CSR, would a 2-3% take-up rate be considered to be a success?"

The deep-seated structural features of the corporation that prevent it from being truly socially responsible are only one reason to question the ability of CSR to transform multinational corporations into socially-conscious global players. Within the CSR discourse itself lie several shortcomings that must be considered when evaluating the positive potential of corporate activities in society. When faced with a corporate CSR report, the prospect of going through the entire document is often overwhelming due to the unbelievable amount of information devoted to embellishing the corporation’s image. Reading a CSR report is comparable to reading a compilation of advertisements—fairly captivating at first, but quickly tiresome and of questionable reliability. The sense of learning that is commonly expected from reading something new is hardly achieved from reading a corporate CSR report because they are not written in a way that encourages thought or further question. The idea behind a CSR report is to insist upon a particular perception of a company based on the information provided by the company itself. Moreover, the tremendous amount of CSR-based initiatives that multinational corporations claim to have undertaken would seem financially unsustainable for the company and for the supported cause. The arguably over-committed sense that a CSR report gives of the corporation should cause one to question the depth, interpretation, and genuine commitment level of a company to social responsibility in general— the corporate goal seems to be centered on chalking up as many CSR activities as possible rather than being dedicated to the improvement of one or two social causes.

* Craig Bennett and Helen Burley from Friends of the Earth International (FOEI) commenting on the slight increase of multinational environmental reporting in 2005
One of the main dilemmas that has become part of the CSR discussion today is how to evaluate the impact of CSR. Based on the corporation’s portrayal of social responsibility described above, CSR reports are not reliable sources for accurately assessing the impact of CSR today. Although there are numerous organizations that monitor corporate behavior, such as Corpwatch, AccountAbility, Center for Research on Multinational Corporations (SOMO in Dutch), and the Swiss auditor company KPMG, the “use of particular standards—even if well-regarded—tells us only so much about impact (of CSR)” (Blowfield and Murray, 2008: 311). During my conversation with Professor Bradley, the topic of CSR impact came up when I asked Dr. Bradley whether he observed any real impact based on his work on Corporate Social Impact Management. After contemplating the question for a while, Bradley brought up the example of the tobacco industry, explaining that the steady decrease in cigarette sales since the 1980s was not “because the industry decided to become more socially responsible…it was because of (higher) taxes and government-sponsored anti-smoking campaigns.” His answer provided a valid example of how it is difficult to determine the impacts of CSR, particularly in evaluating whether improvements in society are a result of CSR efforts or other factors, such as government intervention.

Supervising organizations have actually been very influential in the growth and support of CSR by setting social and environmental standards by which the corporations can measure the effectiveness of their practices, and by releasing periodic reports “documenting the progress of companies with particular partnerships, such as the annual reports on compliance with labor standards by the Ethical Trading Initiative” (Blowfield and Murray, 2008: 310). Despite these efforts, one cannot deny the evidence of false information that often goes into CSR reports by companies or their monitors that is overlooked during the auditing process. There are examples of Chinese factories, such as the Ningbo Beifa Group in 2006, that
produce for multinational corporations (in this case, for Wal-Mart), and have been found to falsify their labor records in time for audits.* This false impression of improved labor conditions, for instance, set up by corporate suppliers is readily transmitted to public relations representatives who type up sanitized reports for their respective corporate employers.

If the annual CSR reports are a reflection of a superficial commitment to social initiatives, and quite possibly exaggerated or misrepresentative of corporate production activities around the world, then such reporting tendencies are an indication that CSR is being approached in a haphazard, socially unsustainable manner by corporations. In light of the examples of CSR statements provided in previous chapters and of the way CSR was described to me in the interviews with politicians and professors, CSR appears to be approached as a game that corporations feel pressured to play in order to fend off corporate critics and consumer interest groups that threaten its image. As mentioned in Chapter Two, Professor Bradley was the first informant who explicitly called CSR a “game.” He was speaking in terms of game theory, whereby, in the case of CSR and corporations, if a few corporations start the trend, then several others will follow suit just to keep up with the “competition” for getting involved in social initiatives. Bradley added, “Companies are looking for other ways to differentiate themselves...like through CSR...so they think, ‘Let’s play.’”

If, as Professor Bradley suggests, CSR is seen as a game that multinationals like to play, then it is worth questioning the ability of this trend to actually improve the present social and environmental conditions. If corporations are simply using CSR to increase their competitiveness, and CSR happens to be the most effective strategy in the free market game at this time, then it is clear why CSR reports are exorbitantly loaded with social initiatives and why there are consulting firms and articles dedicated to advising corporations on the ideal

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* “Secrets, Lies, and Sweatshops,” BusinessWeek, November 27, 2006
CSR strategy. It would also explain why the descriptions of CSR initiatives on corporate websites often make global challenges appear more like opportunities to show off good will, rather than real problems that must be solved, as discussed in Chapter Three. CSR may be a game, but the social and ecological problems affecting the world today are very real and will not be properly addressed by corporate public relations campaigns dressed as actors for social responsibility. Moreover, as corporations grow more politically and socially influential, they can easily alter the rules and standards of the grand game of CSR to cater to their own interests.

Through an economic lens, CSR can also be explained as a tool of capitalism in that it is simply a “reaction to the market,” or a response to an increased demand for socially responsible businesses. As Elaine Bernard, director of the Labor and Worklife Program at Harvard Law School, put it: “Social responsibility isn't a deep shift because it's a voluntary tactic. A tactic, a reaction to a certain market at this point. And as the corporation reads the market differently, it can go back. One day you see Bambi, next day you see Godzilla” (*The Corporation* film, 2003). As manifestations of free market ideology, corporations will look for the most clear-cut, efficient way to supply the demand for social responsibility: crafting an image of social consciousness that consumers can trust and feel good about supporting. Corporations realize that by boosting their public image they can boost their profitability, effectively revolving CSR around image and public relations more than actually expending the effort to improve society. Evidence for this interpretation can be found in Smithfield Foods' indignant response to a *Rolling Stone* article published in December 2006 denouncing the company for causing an environmental hazard by dumping toxic pig manure in nearby rivers and also for the unhealthy living conditions of its livestock. In response to the article and to letters sent by concerned consumers, Smithfield Foods posted a list of recent CSR
accomplishments online, attempting to redeem itself after *Rolling Stone* had dealt a blow to its reputation:

*FORTUNE* magazine naming Smithfield to its annual list of America’s Most Admired Companies for the fourth consecutive year.

London-based FTSE Group adding Smithfield to its prestigious FTSE4Good Global Index Series of socially responsible companies.

Smithfield receiving ISO 14001 environmental certification for all its U.S. hog production and beef and pork processing facilities, an international seal of approval for our environmental management practices.

EPA officials praising Smithfield’s environmental stewardship efforts after we became the first company in our industry to achieve such widespread ISO certification.

Forty-five Smithfield facilities in 19 states earning honors from the American Meat Institute (AMI) and the Virginia Governor’s Environmental Excellence Awards (GEEA) for their environmental stewardship efforts during the past year.

It is noteworthy that Smithfield Foods chose to respond to the concerns of a consumer by pulling up a list of awards and rankings for the corporation without any specific examples from the company's activities as to why such honor was merited. What becomes evident from Smithfield Foods' example is that CSR simply means getting as much recognition and praise as possible from external institutions, or amassing "points" in the game. Similar to the CSR Reports, the list of achievements that Smithfield Foods released is filled with flashy, sophisticated, yet un-explained, abbreviations and measurement tools, such as the ambiguous FTSE4Good Global Index Series and ISO 14001 Certification—language more or less meant to impress and intimidate consumer skeptics rather than to properly inform and educate.

As physical manifestations of free market economics it is no surprise that corporations would interpret anything, including CSR as a way to react to market conditions rather than as

* Excerpt from *Rolling Stone's Bosshog Article: Fact vs. Fiction*, http://smithfieldfoods.com/rollingstone/; the exact list above was compiled in a response letter (forwarded to me) to a concerned pork-eater who wrote to Smithfield Foods after reading the Rolling Stone article—the individual points are drawn from the website noted above, though. This was a great example of the way big corporations use CSR, in part, to fend off activists and critics of their operations. The list above also directly shows how CSR is interpreted and "advertised" by large corporations.
an end in itself. Unlike the frequently disposable commodities circulating in the market, however, society and the natural environment are not disposable. Challenges such as air pollution, dangerous labor conditions, and limited natural resources will not cease to be causes for concern if corporations cannot afford to make a CSR initiative out of them one year. As an offspring of the capitalist system itself, CSR is inevitably designed as another object of supply-and-demand economics. Given its ultimate subordination to the market and status as a strategic trend in the corporate world, CSR cannot be considered a sustainable approach to social and ecological problems, nor should it be a reason to trust multinational corporations to take responsibility for the negative effects of their activities.

As Peter Barnes suggested with his fox-henhouse analogy quoted earlier, it is naïve to believe that the major agents for some of the world's most serious environmental and social challenges can sincerely transform into institutions dedicated to the preservation of nature and the eradication of social injustices. An important thing to remember about CSR is that it is completely voluntary. The whole idea behind the CSR trend is that it is based on the free will of corporations--translated into "Selbstverpflichtung" in German, a word I heard often when collecting interpretations of CSR in Berlin. This is a major weakness of CSR that critics have identified and consistently reminded the public. One such critic, director of the Markets, Enterprise, and Resiliency Initiative, Barry C. Lynn, published a book in late 2009 in which he presents a relatively pessimistic view of the voluntary nature of CSR. The premise of his book, Cornered, is that monopoly capitalism is the root of American society's problems, and that corporate industrial monopolizations must finally be controlled by legal regulations. When addressing the ability of corporations to become more responsible on their own, Lynn's response was this:
Now it’s true that if you get Wal-Mart to get Procter & Gamble to use smaller cardboard boxes [for their products], that’s good for our environment but we have a better way to do this. We can use our local and federal governments. When you create a law it’s law, with Wal-Mart it’s just Wal-Mart’s whim. They can change their mind any time and they don’t even need to tell anyone if they start sourcing unsustainable fish or light bulbs from China -- it just happens. Their only purpose is to make cash and they're very honest about that. Managers of corporations are legally obliged to lie if it helps their shareholders. So they’ll tell environmentalists anything they want to hear.

Lynn makes a sound argument in light of the idea of CSR as a completely voluntary initiative. Crucial evidence that corporations’ commitments around social responsibility remain unstable can be seen in the constant mergers and acquisitions within the corporate world that is characteristic of monopoly capitalism. For example, one corporation that is commonly trusted by consumers for maintaining socially-conscious values is The Body Shop. However, many consumers are not aware that The Body Shop was taken over by French cosmetics company L’Oreal in 2006,* and that L’Oreal, in turn, is owned by Nestle, whose reputation for social responsibility* is far from aligned with those that founder and former CEO Anita Roddick had in mind when establishing The Body Shop. As Lynn emphasized above, corporations are required to put their own survival and dedication to generating revenue before any other activity, including CSR, which is why it is essential that CSR remains voluntary. If it is certain that CSR will take a back seat to other corporate priorities, then one must be cautious when listening to the claims and commitments that multinationals announce for society that support the upholding of their domineering status around the world.

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* Interview with Daniela Perdomo from the Independent Media Institute, December 31, 2009; http://www.alternet.org/economy/144787/monopoly_capitalism_is_the_root_of_all_of_america%27s_problems/
From the Maussian perspective presented at the start of Chapter Two, one could argue that CSR distorts the meaning of social responsibility by over-emphasizing the excellence of material contributions, or gifts, to society without considering the formation of a social bond. As I explained earlier, gifts are more than just objects of generosity and displays of wealth. Historically, as Mauss would argue, the personal significance that is embedded within a gift is the basis for constructing social bonds between individuals and groups of people. By tossing donations around the world and establishing grandiose charitable foundations that primarily serve to swell the caring, generous image of the company, corporations are nowhere near bonding or attempting to foster cooperation with the greater society. Moreover, corporations give to causes rather than to people, symbolizing the failure of the CSR agenda to establish a business-society connection. As profit-making machines corporations ultimately have no interest in establishing bonds through the giving and reciprocation of gifts. Unlike real people, corporations do not value or understand the bonds that real people foster between each other and the non-material benefits that come out of material symbols or gifts. Fundamentally, as non-humans, they cannot be expected to take on the long-term responsibilities toward societies of real people because they are unable to establish human connections that ensure a long-term commitment to humanity. As it was emphasized at the end of the first section, the idea of corporate personhood is a serious cause for concern for the future of society.

Looking back to Bayer's version of CSR, many of the reported CSR initiatives on their webpage include the Billion Tree Campaign, the Global Exploration Fund, and a list of diseases such as Tuberculosis, Malaria, and AIDS. It is only assumed that there are people on the receiving end of these giving schemes represented by the arbitrary images of smiling, dark-skinned women and children in non-western garb scattered around the webpage to show the
worldwide goodness of corporations, but indeed, these are only images—superficial reminders of the global expanse and achievement of multinational corporations. There is no personal significance within corporate gifts that the receiver may cherish and personally reciprocate, nor is there a real chance for recipients of corporate gifts to give back to the corporation. The indebtedness imposed upon the recipients is not one that is meant to be accompanied by the creation of a social bond; instead, the implicit reciprocity of the corporate gift is the expectation of subordination and dependence on the corporate system. By disregarding and effectively preventing society's potential to reciprocate their gifts, corporations are rejecting the possibility of a social bond between the corporation and society. In this sense, CSR is a glaring symptom of the disconnect between society and business that fuels the "us vs. them" mentality that hinders the effectiveness of CSR.

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"What's all this empty space for?" I asked, peering into the large, vacant room next to the entrance of the Triangle Brewing Company.

"We like to keep that open for people to rent it out for parties and other social events," Tom informed me. "We're having one group in here this weekend, in fact...graduate students from Duke, I think. It's someone's birthday."

I had just finished the tour of the brewery, starting from the boiling to the fermenting processes, all of which were contained in three relatively small areas in the left wing of the building. Across the street from the brewery was SEEDS, a small community garden and after school program, as well as a rehabilitation center for troubled teenagers. I was surprised by the low-key atmosphere of the brewery, having only seen the enormous brewing tanks in large restaurant-brewery chains, assuming that they were only an example of much larger operations elsewhere. The desk behind which Tom stood when I talked to him was covered in
papers, pictures, pens, and scraps, like the organized-chaos of a home-based work station. My informants were dressed very casually, in T-shirts, shorts, and flip-flops, as if ready to go fishing rather than run a business. Jack and Tom, the two friends and owners of the company were very friendly and open to my visit and inquiries about the small company's relations with the Durham community.

From what Tom told me, the company seemed to be very in touch with their consumer base, as suggested by the space set aside for hosting community functions.

"Well, let us know if you ever need beer catered to events you're setting up. You know where to find us!" Tom reminded me as I walked out of the brewery back to the car. I could still smell the brewing hops and barley malt from the outside.

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It is necessary to point out that the larger the corporation, the more difficult it is to foster bonds through its attempts at interacting with society. The corporation is the "anti-local," in the sense that it must steer away from small-scale development in order to become the trans-national giant that it is structured to be. It cannot non-intrusively co-exist or cooperate with other institutions in a community--rather, it must consume them and make its surrounding entities useful to the growth of its assets.* This is why small companies generally have an easier time connecting with their consumer base. The locally-focused nature of their activities and the smallness of their consumer population allows small company owners to interact directly with their customers and makes the reciprocation of gifts (selling to the community/support for the business) clearer and more personal.

* The 1988 film The Milagro Beanfield War, directed by Robert Redford, based on the book by John Nichols is an example of the way corporations take over rather than co-exist with a community when they set out to do business in an area.
I came to this realization through an interview that I conducted with the owners of the local Triangle Brewing Company in Durham, North Carolina. The two men who owned the company had been friends since high school and had settled into the Durham community and established the brewery about eight years ago. When I asked them about their opinion of the CSR trend and whether it is something they confronted as businessmen, they only vaguely responded that they had heard the term before, but associated it mainly with big corporations. However, they avidly provided examples of ways that their company gives back to the community beyond the provision of alcohol for social activities. Their contributions were, of course, very local, including financial support for the preservation of parks and local musicians in Durham and donating excess grain to local farmers to feed livestock. The owners mentioned that their choice of socially responsible activities to undertake was motivated by their personal values and direct experience with the Durham community. They are familiar with their consumers, as well as the size of the social and ecological footprints of their activities and are therefore able to engage and donate to the community more meaningfully.

The failure of CSR to establish a connection between business and society is the major issue that Porter and Kramer attempt to resolve in the Harvard Business Review article discussed earlier. Porter and Kramer's solution is to help corporations to integrate into society by encouraging them to take on CSR activities that are directly related to their particular business, termed "shared-value opportunities." They conclude that, "NGOs, governments, and companies must stop thinking in terms of 'corporate social responsibility' and start thinking in terms of 'corporate social integration'...when a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social good than any other institution or philanthropic organization" (Porter and Kramer, 2006: 92). While this may be a legitimate, probable
hypothesis, it does not take into account the challenge of the physical size and enormous footprints of multinational corporations that would make it extremely difficult for the modern large corporation to truly integrate into society.

The inability of corporations to participate in communities as responsible citizens reinforces the point that they cannot be considered or treated as people. Rather than connect with people, corporations attempt to transform people into consumers who will ultimately support their quest for profit. They do this through advertising, of which CSR has become another tool, in order to encourage consumers to endorse corporate brands rather than necessities when spending money. For example, although "GMO free" and "Organic" food products (as offspring of the CSR agenda) are made to look like choices in how to live one's life--namely, in a socially-conscious manner--they are no more than brands that encourage people to identify themselves accordingly--by buying organic foods one is establishing an identity as an "eco-friendly" person. The corporation may or may not actually be producing food according to organic standards; the important part about the organic label is the idea that it is trendy for a particular consumer base that will continue to support the corporation because their identity has been formed around the consumption of the brand "organic." At this point, one can argue that the CSR trend is actually covering up some of the inherent systemic problems of monopoly capitalism and corporations that will continue to support the conflicts that corporations try to address through CSR if left unaddressed.

As a direct offspring of free market capitalism, CSR is as blinded to the problems caused by free market capitalism as the capitalist system itself. As I explained in Chapter Two, the driving force for the capitalist economy is ultimately the profit motive, which ensures that

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* See *Agrarian Dreams: The Paradox of Organic Farming in California* by Julie Guthman, 2004 in which Guthman documents "large-scale" organic farming as a discontinuity with the way organic farming is portrayed in the media as sustainable, small-scale farming. The idea is that large-scale corporate farming requires sacrifices in traditional, organic rituals that large food corporations do not reveal or account for.
companies will produce the goods and services desired by consumers. In order to secure profits the corporation must take on the most efficient production methods possible, even if these methods put workers and the environment at risk. Ironically, therefore, many of the problems that CSR attempts to resolve are the result of corporate activities taking place under the implicit demands and approaches of free market capitalism. A salient example of this is the problem of over-priced medications that have become inaccessible to people who need them the most but cannot afford them. This is a direct result of unfair pricing practices of pharmaceutical companies, as discussed in Chapter Three. Incidentally, access to medication is one of the major issues addressed under Bayer’s latest Sustainable Development Report online. In this report, Bayer announces the implementation of “Social Health Care Programs” to show how the company “is committed worldwide to providing greater access to medicines and health services.”

In the strategies section, where the company describes how it will deal with the problem of access to medication, there is a part about access to drugs “being improved in the long term by means of a differentiated pricing strategy that takes both the health burden and the level of development in the relevant recipient country into account.” If pharmaceutical corporations had implemented fair prices around the world to begin with, this would not need to be a part of CSR. The idea that this is now a CSR strategy in a major pharmaceutical corporation shows how far removed the multinational corporation has become from basic notions of social-consciousness—following the influence of free market economics.

In committing itself to fair prices as part of its CSR program, Bayer is merely reacting to the market demand for affordable drugs (an artificially forced demand fought for by human rights and healthcare activists), as described earlier. However, had there not been a social

uprising calling for pharmaceutical multinationals to lower their prices (galvanized by the example of over-priced AIDS drugs described in Chapter Three), Bayer would not add such an initiative to their CSR plan because it is counterintuitive to its purpose as a corporation. Bayer will only follow through with their commitment to fair drug prices as long as they can rake in enough profits to afford it or as long as their image remains sensitive to external corporate monitors. In this respect, CSR may address the problems caused as a result of the system from which it sprung, but would otherwise be as inconsiderate to these problems as the system itself.

Before launching into his ideas for “upgrading” the current American capitalist system by creating a commons sector next to government and corporations, Peter Barnes writes that, “Capitalism and community are not natural allies…where capitalism is about the pursuit of self-interest, community is about connecting to others” (Barnes, 2006: 101) A final example from the food and agrochemical industry illustrates the clash between free market capitalism and community. In January 1994, the North American Free Trade Agreement (NAFTA) allowed large seed companies, such as Monsanto, to export corn across the Mexican border for much lower prices than local Mexican corn. As a result, as Raj Patel discusses in Stuffed and Starved, several small Mexican farmers were put out of business and forced to either move to the city to find employment or go north across the border to become migrant laborers.

In an ideal free market system with perfect competition, which is unlikely to exist, it is assumed that if a merchant is out-competed in the sale of a product he will be able to switch to selling another product. However, this is certainly not the case between Monsanto and small Mexican farmers. The Mexican farmers who were run out of business could not simply start growing and selling another type of crop because the Mexican topography and climate is

* For more on Peter Barnes' ideas about reforming capitalism, read his short book *Capitalism 3.0: A Guide to Reclaiming the Commons*, which can be purchased or downloaded at http://capitalism3.com/downloadbuy
primarily suited for growing corn. What is very important in real life that the free market does 
not take into account is the qualitative variation in social and environmental factors, such as 
the differences in land types that are best suited to grow particular crops. Thus, the 
manifestation of free market ideals onto real life scenarios will only lead to social disasters, 
such as the mass occupational losses of Mexican farmers, and irresponsible displays of 
corporate behavior. As Marx commented in Theories of Surplus Value, "So far as crises are 
concerned, all those writers (Jean-Baptiste Say, David Ricardo, John Stuart Mill) who describe 
the real movement of prices, or all experts who write in the actual situation of a crisis, have 
been right in ignoring the allegedly theoretical twaddle and in contenting themselves with the 
idea that what may be true in theory--namely, that no gluts of the market are possible--is, 
nevertheless wrong in practice" (Tucker, 1978: 434). Marx pointed out a tendency of capitalist 
actors that is still seen today, which is the denial of flaws in the capitalist mode of production 
when economic crises arise, and a broader refusal to acknowledge the disconnect between 
thetical models of what should happen and what actually happens in a free market system. 
In view of the crisis between free market and real world expectations, it becomes necessary to 
question whether free market capitalist world views can properly underlie the goals of CSR.

Bangladeshi economist and founder of Grameen Bank, Muhammad Yunus,∗ discusses 
the conflicts between free market capitalist ideology and CSR in his book Creating a World 
Ho in her ethnography of Wall Street culture∗, Yunus maintains that capitalism is a “half-

∗ My attention was first drawn to Yunus when it was announced that he would be speaking at my graduation 
ceremony the following May at Duke. Soon after, one of my peers sent me a link to his book (above), which 
cluded a discussion on CSR in the new millennium. Having established a reputation as a pioneer in 
rofitecture solutions outside of the big, investment banking trends within free-market capitalism, I took interest 
in his ideas and considered his take on CSR. I found that his perception of CSR corporate culture echoed many of 
the points that I have made so far in my thesis, and have therefore decided to reference him as a support of my 
own views of modern capitalist institutions.
∗ See Chapter 1, pages 43-46
developed structure” that “takes a narrow view of human nature, assuming that people are one-dimensional beings concerned only with the pursuit of maximum profit” (Yunus, 2008: 18).

According to Yunus, the shortcomings of capitalism are not characterized by market failures; rather, mainstream free market theory is suffering from a “conceptualization failure—a failure to capture the essence of what it is to be human” (ibid). The main problem that Yunus sees in the practice of free market ideology today is that it both expects and causes the people who live under it to be one-dimensional, in that their sole priority in life is to make a profit, and everything they do is for the ultimate goal of generating wealth. The main actors in the current American capitalist economy are so devoted to the game of free market economics that they learn to measure happiness and victory in life purely in terms of financial profit. Rather than making economic theory fit human realities, human realities are being forced into the virtual world of free market ideology. People have become so fixated and enthused by the successes of free market capitalism that they don’t dare to challenge the fundamental theories that govern the system. As Ho points out in her book, *Liquidated*, these are the sorts of people who operate multinational corporations—the cogs and wheels of the corporate machine. How can the corporation be expected to identify with a society of multi-dimensional humans if its operating base is made up of mainly one-dimensional slaves of the free market? It is clear why CSR is presented in such a plastic, programmed, image-conscious manner that is hardly a step towards truly integrating business and society—as agents of free market capitalism, corporations are simply incapable of sincerely embracing social responsibility as a bottom line for their activities.

The free market ideology is not supportive of the values of CSR. As long as the framework for CSR remains at odds with the attempts at social responsibility, a long-term commitment to society, let alone a blending of social and corporate values will not be feasible.
As business professor Jedrzej Frynas at Middlesex University Business School wrote in his book *Beyond CSR,* “CSR initiatives are often conducted in parallel to ‘business-as-usual’ activities, which may destroy many of the positive gains of these initiatives…many taken-for-granted business practices are simply at odds with good corporate citizenship” (Frynas, 2009: 174).

The core framework for CSR-- most importantly the idea that it is based on corporate free-will, rather than regulation-- is universally accepted, but the interpretations of the trend vary significantly from country to country, as I showed primarily in Chapter Two. From the perspective of the German social market economy, CSR is almost superfluous. The business standards under German "Rheinisch" capitalism explicitly direct the role of business towards the common good (to a greater degree than in the United States), as discussed in Chapter One regarding the post-World War II German Constitution. Consequently, as my German informants confirmed, the idea of CSR is nothing novel in the German business scene and came about mainly as a result of Germany's increasing role in the globalizing economy. As a derivative of free market economics, the social market economy embraces many of the same ideals as the free market ideology in America. A unique characteristic of the social market economy, however, is the increased role of the government in economic and social issues--a role that ultimately supports the enforcement of pro-society business standards, as well as inter-corporate responsibilities, such as co-determination.

During our conversations over the summer, two of my informants actually expressed a desire for an increased governmental role in CSR. Representative Fischer clearly expressed at the end of the interview that, "it will not do, in Germany, to simply appeal to the moral conscience of corporations...rather, one must indeed set rules and control corporate activities

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*Frynas looks at CSR in the energy industry, focusing on oil multinationals such as Beyond Petroleum*
(more than at present)." While Fischer was genuinely positive about the potential of corporations to contribute well to society, he was very skeptical of their ability to do it "all on their own," and therefore, stood by "clear laws and provisions" for the ensurance of corporate responsibility. Similarly, Professor Müller stated very openly that he believed the German government to have "much too weak of a role" in society and economics, "given the intervention of neo-liberal (economic) tendencies into the political field in the last ten years."

Both Fischer and Müller were supportive of an increased role for government in the CSR discourse, reflecting the existing, relatively high involvement of German politics in CSR.

However, an increased role for government in CSR would directly clash with the principal idea that CSR is about corporations voluntarily engaging in socially responsible activities. One of the most controversial aspects of the CSR trend is that it effectively evades governance and thereby also resists any sort of regulation that may alter its corporate principles and perspectives. Moreover, CSR's status as a trend among transnational corporations, entities that have distanced themselves from any national calling, has encouraged the growth of a global governance vacuum that may be favorable for free-market-championing corporations at the likely expense of global society. However, as this thesis has shown, the modern corporation is a poor caretaker of society; CSR is only a superficial attempt to demonstrate, weakly, corporate ability to help relieve social and ecological crises. Rather than continuing to allow corporations to "prove" that they can operate and even be socially responsible through CSR, independent of government, it would be more sustainable to look for systemic solutions within capitalism to begin resolving social and environmental challenges.

Learning and adopting from capitalist systems in other countries, such as Germany, may be a

* see Chapter Two, pp. 66-68. It was interesting that both Mr. Fischer and Professor Müller remarked upon the increasing influence of Anglo-American business culture on German business culture within the past twenty years, which seemed to allude to the homogenization of a culture of social responsibility among German and American multinational corporations.
first step in exploring, and eventually crafting, a better economic system that can truly unite business and social priorities.
Conclusion
“Community will rescue us from the deadening world of social dissolution, grab-it-yourself materialism and individualized selfish market-oriented greed.”

-- David Harvey, Spaces of Hope (2000)

As the cartoons above show, it is easy to take a cynical, ironic approach to the CSR trend. Given the scandalous reputations of many large corporations, as depicted in the top cartoon, it would be difficult to continue with our daily habits, such as automobile operation, without supporting corporate irresponsibility; and it is just as tempting to interpret corporate initiatives that appear to be outside of the usual profit motivation as disguised profit motives, as shown in the bottom left cartoon. Indeed, by nature of its close association with corporate public relations campaigns, CSR can appear very superficial, un-innovative, or insufficiently organized for the future, as suggested in the bottom right cartoon. The irony surrounding CSR is that it calls for a sense of social obligation where it is needed direly today--in circles of immense economic power that keep growing through the exploitation of society and the earth's resources--yet the idea of expecting corporations to be responsible citizens is unrealistic for people outside, as well as inside of the corporate world. Critics of CSR are often those who actually wish that corporations would be more responsible and accountable for their influence, but they maintain that the concept of CSR is inadequate and unsustainable for promoting good corporate citizenship. I would like to conclude with a critical reflection on the future of CSR and corporations, and the potential of capitalist development.

The underlying ideal of CSR, to unite corporate advancement with social and environmental improvement, is a well-intended method of alleviating the strains that the industrialization and centralization of resources and power has put on society. My intention through this thesis was not to condemn the act of CSR itself; instead, I wanted to provide a
critique of the mechanism of CSR, as well as draw attention to the current ideological and structural manifestations that it stands for. The individual acts of CSR, including donations to non-profit organizations working for environmental and social change, corporate employee volunteering initiatives in the surrounding community, enforcing better labor standards, and cutting down on resources for production, are undoubtedly steps that make small differences in their target areas. My intent is not to focus on the specific acts of CSR as inadequate initiatives, but rather to examine the trend of CSR as a whole in order to point out that the foundations of CSR are unstable and its deeper implications, far from genuine social responsibility. What I have emphasized in my thesis, accordingly, is that the individual acts that come under CSR are ultimately a short-term method of fostering a business-society connection. As a product of the corporate structure and mission, as well as the supporting ideology behind the corporation that is based on quarterly rather than long-term successes, I have shown that CSR cannot realistically be a sustainable method for ensuring corporate cooperation for social and environmental care.

Corporations have the resources to provide short-term aid towards causes where it is urgently needed today, as well as the capability of engaging in more sustainable production methods. Unfortunately, the underlying purpose of a corporation--the distinguishing feature that makes the corporation a corporation--ultimately hinders it from permanently committing to sustainability in production, resource conservation, and human rights among other responsibilities. As long as the stringent devotion to shareholder value and the accompanying aggressive pursuit of profit remain part of the corporate commandments, CSR will always be a subsidiary priority. I hope that this thesis has been able to expose the raw nature of the corporation as a profiteering machine that operates for the short-term rather than for future generations, and that social responsibility from multinational businesses is only possible if the
corporate framework can change to accommodate goals beyond generating financial profits. There is much literature, such as Blowfield and Murray's critical introduction to CSR and Porter and Kramer's critique of CSR methods, discussing ways that CSR can be improved to better fit the corporate model, but I maintain that it is the corporate structure and priority that must be dismantled or at least reformed rather than the concept of CSR. What I have tried to convey is that the institution of corporate monopoly capitalism that stands behind CSR does not genuinely promote the potential that social responsibility can have as a unifying force between business and society. Corporations have distorted the function of social responsibility by making a commercial trend out of it and exploiting it as an image-enhancing public relations campaign labeled with a catchy acronym. In the eyes of multinational corporations, social responsibility is a means to an end rather than an end in itself. No matter how often and intensely the current discourse around CSR may yearn for the enforcement of social responsibility as an end, it will never truly be the biggest business interest until corporations are forced to reform in order to reflect their undeniable dependence on society. Porter and Kramer have neatly expressed the idealistic union between business and society in the following excerpt:

"Successful corporations need a healthy society. Education, healthcare, and equal opportunity are essential to a productive workforce. Safe products and working conditions not only attract customers but lower the internal costs of accidents. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Good government, the rule of law, and property rights are essential for efficiency and innovation. Strong regulatory standards protect both consumers and competitive companies from exploitation. Ultimately, a healthy society creates expanding demand for business, as more human needs are met and aspirations grow. Any business that pursues its ends at the expense of the society in which it operates will find its success to be illusory and ultimately temporary."


133
As the passage above stresses, corporations are strongly dependent on society. Therefore, corporations must cater to the social realities that surround it rather than the other way around. However, rather than encouraging corporations to view social responsibility as an end rather than a means to an end, the argument presented above takes a strongly utilitarian approach as a rationale for CSR. The problem with utilitarian reasoning in this case, is that it remains consistent with the corporate logic that society exists in order to support commercial growth—a status that cannot continue if human society should develop without the manipulative influence of big businesses. Presently, society bows down to corporations more than ever before. As a resident of an industrialized nation it is virtually impossible to escape supporting corporate expansion—the food from the grocery stores that American families buy comes from the highly centralized food system; clothing, cosmetics, and beauty products are manufactured and controlled by a handful of large corporations, as are automobiles and prescription medications. Most recently, in January of 2010, the Unites States Supreme Court made it officially legal for corporations to openly endorse political candidates with limitless campaign contributions, using the concept of corporate personhood to defend the decision.* What the Court suggested through this explicit decision was that America should be run by those who own it. This is a trend that must change in order for corporate interests to truly be directed towards society.

If the corporation must change, then the ideology that has promoted its intense growth and expansion as a physical manifestation of neoliberalism in the last forty years must be reformed. A crucial question that the CSR trend raises is whether capitalism is able to remedy the ills caused by capitalism itself. The capitalist ideology has effectively proved its ability to

* See http://www.alternet.org/story/145322/supreme_court%27s_%27radical_and_destructive%27_decision_hands_over_democracy_to_the_corporations/
foster economic growth and raise living standards in many parts of the western world. However, it is time to truly recognize the costs that capitalist culture has inflicted on societies around the world that are being used for the continued growth of capitalist nations, and to take responsibility for the conflicts plaguing western as well as non-western communities. If the current free market principles of modern capitalism continue to produce the highly individualistic, profit-obsessed agents that are multinational monopolizing corporations, then there is little hope that genuine recognition of and responsibility for the social and ecological problems largely caused by capitalism will take form.

Before corporations can change, capitalism must be reformed to fit the evolving social and environmental conditions of the world. One of the most difficult things to do as a product of a system that has raised, nourished, and fully endowed one with its culture, is to step back and understand all of the rules, traditions, and principles of the system's culture as subjective, alterable truths among a world of many other subjective truths that have commanded other people's lives just as well as one's own. People must learn to understand that the major way that corporations are able to maintain their profit-driven mission is by creating a culture based on consumption, and by making their corporate, brand-identity-based culture seem like the best way to approach life. However, such a culture can and must be challenged for the sake of preserving the multidimensionality and non-material values of human communities. With such a mindset, that one's own habitual system may not necessarily be world-class and superior to other systems, will reform be possible. People should not be afraid to challenge free market capitalism, or allow themselves to be blinded by the mechanisms of the capitalist system just because it is the system to which they are most accustomed.

By critiquing the trend of CSR among multinational corporations I hope to contribute to the existing literature on the role of modern corporations and to the works that have come
out in the past twenty years on corporate capitalism. After including Joel Bakan's research on
the influence of the modern corporation on individuals and his "diagnosis" of the corporation
as a psychopath, I have extended this analysis to the workings of CSR within the corporate
agenda. On a larger scale, I have taken Peter Barnes's critique of modern capitalism in
America as a basis for advocating for a reform of the current capitalist system, and I have tried
to add to his ideas by providing another example, through CSR, of the way capitalist actors try
to resist broader structural changes by relying on the internal tools of a flawed system. Finally,
at the beginning of the second chapter and in the fourth chapter I have applied Mauss's theory
of gift exchange to the function of CSR, as a method for viewing the relation between
corporations and society. Even though this last idea is a fledgling sociological analysis, I hope
that interested readers of this thesis might be able to refine the Maussian application that I
have laid out.

The work at hand has ultimately attempted to expose the mutability of the capitalist
economic system as a whole by discussing both the German and American models of free
market capitalism as foundations for CSR. By showing the similarities as well as the
differences between the German and American approaches to the capitalist mode of production
I wanted to present a view of capitalism as an inter-connected manifestation whose ideological
and corresponding national boundaries are more fluid than is commonly perceived. The value
of this view lies in its invitation to understand that improving business-society relations may
begin at a local level, but in order for worldwide exchange of labor and goods to occur
sustainably, such an improvement must be a global effort. This means that the exportation of
one idea of social responsibility for business, crafted with the idea of only one superior form of
capitalism in mind, cannot be the dominant approach to bettering the role of trans-national
corporations.
Through this thesis I have hoped to expose an alternative form of capitalism, through the example of the German social market economy, in order to put forth the value in learning from other systems for the betterment of one's "native" system. It is foolishly arrogant to refuse to consider the successful examples of neighboring societies around the world, in favor of one's own as the most developed, most brilliant, or least flawed. People living under free market capitalism today must be able to admit the mistakes of the free market system in order to rise and rebuild effectively after economic crises. Embracing reform by being open to learning from alternative systems is a start, but it requires an open mind and a willingness to start viewing the world as a community rather than a marketplace. As a budding anthropologist, I am compelled to share that one of the amazing aspects of the anthropological method is the encouragement of a relativistic world view--the training to comprehend more than one truth or way of existence that fosters cross-cultural learning for improvement. This is where a true sense of social responsibility towards humanity as a whole begins.
Works Cited


