Corporate Social Responsibility: A Promising Social Innovation or a Neoliberal Strategy in Disguise?

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Abstract: Since the Lisbon Summit the European Union has become resolute in its intention to promote the uptake of corporate social responsibility among European companies. The recent financial crisis has provided further impetus for evangelising CSR, which is identified by the EU public authorities as one exit strategy from the crisis and a promising means of fulfilling the Treaty objectives of inclusive and sustainable social market economy. This paper finds the above assertion problematic and uses a Polanyian framework to evaluate its validity. The paper represents a conceptual intervention in the policy justification provided by the European Commission. Contrary to the overly optimistic voices that see decommodifying tendencies within CSR, this paper claims that CSR does not have a potential to re-embed the economy as argued by the Commission. Despite its protective invocation, CSR is predicated on deepened commodification. It depends on the staging of a special type of exchange relation, whereby reputation is quantified and sold as a commodity by being denominated in a common unit. As such the CSR form promoted by the Commission is a microeconomic counterpart to the regime of rule-based macroeconomic depoliticisation.

Keywords: Corporate social responsibility, European Union, Polanyi, disembedded, commodification, neoliberal.

The recent economic crisis has not left a corner of the world unaffected and the many reports are here to remind us of its consequences. While some countries and regions have restored their pre-crisis economic output, the European Union is still engaging in fire-fighting missions (Streeck, 2012; Roxburgh and Mischke, 2011). Despite the dire unemployment figures, member state governments have not formulated any tangible growth strategy that will boost the economic activity within the EU, notwithstanding

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the recent approval of the Compact for Growth and Jobs worth €120 billion (European Council, 2012).

Contrary to the ample evidence, the European politicians are neurotically clinching to the belief that all we need for a recovery to unfold is for the markets to gain confidence (Hemerijck, 2012). However, the proposed solution of fiscal tightening originates from a skewed twisting of cause and effect, wherein deficit spending is projected as the cause of the Great Recession. And every attempt is made to conceal the fact that it was the financial crisis that enticed some governments to acquire debt by bailing out their banks (Brassett et al., 2010). Although scholars have warned that the austerity policies would not necessarily cure the patient (Hemerijck, 2012; Schmidt, 2014), the politicians are depriving the population of a quick recovery by pursuing fiscal consolidation in times of depressed demand. Thus, Polanyi’s (1944: 148) argument is even more valid today than ever, when:

the repayments of foreign loans and the return to stable currencies were [time and again] recognized as the touchstone of rationality in politics; and no private suffering, no restriction of sovereignty, is deemed too great a sacrifice for the recovery of monetary integrity.

In line with their confidence fairy myth (Krugman, 2012) and the belief in a private sector led recovery, the Commission has identified corporate social responsibility (CSR) as one possible exit strategy from the crisis. In its latest Communication on CSR, the Commission has stated that enterprises have responsibility to ‘mitigate the social effects of the current economic crisis, including job losses’ (COM2011: 3). While making the above claims the Commission does not elaborate on how an increase in the CSR uptake is supposed to lead to a resolution of the sovereign debt crisis. Although the link between CSR and the economic crisis, which requires macroeconomic adjustment, is not self-evident, one can assume its existence if one adopts a broader understanding of the crisis. The crisis in the EU is a multifaceted phenomenon and the current Eurozone calamity is only one manifestation of it. The recent recourse to CSR policy is one aspect of the turn towards the social dimension of the EU integration project that has been neglected for a long time (Marlier et al., 2007). The EU public authorities came to the understanding that a successful completion of the Single Market will entail adoption of some sort of Social Market provisions (Jepsen and Pascual, 2006). Although the recent Eurozone crisis post-dates the turn to the social aspect of the EU edifice, it accentuates the need for addressing the social calamity.

The paper is an attempt to provide a Polanyian critique of the CSR promotion by the EU institutions. Following the discussion of the main theoretical interpretations of CSR, the paper outlines the development of the CSR regime in the EU. Contrary to the criticism levelled at CSR that emphasises its failure on practical grounds, this paper argues that CSR is detrimental even when it seems to be working. To that end, the subsequent section introduces Polanyi’s (1944; 1957) conceptual apparatus through which I evaluate the potential of CSR to transform the neoliberal predicament into a social market economy. Despite its protective invocation, CSR is predicated on deepened commodification, which depends on the staging of a special type of exchange relation, whereby reputation
is being quantified and sold as a commodity by being denominated in a common unit, be it an ISO standard, eco-label, or code of conduct.

**Theoretical Interpretations**

A general Google inquiry of the term corporate social responsibility provides 104 million results, while the same query in Google Scholar delivers one million and a half entries. The highly debated concept of CSR got popularised in the business and management literature in the 1950s. Although its embryonic form dates back to the Industrial Revolution (Archie, 2009), CSR activities emerged in the USA in the 1920s in the context of a labour defeat from the corporate executives, who favoured minimal government regulation (Maren, 2012). While its home base is in the States, the neoliberal revolution has provided a fertile ground for CSR spreading in Europe (Matten and Moon, 2008).

Since the inception of CSR, practitioners and scholars have tried to pinpoint the concept by outlining few key aspects that define its meaning. The need for clarity is accentuated by the fact that there are few other competing terms, such as Corporate Citizenship, Business Ethics, Sustainable Business, Corporate Social Performance etc. that have overlapping features with CSR (Crane et al., 2009). A scan of the literature brought me to the conclusion that there are two essential constituents that define the membership boundary of the CSR concept: its voluntary nature and its objective to balance between profit orientation and social concerns (Matten and Moon, 2008). Contrary to philanthropy which consists of individual acts of goodwill, CSR entails a redefinition of the core business model of an entity in order to make it more socially and environmentally sustainable. CSR covers a wide range of practices: reporting on non-financial matters, labelling practices, social and environmental auditing, codes of conduct, socially responsible investment, internal CSR activities mainly aimed at improving the welfare of the workforce of a company, external CSR practice targeting the wider community etc. (Crane et al., 2009).

Three theoretical orientations crystallise within the CSR scholarship: the pro-CSR integrative account, the neoliberal view, and the critical formulation. The main tension that arises between these accounts stems from their different understandings of the role of the corporation within society. The pro-CSR formulations try to demonstrate the capacity of CSR to foster good corporate practices through the stakeholder engagement strategy. While the neoliberal account dismisses the need for CSR, the critical perspective identifies CSR as a Trojan horse, which eliminates the possibility of a meaningful state regulation.

The pro-CSR scholars, of whom Ruggie (2001) is the most outspoken member, see CSR as a stepping stone towards more meaningful regulation in the context of constrained governmental capacity. Given the regulatory vacuum, Matten and Crane (2005) call for the establishment of Corporate Citizenship, which envisages responsible corporations as social providers, political channels, and civil rights enablers. By adopting a republican view of ethics the pro-CSR scholarship entrusts two roles to corporations: one as citizens whereby they pursue their self-interest - profit, and the other as citoyens of a specific community towards which they have duties (Scherer et al., 2006). The EU stance on
CSR is closely aligned to the pro-CSR account. The EU officially endorses Ruggie’s ideas and proposals on CSR put forward in the new Guiding Principles under the UN Protects, Respect and Remedy Framework (2011).

Contrary to the previous formulations, the neoliberal view believes that corporations are solely accountable to their shareholders and not the stakeholders, thus they recognise a single responsibility of the corporations to be profitable. Both Friedman (1970) and Hayek (1960) perceived CSR as a threat to the raison d’être of the businesses. While the private sphere engages in non-authoritative allocation of values, the state is the only actor responsible for securing the public interests. Horrigan (2010) argues that corporations should refrain from addressing the social needs of a society because CEOs appointment is not subject to democratic control.

CSR is a subject of attack by some free trade economists like Kapstein (2001) and Irwin (2002) who oppose CSR on expected outcome basis. They warn that CSR will offset the benefits of free trade because it disturbs the principle of comparative advantage. As an indictment to the principle of efficient allocation of resource, CSR hampers the economic growth and innovation (Kapstein, 2001). Nonetheless, there is ample evidence to suggest that the resources allocated to CSR would not have been invariably invested in research purposes (Light and Lexchin, 2012; Sell and Prakash, 2004).

Contrary to the previous accounts, the critical scholarship challenges the deregulatory logic of CSR that empowers corporations by pre-emptying the establishment of binding regulatory arrangement with stricter enforcement mechanisms (Lipschutz, 2005; Sklair and Miller, 2010). Scholars who adopt a critical mantle characterise CSR as a neoliberal strategy in disguise, where the market is seen as the most efficient mechanism for achieving social goods (Hopgood, 2008). Bond (2006) warns that CSR is a pro-corporate PR strategy whose hidden agenda is to deepen privatisation. Shamir (2008) argues that CSR represents a moralisation of business that does not weaken, but sustains the neoliberal predicament.

This paper shares the view of the critical scholarship; and goes a step further by arguing that even if CSR is successfully implemented, it would fall short of integrating the economy and society as foreseen by the Commission (COM2011). A Polanyian perspective enables us to unpack the complexities of the CSR regime, all the while staying critical of its implications for the society. Following the outline of the development of CSR in the EU, the rest of the paper attempts to bring forwards a few Polanyian considerations.

**EU CSR Policy Framework**

In the past decade we have seen a notable increase in the CSR activities among European enterprises (COM2011). CSR has become such an imperative for corporations within the context of heightened attention to the carbon footprint of production, as documented by the Eurobarometer (2009) survey that notes a very positive attitude towards ethical consumerism, and the socially responsible public procurement regulation. If we take a few minutes to look at the socially responsible investment (SRI) data we will see that SRI does not have a negligible market share in Europe. The European Fund and Asset Management Association (2010) reported a total of €12.8 trillion assets under management in Europe in
2009. Thanks to the rise of institutional investors, SRI assets have increased to €5 trillion in Europe compared to just $3 trillion in the US. The rising trend is more relevant than the amount itself. Namely, from 2007 to 2009 there has been 87% growth of SRI in Europe (ECOSIF, 2010).

While the uptake of CSR varies across national jurisdictions, the first attempt to promote CSR on the part of public authorities at the EU level was made in the mid-90s when Delors called on companies to support the European Declaration of Business against Social Exclusion (Kinderman, 2013). However, CSR policy started to crystallise at the EU level with the Lisbon European Council (2000) which launched (Article 39) ‘a special appeal to companies’ corporate sense of social responsibility’. Kinderman (2013) claims that starting from the 2000s the CSR policy acquired a neoliberal outlook at the expense of its original social pro-regulatory orientation envisioned by Delors. CSR has occurred in a context when employment protection has evaporated from the corporate governance structure as seen in the rise of the shareholder value model (Horn, 2012).

Ever since Lisbon, the EU has become resolute in its intention to evangelise CSR across Europe. The first Green Paper was adopted in 2001, wherein CSR was defined as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’ (COM2001: 6). The following year the Commission launched another Communication and a Multi-Stakeholder Forum in order to facilitate dialogue among the various stakeholders. Fairbrass (2011) describes the form acquired by the forum to be a coordinative discourse, whereby debates take place behind the public eye in closed settings.

The CSR policy is embedded in a complex institutional configuration. The competence on the issue matter is shared among the member states and the EU institutions. Each member state has a different national CSR policy and supporting governance structure that rely on different legal and financial instruments. Belgium, Germany, Denmark, Netherlands, Hungary and Bulgaria have CSR action plans and strategies (Knopf et al., 2011). The CSR policy operates in different institutional arrangements among member states. Some countries like France and Cyprus have inter-ministerial formations in charge of CSR, whereas some countries such as Belgium, Denmark and Spain have separate centres, commissions and agencies. UK even had a special ministry for CSR, which was abolished in 2008. Moon et al. (2012) who have conducted a comparative study of 23 EU member states conclude that there has been a notable increase in the policies that promote CSR. At the EU level, Fairbrass (2011) argues that the home base for the CSR policy is the DG Employment, Social Affairs and Inclusion. However, two other DGs, the DG Enterprise and Industry and DG Environment are also involved in the policy making process.

In the past decade the EU has increased the visibility of CSR by raising awareness and disseminating best practices, establishing multistakeholder forums, granting awards, and encouraging among SMEs. In 2006 the Commission introduced another Communication (COM2006) where it stressed the voluntary essence of the arrangement by calling on the business community to do its part for the re-launched Lisbon Strategy. To that end, it launched the Alliance for CSR in 2006, a business led organisation. The EU commitment
to CSR has to be tied to the wider policy orientation towards a sustainable development. The Commission (COM2006: 3) identified that CSR ‘can play a key role in contribution to sustainable development’, which is a treaty objective. However, Sklair and Miller (2010) warn us that the sustainable development has been redefined to mean sustainable economic growth, which fails to resolve the imminent ecological and class crises.

Following the economic crisis, the EU initiated the 2020 Strategy, a successor of the Lisbon Agenda, where it identified five quantitative targets for the first time and seven flagship initiatives to support the creation of smart, sustainable and inclusive growth (COM2010). The dedication to CSR is preserved in the flagship initiative on Industrial Policy for the Globalized Era, where it claimed that CSR ‘can contribute to the competitiveness and sustainability’ in the context of the economic crisis (COM2010: 22). The latest Communication on CSR in 2011 represents an effort in the direction of building a supportive governance framework for CSR activities. Therein the Commission makes the business case for CSR arguing that it is in the interests of enterprises to contribute towards a highly competitive social market economy (COM2011).

Compared to the Commission insistence on the voluntary nature of CSR, Fairbrass (2011) argues, the EP with the passing of the two resolutions in 2007 and 2010 is in favour of regulation. Whereas the EP agrees with the Commission that CSR can contribute towards the Lisbon objectives, it points to a contradiction between the companies instance on flexible arrangements and the aim of CSR to ameliorate the precarious labour relations; thus it called for a new regulatory framework with ‘better-enforced rules’ (EP, 2007, EP, 2010). However, this paper argues that even if CSR operates within a fully functional regulatory context, it will have detrimental repercussions for the society.

In the aftermath of the Great Recession, the Commission has made increasing reference to the economic crisis in their policy proposals. However, the crisis has not instigated a U-turn in the regulatory model; instead it provides a further impetus for reifying the existing trend of ‘smart’ i.e. flexible regulation. In his answer to the Parliamentary Questions pertaining to CSR the Commissioner Tajani (2010) stated that ‘the Commission also considers CSR to be part of the exit strategy for the crisis’ by emphasising the company’s responsibility to play an active role in making the EU sustainable and inclusive. However, the Commissioner fails to justify how the recourse to CSR is supposed to correct the macroeconomic imbalances that are at the heart of the recent crisis.

**Polanyian Considerations**

In what follows the paper will attempt to provide Polanyian (1944; 1957) considerations to the Commission framing of CSR both as an exit strategy from the crisis and as an appropriate tool for achieving the treaty objective of social inclusion and environmental sustainability. Polanyi has been up for grabs lately because of the resemblances between his heavily historicised narrative of the double movement and the current neoliberal predicament (Dale, 2012).
Polanyi (1944; 1957) is a political economist whose interests evolved around the development of the *market society* in 19c, which according to him was not an inevitable reality but rather an outcome of a conscious endeavour led by the state. He is best known for his unconventional narrative of the roots of the crisis of the 30s which according to him was an automatic response to the failures of the self-regulating capitalism in the 19c (Dale, 2012; Lacher, 2007). The nineteenth-century *laissez-faire* thinking, i.e. the idea of the self-regulating market, destroyed the social unity and created dislocations by commodifying land, labour, and money which in turn, initiated the counter-movement in the form of protectionist measures. In his narrative, the initial great transformation of the feudal system that required a great dose of intervention to create the free market of labour, land and money, instigated a counter response aimed at re-embedding the insulated economic sphere.

How can we unlock the complexity of the proposed regime of CSR in Europe in a Polanyian fashion? Can CSR attain the objective of the 2020 Strategy and make the EU sustainable and socially inclusive as purported by the Commission? Does CSR purport to embed the market? While some scholars like Midttun et al. (2006) and Levy and Kaplan (2007) have hastily concluded that CSR represents a new form of embeddedness that is business-driven as opposed to the old politically driven model evident in the welfare state, this paper will like to treat that assertion at some length.

- **CSR does not embed the economy**

What constitutes an embedded economy is highly disputed within the Polanyian scholarship. On the one hand we have the likes of Ruggie (1992) who take the post-war welfare state to represent embeddedness of some sort. And on the other hand, we have Lacher (2007) who opposes the idea of conflating embeddedness with any quasi decommodifying tendencies. This paper accepts Burawoy’s (2010), Dale’s (2012) and Lacher’s (1999) assertion that re-embeddedness happens only through the decommodification of land, labour and money. Defined as such re-embeddedness is never secured under CSR because the protection that rectifies some of the dislocations happens under continued commodification.

This paper finds Levy and Kaplan’s (2007) interpretation of CSR as contemporary double-movement that aims to re-embed the economy problematic. The CSR regime does not in any way constitute an embedded economy because it neither negates the primacy of the gain motive nor it brings about the deproletarianization of labour. Production is still organised for the sake of buying and selling and not for its use value (Polanyi, 1944). Not only that the profit motive is not eclipsed by social and environmental considerations, but those considerations enter the picture as long as they do not jeopardise the realization of profit and preferably create new opportunities for gain as expressed in the business argument for CSR (COM2011). But, how does CSR reconfigure the relation between the economy and society that has been subject to continued disembedding tendencies with the unfolding of the neoliberal agenda?
CSR complements the neoliberal accumulation regime

While the integration of social concerns within the business models under CSR does not embed the economy, it still manages to impair the full functioning of the self-regulating market (Lacher 2007). We have to acknowledge the CSR regime supplies a minimal social and environmental protection, even if that protection is business-driven (Levy and Kaplan 2007). Nonetheless, CSR does not represent a total break from the previous neoliberal order that put in place all the social and environmental dislocations CSR purports to ameliorate. CSR is not a counter force to neoliberalism, but a rather complementary occurrence, which, Kinderman (2011) and Shamir (2008) contend, co-evolved with and reinforces neoliberalism.

CSR purports to replace the traditional economising patterns of production and consumption with an environmentally sustainable production and ethical consumerism. However, in doing so it does not transcend the neoliberal finance-led accumulation. On the contrary, it is complementary to the regulatory regime of rule-governed depoliticisation of the macroeconomic policy as defined by Burnham (2011) because it depoliticises the socio-environmental protection by entrusting business to self-regulate itself. To express myself in Jessop’s (2008) terms: under CSR the neoliberal accumulation strategy is fully preserved, while an attempt is made to create a more inclusive and socially sustainable hegemonic project. Instead of getting capitalism without exploitation, we get capitalism without counter-hegemony. CSR is part of a wider trend whereby the EU public authorities are signalling a turn towards habitation after a period of sole focus on improvement, where (Watson, 2009: 183):

improvement passes as a synonym in the rest of The Great Transformation for the willful extension of market logic in the name of economic progress, while habitation describes attempts to seek shelter in government interventions from the co-ordination of economic activity by price signals alone.

Unlike Polanyi (1944) who hinted at the conflicting tendency between the principles that further the market form and those that impair it, the Commission is convinced that it is possible to achieve improvement and habitation concomitantly (COM2011). Moreover, it claims that improvement can be secured by enhanced habitation. How feasible is the proposed coexistence of these two dynamics and what are the consequences of their interplay?

Rate of change

The above question can be explained by recourse to Polanyi’s (1944) notion of the rate of change. In The Great Transformation he evaluated the effect of the anti-enclosure measures that aimed to further habitation and stall the liberalising pace in the following terms (Polanyi, 1944: 39):

Why should the ultimate victory of a trend be taken as a proof of the ineffectiveness of the effort to slow down its progress? And why should the purpose of these measures not be seen precisely in that which they achieved, i.e., in the slowing down of the
rate of change? That which is ineffectual in stopping a line of development altogether is not, on that account, altogether ineffectual. The rate of change is often of no less importance than the direction of the change itself.

In a similar way, we can say that the intensified CSR promotion on the part of EU public authorities serves the function of slowing down the rate of change that allows people to adjust to the neoliberal improvement. CSR transforms neoliberal improvement from a potentially ruinous into a constructive process; thus preventing a profound transformation of the system (Jessop, 2008).

However, contrary to Polanyi (1944) who believed that the co-existence between liberalisation and protection is disruptive in character, the CSR regime is predicated on the belief that both can be pursued and reinforced concomitantly. From a Polanyian perspective the effort of reconciling liberalisation and protection is futile because CSR can never secure the Sublation of the two. The CSR rationality is itself a product of the neoliberal epistemology (Shamir, 2008) and it could be classified within the Žižekian (2006) category of ‘chocolate laxative’ i.e. that which is causing constipation is acting as a laxative at the same time.

Although critics have argued that in reality protection is subordinated the profit-seeking objectives (Bond, 2006; Lipschutz, 2005; Sklair and Miller, 2010), from a Polanyian perspective CSR is disastrous not because of the way it is implemented, but because it purports to resolve two irreconcilable goals: free market and social needs (Streeck, 2012). The compromise between the liberalisation and protection under the auspices of CSR is only at the level of appearance and does not represent a true synthesis capable of transcending the inherent contradictions between the two principles because protection within CSR is itself predicated on a commodifying logic.

- **CSR marketises protection**

Not to be blamed for downplaying the transformative power of the new arrangement by using outdated evaluative criteria, one has to analyse the novelty of the protection evident in CSR. Compared to the old social provisions which relied on intervention by the public authorities, the new protection uses market solutions (Hemerijck, 2012). Rather than trying to correct the failures of the market by decreasing the dependency on the market, the protection under CSR entrust the market with the responsibility to tackle the externalities (Jessop, 2008; Shamir, 2008). The social and environmental variables enter the picture as long as they can be assigned a monetary value. The eco-social concerns are subsumed within the business models where the profit orientation continues to reign. Protection is a business decision that should be cost-effective. However by turning protection into a business matter, we are removing it from the realm of public deliberation; hence what disappears is not the politics, but the autonomy of the political (Hardt and Negri, 2000). This politics of microeconomic depoliticisation of social protection is in agreement with the rule-based depoliticisation of macro-economic regulation as elaborated by Burnham (2011).
The EU discourse on CSR (COM 2011:3) tries to make the business case for CSR by arguing that it is:

- important to the competitiveness...can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity...It can therefore drive the development of new markets and create opportunities for growth.

Protection is justified not in its own right, but by means of turning it into an input in the production process. In the business literature CSR is framed as an investment (Asongu, 2007), but by doing so we risk denying the multifaceted needs of humans and the environment, which Polanyi (1944) showed proved detrimental. Under CSR human nature is denominated in labour terms and is thus in need of protection for the sake of sustaining the economic growth. Internal CSR practices are promoted because of their potential to motivate employees and hence make them more productive. The environmentally sustainable business models reduce the complexity of nature to its economic utility because protection is pursued for the sake of efficiency. So, when the Commission says that the objective of CSR is ‘maximizing the creation of shared value’ (COM2011: 6), the value under consideration is denominated in monetary terms.

- **CSR commodifies reputation**

Not only does the CSR as a new form of protection relies on the market, it also furthers the commodification of non-economic relations. The commodity exchange is not re-embedded in the wider social relationship, but it is modified to include another strategic asset, reputation. This section will try to dissect analytically the mechanism whereby CSR affects the exchange relations so important to the market economy.

Within the CSR regime the integration of social concerns is made possible only through the marketisation of reputation. Within the context of increasing ethical consumerism, socially responsible investment and public procurement, corporations are obliged to appear to address at least minimally some social and environmental concerns. CSR enables them to do so by staging a special type of resource exchange. Reputation is exchanged for a premium price that consumers, investors and public authorities are willing to pay. The increased input costs in the production process incurred by the CSR activities are offset by the production of reputation that companies are able to sell to consumers. The reporting, labelling, and auditing activities serve two purposes:

- a) Quantifying the newly created asset – reputation, and
- b) Communicating the reputation to potential consumers.

Once reputation is quantified and denominated in a common unit, be it a given ISO standard, EU ecolabel, other codes of conduct, it can enter the exchange relations. Every social entity, including the corporation, is constituted by reputation, but CSR is able to make reputation commensurable. By reading the labels and reports, consumers can get a quantified expression of how socially responsible a certain corporation is. Depending on
their level of consciousness, consumers will make a purchasing decision. Under CSR the products and services produced at higher costs due to CSR engagement enter the market with additional value, on top of their value – expenditure of human labour in the general. Alongside value, reputation manifests itself in the exchange value of the commodities produced under CSR i.e. in their form of value.

From a Polanyian (1944; 1957; 1963) perspective the commodification of reputation is fictitious because reputation is a quality not produced for the purpose of sale. By marketing reputation, CSR risks to reduce the use value of reputation to its exchange value. As a social relation that constitutes all social entities, reputation has a non-market value that represents an end in itself. A good standing within the community is something to be sought in itself. However, CSR manages to instrumentalise reputation by transforming it into a means geared towards profit generation, which in turn, corrupts the intrinsic worth of protection. And it is the market actors’ inability to recognise protection as a right, but see it only as a means to the profit end, that gives rise to the question of the moral limits of the extension of the market creed (Sandel, 2012).

By buying products and services from a reputable company, consumers are able to buy themselves some other-regarding considerations and thus redeem themselves for their otherwise ruinous consumerist practices. In his analysis of Fair Trade, Watson (2006: 438) rightly notes that despite the notable difference between the conventional economising consumption and the ethical consumerism, where people willingly sacrifice a potential consumption by buying more expensive products, the market form does not disappear. Likewise, CSR does not transcend the market society; instead it provides us with a false sense of satisfaction, which in turn, prevents us from transforming the system.

➢ **Reputation as microeconomic and macroeconomic phenomenon**

It is noteworthy to make a conceptual distinction between two types of reputations which are concomitantly pursued by the European Commission. CSR relies on the successful construction of a different kind of reputation than the one sought after by the austerity hawks. On the one hand, the Commission actively promotes the construction of reputation in microeconomic terms of the corporate sector, which according to the Commission (COM2011) has been negatively affected by the recent crisis. And on the other hand, the recent reforms in the economic and fiscal governance of the Eurozone seek the restoration of reputation in macroeconomic terms. The structural reforms envisaged by the Euro Plus Pact, the Six Pack, the Two Pack, the Fiscal Compact and the austerity measures administered through the new European Semester seek to reduce the public deficit, which the Commission argues, negatively affects the market confidence (Buti and Carnot, 2012). However, the prudent public finances that aim to consolidate the macroeconomic reputation of the public authorities, produce socio-environmental dislocations that CSR, which relies on the construction of microeconomic reputation, is supposed to address. Thus, the two reputations are interrelated by matter of consequences.
CSR does not create a social market economy

Both at the level of discourse and within the legal and policy framework of the EU we have institutionalisation of idea of an inclusive and sustainable growth. The Lisbon Treaty explicitly states that the objectives of the Union will be the promotion of ‘economic and social progress which is balanced and sustainable’ (Article B), which represents a huge shift from the Treaty of Rome where the objective was the establishment of the market, and even the Maastricht Treaty where it was only the implementation of the common policies, i.e. single market and monetary union. The Commission (COM 2011) claims that CSR contributes to the development of a social market economy (SME), which is an objective of the Lisbon Treaty. However, this paper identifies a few problems in that assertion. First, there is a problem on the conceptual level because every market economy is a social institution. Thus, it might be redundant to add the qualifier social. If we ignore the above problem, it is logical to assume that the Commission finds the SME as something qualitatively different form the market economy.

To assess whether CSR contributes towards the development of a social market economy, this paper resorts to Polanyi’s ideal types of economic systems. He provides four ideal types of economic coordination that are governed by specific behavioural principles: reciprocity, redistribution, householding and exchange (Polanyi, 1944). These principles are able to guarantee the economic coordination within a system thanks to their corresponding patterns: symmetry, centricity, autarky and the market. Although Polanyi noted that in reality these principles will meet halfway, he pointed that the barter principle is a special one because it gives raise not only to the market pattern, but the market as a demarcated institution that precludes the rest of the society. This paper accepts Block’s (2003) and Watson’s (2006) conclusion that in reality the economy embodies elements of each principle.

Although the EU does not provide a concise definition of a social market economy, one can conclude that it entails the creation of a more inclusive and socially sustainable economy. As a hybrid economic system the SME will be constituted not exclusively by the principle of barter, but also by the principles of reciprocity and redistribution. How close does CSR come to this hybrid type? Without doubt we have elements of redistribution, in that corporations allocate some share of the wealth for CSR activities that benefit the community. However, there are few reasons why CSR derogate from the standards of the social market economy. First, the redistributive practices under CSR represent a negligible part of the economic system. Second, CSR is short of satisfying the requirements of SME, where the society and the economy are instituted on an equal footing, because redistribution would require the redefinition of the commons. Redistribution would require part of the wealth to be common and to be distributed through the pattern of centricity as Polanyi (1944) pointed the affinity between the two or in some other manner. Instead of a creation of a common property, we live in an era where even the human genome is being enclosed and privatised. Third, redistribution will have to fulfil some standards of democracy where the members of the community will have the chance to deliberate and decide on the practices of redistribution. The little redistribution of wealth under CSR is done by corporate discretion; hence it does
not come in the form of a right and entitlement, but as corporate goodwill. Society does not have a say in the process of redistribution and often social issues get siphoned out of the agenda if they are not deemed to bring returns to the corporation. CSR transforms protection into a business matter by taking it out of the realm of politics.

Within the regime of CSR the profit orientation governs the redistribution of wealth. Thus, it would be overly optimistic to portray CSR as something that leads towards the creation of a social market economy, when in fact the market pattern with its underlying motive – profit – continues to enjoy disproportional presence in the economy. And the little protectionism offered through CSR relies on the principle of exchange. Moreover, it is questionable how can the SME survive under the current institutional design of the EMU and the policy of competitive austerity. The post crisis reforms, envisaged by the Fiscal Compact, the Six-Pack, the Two-Pack, and the Euro-Plus Pact are characterised by an intensified disembedding tendency that has reified the neoliberal creed and ruined the chances of creating a SME even further (Overbeek, 2012; Overbeek and van Apeldoorn, 2012).

Conclusion

The emergence of CSR in the EU discourse has to be put into a broader perspective. Following the accelerated pace of economic integration and the adaptation of neoliberal policy, the EU realised that the social and environmental aspects cannot be completely side-lined. Hence, a limited trend of social and environmental protection started to unfold in the late 80s and early 90s (Jepsen and Pascual, 2006; Marlier et al., 2007). Unlike the one in the post-war period, the new protection emerges in a peculiar environment where the role of the state is redefined and partly retrenched. Within the context of increasing reliance on the market, CSR is proposed as a suitable way of dealing with the problems of negative externalities.

Following the discussion of a few indicators that portray the dire predicament facing the EU, this paper documented the policy instruments used by the EU to promote CSR uptake among EU companies. Since 2001 when it adopted the first Communication on CSR, the Commission has provided endorsement, facilitated the uptake and promoted the mainstreaming of CSR. The recent financial crisis has provided a further impetus for evangelising CSR, which is identified as one exit strategy form the crisis. Within the EU policy framework CSR is purported to fulfil the Treaty objectives of creating a social market economy that is inclusive and sustainable.

This paper found the above assertion problematic and used a Polanyian framework to evaluate its validity. Contrary to the overly optimistic voices who see decommodifying tendencies within CSR, this paper claimed that CSR does not embed the economy, but only impairs the functioning of the self-regulating market. CSR should be read as something that slows down the rate of change in order to enable people to adjust to the changing circumstances; however it does not change the direction of change which is furthering improvement along neoliberal lines. Although CSR represents protection, it is a special kind that relies on the market and uses the commodity form for its expression.
CSR depends on the staging of a special type of exchange relation, whereby reputation is being quantified, measured and sold as a commodity.

The social situation in the EU is more than alarming with approximately 80 million people living on less than 60% of their country average income, which represents 16% of the total EU population (European Commission, 2013). The most recent Eurostat (2013) data shows that in comparative terms the percentage of the total population at risk of poverty was 24.9% in 2012. Unfortunately, CSR cannot solve the impending ecological and social calamity in Europe let alone global issues such as the one billion people living in slums, the depletion of resources, the decline in biodiversity etc. (Davis, 2007: 23). CSR does not rework the economic rationality or change the existing levels of consumption. If CSR does something better than anything it is the reinvention of consumerism so that to allow the existing pace of the accumulation regime to continue uninterrupted. The unjust and exploitative parameters of the system stay intact. CSR might be creating a responsible capitalism with human face, but the worst master is that who is good with his slaves.

References:

Corporate Social Responsibility: A Promising Social Innovation or a Neoliberal Strategy in Disguise?


