What Ethics? An Integrative Economic Ethics Approach to Corporate Social Responsibility (CSR)

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Abstract
The paper proposes an integrative economic ethics framework for corporate social responsibility (CSR) theory and practice. I draw on Carroll’s CSR framework as my base point: All of Carroll’s four domains of CSR – of economic, legal, ethical, and philanthropic responsibilities of the firm – are ‘economized’: They are reconceptualized through economic theory that grounds itself in and continues Smithsonian economics. Significantly, this economic reconstruction is ethically argued for through the concept of ‘economics as ethics’. An integrative economic ethics approach to CSR results that satisfies capability and viability requirements for CSR programs. On this basis, the paper discounts hypocrisy accusations against instrumental CSR economics. Implications are spelled out for empirical research on the much debated link between CSR and corporate financial performance (CFP, or ‘profitability’).

Key Words
Corporate social responsibility (CSR); Carroll’s pyramid framework of CSR; economics as ethics; instrumental rationality; instrumental stakeholder management; corporate financial performance.

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It may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community. … There is a strong temptation to rationalize these actions as an exercise of ‘social responsibility’. … [These] expenditures … are entirely justified in its [the corporation’s] own self-interest. It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing since it harms the foundations of a free society. … I can express admiration for those … corporations who disdain such tactics as approaching fraud. (Friedman 1970/1993, p. 253)

We need to put business into the core of our ideas about ethics. (Freeman and Moutchnik 2013, p. 8)

Introduction

I agree with debate that conceptualizations of CSR do matter immensely; or to speak with Aguinis and Glavas (2012) that a multi-level approach is needed that synthesizes CSR concepts (similarly Aguilera et al. 2007; Windsor 2006, p. 94). However, I contest unfocused interdisciplinary, grand unification projects of CSR frameworks; and Aguinis and Glavas (2012), Schwartz and Carroll (2008), Post (2015) or Windsor (2006) seem to agree with this direction of large-scale unification. I argue that such projects may get immersed in ‘paradigm soup’ (an idea borrowed from Buchanan and Bryman 2009, p. 4). The thesis is that the approaches that have tried to integrate CSR approaches across research programs into a single model contributed to the definitional and conceptual confusion that still plagues the field today despite its long history; such confusion being attested to by Aguinis and Glavas (2012, pp. 933, 948); Baden and Harwood (2013, pp. 615, 624); Galbreath (2010, p. 512); Jia and Zhang
Historically, such confusion is traced by Carroll (1999, p. 272) or Wartick and Cochran (1985). Even so, I do not question multi-paradigm research or the respective contributions that have been made by different disciplinary approaches to CSR. I only question grand unification projects – for methodological reasons. In this way, I endorse paradigmatic diversity or incommensurability of CSR theories from different research programs, each having different meta-theoretical groundings, which extend to different methodological and ethical groundings. Such meta-theoretical clarifications are generally called for in management studies by Hassard et al. (2013) or Rowlinson et al. (2014).

Although debate on CSR dates back to well before Carroll’s works (at least to Bowen 1953; Drucker 1954, pp. 37, 381-383; or Mayo 1933, 1949; see also Carroll 1999; Schwartz 2007; Chong 2013; Wartick and Cochran 1985), it was his framework that galvanized the field of CSR research from the late 1970s onwards. Up to today, many have explicitly drawn on his concepts (e.g. Dentchev 2004; Galbreath 2010, pp. 511-513; Garriga and Melé 2004; Igalens and Gond 2005; Graaf and Herkströter 2007; Orlitzky et al. 2011, p. 8; Snider et al. 2003; Swanson 1995, 1999; Windsor 2006, pp. 98-99; Wood 1991). I then connect to Carroll’s (1979, 1991) (also Buchholtz and Carroll’s 2008) four-dimensional CSR approach of economic, legal, ethical, and philanthropic responsibilities of the firm to develop an economic ethics reconstruction of CSR theory. I advocate such retrospective historic grounding in order to make more transparent the paradigm soup which CSR research could be said to be immersed in. I approach this clearing task through projecting all four domains of Carroll’s framework simultaneously to economics and to ethics, originating from
within economics. As a result, I set out an integrative economic ethics synthesis to CSR concept that normatively grounds a strategic instrumental ‘business case’ approach to CSR. Therefore unlike interdisciplinary grand unification approaches, I keep my approach to CSR paradigmatically focused within one research program (or discipline) that is economics, spelling out conceptual foundations of CSR concept in a utilitarian, social contract economics.

My synthesis sympathizes with economic paradigms of CSR (such as Husted and Salazar 2006; Jones 1995; McWilliams and Siegel 2000, 2001; also Fry et al. 1982). The paper inquires here as to how to attribute ethics to an economic theory of CSR; for instance, what ethics concept does an agency theory or transaction cost approach to CSR yield (Jones 1995); or what is essentially ethical about applying a supply-and-demand model of CSR to the firm (McWilliams and Siegel 2000, 2001; also Husted and Salazar 2006; Orlitzky et al. 2011, p. 10)? What ethics concept if any could be attributed to instrumental, rational choice theories of CSR, as Garriga and Melé (2004) may draw out from this apparent void within CSR economics?

The paper is then arranged into four sections. First, I discuss how Carroll’s framework can be economized and ethically reconstructed at the same time; through ideas of mutual gains; institutional economic-legal rules; and ethical capital creation. This reconstructive economizing project is integrative: it aims at all four domains of Carroll’s framework and it examines in what respect each domain reflects economics as ethics. Second, I ask why an economic ethics reconstruction of Carroll’s framework is important for debate on capability and viability requirements of CSR programs in a market economy context. This inquiry contributes to clarifying research on the empirical link between CSR and corporate financial performance (CFP; or
‘profitability’). Third, I discuss hypocrisy accusations against an instrumental approach to CSR economics. A final part offers conclusions.

**An economic ethics reconstruction of Carroll’s framework**

Carroll’s (1979, 1991) framework distinguishes four responsibilities, each coming with normative expectations (See also Buchholtz and Carroll 2008). Figure 1 summarizes:

Insert Figure 1 about here

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**Figure 1: Carroll’s Model of CSR**

Carroll’s CSR Pyramid
(adapted from Carroll 1991, and Buchholtz and Carroll 2008)
At the bottom of his framework, Carroll locates economic responsibilities; the firm is meant ‘to be profitable’. We need to critically inquire about the justification for this normative expectation: Why should a firm stay profitable, and how can this idea be restrained to the bottom domain of the pyramid only? Can ethics be drawn upon to justify such a recommendation, and if so, which kind of ethics? One level higher, Carroll discusses legal responsibilities, again normatively: The firm is expected ‘to obey laws’. As with the bottom domain a critical question is why should a firm obey laws, and what ethics could be drawn upon to ground this argument, and how would economic considerations, if any, come into play? One level higher again, Carroll placed ethical responsibilities, which reflect in his reading ethical expectations of society that have not yet been laid down in laws and that go beyond the fulfilling of laws. The top domain of the Carroll framework reflects philanthropic (voluntary, discretionary) responsibilities: the normative recommendation to the firm is ‘to be a good corporate citizen’, through making donations, engaging in charitable acts, etc. As it was for the bottom domains, once again for the top domains the question is why would a firm be expected to fulfil such responsibilities, and can economics play any role here?

I address these questions by approaching all CSR responsibilities of the firm through economics ethics reconstruction. On the one hand, this reconstruction is grounded in a model of self-interested, instrumental behavior of the firm (comparable to Husted and Salazar 2006; McWilliams and Siegel 2001). On the other, the economizing of all domains of the Carroll framework is projected to ethics: to ‘economics as ethics’ as this ethics was spelled out by the Scottish Enlightenment, specifically Smith’s (1776/1976) study on the *Wealth of Nations*. In this regard, I do not aim to infuse Smith’s thinking and the *Wealth of Nations* with behavioral, non-
economic ethics, such as virtue ethics, duty ethics, communicative ethics or
communitarian ethics, to name but a few. These behavioral types of ethics could even
include Smith’s own version of virtuous, sympathy-based ethics (Smith 1759/1966);
as has behavioral ethics been directed at Smith in this way (e.g. Bassiry and Jones
1993; Werhane 2000; Wilson 1989; Windsor 2006; critically on this project Wagner-
Tsukamoto 2013).

Rather, I re-construct the Carroll framework in economic ethics terms by
drawing upon and up-dating Smith’s (1776/1976) economic studies. This ethics has
been further set out by contemporary research at the intersection of constitutional and
institutional economics with (business) ethics research, connecting to a social contract
economics (e.g. Homann 1997, 1999, 2014; Lütge 2005; Lütge et al. 2015; Wagner-
Tsukamoto 2005, 2007, 2012). There are different yet complementary economic
perspectives that attribute ethics to Smithsonian economics: In terms of (1) mutual
gains (economic growth; ‘public good’; ‘wealth of nations’) as an unintentional
societal outcome of potentially merely self-interested business activity; (2) the
systemic codification of ethics through institutional frameworks of the market
economy (e.g. constitutions, business laws); and (3) the generation of ethical capital
through capital exchange processes.

Smith’s understanding of economics as ethics only extended to unintentional
mutual gains outcomes; and to institutional-legal outcomes, which reflect that
business behavior in a market economy is constrained by ethical expectations of
society: with such expectations having been laid down in constitutional and
institutional-legal structures. Here, Friedman’s (1970/1993) final verdict is that it is a
social responsibility of a firm to maximise profit within the boundaries of legal rules
(Husted and Salazar 2006, p. 77; Wagner-Tsukamoto 2007). These two concerns
reflect the conventional elements of an economics ethics approach that underpin a market economy system. As I subsequently discuss, they translate with specifications and modifications to Carroll’s bottom two domains; of economic responsibilities and of legal responsibilities of the firm.

Even so, my argument contends that these are not the only aspects of economics as ethics for many contemporary market economies. In the classical understanding of Smith as still upheld by Friedman (1970/1993) or Arrow (1973), economics as ethics is constrained to unintentional mutual gains effects for society, in particular economic growth being the side-effect of profit-making in a market economy; and to the institutional-legal framework of the market economy. The market process itself, and firms and their stakeholders are not moralized; ethics does not work its way through capital exchange processes as such. Conceptually their theories do not account for this – one could speculate that this was practically and empirically of no relevance to the market economies they observed.

This can be diagnosed for Carroll’s (1979, 1991) work too, especially so in regards to his CSR concept as a pyramid framework and the arguments he used for the top domains. The apparent scope for his CSR approach gets more and more restrained when moving up to the top domains of the framework. Ultimately ethical responsibilities and philanthropic responsibilities merely seem to be some slack-based social responsibility of the firm (Carroll 1989, p. 5 is rather explicit here), which is only hypothetically entertained if profits were somehow left over for these top domains (regarding slack-based argumentation, see also Reinhardt and Stavins 2010; Harwood et al. 2011). But importantly, the top domains apparently do not contribute to profitability in Carroll’s thinking.
Later works of Carroll (e.g. Schwartz and Carroll 2003, p. 503; 2008) did not push an economic lens over all domains of social responsibilities of the firm either. Reasons for this non-conceptualization of ethical capital creation as CSR are likely to be related to empirical issues; ethical capital creation not being reckoned by Carroll (as this can be similarly hypothesized from Smith, Friedman or Arrow); or reasons may relate to normative issues and the way their thinking connected to virtue ethics, duty ethics or a behavioral understanding of social contract ethics (e.g. Carroll 1989, pp. 15-18; Donaldson and Dunfee 1999). Here, Schwartz and Carroll (2003) left ethical responsibilities and legal responsibilities to a considerable extent outside of economic reasoning and they subsumed philanthropic responsibilities of the firm under ethical and economic responsibilities, which I would not subscribe to. Seemingly connecting to duty ethics, their terminology and conceptualization remained one of several corporate ‘obligations’ regarding ethical and philanthropic responsibilities (Schwartz and Carroll 2003, pp. 505-506, 515; Schwartz and Saiia 2012, pp. 4, 11; also Carroll and Shabana 2010). For sociological or political theory positions that similarly do not economize the top domains, see Buono and Nichols (1985), Scherer and Palazzo (2007), Schwartz and Saiia (2012, pp. 21-24) or Windsor (2006, p. 95).

Interestingly, as already briefly noted, Friedman (1970/1993) seemed to share a non-economic understanding of CSR regarding the top domains of the Carroll framework. He characterized philanthropic charitable acts of companies as self-imposed ‘unwelcome taxes’ on a company. Such understanding implies that the top domains merely yield costs for the firm, making them constraints on profitability. I challenge Smith and Friedman in this regard, and Carroll and those who directly or indirectly connect to his framework, by suggesting that economic ethics inside market
interactions is feasible, involving ethically committed stakeholders and the generation and trading of ethical capital with the firm: inside and through the market. This extends to what Carroll particularly referred to as the top domains of his framework, although my subsequent discussion aligns economics as ethics to all domains. Profitability considerations and strategic instrumental behavior of the firm are in this way reconstructed for the entire pyramid framework. Questions of economic capability and economic viability can then be addressed for all CSR domains. Figure 2 outlines this economic ethics model.

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Insert Figure 2 about here

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**Figure 2: Two Models of Ethical Capitalism**

- **Philanthropic responsibilities:** Being good corporate citizen
- **Ethical responsibilities:** Being ethical
- **Legal responsibilities:** Obeying the law
- **Economic responsibilities:** Being profitable

- **Ethical capital:** Economizing donations, sponsorships, etc. through the ‘moral market’
- **Institutional-legal ethics:** Cost-neutral transfer of ethics into the rules of the game
- **Systemic ethics:** profit-making yielding mutual gains, ‘wealth of nations’

Carroll’s CSR Pyramid (adapted from Carroll 1991, and Buchholtz and Carroll 2008)

An Economizing Concept of CSR (Wagner-Tsukamoto 2015)
When recasting the Carroll pyramid in economic terms, we do not necessarily encounter a tailing off concept of CSR when moving up the domains and we do not necessarily end up with a pyramid. The top domains of an ‘inverted’ pyramid framework can essentially drive profit-making of the firm. Then, gains from a CSR program can more than compensate a firm for the extra costs incurred when engaging with CSR programs for ethical responsibilities and philanthropic responsibilities. In consequence, the scope for that which Carroll termed ethical responsibilities and philanthropic responsibilities increases, on grounds of instrumental, economic rationality.

On this ground, I subsequently set out an integrative economic ethics approach to CSR; contribute to the clearing of paradigm soup that surrounds the CSR concept; assess capability and viability concerns for CSR programs; comment on links between CSR and corporate financial performance; and qualify hypocrisy accusations against CSR economics.

_Economic Ethics: Economic Responsibility and the Re-conceptualized Carroll Pyramid_

Carroll analyzed economic responsibilities as the bottom domain of his framework. Here, a concept of economic ethics focuses on the systemic ethical nature of economic responsibility. At a foundational level, the market economy can be thought of as being ethically legitimized because this system, drawing on potentially merely self-interested behavior of firms and of those with whom firms interact and trade, yields larger societal benefits. Such benefits to society result unintentionally from the
point of view of the firm; such as economic growth in society and the efficient coordination of economic activity in society; and with these achievements come the creation of employment; taxation payments to governments; rising living standards over time; the wider benefits of the innovation of products and services to society. An unintentional mutual gains program is in this respect normatively constitutive for the market economy. Smith referred to such outcomes as the ‘wealth of nations’ and prior to Smith, Mandeville spoke of ‘private vice, public good’. Goodpaster and Matthews (1982) captured this insight when suggesting that the market economy encouraged ‘deliberate amorality’ of firms in a market economy system in order to reap the benefits of ‘systemic morality’ of the invisible hand in such societies.

Analyzing these outcomes leads me to question suggestions such as Scherer and Palazzo’s (2007, pp. 1096-1098) that an instrumental economic theory of the firm that aims to connect to CSR has no normative conception of ethics: The concept of systemic ethics explicitly aligns both societal goals and self-interested, profit-maximizing behavior of the firm. It therefore specifies the ethical, societal quality of profit-generating management of the firm. This also is not clearly set out by Carroll (1991, pp. 40-41), Schwartz and Carroll (2003) or Buchholtz and Carroll (2008, p. 40) when discussing economic responsibilities of the firm; and this systemic dimension of ethics is merely hinted at by much CSR research, even when connecting to economic paradigms.

A further specification of the idea of an ethical quality of self-interested, economic behavior comes into play when looking at interactions between a firm and stakeholders. It is not only the firm that needs to gain in order to develop and maintain an exchange interaction but the same applies for the stakeholder, such as a consumer, employee, investor, etc. If there is no gain on their side, an interaction with a firm
could not materialize from an economic point of view. At the two-party interaction level, an intentional mutual gains-from-trade program is constitutive in this regard, even in Smith's works. In this respect, the idea of profit-making by the firm cannot be isolated from mutually advantageous interactions with stakeholders and any sort of gain they are looking to achieve. A social contract economics can be normatively specified in this way that reflects the ethical ideal of negotiated mutual gains at the interaction level (in addition to unintentional societal mutual gains effects at the systemic level; as discussed above).

Although Carroll and Shabana (2010, p. 100) review ‘win-win’ outcomes and link it to the business case for CSR, or Schwartz and Carroll (2008, p. 170) speak of the firm ‘balancing benefits’ for society, they do not explicate the ethical nature of ‘balancing win-win’ outcomes from an economic ethics perspective. Social contract economics here has both an instrumental concept of ethics and a normative expectation of ethics (Buchanan 1975, 1976, 1987a, 1987b; Homann 1997, 1999, 2014; Lütge 2005; Lütge et al. 2015). Both these aspects I assess much more positively and constructively than Scherer and Palazzo (2007) regarding their critique of an economic approach to CSR.

_Economic Ethics: Legal Responsibility and the Re-conceptualized Carroll Pyramid_

Conceptually I economize legal responsibilities of the firm, as located a level higher up in the Carroll framework, from a constitutional and institutional economic point of view. The conventional place of morality in a market economy is in this understanding the constitutional and institutional-legal framework that sets up and
frames a market economy. Through an institutional ethics and order ethics, moral norms are legally enacted on market participants (Homann 1997, 1999, 2014; Lütge 2005; Lütge et al. 2015; Pies 1993; Vanberg 2001).

North’s historic institutional economic research is exemplary in that it shows that outcomes like economic growth (the ‘wealth of nations’; ‘public good’) in a market economy rely on the establishment of constitutional and institutional-legal structures that frame a market economy system (North 1990; North and Thomas 1973; North and Weingast 1989; also Buchanan 1975, 1976, 1987a, 1987b; Buchanan and Tullock 1961; Williamson 1985, 1996, 2000; in degrees, also Friedman 1962). In this regard the works of Smith are seen to be rich in these institutional insights already (Khalil 2002; Reisman 1989; Viner 1927; Wagner-Tsukamoto 2013): namely that, in a market economy, unintended systemic ethics and a mutual gains program at the interaction level, as discussed above with regard to economic responsibilities of the firm, needs to be enabled through a framework of rules that sets guidelines for those who interact in markets. This understanding of ethical standards being codified in rules and laws brings an explicit normative ethical dimension to Carroll’s idea of legal responsibilities. Laws reflect societal agreement on what is ethically demanded from firms. Clearly this is ‘no small agenda’ for CSR research and practice (Novak 1996, p. 141). Indeed, this is at the heart of an institutional and constitutional economic approach to social ordering and ethics.

In an economic reading, a firm takes on legal responsibilities because they are enacted (incentivized) on all firms in a competition-neutral manner: All firms face the same costs imposed by laws on respective national markets, and from an economic point of view costs for breaking a law need to be set higher (e.g. through a firm expecting certain fines or other costs) than the gains that could be made from law-
breaking. Here, ideas like ‘coercion’ and ‘imposing’ are not entirely appropriate when examining legal responsibilities in economic terms (as drawn upon by Husted and Salazar 2006; Matten and Moon 2008). A framework of self-interested reasoning is not given up: Legal institutions and constitutions need to be self-enforcing on grounds of self-interested behavior already, or as North and Weingast (1989, p. 806) put this: ‘The constitution must be self-enforcing in the sense that the major parties must have an incentive to abide by the bargain after it is made.’ This economic-legal institutional program for the societal contract can be transferred to the CSR and stakeholder approach of the firm. This is important when discussing competitive markets: With a view to social contract economics examining institutional structures, profitability in any discriminatory and competition affecting manner is not at stake unless institutional regulation tampers with key ideas and key mechanisms of the market economy; such as market interactions that self-organize in the face of self-interested choice, or taxation laws that set excessively high standards. This applies for a national market, assuming laws are being properly sanctioned, but not necessarily in international perspective, which raises problems for globalizing capitalism (see Vanberg 2001 in economic terms; also Reinecke and Ansari 2015 for a non-economic but politicized approach).

*Economic Ethics: Ethical Responsibility and the Re-conceptualized Carroll Pyramid*

Both of Carroll’s top domains of corporate social responsibilities – ethical responsibilities and philanthropic responsibilities – can be economically reconstructed through ideas of instrumental economic rationality and strategic stakeholder
management of the firm. The economizing of these domains remains grounded in
ethics: in economics as ethics in a wider sense (as already set out), and in a narrower
sense with regard to an ethical capital model that drives the moral marketplace. Many
writers on CSR, including Carroll (1979, 1991, 1999), have not set out such an
inclusive economic conceptualization of the top domains of the pyramid. Carroll
(1991, p. 43) or Buchholtz and Carroll (2008, pp. 22, 43-44, 46) for instance, focus
more on sociological than economic traditions, concentrating on legitimacy and
power concepts to interpret CSR in this respect; or to invoke in a duty ethics tradition
‘obligations’ (Carroll and Shabana 2010). This is particularly so regarding ethical and
philanthropic responsibilities that aim at stakeholder management. Melé (2008, p. 66,
76) discussed in this manner, in a more idealistic vein, issues of human dignity and
rights as such, or Reinecke and Ansari (2015) suggest humanitarian roles a firm
should play, linking this to sociology rather than to economics.

Ethical responsibilities according to the Carroll model reflect expectations of
society with regard to good corporate behavior. Such expectations have not as yet
been codified as laws. I re-conceptualize such ethical responsibilities in economic
terms through ideas of ethical capital. In this understanding, a firm profitably
commercializes ethics – at a price premium (see also Bagnoli and Watts 2003, p. 420;
McWilliams and Siegel 2001, p. 124). A product or service is traded with
stakeholders which exceeds the minimum moral standards laid down by laws
(regarding legal responsibilities). In an economic reading, ethical responsibilities of
the firm therefore connect to stakeholder management that produces for and trades
with ethically aware stakeholders: Products and services that for example may be
environmentally-friendly; fair trade; organic; free-range; animal-friendly; etc. (for
discussions of such products and services, see Baron 2001; McWilliams and Siegel
2001; Smith 2008; Wagner 1997; Wagner-Tsukamoto 2005, 2007, 2013; more abstractly touched upon by Marom 2006). These products and services live up to ethical standards that go beyond legal requirements (the 'moral minimum'). Their trade is feasible because a firm can satisfy it profitably: Ethical capital enables a firm to recoup additional costs for producing such products and services from stakeholders; with such stakeholders having to be both resourceful and ethically committed.

To extrapolate Lütge (2005, p. 109) or Smith’s (1776/1976, p. 37) comments on commercial merchants in a market economy (as they seemingly made them regarding economic and legal responsibilities): In competitive processes, ethics is then indeed no longer distributed through the benevolence or goodness of the firm – but in my case through a process of market exchange; ethics is commercialized and this yields mutual gains for firm and stakeholders. However, regarding ethical capital creation this process differs from institutional ethics and order ethics (as discussed above for legal responsibilities): Because the market process itself is now moralized. Differently expressed, ethics is commercialized on markets (by means of a mutual-gains-from-trade program); or more provocatively put, ethics is then indeed for sale.

At a behavioral level of stakeholder analysis, research on ethical capital can be opened up with concepts of behavioral economics, as for instance when scrutinizing the ethical behavior and commitment of stakeholders and how a firm most profitably can satisfy such stakeholder demand and build ethical capital as production capital (regarding CSR transaction capital, connecting to agency theory and transaction cost economics, see for example, Jones 1995). This idea has also been referred to as the creation of ‘public goods’ through the firm (Blomgren 2011), although this comparison does not do complete justice to the private interest-induced creation and
private trading of these ‘public goods’ through the firm, and the mutual gains program that is pursued here.

Through ethical capital creation, ethical responsibilities of the firm are economized, being linked to instrumental, strategic stakeholder management and the business case argument. This has a multiple ethical effect, not only with regard to moral standards being realized that exceed laws, but also with regard to profitability being maintained. Ethical responsibility of the firm then furthers the interests of the firm, which McWilliams and Siegel (2001, p. 117) in their otherwise economic analysis of CSR seem to question when defining CSR as ‘being beyond the interest of the firm’ (restated by Orlitzky et al. 2011, p. 8). Seemingly contrariwise to this McWilliams and Siegel (2001) discuss a number of examples where companies apparently engaged in ethical green marketing which proved to be very profitable. This I reconstruct as ethical capital creation through the firm.

The CSR approach that emerges is grounded in normative ethics: A model of ethical capital creation specifies the substance of exchange in the tradition of a social contract economics. This yields, at the interaction level, mutual gains in multiple respects regarding the satisfying of stakeholder interests in general, and ethical stakeholder interests in particular. On the side of the firm, ethics concepts remain within a utilitarian means-oriented approach to the social contract (as critiqued by Schwartz and Carroll 2003, p. 512; Windsor 2006, pp. 94-95). Here, a utilitarian orientation alone is not sufficient; it needs to be embedded in social contract economics, and its constitutive normative ethical ideal of mutual gains for ordering exchange interactions through agreement processes (generally on this issue, Homann 2014; Lütge et al. 2015). Both the firm and stakeholders need to benefit from CSR policies aimed at ethical responsibilities of the firm.
Economic Ethics: Philanthropic Responsibility and the Re-conceptualized Carroll Pyramid

As top domain, Carroll’s framework has philanthropic responsibilities. They essentially set out a corporate citizenship program. In economic terms, responsibilities such as these do not carry a legal quality; neither do they reflect ethical stakeholder management strategies as discussed above for free-range, organic, fair trade products and services, etc. Yet for these, a firm can approach such responsibilities with profit in mind, differentiating and economizing a product or service through offering ethical capital to stakeholders. Again, this is grounded in instrumental strategic stakeholder management. I would in this regard clearly not approach social issues management or citizenship research on CSR as ‘altruistic’ (e.g. Windsor 2006, p. 98). I question that ‘…the economic perspective treats … discretionary CSR as voluntary wealth transfer away from investors.’ (Windsor 2006, p. 99) Rather, I argue for philanthropic responsibility of firms on economic grounds: For example, corporate donations to the local community for building a hospital, or for sponsoring a museum exhibition, are linked to economic reasoning through communicating the corporate donor’s name to stakeholder groups, to the media and to the party which received the donation. Cause-related marketing that communicates philanthropy to stakeholders is a prime example (early Fry et al. 1982). In this way, some economic pay-back can be conceptualized for the firm, and a mutual gains program becomes both conceptually and practically feasible again. An economic rationale for ethics is not given up.
Interpretations of CSR, such as Friedman’s (1970/1993), need to be qualified in this respect too: As much as he hinted at the economizing of philanthropic responsibilities – he singled out ‘donations to small, local communities’ – he did not take the step further to connect this to economics as ethics. Instead, he projected such corporate philanthropy to traditional ethics and traditional moral precepts approaches, e.g. virtue ethics or religious ethics (conventionally understood). Only on this ground could he argue for the ‘hypocrisies’, ‘fraud’, ‘window-dressing’ and ‘nonsense’ of philanthropic CSR that was seemingly driven by instrumental, economic rationality (as I quoted him above). I comment on this in more detail below when I assess hypocrisy accusations made against economic ethics. I agree with Schwartz and Saiia (2012, p. 5) in this respect that Friedman’s view on CSR was too narrow; but I disagree with them on the issue that a broadening of CSR theory and practice could not be achieved from within economic ethics debate. In my understanding, economic ethics debate does not have to remain stuck with the bottom two levels of the Carroll framework, as Friedman and others have implied.

Summary and primer for CSR research: The Economizing CSR Table

These suggestions on how to realign Carroll’s concept of corporate social responsibilities both with classical economics and modern, economically oriented stakeholder ethics open up many avenues for future CSR research. Such research can theoretically and practically bridge a gap to economics, through utilitarian social contract economics that foundationally grounds CSR research and practice in economic ethics debate.
For example, using the four domains of Carroll’s CSR framework, we can investigate CSR studies ascertaining whether the Carroll domains were economized, in which way and to what degree. Looking at Carroll’s (1979, 1991) study, only economic responsibilities were economized. This largely applies to Friedman (1970) too. In contrast, in Schwartz and Carroll’s (2003) study all four domains were in certain respects economized, but then, in other respects all four domains were not economized. The model I developed economizes all four domains. The vast body of CSR literature can be expected to fall somewhere in between these extremes; economizing some domains only, but leaving others out from economic readings, or economizing them only partially. Table 1 selectively focuses on a few CSR studies to exemplify the kind of investigations that can be developed with economic ethics reconstruction; the table attributing ‘yes’ or ‘no’ for economizing a certain domain; and whether economizing was entirely or only partly achieved for a certain domain (‘yes/no’ reflects ambiguous or incomplete economizing of a certain CSR domain). The table functions as a primer to examine reasons and arguments of a CSR study regarding the nature and extent of economizing or not economizing CSR. This project emerges out of the current paper, although it is beyond the purpose and scope of the present paper to develop it more fully at this point.

Table 1. A CSR Quiz: Were the Carroll domains economized?

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<th>Legal Domain</th>
<th>Ethical Domain</th>
<th>Philanthropic Domain</th>
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<td>no/(yes)</td>
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<td>yes</td>
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<td>Scherer &amp; Palazzo (2007)</td>
<td>no</td>
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<td>Galbreath (2010)</td>
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<td>Schwartz &amp; Sali (2012)</td>
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<td>Wagner-Tsukamoto (current paper)</td>
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**Capability for and viability of CSR economics: Implications for empirical research on the link between CSR and CFP**

A fundamental concession of any normative ethics is that a moral imperative (‘ought’) to be responsible for intervention implies practical capabilities (‘can’) on the side of the agent (natural; or institutional) (Wagner-Tsukamoto 2005). Without capability the agent’s intervention may not be viable; in the worst case, the agent may be killed when trying to help – because of lacking essential capabilities –, e.g. a non-swimmer jumping into a deep lake in order to save a drowning person.

Regarding CSR, my argument is that a firm’s capability for engaging in CSR needs to be examined before normative expectations are raised that the firm should engage in CSR. Case studies of failing religious owner-managers to enact religiously conceived CSR, both historic and more contemporary studies, drawn from entirely different cultural contexts, illustrate this problem (e.g. Cheung and King 2004; Child 1964; Wagner-Tsukamoto 2008). The previous discussion of economizing the entire Carroll framework builds on this insight that capability concerns for CSR need to be
assessed for assuring economic viability: Such concerns cannot ignore corporate financial performance (CFP) – profitability, economic survival, competition, the bottom line, however economic viability issues may be termed. Here, Goodpaster (1991) explicitly conceded to the essential ‘economic mission’ of the firm, or critical management theory evokes the ‘capitalist economic imperative … of the firm to make surpluses’ (Fleming et al. 2013, p. 340). Most research on the link between CSR program (extending to corporate social performance; CSP) and CFP builds on this insight too (as reviewed below).

Nevertheless, previous CSR research has experienced mixed success when trying to establish a relationship between CSR (CSP) and CFP (e.g. Baden and Harwood 2013, p. 616; Bartlett and Preston 2000; Burke and Logsdon 1996, pp. 495; Clarkson 1995, pp. 95-8; Dentchev 2004, pp. 398, 400; Griffin and Mahon 1997; Husted 2000, pp. 33-4; Igalens and Gond 2005, pp. 131, 136-7; Jia and Zhang 2014, p. 1118; Johnson and Greening 2001; Kurucz et al. 2008, p. 85; Laan et al. 2008; Makni et al. 2009; Marom 2006; Moore and Robson 2002; Orlitzky et al. 2003; Waddock and Graves 1997). I intervene in the CSR–CFP debate, first, by asking as to how to economize ethics for creating capability for CSR; and then connecting this inquiry to a discussion of the economic viability of CSR programs in a market economy context. If the effects of the market process, i.e. competition, on the viability of a CSR program are ignored, a CSR program can only accidentally or sporadically be economically viable or it fails altogether.

When CSR is empirically assessed for effects on economic viability (CFP), the bottom domains of economic and legal responsibilities of the Carroll framework are usually left on the sidelines. However, profit-generating management as such and the law abiding behavior of the firm already reflect on CSR as economics as ethics (as set
out above). Therefore, a conceptual link between CSR and CFP really requires examining in this respect too. However, this is not the point I want to prioritize at this stage.

Following economic ethics reconstruction (see Figure 2), I focus my argument on ethical responsibilities and philanthropic responsibilities, suggesting that they are not necessarily drainers of profitability, as implied by Buchholtz and Carroll (2008, p. 46), Carroll (1991, p. 45) or Friedman (1970/1993), but are looked upon as sources of profit-generating management, representing ethical capital generation and contributors to CFP. In this vein of economic theory development on CSR, Porter’s (2003, p. 42) concern can be addressed regarding a need for ‘… tools and sound, persuasive argumentation for why corporate philanthropy matters to corporate competitiveness’, as he seemingly raised this issue with regard to the top domain of the Carroll framework. I interpret ‘tools’ with a view to creating capability mechanisms, which subsequently contribute to economic viability of CSR or ‘corporate competitiveness’, as Porter termed this (see also Dentchev 2004, 2009; Kurucz et al. 2008; Marom 2006; McWilliams and Siegel 2000; Orlitzky et al. 2011; Wagner-Tsukamoto 2005, 2007).

This connects to my thesis that in the first place theoretical clarifications on economic capability for and economic viability of CSR programs are necessary before empirical links between CSR and CFP can be ‘tested for’. The critical conceptual questions that would drive research on the link CSR–CFP are then: Have ethical responsibilities and philanthropic responsibilities been developed by the firm into ethical capital (capability) and has the firm successfully traded such capital in the marketplace, entering a viable mutual trade-from-gains program with stakeholders. Differently put, gains out of CSR program need to more than offset costs for creating
CSR capability, as this was micro-economically commented on by Husted and Salazar (2006). The implication is that only if both capability and viability are assured would a positive link between CSR and CFP be empirically expected. However, if not sufficiently economized, one would expect a negative link between CSR and CFP because CSR programs yield more costs than gains to the firm.

A simple example to illustrate: If a firm donated anonymously in a truly authentic altruistic manner to a charitable cause, then the market could hardly economize this action and create pay-backs for this firm (in contrast to ‘egoistic altruism’ as analyzed by Husted and Salazar 2006). The firm would face costs for CSR only. Hence, a negative link between CSR and CFP results (despite the fact that CSR capability may have been built up to a considerable degree). However, if a firm marketed such donations through internal and external marketing communication, for instance, targeting its key stakeholders, viability can be created and a positive link between CSR and CFP can result. The same rationale applies for ethical responsibilities of the Carroll model and how I reconceptualized this as ethical capital.

As another example, Makni et al.’s (2009) findings of lower profitability from socially responsible firms (for certain CSR activities) can be investigated in this economic reading as the unsuccessful translation of CSR capability into CFP; ethical capital was just not sufficiently traded in the marketplace. Nevertheless, one cannot generally dismiss CSR as a corporate activity simply on grounds of empirical findings such as these. Rather, one has to probe as to how CSR can be approached from within a normative economic ethics perspective that aims to generate CSR capability and viability.

On grounds of such clarifications, all three types of links between CSR and CFP that previous research identified – negative, neutral, and positive – could be
anticipated, explained and predicted. Relationships would depend on whether and to what degree ethical capital was created and then traded in market processes with stakeholders; or whether costly initiatives of the firm to create CSR capability had been insufficiently economized in the marketplace, not yielding economic viability.

In this vein, we can address calls to research CSR capabilities and how they might link to CSR viability; i.e. Husted and Salazar’s (2006, p. 88) call for a search for strategic links between CSR and CFP; Galbreath’s (2010, p. 519) advocacy of linking ‘CSR policy and CSR practice’; Porter and Kramer’s (2011, p. 4) call for ‘value creation’ for the firm that needs to result from CSR; Orlitzky et al.’s (2011, p. 7) call for research on the ‘implementation of responsibilities through strategies’.

Such calls affirm Aguinis and Glavas’s (2012, p. 953) complaint about a dearth of research on ‘mechanisms that link CSR with outcomes’ (similarly Hillenbrand et al. 2013, pp. 127-128; Jia and Zhang 2014, p. 1119; Tang et al. 2012, p. 1276). The current paper recasted such calls, with a view to the question of CSR capability, as to how ethical capital can be created; and regarding how CSR capability transforms or does not transform into economic viability.

The important underlying issue is a practical-normative, generative one: rather than examining a link between CSR and CFP as such, empirical research needs to investigate the creation of ethical capital and the extent of the transformation of CSR capability into trade with stakeholders; how CSR capability has been made to contribute to the economic viability of CSR. The empirical measurement problems involved may be complex, but they have to be tackled to advance empirical research into the link between CSR and CFP. Progress seems to have been slow but selective advances have been made, showing that the successful trading of CSR capability with stakeholders can indeed be a complex process with multiple variables intervening and
mediating (e.g. Hillenbrand *et al.* 2013; Jia and Zhang 2014; Pivato *et al.* 2008; Tang *et al.* 2012; also Carroll and Shabana 2010, p. 94).

**Hypocrisy accusations against instrumental CSR economics**

Instrumentality is a significant feature of an economic ethics approach to CSR, which in one way or another connects to the business case argument for CSR. I first discuss why instrumentality features prominently in an economics ethics approach to CSR before moving on to hypocrisy accusations against instrumental CSR economics.

*Why instrumentality?*

The economics ethics approach to CSR set out above is both instrumental and non-personalist, shifting the Carroll framework towards means orientation of satisfying stakeholder interests. Indeed, should competing stakeholder claims arise (towards CSR, and in general), they are negotiated and prioritized in terms of their potential to economically affect the firm; i.e. in terms of economic viability. This does not imply having to exit from an inclusive, economic social contract approach to managing stakeholder interests and resolving stakeholder conflicts, but some stakeholders could gain more than others, when a mutual gains from trade programme unfolds. As Buchanan’s (1975) social contract economics stressed, a mutual gains paradigm (i.e. in my case, for instrumental stakeholder management and how such a program approaches instrumental, non-personalist CSR economics) does not imply equal gains
for all parties involved in a social economic contract. This research strategy sets out a coherent approach to CSR and stakeholder management.

Alternatively, CSR economics that aimed to argue that CSR could be altruistically, non-instrumentally motivated and at the same time be strategically, instrumentally assessed regarding the firm’s interests (the business case argument), could be expected to run into formidable conceptualization problems, as pointed out by McWilliams et al. (2006, p. 12). Here, Husted and Salazar (2006) – in my view unnecessarily – get drawn into this problem when trying to connect CSR economics with motivational concepts of altruism or coercion; mainly, so my argument says, because their ethics theory foundations remain unclear for CSR economics.

In this respect, my approach is decisively more economic and instrumental than the one envisaged by Kurucz et al. (2008, pp. 1003-106), who ultimately move on to holistic and societal value arguments in order to set out a business case for CSR; or an approach that holds on to duty based ethics concepts of obligation for discussing the business case (e.g. Carroll and Shabana 2010). Or Galbreath (2010) who initially favored an instrumental understanding of CSR advocated humanistic corporate culture for making CSR more profitable. However, he then shaped this understanding towards personalist humanist management by focussing on the human being as such. This approach may face contradictions when arguing that personalist ethical motivations and instrumental economic justifications of CSR could be pursued at the same time. In my understanding it is only for a non-personalist instrumental economic approach to humanism that such conceptual problems recede – because instrumentality becomes feasible and operational, in our case for CSR.

This discussion of instrumental CSR economics connects to stakeholder management approaches. Early stakeholder theory, e.g. Freeman (1984), was here a
comparatively strategic instrumental (also Carroll 1991, Clarkson 1995; or Burke and Logsdon 1996; Dentchev 2004; Husted 2000; Husted and Allen 2004; Husted and Salazar 2006; Marom 2006; McWilliams and Siegel 2000). My economic ethics interpretation of Carroll’s framework connects to such strategic, instrumental stakeholder management; but this is hardly feasible for Kantian or virtue theory-based stakeholder concepts because of their non-instrumental, personalist nature (including Freeman’s later stakeholder studies, e.g. Evan and Freeman 1995; also Freeman and Moutchnik 2013; or Desjardins 1993; Desjardins and McCall 1990; Goodpaster 1991; Windsor 2013). My economic ethics approach similarly differs from stakeholder theory that connects to communitarian ethics (Fleming et al. 2013, p. 340); communicative ethics (Scherer and Palazzo 2007); or idealistic stakeholder concepts, including religious ones (for example, Aßländer 2011; Brei and Böhm 2011). Again, these latter theories aim to satisfy stakeholder claims towards CSR in their own right, as moral ends in themselves, being personalist and non-instrumental. A critical question for these approaches asks how to handle capability and viability assessments for CSR program with respect to economic issues.

Hypocrisy accusations against CSR economics

Has instrumental CSR economics then lost the battle to set out ‘an [ethical] imperative for the justification of business practice’, as suggested by Baden and Harwood (2013, p. 616) or that in an instrumental economic reading of CSR ‘ethics takes a backseat’ and that CSR economics were only ‘capitalist ideology’ (Fleming et al. 2013, p. 338, also pp. 339–340, 342; similarly Jensen 2002; Margolis and Walsh
Such findings can pose a serious challenge regarding the ethical nature and ethical foundations of economic approaches to CSR, and regarding the legitimatization of management and of the market economy once these draw on instrumental CSR, strategic stakeholder management and the business case argument. Porter and Kramer (2011, p. 4) appear to share such legitimacy concerns regarding ‘capitalist business’, although their approach to CSR remains constructive. Here, I argued that an instrumental economic ethics approach to CSR can be substantiated from within an economic perspective, drawing on ideas like mutual gains, institutional-legal ethics, and ethical capital creation. Only if this economics ethics project fails can accusations become valid, that the instrumental strategic business case approach to CSR, which in one way or another connects to the economic theory of the firm, reflects ethically void ‘trash talk’ (Bansal and Clelland 2004).

Perhaps surprisingly, Friedman sympathized with ethical hypocrisy allegations against instrumental CSR economics. As much as Friedman’s (1970/1993) argument that the ‘only social responsibility of firms is to maximize profit while staying within legal rules’ can successfully be projected in economic terms to the bottom domains of Carroll’s framework (economic and legal responsibilities), Friedman rejected CSR economics for the top domains; these domains being considered by many as the ‘core essence’ of CSR (McWilliams et al. 2006; Carroll and Shabana 2010; also Schwartz and Saiia 2012). Here Friedman brandished the ‘self-interested exercise of [corporate] social responsibilities’ by firms, such as donations, as ‘hypocritical window dressing’, ‘fraud’ and as ‘nonsense’ (Friedman 1970 /1993, p. 253). This condemnation is fascinating since many associate Friedman with ‘royal’, ‘imperialistic’ Chicago-type economics that generally aims to reconstruct social practice through economics.
In Friedman’s case, my argument is that his hypocrisy accusations reflect self-misunderstanding and self-denial from within CSR economics. It demonstrates that Friedman’s concept of ethics was based at this point (contra to Schwartz and Saiia’s 2012, p. 22 assessment) on traditional, personalist ethics, such as virtue ethics or religious ethics. He clearly did not, as Homann (1997, 1999, 2014), Lütge (2005, p. 101), or Lütge et al. (2015) might recommend this, use economic theory as a resource to reconceptualise ethics. He did not question but indeed upheld a contradiction between traditional ethics and economics. In this regard, he was not economist enough to set out an economic ethics approach to CSR, especially concerning ethical and philanthropic responsibilities of the firm. Indeed, he dismissed such CSR reasoning as unethical, even if it had yielded CSR capability and viable CSR programs. This qualifies Husted and Salazar’s (2006, p. 76) suggestions on Friedman, as much as I can otherwise follow their arguments: For the fuller aligning of Friedman with economic CSR concept (i.e. the entirely economically reconstructed Carroll framework), Friedman’s concept of economics is not the only issue that needs to be contested (as done by Husted and Salazar 2006 in their terms; and implied by economic paradigms on CSR in general) but also, and above all, Friedman’s concept of personalist, non-instrumental ethics needs to be scrutinized; and Husted and Salazar’s ethics concept for CSR remains unclear in this regard (e.g. Husted and Salazar 2006, pp. 87-88). Here, I argue for the economic recasting of ethics theory on CSR that continues Smith’s program.

My main challenge to hypocrisy accusations is whether we necessarily have to agree that economizing the Carroll framework, including its top domains, could not reflect ethics anymore – because of its instrumental economizing approach, so critics argue. The critical issue is underlying assumptions as to what constitutes proper ethics.
in a business and market economy context; and how to make metaethical judgments about different ethics theories. As noted, management research which spans a surprisingly wide spectrum from the conservative right to the critical left, from Friedman to Fleming, is embroiled in this debate.

If hypocrisy allegations against instrumental CSR economics were accepted, then CSR economics – especially concept that goes beyond economic and legal responsibilities – could not substantially contribute to ethically legitimizing the market economy and management activity within that system. However, my argument is that merely applied from outside of economics, legitimizing principles have to remain unknown for ethically grounding instrumental CSR economics and instrumental stakeholder management; as Windsor (2006, p. 94) or Scherer and Palazzo (2007, p. 1100) correctly assessed this, and others implied. Taken from within an economic social contract paradigm this would not be the case. The normative imperative of the Smithsonian mutual gains program, extending to systemic, institutional-legal ethics and ethical capital creation, is ethically foundational for all CSR reasoning in social contract economics (as Figure 2 captured this). This leads me to question arguments that Carroll’s framework already provided a ‘theoretical synthesis of economics and ethics’ (Windsor’s 2006, p. 98). It clearly did not synthesize economics as ethics from within an economic, strategic instrumental approach to CSR (for all of Carroll’s CSR domains). Windsor (2006) acknowledged this and she and others have a more traditional, personalist ethics concept in mind; such as virtue ethics in her case (also Windsor 2013). This leaves considerable aspects of CSR concept and stakeholder management outside instrumental capability and viability assessments in a market economy context; practical capability assessments – the ‘practical can’ for corporate social responsibility – are not fully addressed and
indeed cannot be fully addressed since instrumental CSR economics is sidelined (e.g. explicitly Windsor 2006, p. 95). This critique applies to non-instrumental CSR and stakeholder approaches in general.

The widely diagnosed ‘business ethics oxymoron’ or ‘stakeholder paradox’ (Bartlett and Preston 2000; Collins 1994; Duska 2000; Goodpaster 1991; Nash 2000) moves into view. The analysis of this supposed oxymoron or paradox contributes to clarifying economic ethics debate on CSR. I previously touched on this when Carroll’s CSR framework was commented on regarding its seemingly slack-based, tailing-off approach for the top two domains (similarly implying this paradox, Baden and Harwood 2013; Freeman 1984; Freeman and Moutchnik 2013; Fleming 2013; Galbreath 2010; Harwood et al. 2011; Kurucz et al. 2008; Reinhardt and Stavins 2010; Roberts 2003; Vogel 1991; Wilson 1989; Windsor 2006).

My contention is that only on grounds of traditional, personalist ethics approaches that focus on human nature in its own right (e.g. connecting to religious ethics, virtue ethics, Kantianism etc.) can a means-oriented, strategic instrumental economic approach to CSR be viewed as ‘business without ethics’ (Goodpaster 1991). Interestingly, however, Goodpaster admitted that a CSR approach, which sidelined instrumental questions – the ‘economic mission of the firm’ and economic rationality, as he noted – yielded the undesirable outcome of ‘ethics without business’; this bringing the lack of viability of non-instrumental CSR programs and the supposed ‘stakeholder paradox’ to the point (Goodpaster 1991, p. 63). Duska (2000, p. 124) diagnosed ‘moral schizophrenia’ on the side of management. This is so, I would argue, because their ethics concept is incompatible with instrumental CSR economics – the economic business case argument for CSR and how this engages with capability and viability assessments for CSR programs. Goodpaster (1991), for instance, in the
end argued for a Kantian resolution of the paradox (as did Carroll and Shabana’s 2010 when invoking concepts of obligation), rejecting economic means orientation – despite the somewhat contrary fact that Goodpaster otherwise rather consistently stressed the ‘economic mission’ of the firm. If one acknowledges an economic mission of the firm, this in my view leads back to instrumental CSR economics and it invites the integrative economic ethics synthesis of CSR concept that the current paper developed.

An economic ethics reconstruction of Carroll’s framework highlights in this regard that a CSR oxymoron, stakeholder paradox and hypocrisy accusations against CSR economics dissolve because traditional, non-instrumental and personalist ethics concept is reconstructed in terms of normative instrumental, non-personalist economic ethics. This is an essential conceptual contribution of an economic ethics reconstruction of the Carroll framework, which connects to a utilitarian social contract economics. This conceptually clears CSR ‘paradigm soup’ from within economics, as it suggests a route for reconciling ‘business with ethics’. As noted, the wide spectrum of researchers on CSR, (business) ethics, stakeholder management and economics that are potentially caught up in this debate is intriguing.

A further question is (which this paper merely can raise at this point), whether economic ethics reconstruction is just one way of clearing CSR ‘paradigm soup’ or the only way to do so, especially so when still conceding any economic mission of the firm in a market economy context.

Conclusions
Carroll took the lead in the late 1970s, setting the agenda for CSR research. The current paper drew on his pyramid framework and followed up through economic ethics reconstruction: the mutual gains from trade paradigm that had already driven Smith’s studies, cushioned in a systemic, institutional-legal ethics and an ethical capital model. This reconstruction sided with institutional and constitutional economics; the theory of the firm; a model of economic managerial rationality; and instrumental stakeholder theory. The emerging instrumental economic ethics approach to CSR is compatible with the market economy and it takes a market economy context for granted, although certain modifications on Smithsonian economics as ethics become necessary.

I outlined how economic ethics can be reconstructed for all CSR domains of Carroll’s framework. As a result of this opening up all domains of Carroll’s CSR framework to an instrumental economic ethics approach, instrumental CSR economics can seriously address capability and viability concerns of CSR programs in a market economy context. The inverting of Carroll’s pyramid figuratively reflects this (Figure 2). Through a concept of ethical capital creation, ethical and philanthropic responsibilities are connected to profit-generating management rather than viewed as sinkholes of profitability that merely consume organizational slack resources (should they be available). Also, by necessity ethical capital generation goes through the market process; CSR is commercialized and the market process as such is then no longer morality-free, as this latter idea was a conceptual milestone in Smith’s outlook, as still upheld by Friedman (1970/1993) or Arrow (1973) or discussed by Lütge (2005, p. 111).

The multi-level economic ethics approach to CSR that emerged reflects both a wider and a more precise economic vision of a business case argument for CSR as
compared, for example, to Kurucz et al. (2008) or Carroll and Shabana (2010).

Regarding ethics concept, my theory building strategy is wider since it re-thinks all CSR domains in economic terms; and it is paradigmatically precise since CSR remains ethically rooted in economics. This may be viewed by some, who come from a surprisingly diverse spectrum of (business) ethics and economics research, as being grounded in economic imperialism on the one hand, and as hypocritical, paradoxical and exiting from traditional, personalist ethics on the other. This ethical legitimation debate of management is likely to link to pragmatic managerial skills or the economic ‘bottom line’, which Parker (1998, pp. S28, S31, S35) seems to question as a non-feasible conceptual bridging act, at least so for postmodern business ethics; and such concerns echo McWilliams et al. (2006, p. 12; see above). Through economic ethics reconstruction, the paper contributed to debate on the ethical legitimacy crisis of management by staking ethical claims for CSR economics.

Since the beginning of management studies, managers have been facing this issue of how to align ethics with business while maintaining profitability at the same time. Historic case studies of highly religious owner-managers offer special insight since the depth and sincerity of their personal ethical convictions and what we nowadays may reconstruct as self-imposed CSR responsibilities can be regarded with less doubt than for ‘plain’, professional non-owner managers (e.g. Cheung and King 2004; Child 1964; Wagner-Tsukamoto 2008). However, quasi-religious CSR programs, in culturally different contexts and different times, faced considerable obstacles or failed altogether. We can raise the question whether even religious owner-managers then fall into the category of ‘powerless stakeholders’ of the firm, as Scherer and Palazzo (2007, p. 1100) apply this term to critique an instrumental economic approach to CSR? Why were they powerless? Did their firms not create
CSR capability, and even if created, did they fail to transform it into viable CSR programs in the market place, as I analyzed this. What would this tell us about competitive processes in a market economy and how a theory of CSR needs to account for these in line with viability assessments? In this respect, a thesis arising from the present paper would be that capability for, and viability of CSR programs, were not taken seriously enough by these religious owner-managed firms; and with regard to their failures, they had been comparatively unsuccessful in economizing CSR, especially in regards to the top domains of Carroll’s framework and the way the current paper translated this in normative economic ethics terms.

From here manifold implications result for future research: Conceptual implications regarding theory building on CSR that is advocated by a certain paradigm; ethical theoretical considerations as to how to normatively ground CSR concept and how to question hypocrisy accusations against CSR economics; practical capability implications regarding how to generate CSR program and transform it into viable programs which have economic effect on stakeholders; and empirical research implications on the CSR–CFP link.
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