GREENWASHING

A Greener Potemkin Village?
Corporate Social Responsibility and the Limits of Growth

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In the wake of corporate scandals such as Enron, WorldCom, and Tyco, along with environmental incidents like Shell's Brent Spar and the destruction of the Ogoni people's land in Nigeria, as well as revelations of sweatshop abuses by major footwear and apparel manufacturers such as Nike and The Gap, public trust in corporations has plummeted to record lows. Recent opinion polls of the American public have found that chief executive officers of large corporations rank second to last in trustworthiness, beating out only car dealers. Only 28 percent of Americans polled believe business strikes a fair balance between profit and the public interest, down from a high of 70 percent thirty years ago. "This is a challenging time for big corporations," notes John D. Hofmeister, who runs the United States operations of Shell Oil Company. The modern feeling, he said, is "big is bad." It is no surprise then that the business press has overflowed with possible curatives to restore public confidence in big business. The most prolific of these suggestions is the notion of Corporate Social Responsibility (CSR), which entails the adoption of socially responsible business practices in areas such as human rights, labor standards and the environment. Indeed, the business world has witnessed a virtual explosion of CSR inspired literature in the past five years. The prevalence and the intensity with which the notion of CSR has been taken up by the business community has caused some commentators to declare that CSR is developing into a form of social movement activism in its own right, albeit on the "part of the economically powerful."

While CSR has inspired a mountain of commentary, both pro and con, the phenomenon has scarcely been studied. And what studies have been done fail to ask whether CSR is actually compatible with today's global capitalism. Most of the theories and criticisms view CSR as something that either *has* been adopted, or *could* be adopted by corporations if they acted in good faith. Very few seem to question the ability of CSR to accomplish its stated claims even if optimally implemented. Ironically, only the most vociferous "free-marketeers" of the Milton Friedman variety entertain the possibility that CSR may be fundamentally incompatible with the capitalist system of production. Indeed, many commentators on CSR view its eventual adoption as a simple matter of appealing to the ethics of corporate management. "It is as if," writes John Roberts, "the injuries of the past were the simple product of a misunderstanding, which is easily remedied once managers have seen the light." To view the adoption of CSR as an individual management choice is to lose sight of the system in which it is meant to operate. To use an extreme analogy offered by Marjorie Kelly, "It's like talking ethics to an S.S. officer in Weimer [sic] Germany, while ignoring the system in which he must function."

In this paper I challenge the notion of CSR from a critical left perspective, drawing on a body of argument put forward from an ecosocialist standpoint. By focusing on the rationale of CSR to ameliorate ecological degradation, (an integral claim of CSR), I argue that CSR, irrespective of its implementation, cannot hope to overcome the inherent contradictions within the capitalist system of production. Moreover, CSR can be viewed as an "ideological fix" that attempts to overcome what

James O'Connor has called the "second contradiction of capitalism." It does so by pre-empting democratic pressures for environmental regulation and inculcating an individualized form of what Michael Goldman calls "green neoliberalism" within the general public.

I first illustrate the inability of CSR to address the fundamental contradictions within capitalism that drive ecological degradation. Next, I address the economic and political dynamics that have allowed CSR to become the preferred corporate legitimation strategy in a globalized economy, and how in reality, CSR serves as a means to paper over the "second contradiction of capitalism." I conclude by examining the potential this "ideological fix" has to preclude a collective ecological outlook within the general public.

The World Business Council for Sustainable Development (WBCSD), the foremost industry association promoting CSR, defines Corporate Social Responsibility as follows:

> We define CSR as "business" commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life. We are convinced that a coherent CSR strategy, based on integrity, sound values, and a long term approach offers clear business benefits to companies and contributes to the well-being of society…Indeed, so central is the CSR issue that it has moved beyond the stage of being a WBCSD project and is now a Cross-Cutting Theme. Today, the WBCSD's vision statement calls for "promoting the role of eco-efficiency, innovation, and corporate social responsibility toward sustainable development."

Specifically, CSR attempts to induce corporations to recognize that their operations impose costs on society that are not normally factored into business calculations. CSR attempts to recognize these "negative externalities" of corporate operations and incorporate their impact on communities into firm decision-making. For example, through CSR, corporations would come to recognize the environmental impact of their operations, such as pollution releases and/or resource depletion, and attempt to diminish or eliminate the negative effects this might have on a community. Beyond the negative impact that corporations have on a community, CSR also emphasizes the "positive externalities" that can result from corporate operations. CSR attempts to stress the possible positive spillovers that corporations can produce, such as increases in education, health outcomes, and community development, and thereby lead firms to intentionally produce more of these positive outcomes. Thus a corporation might build health clinics, provide educational materials, or assist in water treatment in the communities in which they operate. Lastly, CSR emphasizes positive relationships between corporations and their stakeholders. Stakeholders are defined as "any group or individual who can affect or is affected by the achievement of an organization's purpose." These can include indigenous peoples, community groups, trade unions, development agencies, or non-governmental organizations—essentially, any individual or group that has a "stake" in the operations of the corporation. The goal is to build a sense of "shared values" with key stakeholders in order to gain credibility and legitimacy for corporate operations in local communities, and indeed, in the eyes of the wider public. Consequently, CSR attempts to transcend the predominant focus on shareholder value to include broader sections of society that are affected by a corporation's actions. CSR holds that corporations need to be judged on how they respond to their wider responsibilities to the environment, local communities and to society as a whole, and not merely on economic performance.

The specific strategies deployed as CSR initiatives to counter ecological degradation include measures such as full cost pricing, energy-efficiency, depletion allowances, emission credits, green consumerism, and other sustainable development strategies. We need not take up each of these individually to challenge the logic and efficacy of CSR to forestall ecological crisis. We need only ask the question at a more abstract level, whether, as stated above, corporations can successfully internalize the negative effects of their practices within a system premised on profit maximization, and what consequences such a system would entail.

As Paul Ekins has written, environmental "goods" (i.e., clean air, pure water), which at a lower level of economic activity were effectively "free," would, through the internalization of negative externalities, come to have an economic cost, thus resulting in increasing inflationary pressure, especially as these resources become more and more scarce. This would in effect drive up the costs of production, putting greater strain on profits. Moreover, even if it were possible to pass these expanded costs on to consumers, this would invariably "price" greater numbers of consumers out of the market for these "environmental goods," (water privatization in Bolivia is a contemporary manifestation of this), which are also, materially, "the means of life, means of survival" for the rest of us. Such initiatives, deemed to protect the natural commons for us all, would in reality have the effect of excluding greater numbers of people from the necessary means of survival.

John Bellamy Foster demolishes even the bleak notion that such a system could still work and be profitable by relying on an ever shrinking pool of affluent consumers while internalizing negative externalities. As Foster argues:

> The difficulty of internalizing all external costs becomes obvious when one considers what it would take to internalize the costs to society and the planet of the automobile-petroleum complex alone, which is degrading our cities, the planetary atmosphere, and human life itself. Indeed, as the great ecological economist K. William Kapp once remarked, "Capitalism must be regarded as an economy of unpaid costs." The full internalization of social and environmental costs within the structure of the private market is unthinkable.

Indeed, even if one *could* internalize all the potential environmental costs and still make a profit, this would not alter capitalism's ecological destructiveness (though it may postpone it). This is because capitalism requires never ending growth to survive, that it must "accumulate or die," in Marx's words. As James O'Connor notes, "a capitalist economy based on what Marx called "simple reproduction" and what many greens call "maintenance" is a flat impossibility." Thus even with CSR-inspired countermeasures in place to ameliorate the worst ecological excesses of capitalist production, the incessant need for expansion must eventually collide with the natural "limits to growth" imposed upon us by both the finite nature of resources (taps) and the ability of ecosystems to absorb the resulting waste (sinks). The notion that there exist prescribed limits to economic growth remains contested in certain fields of inquiry. However, this argument is typically premised on the belief that some future "near-perfect substitution" of technology for nature will come to the rescue.

While it is impossible to accurately predict potential future developments, computer models designed by the Club of Rome to calculate the impact of human production on the environment predicted a reaching of the limits of growth *even with* a doubling of existing resources and a series of technological strategies to reduce the level of pollution to one-quarter of its pre-1970 level factored into the calculation. The researchers concluded that:

> The application of technological solutions alone has prolonged the period of population and industrial growth, but it has not removed the ultimate limits to that growth…This is a society that is using its increased technical capacity to maintain growth, while the growth eventually undermines the effects of these technologies.

Moreover, as Joel Kovel notes, technological innovation under capitalism has been the *sine qua non* of growth, because it "cheapens the cost of labor, indispensable to surplus value extraction; the more technology, roughly speaking, the more growth under a capitalist regime." Thus those "technological fixes" designed to ameliorate the environmental destructiveness of capitalism ultimately provide the impetus for further growth, and therefore further destruction.

This question of growth is central to understanding how CSR-inspired reforms cannot resolve the contradictions within capitalism, because they do not fundamentally alter the social organization of production that requires growth to survive. As Elmar Altvater notes, the "process of capitalist growth and spatial expansion has no inherent borders." As Kovel explains, capital represents that regime in which exchange-value predominates over use-value in the production of commodities, and the problem with capital is that, "once installed, this process becomes self-perpetuating and expanding." The reason for this is that exchange-value represents a commodity's "exchangeability," an abstraction that can only be expressed in quantitative terms, such as money. Unlike its material substrate, which is bound by the laws of nature, money can "effortlessly expand," creating "great pools of capital" that "provide the benchmark for growth," and as they gather, "press yet for further expansion." Hence, because the accumulation of money is in principle infinite, capital (money in motion) can seek out more and more opportunities for investment and profit, thereby driving expansion, or what O'Connor calls "money in search of more of itself."

Moreover, this growth is *exponential*, in that the pressure for capitalist growth becomes proportional to the total magnitude of the accumulated capital pressing for discharge. This exponential nature of growth is illustrated by future projections of industrial growth. The current rate of growth in industrial production, if extrapolated into the future, would witness a doubling in the size of industry every 25 years, that is, a sixteen-fold growth every century, and expansion by 250 times in the next two centuries. Given that the tendency of current production is to expand the throughput of raw materials and energy in order to realize profits, the result can only be a rapid depletion of energy sources and other natural resources with higher amounts of waste. This puts strains on both the planetary "taps" and "sinks." If this is the case, then Foster argues that;

> [I]t is unlikely therefore that the world could sustain many more doublings of industrial output under the present system without experiencing a complete ecological catastrophe. Indeed we are already over-shooting certain critical ecological thresholds.

It follows, then, that all CSR-inspired initiatives can hope to achieve is the postponement of ecological collapse, as long as we continue to adhere to an economic system premised on growth, something no advocate of CSR has yet to question. Yet even CSR apostle, Paul Hawken, recognizes the negligible effect current environmentally inspired business practices will have, noting that;

> [Even] if every company on the planet were to adopt the best environmental practices of the "leading" companies—say, Ben & Jerry's, Patagonia, or 3-M—the world would still be moving toward sure [environmental] degradation and collapse.

While Hawken still believes in the reformability of capitalism, it is, to paraphrase Kovel, the imperative of growth that is the main culprit in the destruction of the environment, and unless we deal with this reality, any hope of reversing ecological degradation will be fruitless. As Ariel Salleh argues, [capitalism's] operational imperatives bear no relation to human needs; its exponential "growth" trajectory kills off its own future options as it goes." Thus, expansionism and sustainability are contradictory objectives that cannot be realized under a capitalist system of production.

If these goals are entirely contradictory under the capitalist system of production, we might ask what the ultimate purpose of the CSR movement is, given that it is premised on the maintenance of the current system of profit maximization and capitalist relations of production. It is my contention that CSR is ultimately a legitimation tactic designed to prevent the public from full recognition of the ecological dangers we face, an awakening that would lead to calls for more binding regulations and constraints on corporate power. In this regard CSR, despite its progressive window-dressing, can be considered an essentially *conservative* phenomenon seeking to maintain the status quo while placating public fears about the state of the ecological crisis.

Before elucidating this claim, we need to outline the economic and political drivers that have facilitated the rise of CSR as the preferred legitimation strategy for corporate capital in the present conjuncture.

Under the regime of globalization with its reduction or elimination of tariffs and non-tariff barriers, coupled with the power of multilateral trade agreements, governments are increasingly reticent to impose costs on multinational corporations through taxation or stringent regulatory frameworks for fear of discouraging investment. This has resulted in the withdrawal of the state from key areas of responsibility, such as social welfare provisions and regulatory restrictions; these have been replaced with privatization and deregulation. The result has been, in Tom Bateman's term, a "public policy vacuum," especially in the coordination of economic growth as capital becomes increasingly mobile, while national regulatory powers are increasingly relaxed. This "policy vacuum" has had a twofold effect.

First, it has diminished the legitimation function of the national state, especially vis-à-vis its domestic corporations. As Cheryl Rodgers notes, "traditional forms of legitimation for corporate behavior have been derived from the state machineries of regulation, legislation and the government's role as representative of public opinion." As the legitimation function of the state is diminished, public attention becomes increasingly fixated on the responsibility of the corporation *itself* to address its societal impact. In effect, corporations have lost their "legitimizing intermediary" with the retreat of the nation state from areas of regulatory policy. Second, corporations have increasingly moved to fill this policy vacuum through the creation of codes of conduct and other forms of voluntary initiatives as a substitute for national or international regulation. These projects run the gamut of ethical business concerns, from the environmental to labor standards. Examples include the Chemical Industry Responsible Care Program, the Apparel Industry Partnership, ISO 14000, the Forestry and Marine Stewardship Councils and the Ethical Trading Initiative. The size and the societal impact of these corporate-led initiatives have compelled them to assume an almost quasi-governmental function in the absence of any state-led system of regulation.

However, corporations, as we have seen, no longer enjoy a high degree of confidence from the public at large. The setting of voluntary standards and codes of conduct inevitably raises suspicions of self-serving behavior. Therefore, it is increasingly necessary for corporations to legitimize the usurpation of responsibilities traditionally associated with the nation state. Without the legitimacy formerly provided by government regulation, corporations are forced to seek legitimacy through extra-state actors and agencies. The emphasis on stakeholder relationships in CSR allows corporations to generate the needed legitimacy for what Cutler, et al. deem these new "regimes of private authority." CSR, through strategic stakeholder partnerships, is seen as an efficacious way of creating legitimacy for both corporate activities in general and these new forms of corporate-led regulation in particular.

NGOs play a particularly important role in this process. Simon Zadek notes that NGOs have built a wealth of trust with the public by projecting a sense of non-financial purpose and a commitment to representing the best interests of the wider community. Accordingly, CSR seeks to build partnerships between corporations and NGOs as a way of gaining "lent trust." Essentially, CSR advocates the use of strategic partnerships with NGOs as a way of transferring the legitimacy of the NGO onto the corporation. Thus, a timber company in partnership with a well-trusted environmental NGO would be seen to be less of a danger to the sustainability of forests. Similarly, NGO participation in corporate-led regulation, is seen to confer a legitimacy and an impartiality that simply could not be generated by corporations alone.

A useful example of how this "partnership" operates to legitimize corporate operations can be seen in the case of the World Wildlife Fund (WWF) and Chevron Oil. Chevron sought a partnership with the WWF after the discovery of oil in the remote highlands of Papua New Guinea. Andy Rowell argues that due to the environmentally sensitive nature of the rainforests in this area, Chevron negotiated a partnership with the WWF to, as described by internal Chevron documents, "act as a buffer for the [oil project] against environmentally damaging activities in the region, and against international environmental criticism." This partnership, coupled with an environmentally disastrous "eco-forestry" partnership with a timber company in the same area, has severely damaged the WWF's legitimacy as an independent entity within the NGO community. Whatever the WWF's intentions, in the end, "they basically legitimized a dubious company at best, to introduce an insidious industrial operation into what was a wonderful wilderness."

In this case, Chevron's partnership with the WWF acted as a "Trojan horse" in which the corporation used the legitimacy of an environmental NGO to gain access to ecologically sensitive areas, while presenting itself as a responsible steward of nature. As Kovel notes, "capital is more than happy to enlist the mainstream [environmental] movement as a partner in the management of nature."

According to Kovel, environmental groups offer capital a threefold convenience:

> As legitimation, reminding the world that the system works; as control over popular dissent, a kind of sponge that sucks up and contains ecological anxiety in the general population; and as rationalization, a useful governor to introduce some control and protect the system from its own worst tendencies, while ensuring the orderly flow of profits.

In this sense we can view CSR as an "ideological fix" in a futile effort to overcome what

James O'Connor has termed the "second contradiction of capitalism." According to O'Connor, capitalism's second contradiction, or "cost-side crisis" can originate in two ways. The first is when individual capitals "defend or restore profits by strategies that degrade or fail to maintain over time the material conditions of their own production," as by neglecting infrastructure, degrading soils, poisoning water bodies, etc. The second—which concerns us here—is when social movements demand that capital provide for the maintenance and restoration of the above-mentioned conditions of life/production. As O'Connor states:

> Here we are talking about the potentially damaging economic effects to capitalist interests of labor movements, women's movements, environmental movements, and urban movements. This problem of "extra costs"—and their threat to profitability—obsesses mainstream economists and capitalist ideologists.

Thus in order to forestall the potential for these movements to impose increased costs and restraints on corporate power, capital needs to convince both governments and publics that it is making a sufficient attempt to ameliorate the ecological destructiveness of its own operations. CSR thereby acts as a means to present a "green façade" that, "conceals and reassures, while accelerated breakdown takes place behind its walls." Timothy Luke has argued that current initiatives to supposedly ameliorate ecological destruction should be more rightly deemed a system of "sustainable degradation," as what is really being sustained is the ability of capital to continue with business-as-usual.

Ralph Hamann and Nicola Acutt add that the discourse of CSR operates to legitimize the status quo, reinforcing the perception of private corporations as given and immutable economic agents upon whose enlightened self-interest our well being depends. It accomplishes this by putting the onus for social change on the transformation of attitudes of individuals in positions of power rather than on the fundamental transformation of the system of production. Under the logic of CSR, engagement by the public in matters of ecological concern is unnecessary; we merely need to put our faith in the beneficence of corporate capital to solve the problem for us. In this regard, CSR acts as an individualizing tactic. It encourages fatalism towards political action by framing substantive social change as the sole province of managers and other elites. Concomitantly, CSR induces the public to channel political sentiment into individualized, yet ostensibly system-serving efforts, such as "green consumption" and "ethical investing." As Joel Kovel argues, this form of environmental "voluntarism," precludes collective action towards the ecological crisis; it is rather an action taken towards an individual manifestation of the crisis. Similarly, Ewa Charkiewicz argues that CSR embodies a neoliberal rationality in that it responds to demands for addressing the social and environmental effects of capitalist production through the individualized mechanism of the market, thereby reframing and reorganizing social actors as "stakeholders" positioned within the corporate orbit. We can view CSR, then, as inculcating a form of "green neoliberalism" within the populace by encouraging voluntaristic, individualized strategies as a sufficient means to respond to ecological crisis while eschewing more collective and more radical means of political engagement.

To conclude, CSR can be viewed as the maintenance of the hegemonic project of productivism through its uncritical faith in industry, technology, and science as the means of moving humanity towards a more abundant quality of life. Indeed, the hegemony of productivism incorporates many central tenets of Western society that are now considered common sense: economic theories of accumulation, primacy of individual property and the unlimited right to its disposal, belief in progress and scientific rationality, etc. Suffice it to say, there is quite a lot at stake in the maintenance of this discourse as hegemonic, for to reject it would be to reject ideas central to advanced industrial capitalism, if not Western ontological and epistemological assumptions altogether. At the same time, evidence continually emerges to contradict the hegemonic belief in phenomena such as global warming, toxicity of food, air and water, and deforestation; and alongside these manifestations of ecosytemic breakdown arise the predictions of generalized ecological crisis and the competing counter-hegemonic claims of the environmental movements.

As environmental instability increases, "dystopian aspects of productivism and industrialism, previously marginalized or trivialized, now threaten to subvert radically the science/technology/rationalistic paradigm we have lived with since at least the Enlightenment." CSR thereby acts as what Ernesto Laclau calls a "hegemonic suture," in that it repairs a rupture, or a vulnerability within the hegemony of productivism, by offering solutions that continue to serve the system while pretending to offer an alternative to it. Furthermore, because CSR draws upon existing hegemonic beliefs as the solution, (faith in science, development, and technocratic elites) it can foreclose alternative beliefs, such as entertaining a new economic system, as outside the realm of possibility. Hence radical ecological critique has to fight 250 years of productivist discourse to even enter the imagination of the populace as a viable alternative to capital as the means of organizing society. CSR thereby placates public anxiety over the extent of the ecological crisis by offering solutions that do not fundamentally challenge the capitalist mode of production. If the predictions of the ecological critics hold true, CSR is operating to preclude the impetus for revolutionary systemic change at a time when it is of the utmost necessity.