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CSR and changing modes of governance: towards corporate *noblesse oblige*?

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Introduction

The governing ideology of both the global and the majority of national economic policy regimes today is normally described as 'neo-liberal'. By this is meant primarily a reliance on 'the market' as the main mechanism of socio-economic governance, with government intervention being withdrawn to its basic role in a capitalist economy of supporting the market regime itself. Even this minimal generalisation can be challenged as too sweeping. First, several authors have pointed out the considerable diversity of approaches that can be and are called neo-liberal (see, for example, the contrast between Danish and US neo-liberalism described by Campbell and Pedersen 2001). Second, the more extreme libertarian wing of neo-liberal thinkers would argue that the state is not even necessary to the maintenance of the market, as left to themselves free human individuals would construct markets.[2]

In the following I shall not re-enter these existing debates, but rather challenge the argument that the new prevailing regime can be best characterise in terms of 'the market'. It will be argued instead that the role of the individual transnational corporation (TNC) as an actor in socio-economic governance has been neglected, not only in accounts of the present but also of the past. It is essential that analysis of the policy and politics of development take full account of the giant corporation as a form of governance in its own right, and not subsume it within concepts of 'lobbying' states or 'distorting' markets. While such approaches might preserve the state/market dualism that is used by the majority of analyses, they direct our attention away from a fundamental institution. Once large firms are seen in this way, it is possible to investigate how they behave, not just as market actors, but generally within society. This opens the possibility of studying corporate social responsibility (CSR) in relation to theories of governance.

The key institution is what Boyer (2007) has called 'the private hierarchy of organizations and firms'. The distinction relates to that made in the theory of the firm between the firm as a nexus of markets and as an organisation (Coase 1937; Williamson 1975). It can best be illustrated with reference to the labour market. A large firm can acquire labour by making a series of contracts with external suppliers of labour services, or it can hire workers directly as its employees, paying them a regular wage in exchange for them placing themselves under the managerial control of the firm's managerial. While they remain in its employment, the firm does not relate to these workers as an equal partner in a market contract, but becomes an authority over them. In fact, even in its contracts a large transnational enterprise dealing with a large number of small, local contractors – as in a supply chain – acquires something of an authority role. These contracts are asymmetrical, with the large customer firm having many more options than the local suppliers. This enables the firm to impose conditions on the suppliers and therefore to act in a hierarchical relationship to them. This will be especially the case where, as is usually the case with TNCs, competition is imperfect, giving firms enough protection from immediate market pressure to develop strategy and exercise discretion in how they manage their relationships.

Boyer, along with Hollingsworth (Hollingsworth and Boyer 1997; Hollingsworth, Müller and Hollingsworth 2002), has developed a general approach to the analysis of different forms of socio-economic governance which incorporates the corporate hierarchy alongside others. He continues (Boyer 2007):

> If the first mechanism [the market] relies upon interest and horizontal interactions among actors, at the opposite, the second [the state] is built upon obligation and an asymmetric exercise of power. Therefore, if one takes into account both the motive of action (either interest or obligation) and the distribution of power among actors (either symmetric or typically hierarchical) four other coordinating mechanisms emerge: the private hierarchy of organizations and firms, the community, the association, and

[2] The classic source for this account of the market as being somehow 'natural' is Hayek (1973). Among important critiques of the position are North (1990) and Greif (2006).

finally network. Hence societies and economies exhibit a multiplicity of institutional arrangements, more or less imperfect, that have to be compared one with another and not with a mythical pure market economy.

A word is needed on the other forms of governance mentioned[3]. 'Associations' are formally constituted organisations of members sharing certain common interests, which they seek to advance by devoting resources to the association and allowing it to work for them. Major examples in the economy are business associations and trade unions, but they also exist in many other walks of life. 'Networks' are less formal than associations; they are unlikely to have a formal constitution or organisation, and may not even have a name. Their members co-operate on an informal basis, and may derive strength from a capacity to pool strength for certain tasks. Major examples are found in the strong but informal collaborative links often found among firms in the same or related industries within specific geographical areas. 'Communities' are similar to networks in their informality, but whereas it is relatively easy for persons to join or leave a network, communities typically have difficult entry and exit, defined by geographical isolation, ethnic specificity or other tight defining criteria.

These concepts are relevant to virtually all parts of the world, but attention will here be limited to developing countries, and primarily to those discussed in the UNRISD poverty programme. Before starting on the general account of contemporary socio-economic governance in these societies, and then moving on to the specific role of corporations within that, and finally their implications for poverty and other social issues, it is necessary to place current changes in the context of what is often perceived to be the system that preceded the neo-liberal one.

Varieties of the developmental state

Temporarily following the state/market dichotomy that will later be criticised, we can depict the pre-neoliberal regimes that existed in many developing societies as having been various forms of the 'developmental state' (Evans 1995; Weiss and Hobson 1995). The stylised facts that present this model of development usually run as follows: At a certain point (some time from 1950s to 1970s, often after colonial liberation) the state committed itself to advancing economic development. Broadly following Prebischian late developer theory (Love1980), it did this by encouraging domestic industrial production behind a wall of protection. This kept out imports from better developed economies, giving local firms a chance to equip themselves to compete. Export activity was therefore also restricted. In most cases there was a concentration on heavy industry (steel, basic chemicals). There was little attempt to build up mass domestic demand, which was considered too weak to drive growth. Both production and consumption were therefore concentrated among state and corporate actors. There was a distinction within this model between those in which the economy was largely owned by the state (e.g. China, the Soviet Union), and those in which private capital operated (sometimes alongside state industries) (e.g. Brazil, India).

A variant of the developmental state departed from the heavy industry and protectionist implications of the pure model. Here development was concentrated on (or at least included) an important role for light industrial products (such as clothing and electrical appliances – e.g. Malaysia). This approach, like the heavy industry model, also saw little role for domestic mass consumption, but was necessarily more export-oriented than the heavy-industry model. It was found primarily with private ownership only, but there was still a strong role for government in supporting the development projects of firms within a national development programme. Because light industry firms could be – though not necessarily were - owned by small and medium enterprises, this approach accommodated a larger social category than could be fully incorporated within national elites, as in the heavy industry

[3] Strictly speaking, the state should be separated into 'government' and 'law'; this is done in the graphical representation of the argument below, but it is not discussed in the text as our attention is focussed on the role of firms and their corporate hierarchy.

model. Some countries were hybrids of this and the heavy industry model (e.g. Singapore, South Korea).

A final type of economy cannot really be called 'developmental', as it concerned countries with primarily commodities based economies, while the main thrust of modernisation strategies was to get out of commodity production and into manufacturing of various kinds (e.g. Botswana, South Africa). Also, there had typically long been foreign involvement in the sectors concerned. These have therefore not been examples of autarchic development, even if governments have sometimes been concerned at the level of foreign involvement.

The overall pattern in these different forms of developmental state of the various governance modes listed above can probably be depicted as in Figure 1.

Figure 1: Development models and forms of socio-economic governance, 1960s to 1970s

FIGURE 1 ABOUT HERE

Government was clearly the overwhelming force in the state-owned heavy industry model: rule of law was rarely allowed to impede government action. The market played very little part; associational governance was largely an extension of the state within a framework of authoritarian corporatism. Networks and communities actually functioned strongly as the informal economy on which much day to day economic activity but not the state's modernisation strategy depended. In the privately owned heavy industry model, corporate hierarchy played a clear role, though it was often strongly connected to the state.

Under authoritarian corporatism (Crouch 1993; Schmitter 1974), leaders of interest organisations (primarily those of capital and labour) constitute part of the governing elite and do not offer open challenges to the state. Business associations subordinate their member firms to the state plan, while union leaders ensure that there is no labour discontent. The developmental state was likely to make considerable use of this model, as such a state required a mobilisation of national resources around its economic project; it therefore preferred to work with ostensibly representative interests rather than press on alone, just dealing with individual firms. It was also aiming to mobilise the population around its growth project, and found 'tame' unions helpful for establishing links with the working population. On the other hand, tight political control was exercised over union leaders, as the developmental state did not tolerate open conflict. Labour organisations which would not collaborate with such a system would be confronted and subject to sanctions (e.g. the case of Singapore (Chua 2007)). This was far less the case where there were elements of democracy and civil society. For example, India was not an authoritarian system, and unions were active. However, given the vast labour surpluses of the country they were not powerful, and their incorporation was therefore cheaply acquired during the Nehru developmentalist period (Chibber 2007). Depending on the kind of regime, therefore, organised labour might play some part in governance alongside private employers in a more bargained form of corporatism made possible by the existence of private owners. This would be restricted to the modern, industrialising sector and would usually exclude the mass of the rural population. In the light-industry, export-based model, external market forces acquired a stronger governance position in a model that otherwise resembled the previous one.

Networks and, in traditional economies, actual communities, have been fundamental in sustaining and advancing productive activity in a number of different circumstances. They are particularly important in sustaining the informal and even shadow sectors, within which, in practice, a large majority of the working population in developing societies operates. By definition, the shadow sector was not part of a developmental state's strategy, and in the case of a heavy-industry-based strategy its SME base would place it particularly outside the scope of official policy. However, it would play an important *de facto* role in sustaining a more flexible form of economic activity than the formal economy could embrace. Where strategy was based on light industry an informally supported industry might eventually become an important part of a national economy (as in Taiwan (Chang 2007)). Ethnic minorities (or suppressed majorities) often use their tight community networks to sustain informal economies outside the scope of a central sate system. In addition, the family (as a core community institution) is fundamental in traditional societies in maintaining social welfare among poor people. It has therefore often played a background role in development in 'enabling' government not to focus on welfare.

None of these minor forms of socio-economic governance were however as important to the developmental state itself as the hierarchy of the large corporation – even in the state-owned, Soviet form, there was usually a distinction between political and administrative actions of the state, on the one hand, and managerial actions of the corporation, on the other. Where private interests owned the firms that were of strategic importance to the development plan, they became major extractors of rent, as they were the primary beneficiaries of the protectionist policies and of the steering of resources towards their firms. There was mutual interest-serving between firms and government, as the former needed a continuing supply of privileges from the latter, while government needed the firms to fulfil its plans. Usually the same families were engaged in both spheres. Political power could be used to sustain the firms from which the families draw their wealth; and this wealth in turn sustained the families' political dominance.

The elites of rent-seeking corporations in developmental states were *embedded* elites. The protectionist national strategy as well as their family and social links to the political elites, tied their interests to the nation state and it territory. Among these elites community and network governance came very strongly into play. Especially if there were elements of democracy in the political system (as particularly in the Indian case), they also thereby had ties to the population and some organised popular groups, and needed to respond to some of their needs. This explains the simultaneous association of some developmental states with powerful, wealthy, rent-seeking elites and a certain level of welfare-state development. This combination of an economically active state and basic welfare produces a superficial resemblance between the developmental state and social democracy. However, the presence of very wealthy families owning the corporations through which the state operated, and the persistence of extreme poverty despite the existence of welfare policy, suggests a different political model. This was particularly the case when the state was non-democratic and associated with repression of civil dissent or autonomous trade unions. Social policy more often resembled aristocratic *noblesse oblige* than modern concepts of welfare citizenship.

From the classic to the neo-liberal developmental state

At various moments from the late 1970s onwards the different orthodoxies that had governed economic development in the decades immediately after the Second World War – Keynesianism, the developmental state, the social market, state socialism – came under strong challenge from neo-liberal thinking advocating a stronger role for markets and a reduced role for the state. In the eyes of international agencies like the World Bank and the International Monetary Fund, state-directed economic development was associated with corruption among unhealthily mixed economic and political elites. In eastern and central Europe the command economy was clearly stagnating, and a desire to shift to a different system was among the pressures that produced a collapse of those systems at the end of the 1980s.

But behind these changes in ideology lay important shifts in global economic structure, in particular sectoral shifts and a general commitment to participation in international trade. Partly as a result of changes in technology, it was becoming feasible for major corporations to arrange their sourcing, production, distribution and management systems on a transnational scale in order to maximise economies of different commodity, labour and product markets. To realise the gains of such a scale of organisation, firms required a deregulation of national financial regimes, so that they could move money around the world in line with their production activities. This was forthcoming in a series of changes during the 1980s, which quite quickly produced an almost global financial market. This in turn made possible the rise of a global financial sector.

A further technical development that lay behind the changes was the growth of several high value-added, sometimes manufacturing but mainly services sectors that had before been either restricted to national bases by regulation (such as banking and finance itself) or barely existing (information technology). The desire of corporations in the already rich countries to shift from standard manufacturing into these newly growing fields meant more scope for developmental states to operate internationally in the basic and heavy manufacturing sectors, or low-wage, low-skill light industries where they had been accustomed to operate. However, an increasing number of developmental states also saw opportunities for themselves to develop in the new sectors, which were considerably more profitable than both the heavy and light industry specialisms in which they had earlier been working.

These changes produced major shifts in the behaviour of states and economic elites, with consequences across a broad range of policies, including social policy. The changes are often summarised as being a move towards the market, but examination of the full range of governance modes suggests that individual large corporations play a role not strictly anticipated by this. What differs from the developmental state is the kind of corporation concerned and the roles that they play within the society. Also, the state has not disappeared from prominence in the new model as the simple label of neo-liberalism might suggest. Again, however, it plays a different role.

For those countries that had depended on the import substitution model of development the shift to economic openness produced greater shocks than in those with a light industry export model. For both, the internationalisation of finance and production by transnational corporations opened the possibility of new sources of investment and sales in international markets, in exchange for dropping the protection enjoyed by domestic producers. In several countries economic dynamism is today increasingly powered by up-market services sectors. This has considerable attractions in terms of bringing high value added activities into a poor country. On the other hand, it can lead to increasing gaps between those working in such sectors and the mass of the population still in traditional agriculture or the low-productivity sectors of the informal urban economy. As Boyer (2007) concludes:

> More precisely, the impact of internal and external liberalization has been reassessed. In some cases, the strengthening of *market forces* and price mechanisms has been quite helpful in reducing poverty, if not inequalities: it seems to be the case for China and other Asian countries. In other instances, the *full liberalization* of product, labour and financial markets has been quite detrimental to macroeconomic stability since the bursting out of major financial crises has exacerbated poverty creation in the very same countries that represented themselves as dominated by a large middle class: one recognizes the dramatic transformation of the Argentinean economy.

Social policy in the neo-liberal developmental state

Where social policy in many developmental states had been a residual anti-poverty provision, there has now been a considerable increase in a productivist approach: using social policy to upgrade the quality of the work force in terms of basic health as well as skills and capacities. As in the advanced economies, parts of the working population become seen as a resource worthy of investment. A key example is the move from passive to active labour market policies (ALMP). The former had been concerned mainly with guaranteeing incomes security during times of employment instability; ALMP was concerned to improve the individual workers' chances of gaining better and more highly skilled employment. Similar approaches developed in other fields, including the improvement of social infrastructure in order to improve national or city-level competitiveness (OECD 2006). These kinds of policies implied a state that was actively engaged in promoting national economic strength, not through autarchy and centralised national plans as in the 1960s, but by strengthening the basis on which firms could compete in global markets. This is a distinct agenda from a true neo-liberal one, in which ALMP means the provision of negative and positive incentives to individuals to enter the labour market. The two can however become mixed as a general, combined productivist strategy for labour-market activisation. The governments of countries seeking to enter the dynamic new sectors of the high-tech economy became increasingly interested in aspects of this model.

The competition state, as the new form of active but neo-liberal state is often described, can, and often does, imply bearing down on labour costs, welfare spending and social infrastructure to give free rein to market forces and TNCs to pursue development goals in the context of profit maximisation. In these cases poverty, poor health and low educational levels are not a problem and may even be a condition of the growth model. Even where there is a social partnership approach to the issues, the desperate need to attract investment may lead to neglect of social needs. For example, Kaggwa (chapter 8, volume 2 of this project) describes how the competitiveness challenge created by the re-integration of South Africa into the global economy in 1994 motivated a partnership between government, industry and labour to map out the country's policy for the automotive industry. The policy framework formulated was successful in enabling local industry to participate in the global automotive value chain, but social outcomes were relegated in the process leading to subsequent policy concern among organised labour and government.

There is however also the possibility of a stronger emphasis on social policies. As Boyer (2007) expresses it:

> …..by providing some basic collective goods related to health, education and security, the corresponding [welfare] expenditures should be classified as investment, since they contribute to social capital formation. Its volume and composition are therefore factors of production and contributors to growth….. Within these new analytical frameworks, some *welfare policies* aiming at the development of workers and citizens securities may have favourable productive impact and positively affect the dynamic efficiency of the economic regime.

> Farnsworth (2005 and chapter 2, volume 2 of this project) tracks the development of this position in the stance of international organisations. For example, by 2005 the OECD was promoting active social policy that might help change the conditions in which individuals develop, rather than limiting themselves to ameliorating the distress these conditions cause. (OECD 2005) Its 2005 Report promoted employment-centred social policy, and defended the private financing of social policy as a way of helping individuals to 'face the true price of social protection, and thereby reduce the risk of excess provision' (ibid. p43). He shows a similar shift in the position of the World Bank, which in the same year (2005) spoke of the need to create opportunities for people to escape from poverty and improve their living standards.

Experience has been so varied that it is difficult to provide a coherent overall account of the impact on welfare and poverty reduction policies across developing economies, or even to group them in meaningful clusters. We can probably however reach the following conclusions:

1. Some sections of the mass population have gained from increasingly sophisticated productivist social policies, though these have left out of consideration large swathes of the population, as indeed had been the case with the earlier developmental state models.
2. The welfare obligations sometimes recognised by embedded (usually protectionist) local elites are not necessarily followed by the largely ex-patriot elites of TNC managements. (Hypothetically, this tendency will be offset by corporate social responsibility strategies on the part of the latter; this will be considered in more detail below.)
3. There has been some trickle-down effect of reduced poverty as overall levels of growth have risen in the dynamic sectors of several economies.

Analysing governance in the neo-liberal developmental state

Figure 2 shows the kinds of governance modes associated with the changing sectors of production and growing orientation towards international markets. Before moving on to consider the institutions of key interest – the state, market and corporate hierarchy – it is important to note that the two governance modes that one might have expected to decline with modernisation are in fact growing in importance. These are networks and, particularly surprising, community. Networks are of course important to firms in the advanced countries in the high-tech and innovative sectors of the kind that many developing countries are trying to encourage. Whether inward investors are interested in developing networks in these latter is not clear. Networks, and even more traditional communities, are however important for the sustenance of workers in the informal and shadow economies that are probably increasing in these countries as stable work in agriculture and formal employment in manufacturing decline as part of the flexibilisation of work. This often appears in employment statistics as a rise in self-employment, but it is more accurately seen as informalization rather than entrepreneurial company formation. More relevant for the present concern with poverty strategies, traditional communities (mainly families) are playing a growing welfare role in those societies where a general decline in state welfare support is required by the neo-liberal modernisation model.

Figure 2: Development models and socio-economic governance, since the 1980s 'neo-liberal turn'

FIGURE 2 ABOUT HERE

On the other hand, associational governance, never as strong in developing economies as in the advanced economies, has weakened under the impact of the transnational economy. (It has done the same in many advanced economies.) Associational governance suffers from two handicaps in a changing, globalising economy (Crouch 2005). First, business associations are usually based on defined industries, and in a time of change the identity of industries shifts and new ones are created. Second, associations usually form at national level, which becomes less important in a global economy: in particular, large inward investors are unlikely to make use of national associations in the countries in which they invest, preferring to lobby effectively for themselves in relations with government.

Nowhere has government become inactive, but plays the role of the competitive state in relation to the encouragement of FDI, and also in the adaptation of welfare and infrastructure policy to national economic plans. Whereas many developmental states tried to equip their economies by *protecting them from* international competitive pressures, the competition state *equips its firms for* competition – or welcomes direct inward investment from international enterprises considered more efficient than local firms. This is achieved partly by the establishment of a strong infrastructure, which firms then use as support when finding their own way in the market – as opposed to fulfilling a government plan. (A major example is Vietnam (Dinh 2007), which rapidly shifted its strategy after 1986 to infrastructure construction rather than intervention.)

There is no necessary change in the general role of the rule of law where the mass of the population is concerned; however, guarantees of stable law do have to be offered to inward investing firms. These may more generally enjoy a different legal regime from the rest of the country, with enterprise zones and special fiscal arrangements. The competition developmental state is not therefore necessarily characterised by a general growth in the rule of law, but more likely by a compartmentalisation of legal systems operating within the country.

Individual large corporations continue to play a major role, and continue to do so through strong links with local political elites. Except in very large states, individual transnational corporations often occupy strategic roles within these economies. As part of this, they are usually able to negotiate deals with governments that do not conform to the abstentionist concept of the neo-liberal political economy. Firms are frequently offered inducements to invest, privileged tax positions and exemptions from local labour and environmental laws.[4] The new model therefore resembles the old in that key firms continue to enjoy a partnership with the political elite. For example, in India, while the coalition of capitalists around the previous import substitution path has lost influence, the new export-oriented elite retains close political links (Chibber 2007). For stronger examples of state capture by economically powerful groups, see Peru (Durand (chapter 5, volume 2 of this project) and Costa Rica (Cortes and León. 2007). These developments are quite inconsistent with the neo-liberal model, as are the 'cronyism' and privileges, bordering on or actually becoming corruption, that have been associated with privatisation programmes from Ireland to Russia.

Governance by corporate hierarchy and corporate social responsibility

Consideration of the economic and political role of TNCs raises the question of their role in welfare and poverty issues, which involves discussion of the part being played by CSR. Do TNCs play a different role in developing societies from the locally embedded elites characteristic of the old developmental state? In theory, the combined ascendancy of markets and corporate hierarchies – i.e. the rise of economic against political and social modes of governance - marks the rise of those modes least able to cope with negative externalities, including various forms of social distress. These will possibly be tackled only if oligopolistic firms use their relative freedom from market constraint to develop private social policy as a part of their business strategy and the governance role of their corporate hierarchies. How likely is this?

Firms subject to intense competition will find it difficult to do this, as anything that prevents them from setting prices keenly will be an important disadvantage (Van den Ven and Jeurissen (2005). It has however been argued from both neo-classical and evolutionary economics perspectives that firms might use CSR as a strategy for achieving market niches that at least temporarily protect them from competition. Amalric and Hauser (2005) argue from a neo-classical perspective that firms can use socially responsible behaviour to differentiate their products, attracting customers who are concerned about such issues. They also claim that it is possible to construct the whole organisation around social responsibility, making it less easy for rivals to compete on these grounds. They also point to the usefulness of CSR for 'reputation management' and – moving outside the neo-classical frame – for anticipating and warding off government regulation. For Maxfield (2008), working explicitly from an evolutionary perspective, firms are constantly learning and trying out new possibilities in a highly uncertain world; CSR strategies may emerge as one of the results of this. Whether firms actually do this, or whether they merely present images of themselves as socially responsible cannot however be resolved theoretically, but only through empirical studies. In the current project we present several such studies, with very mixed results.

In the present chapter the issue of CSR is raised, not through economics, but through the socio-political concept of governance. What changes, if any, have taken place in the form taken by relationships between economic elites and social policy in the transition from embedded state-centred modernising elites to internationally oriented and inward-investing ones? Reference was made above to the way in which welfare policies in developmental elites often appeared as a kind of *noblesse oblige* on the part of elites. Is CSR the *noblesse oblige* of transnational corporate elites? The crucial point in the old French aristocratic concept of *noblesse oblige* was that aristocracies were supposed to take upon themselves certain social obligations in recognition of the privileged position they occupied in the society. But they decided for themselves what constituted their obligations and accepted no wider scrutiny or debate around these, let alone democratic influence.

Sood (2007) argues in relation to India:

[4] Exemption from taxation and restrictive laws might seem to be pure expressions of neo-liberalism. However, if they exist in a context where other firms in other jurisdictions are not enjoying the same conditions, they become privileges.

In the new paradigm, the identification of needs, accountability of services and transparency in implementation is performed by the civil society institutions, while business provides the resources for investment. The role of the government is reduced to coordination and facilitation. The business - social policy linkage is currently more evident in decisions on the direction of social policy (target oriented, debating the legitimacy of needs, and restricting transfer payments) and in the choice of instruments to deliver social policy goals, such as, public private partnership. There are no specific social initiatives of business in India at the level of policy and no clear government strategy for partnership in development.

Murali (chapter 7, volume 2 of this project) sees more continuation in India of the old model than does Sood, but little in terms of a corporate contribution. Similarly, in Latin America Schneider (chapter 3, volume 2 of this project) mainly sees business interests moving *away* from pro-active support for, and participation in, social policy, big business favouring enhanced social policies only where its activities are concentrated in high skill, high quality sectors – not usually the case in the sub-continent. Evidence on Costa Rica (Franzoni 2007) supports this. Employers in the export sectors tend to oppose welfare state development, because of its impact on costs; while those in the domestic sector prefer to compromise for the sake of social peace. This remains the 'old' model, rather than a new productivist one, and one that has been relatively generous.

In a study of a number of cases of CSR in developing countries, especially that of Wal-Mart in China, Sum (chapter 7, this volume) claims that the techniques of CSR are used to de-politicise labour issues by narrowing the range of points of leverage. The struggle over labour and environmental conditions is thereby translated into and confined to codes, auditing standards, programmes, projects, and documentation systems promoted by private and public actors at different levels. For the TNCs, codes of conduct and CSR help legitimise the privatisation of labour and environment standards. These are then 'traded' as moral resources that are an integral part of their overall corporate response to challenges.

On the basis of a study of existing literature on business responses to social problems, Marques (chapter 1, volume 2 of this project) concluded that an analysis of the contemporary political, economic and institutional context provided a grim overall picture on the potential for voluntary business support for progressive social policy in developing countries. However, he also pointed out that much of the existing literature focused on the micro-level 'business case' perspective, which remained largely isolated from knowledge on the welfare state, developmental states, and comparative capitalisms and suggested that ultimately the 'social question' needs to be integrated into business strategy. Further, socially inclusive development is based on social risk management, collaborative learning, and collective, consensus-based forms of 'regulation', and that the various socio-political processes by which these have been institutionalized is of prime importance.

In some neoliberal contexts CSR might be seen as a *replacement* for a state that is retreating from its engagement with economy and, also, society. Wall (2007) has considered the case of Kazakhstan, a large post-Soviet republic in Central Asia, with extensive natural resources but also high levels of rural poverty, as the earnings of the mineral extraction industries flow to the cities and beyond Kazakhstan itself. Foreign energy firms have invested heavily in the country since independence in 1991. These firms have adopted CSR strategies in fields like health care that were traditionally seen as the realm of the state. In healthcare provision this is particularly prevalent. Wall found that in the early years the state encouraged outside investors to take over responsibility for health care, but this has been associated with corruption, weakening existing institutions and a lack of control or ownership of the spending. There is now a decline in the government's use of this as part of the criteria for winning contracts and securing PSAs.

An increasingly important aspect of the privatisation to individual corporations of transnational economic governance concerns the development of private standards (Schepel 2005; Sum op cit). These have also become involved in CSR policies, an important case being the position of farmers in poor countries in the food production industry, where standard-making is often dominated by retail corporations in the advanced countries. In a study of these standards, Fuchs and Kalfagianni (chapter 6, this volume) found little attention being paid to the social implications of sustainability, and many small farmers and small retailers being driven out of the market, though they acknowledge that standards providing for good working conditions have also been developed. They question the democratic legitimacy of the increasing privatisation of food governance, there being considerable inequality in access to the development of private standards, as well as lack of transparency and accountability in most cases.

Similar questions concerning the adequacy of private governance are raised by Gregoratti (chapter 5, this volume) in a study of the Growing Sustainable Business (GSB) Initiative in Kenya and Tanzania. She found that corporate interests and economic ideas shaped the GSB's deliberation processes; and that these have encouraged the emergence of a form of elitist governance that remains largely indifferent to the needs of local communities. She also evaluated the partnership projects being carried out in Kenya and Tanzania, and asserts that 'the private sector's efforts to be portrayed as an integral actor in development activities is nothing more than a 'business as usual' approach'. On the basis of this evidence, Gregoratti calls for a rethink by the GSB and UNDP concerning the implications and operationalisation of partnership for development, arguing that such 'supply driven' interventions compound the political power of business, replace the role of governments as a provider of public goods and the corollary creation of elitist mode of governance. They could however be perceived as more legitimate and even prove to be more effective, she argues, if the concerns of poorer groups were to be prioritised over the commercial gains of the business sector and if 'sustainable business' initiative were selected to reinforce state-led developmental policies to amplify the impact of existing initiatives (see also Newell and Frynas 2007).

In Brazil, Mancuso (chapter 6, volume 2 of this project) found firms using their involvement in public policy mainly to achieve reduction of the so-called 'Brazil cost', with a very high degree of political success. The 'Brazil cost' is the supposed extra burden of social costs incurred by firms doing business in Brazil rather than in certain competitor nations. For example, industrial entrepreneurs have undertaken extensive collective work: to identify, among the bills running in National Congress, those with a greater potential impact on the cost; to define a unified opinion about the most relevant bills; and to promote their opinion during the decision-making process.

In a general study of a similar theme, Slob and Weyzig (2007) concluded that there was considerable inconsistency between corporate lobbying practices and CSR principles. Powerful multinationals supported lobbying efforts that were not in line with their own public policy statements or CSR policies. Moreover, most companies did not disclose public policy positions at all and lacked a comprehensive system to align lobbying practices with CSR policies. As a consequence, firms have lobbied successfully for policies that have had negative impacts for developing countries, including occasions when the direct target of corporate lobbying has not been the legislation in a developing country itself, but an international trade agreement. The disclosure of information on donations, which forms the main activity where CSR practices lead firms to be transparent about lobbying activities, turns out not to have been an important aspect of this lobbying activity. Direct lobbying and constituency building by individual companies as well as various collective strategies tend to have a much larger influence and account for a far greater share of lobbying budgets.

If corporations increasingly take on roles normally associated with the provision of public goods, whether these be tackling social problems or engaging in regulation or standard-setting, they are entering the polity and cannot expect to be as relatively unchallenged there as when they simply engage in the provision of goods and services in relatively free markets. The immediate expectation, entertained for example by several of the writers cited above, is that governments will challenge them and reclaim sovereignty over public space. However, as we have seen above, many governments have historically been responsive to mainly various business and political elites and have not necessarily been exemplary guardians of the interests of a general public or of the socially excluded poor. Today they are in addition very dependent on inward investors for the real wealth and opportunities that they bring. It is possible that those concerned at the neglect of social issues need to broaden their analysis of the social forces that might be brought to bear. In particular attention is moving to consider the role of civil society groups and social movements. These increasingly address corporations as well as or even instead of governments. Sometimes this is because of the obvious power that corporations wield, especially as they mark out a clearly political agenda. Sometimes it is because a corporation sensitive to customers within lively civil societies in the advanced world may be more likely to respond to pressure than a government in a developing country with weak civil society.

As an example of these developments, Sood (2007) claims that, while the history of corporate paternalism has played an important part in shaping community expectations and CSR practices in India, in more recent years civil society, consumers and other actors have increased the pressure on companies to adhere to social and environmental standards, and that this new 'civil regulatory' environment has had impacts on business. Issues of CSR and stakeholder engagement were debated in India as early as the 1960s, and there is evidence available of businesses going far beyond compliance and setting best-practice standards in labour relations and community development even before India's independence in 1947.

In the new paradigm, Sood argues, the identification of needs, accountability of services and transparency in implementation is performed by civil society institutions, while business provides the resources for investment. The role of government is reduced to coordination and facilitation. The business-social policy linkage is currently more evident in decisions on the direction of social policy (target oriented, debating the legitimacy of needs, and restricting transfer payments) and in the choice of instruments to deliver social policy goals, such as public private partnership. Sood does not seek the confinement of firms to 'just doing business', but advocates what one might call (with Ireland and Pillay (chapter 2, this volume) and with Utting (chapter 11, this volume) a corporate *accountability* approach to CSR, rather than a corporate *sovereignty* one, with civil society actors building pressure for meaningful involvement of business on social issues. This might be seen as a move away from *noblesse oblige* to a system involving challenge and scrutiny – measures on the way to democracy, though hardly democracy itself.

Van Alstine (this volume, chapter 9) studied how new countervailing centres of power emerged to discipline business and promote social pacts conducive to inclusive development in South Africa. There, the governmental priority given to economic growth and international competitiveness had set up a potential conflict between environmental health, social policy and inclusive development goals. Within this context he explored how the fuel oil industry articulated its contribution to society, and how and why the issue areas of environmental and public health had been contested and constructed relating to two oil refineries in Durban. He found that innovative multi-stakeholder initiatives had emerged, and a progression had occurred from normative to regulative institutions as an internationally networked civil society demanded accountability from both the private and public sectors, and as government began to build capacity. However, initiatives for strategic environmental assessment and the government's attempt to implement policies in detail failed to produce the desired results. But a multi-stakeholder initiative in South Durban was a successful example that gained the levels of trust needed to become legitimate in the eyes of both industry and communities.

Noyoo (chapter 10, this volume) argues similarly for a more collective approach to CSR in Zambia. Many of the professed CSR activities in that country and elsewhere are hortatory in nature and at times resemble a wish-list. A strong intellectual orientation to CSR is needed, he argues, and in at least the Zambian case advocates the Community Development tradition. This seeks the empowerment of local communities and strengthening of the capacity of people as active citizens on the one hand, and the capacity of institutions and agencies (public, private and NGOs) on the other.

However, local civil societies are often weak. In a review of corporate lobbying and CSR in India, Slob and Weyzig (2007) found that, even where trade unions existed, they were not very effective in advocating the rights of workers beyond issues related to wages and could not, therefore, contribute much to the larger corporate responsibility debate. To some extent, this shortcoming was offset by the emergence of other civil society actors. However, their activism in the early phase was limited by government policies to the role of service delivery agents; it was only in the 1990s, when this role broadened, that NGOs started to have greater effect. They tended to influence state policies rather than confronting business head-on.

Rashid (2007) considers cases where NGOs active in this field have tried to adapt themselves by turning into corporations. They have realised that they needed to be part of the political structures locally as stakeholders, in order to expand their commercial ventures. This realisation, she argues, is partly due to the restrictions on expanding business; criticism from non-development oriented business houses and public awareness of business practices and social responsibility. It was paramount for the viability of their commercial ventures to have a righteous posture locally in order to be able to generate new resources, business partnerships and opportunities as corporates. She concludes that existing local/global structures would not succeed in reducing poverty despite heavy investment through NGOs, since free market forces would continue to widen disparity not only between global North and South but also within communities in the global South.

She also argues that attempts by international organisations and NGOs to sidestep corrupt states have failed to address the causes of corruption, creating new forms of micro-exploitation and corruption:

> Local organisations have created brand names and have a desire to play a vital role in shaping the socio-economic and political structures of the country by playing an active role in [the] policy making processes. They are employing [the] global language of corporate social responsibility and social business management, yet these organisations have created cults and would continue to manoeuvre the situation to enhance their agenda in the garb of development.

To recall an earlier discussion above, there may be differences depending on whether individual corporations or associations of them play the key role. The combined effect of neoliberalism and the rise of strong TNCs has been to diminish the role of associations. However, the latter, being collective actors, can sometimes be more likely to take account of the externalities of economic activity than individual firms. Schneider (op cit), in research on a number of Latin American cases, finds that the role of associations could be rescued: the more state actors draw business associations into policy making and the more government officials delegates responsibility for policy implementation to associations, the greater are business incentives to invest in the institutional capacity of these associations. Although policy makers rarely have strengthening associations as a policy priority, the fact that these state actions affect business organization and participation in policy makes clear that these outcomes could in fact be objects of policy.

A difference between individual company and more collective approaches to social issues was also found by Merk (2007) in a study of TNCs exposed to anti-sweatshop campaigns attacking their substandard working conditions. Individual companies would take many steps, but those engaging in an industry-wide approach would go further, developing sectoral framework agreements, and engaging in international social dialogue with relevant stakeholders.

Today, in industries like textile, clothing and footwear, a large number of ethical codes have been adopted, and CSR has turned into what Miller has called a ‘routine management function’ (Miller 2004: 220). However, argues Merk, the overall influence of the anti-sweatshop movement must not be overstated. Global production practices continue to worsen in many parts of the developing world, and governments still fail to enact or enforce labour laws. The redirection of orders towards countries that outlaw or restrict freedom of association among workers further reinforces the exclusion or marginalisation of them and their organisations from the mechanisms set up to implement, monitor or verify code compliance. At the heart of this crisis, he claims, lies a regulatory vacuum created through the shift from nationally oriented production systems to globally organised production networks.

Cappellini and Giuliani (2004) similarly describe the engagement of civil society in CSR issues in Brazil – or as the authors prefer to call it, CSER, with E standing for environmental. They show that interest in improving the social performance of firms increased significantly in the 1980s, and was driven to a large extent by domestic concerns, actors and contexts. A crucial element was the diffusion of certain values and ethical principles related to democratisation and progressive religious thinking. Democratisation also paved the way for the expansion of civil society organisations and social movements concerned with the social and environmental impacts of business. Again, business associations, that not only represented the economic interests of their members but also addressed philosophical and cultural issues, including the relationship of business to society, took an important role. Critical of traditional corporate behaviour, this network tried to raise the social awareness of firms and promote philanthropic activities. In the 1990s the actors and institutions promoting CSER expanded considerably. Political parties, non-governmental organizations (NGOs), trade unions, the media, local government, consumers and shareholders all became involved, along with some business associations and proactive managers and firms. The momentum behind CSER was also reinforced by international influences and pressures associated with cross-border management of transnational corporations, global civil society activism, environmental certification, and international social, environmental and human rights norms and law.

The authors point to another important change occurring in the 1990s. As companies sought to restructure and become more competitive internationally, some managers — and business management scholars — recognized the potential of using CSER initiatives as a way of reducing costs, increasing competitive advantage and managing risks and reputation. The international repercussions of Brazil's unfavourable business image pushed them to prioritise a few specific areas including poverty, violence, child labour, education and environmental protection. Segments of business, particularly the largest firms in more dynamic sectors, assumed leadership roles in social actions, seeking to fill some of the gaps that resulted from the perception or reality of a weak public sector. CSER became part of a broader strategy to gain legitimacy; a way of cleaning up the soiled image of entrepreneurs and companies that were regarded by many as responsible for the concentration of wealth and growing speculation in financial investment.

Another approach to a kind of 'collectivisation' of CSR are the cross-sector partnerships described by Findlay-Brooks (chapter 4, this volume) as being seen by many governments, international agencies and corporations as the most effective way to deal with complex and intractable development problems that have defeated single-sector interventions However, she argues, they raise issues of accountability and power imbalance, when un-elected businesses and NGOs have influence in states where governments are weak or failing. Even where they are the best solution, there can be real obstacles in both the development and management of partnerships which are too easily ignored. She concludes that, if we are relying on partnerships to bring about structural change and long-term development impacts, then they need to be firmly tied into genuinely inclusive consultation processes, operate within accountability frameworks, be properly supported and evaluated, and where appropriate lead ultimately to policy change.

Conclusions

Relations among states, corporations, civil societies and poor populations in the earlier form of developmental state were more complex than often presented by the stylised facts of the literature. The new, ostensibly neo-liberal, regime is at least equally complex. Once one takes account of both the high level of activism available to the competition state and the full range of governance modes identified by Hollingsworth and Boyer (1997) (and not just the over-simple antithesis between state and market), one has a potentially rich and varied range of different forms of neo-liberalism. Particular attention needs to be focussed on the role of inwardly investing TNCs within developing societies, who have either replaced or – more likely - moved in alongside domestic elites as the key decision-makers over major socio-economic issues. The key question then becomes – and the same question is equally salient at the present time in the advanced countries: in what ways can the wide social power of these corporations be constitutionalised so that they contribute effectively to the wide range of neglected externalities and social questions at stake in the contemporary world?

In the late 19th and 20th centuries the main answer that emerged in then industrialising parts of the world concerning combating poverty and dealing with other urgent social issues was for the state, itself gradually becoming democratic, to take various powers within the economy. In both those countries and in the developing world, that answer is not so obviously available today. First, the choices of location offered to many TNCs by the increasingly global economic playing field restrict the capacity of individual states to regulate their economies. Second, governments face difficult choices between providing fiscal and regulatory regimes for inward investors which improve the rate of growth for their economies which might eventually benefit their populations; but which meanwhile may mean increasing inequality and reduced social policy provision. Third, many political elites do not have track records that suggest that would seriously pursue such a role even if it were available.

Finally, if in this context the corporate hierarchies of TNCs are becoming major sources of governance, rivalling states and markets, attention turns to the role of these firms as political actors themselves, rather than as entities that could easily be regulated by public policy. Existing research on the role of CSR in social policy in developing societies, a good deal of which has been summarised above, presents a highly ambiguous picture. Clearly, there are important examples of firms playing this kind of role and contributing to health, education and environmental quality, not only among their work forces, but within the wider local communities around their plants. There are even cases in parts of Africa where the CSR of a foreign TNC constitutes the main source of welfare. But there are also many cases where CSR is more a part of public relations than of social policy. Even where it is more serious, firms rarely possess true expertise in the policy fields in which they become engaged. Particularly problematic is the fact that CSR is within the sole control of the headquarters of the enterprises concerned: there is no democratic control, and managing elites of the corporations are not 'embedded elites', themselves responsive to local communities. This is why it has been described here as constituting a modern equivalent of *noblesse oblige*. The social obligations of pre-democratic aristocracies were defined and implemented by the aristocracies themselves, with no external monitoring or challenge.

This fact directs our attention in turn to the groups in civil society which might emerge as political counterparts to these corporations in an emerging politics of corporate accountability, and to what implications such an emerging polity would have for the world's poor. Very frequently the groups concerned in this new form of activism are just as disembedded as the corporate elites themselves, being based in the home countries of the corporations and operating mainly by trying to influence the product markets of the firms in the rich countries where the bulk of consumers live. In the absence of active and robust civil society organisations in many countries of the developing world, this is often the best that can be achieved. In general, however, one can conclude that the quality and value of TNCs' contribution to social policy in developing societies will be as strong as the campaigns for trying to ensure wider public debate, scrutiny, challenge and transparency in their activities.

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