



Corporate Moral Responsibility vs. Corporate Social Responsibility: Friedman was Right

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Abstract

What do firms owe to those around them in terms of consideration, restraint, and active support? This question—which I’ll call the question of “firm responsibility”—first rose to prominence in the modern context in the 1950s. While questions about what one entity owes to others and how it may impose on them are essentially questions about *moral* responsibility, the debate about firm responsibility has been conducted almost exclusively in terms of *social* responsibility until quite recently. I argue below that we need a different approach. The paradigm of corporate social responsibility is failing, if it has not already failed, and scholars and practitioners alike should shift to the paradigm of corporate moral responsibility. I begin with a brief discussion of paradigms and how they function in the social sciences, especially regarding the social institutions of government and business (Sect. “Paradigms”). With that established, I outline the paradigm of corporate *social* responsibility (CSR) and argue that it is failing (Sect. “Corporate Social Responsibility”), then present the paradigm of corporate *moral* responsibility (CMR) and note the ways in which it compares favorably (Sect. “Corporate Moral Responsibility”). Briefly, CMR is a more coherent and ultimately more familiar paradigm, far better developed with stronger justifications and clearer options for analogous development. Beyond these benefits, I argue in (Sect. “Corporate Political Responsibility”) that the paradigm of CSR both encourages and obscures the intrusion of private firms into arenas traditionally reserved to governmental authority—a move to what would be better described as corporate *political* responsibility (CPR, sometimes called political CSR). It is highly controversial to allow such an intrusion, much less to claim that it is obligatory, but our reliance on the paradigm of CSR makes it hard to even realize that it is happening, much less to articulate and discuss the concern. In contrast, adopting the paradigm of CMR brings the long-standing distinction between moral and political theory into play. Doing so highlights the radical nature of this intrusion and gives us the language we need to describe it, debate it, and manage it if we choose to pursue it. Further, properly distinguishing between CMR and CPR reveals the possibility of an under-explored field that lies between the two (for both human and corporate moral agents)—what I have here called communal responsibility, for lack of a better term. I conclude by acknowledging the clear parallels between the claims I have developed here and Friedman’s claims in his (in)famous article.

Keywords Corporate moral agency · Political CSR · Moral theory · Milton Friedman · Paradigms · Corporate social responsibility

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What do firms owe to those around them in terms of consideration, restraint, and active support? This question—which I’ll call the question of “firm responsibility”¹—first rose to prominence in the modern context in the 1950s.² While questions about what one entity owes to others and how it may impose on them are essentially questions about *moral* responsibility, the debate about firm responsibility has been conducted almost exclusively in terms of *social* responsibility until quite recently. Regardless of the reasons for this choice, I argue below that we need a different approach now. The paradigm of corporate social responsibility is failing, if it has not already failed, and scholars and practitioners alike should shift to the paradigm of corporate moral responsibility.

I begin with a brief discussion of paradigms and how they function in the social sciences, especially regarding the social institutions of government and business (Sect. “[Paradigms](#)”). With that established I outline the paradigm of corporate *social* responsibility (CSR) and argue that it is failing (Sect. “[Corporate Social Responsibility](#)”), then present the paradigm of corporate *moral* responsibility (CMR) and note the ways in which it compares favorably (Sect. “[Corporate Moral Responsibility](#)”). Briefly, CMR is a more coherent and ultimately more familiar paradigm, far better developed with stronger justifications and clearer options for analogous development. Beyond these benefits, I argue in Sect. “[Corporate Political Responsibility](#)” that the paradigm of CSR both encourages and obscures the intrusion of private firms into arenas traditionally reserved to governmental authority—a move to what would be better described as corporate *political* responsibility (CPR, sometimes called political CSR). It highly controversial to allow such an intrusion,

much less to claim that it is obligatory, but our reliance on the paradigm of CSR makes it hard to even realize that it is happening, much less to articulate and discuss the concern. In contrast, adopting the paradigm of CMR brings the long-standing distinction between moral and political theory into play. Doing so highlights the radical nature of this intrusion and gives us the language we need to describe it, debate it, and manage it if we choose to pursue it. Further, properly distinguishing between CMR and CPR reveals the possibility of an under-explored field that lies between the two (for both human and corporate moral agents)—what I have here called communal responsibility, for lack of a better term. I conclude by acknowledging the clear parallels between the claims I have developed here and Friedman’s claims in his (in)famous article.

Paradigms

Thomas Kuhn (1962, 1997) initiated the current discourse around paradigms with respect to developments in the natural sciences, and Peter Hall (1993) drew on Kuhn’s work to develop a version better suited to developments in political science—what he called a “policy paradigm.”³ Building on Hall’s somewhat intuitive description of a policy paradigm, Pierre-Marc Daigneault gives the following account:

- (1) Policy paradigms are normative and cognitive ideas, intersubjectively held by policy actors.
- (2) Policy paradigms possess four fundamental dimensions: (i) values, assumptions, and principles about the nature of reality, social justice, and the appropriate role of the State; (ii) a conception of the problem that requires public intervention; (iii) ideas about which policy ends and objectives should be pursued; and (iv) ideas about appropriate policy ‘means’ to achieve those ends (i.e., implementation principles, type of instruments, and their settings).
- (3) Internal coherence is a necessary condition for the existence of a policy paradigm. (Daigneault, 2014, pp. 461–63)

¹ Historically, scholars and practitioners have been more likely to use the phrase “corporate responsibility” than “firm responsibility,” and to refer to the relevant actors as “corporations” despite the fact that legal status was usually irrelevant to their analysis. Here I use the word “firm” to refer to a much broader range of business entities, though I’ve kept the established phrases of “corporate social responsibility” and (hence) “corporate moral responsibility.” (This also maintains the connection to the corporate agency literature, where “corporate” is a metaphysical status, designating a collective entity with a literal material body (Latin *corpus* for body); see (Hess, 2023)) While the question of firm responsibility is closely linked to questions about the purpose of the firm/corporation, the questions are distinct. The purpose of the firm would include production at the very least, and perhaps employment and other social benefits (see e.g., (Bowie, 1991)). The question of firm responsibility is a question of the further obligations and constraints that ensure this basic purpose is fulfilled in at least minimally pro-social ways. Carroll conflated these distinct issues when he combined economic, legal, ethical and philanthropic obligations under the single heading of CSR (Carroll, 1999, p. 289), but I find it helpful to keep them separate.

² The discussion here is generally limited to scholarship and events in America and Europe, though it has implications for any business practice and discourse with historical roots there.

³ It is possible to use a Kuhnian model instead of Hall’s, but it requires extensive adaptation to move from the natural sciences to the social sciences and providing that development took me too far away from the point of the paper. As Daigneault notes, “if one wishes to apply the Kuhnian concept of paradigm to public policy, it must be stressed that physics has few things in common with the ‘messy’ world of policymaking. Indeed, defining what constitutes an ‘unprecedented achievement’ in terms of public policy is a challenge both politically (i.e. achieving consensus on conflicting policy ends) and technically (i.e. producing credible evidence in sufficient quantity to evaluate policies).” (2014, p. 456).

Regarding paradigm shifts, Hall notes that it

is likely to involve the accumulation of anomalies, experimentation with new forms of policy, and policy failures that precipitate a shift in the locus of authority over policy and initiate a wider contest between competing paradigms. This contest may well spill beyond the boundaries of the state itself into the broader political arena. It will end only when the supporters of a new paradigm secure positions of authority over policymaking and are able to rearrange the organization and standard operating procedures of the policy process so as to institutionalize the new paradigm. (Hall, 1993, p. 280-81)

Daigneault adds to this that a full shift requires significant changes in all four dimensions.

Roughly summarized, then, a paradigm is an internally coherent set of normative and cognitive ideas intersubjectively held by the relevant “policy actors,” which addresses the four fundamental dimensions described above. Paradigms themselves don’t solve problems. Instead, paradigms provide a unifying framework within which policy actors attempt to solve problems; relying on a shared paradigm helps to align and integrate the work of multiple actors across disciplines and sectors. A shift is increasingly due as anomalies, experimentation with new forms of policy, and policy failures accumulate; this leads to a shift in the locus of authority as the contest spills beyond professional/specialized discourse within “the state” and into the broader political arena. The failures of policy paradigms will necessarily look a little different than the failures of paradigms in the natural sciences (see n. 3 regarding the move from natural to social science) but it should be sufficient for our purposes here to say that a policy paradigm fails when it no longer supports or aligns the collective efforts of policy actors working within it—when loss of coherence or adherents leads to the generation of policies that cannot be collectively implemented, either because of their own shortcomings, mutual inconsistency, or the refusal of affected populations to take them up.⁴

It is worth noting that work done under a failing or failed paradigm can still be valuable, and paradigm failure does not render previous work obsolete. Thinkers did valuable work under the Ptolemaic system prior to Copernicus, and

⁴ This final criterion about acceptability is distinctive of political answers, as opposed to either moral or scientific ones. As List and Valentini note, “the political theorist is uniquely confronted with the problem of pluralism: any solution must not only be ‘right’ but must also appeal to people with a variety of (reasonable) viewpoints, precisely because those solutions are meant to apply to, and be acceptable in, pluralistic societies” (List and Valentini, 2014, pp. 527–28). List and Valentini are concerned exclusively with the contrast between moral and political pronouncements but interestingly enough

professionals were still relying on work from the Ptolemaic system as a useful approximation in the 1960s (Kuhn, 1996, pp. 67–68). British policy actors did valuable work under the Keynesian paradigm prior to the shift to monetarist theory in the 1980s (Hall, 1993, pp. 283–87), and their insights about political economy still inform policy work today. Some earlier work will be discarded but much of it will simply be incorporated into the new framework. If the shift is successful, organizing old data, insights, and ideas around the new paradigm will give them new life and yield new data, insights, and ideas leading to new policies that are individually and collectively more effective than the old ones—at least, according to the new standards brought to bear.

Daigneault’s account is designed for the social institution of government but I will apply it to the social institution of business with minimal modification. As a social institution,⁵ “business” is a relatively stable set of mutually reinforcing roles, practices, norms, and values that addresses the social need for the impersonal provision of goods and services. These roles are variously occupied by a huge, heterogeneous group of participants (the “policy actors”⁶) who engage in the practices and adhere to the norms of the institution—and thus collectively express the values of the institution—with varying levels of intentionality, critical awareness, and concern. Compared to more traditional understandings of business as a set of practices essentially aimed at production and profit, or even more recent accounts focused on firms and their value chains, this understanding of business recognizes a broader group of policy actors, a broader range of potential tools and methods, and a much broader range of social impacts from “business” activity.⁷ On this understanding, we can adapt Daigneault’s account for the institution of business simply by recognizing the different set of policy actors and making a minor modification to the second criterion:

Footnote 4 (continued)

the contrast with scientific pronouncements is the same. I discuss the relationship between moral and political theory in the final section.

⁵ Cf. (Turner, 1997) Chapter 1, especially pp. 4–6 re: social institutions in general.

⁶ “Policy actors” include participants at every level of the institution: those who explicitly work to shape the institution itself, those who simply participate in it (but shape it nonetheless), and even actors—whether individuals, groups, or organizations—who are simply concerned with the issues being addressed (Knoepfel et al., 2007, pp. 39–41).

⁷ Hsieh briefly describes markets and firms as the two (sole) building blocks of contemporary market activity (2017, pp. 294, 295), and Donaldson and Walsh recently described business as “includ[ing] a system of production, exchange, and distribution relationships among and between the entities that constitute firms’ value chains: firms themselves, civil society, institutions of government, and the communities that both sustain and benefit from business activity” (2015, p. 188). The account presented here is consistent with these accounts but goes beyond them. Among the many differences, the players rec-

(2a) Policy paradigms possess four fundamental dimensions: (i) values, assumptions and principles about the nature of reality, social justice and the appropriate role of the **State firm**⁸; (ii) a conception of the problem that requires **public firm** intervention...

Corporate Social Responsibility

As Kuhn and his successors have noted, paradigms manifest to facilitate solutions to pressing problems; the paradigm of CSR arose in the 1950s to facilitate solutions to the then-newly-pressing problem of firm responsibility. Questions about what one entity owes to others and how it may impose on them are essentially questions about moral responsibility, but the debate about firm responsibility has nonetheless been conducted almost exclusively in terms of social responsibility⁹ until very recently. The past 20+ years have seen an explosion of new, incommensurate answers to the question of firm responsibility—“anomalies,” in Kuhn’s and Hall’s sense of the word—and the very fact of this explosion suggests widespread dissatisfaction with that discourse and the paradigm upon which it relies. This is what it looks like when paradigms fail.

Firms have existed in one form or another since antiquity, but the firm in its more-or-less modern form (with a significant division of labor, professional managers, and outside funding) didn’t become prevalent until the mid-1800s.¹⁰ The legal structure of the limited-liability corporation has likewise been around for a long time (since the late 1500s) but also didn’t become prevalent until the latter half of the 1800s. It was at this time that the corporate form lost its narrowly defined purpose and its pre-set expiration date; shortly thereafter, the US Supreme Court handed down the first recognition of corporate personhood.¹¹ Every step of this progression from limited liability onward was greeted with significant suspicion for a variety of reasons, prominent among them a concern about the kind of power that firms would develop, and a few decades later the question of firm

responsibility had become enough of “a pressing problem” to call forth the paradigm of CSR.¹²

The earliest influential statements of CSR suggest that firms and their executives carry extremely broad power and authority. Bowen (1953) took the phrase to refer to “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (cited in Carroll, 1999, p. 270). Along the same lines, Frederick (1960) used the phrase to capture his sense that

businessmen should oversee the operation of an economic system that fulfils the expectations of the public. And this means in turn that the economy’s means of production should be employed in such a way that production and distribution should enhance total socioeconomic welfare. Social responsibility in the final analysis implies a public posture toward society’s economic and human resources and a willingness to see that those resources are used for broad social ends.... (cited in Carroll, 1999, p. 271)

Later writers gave similarly sweeping accounts: e.g., Eilbert and Parket’s (1973) description of CSR as requiring firms to take “an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay” (cited in Carroll, 1999, p. 278). Note that these early accounts make no reference to profitability or strategic motivations, not because these writers took firms to be unconcerned with profit or strategy but because they saw CSR as distinct from such concerns, and perhaps at odds with them. It is not clear how these writers justified assigning such sweeping responsibilities to private actors, beyond (at best) a recognition of some kind of noblesse oblige that accrues to powerful actors in a capitalist system.¹³ (It is worth noting that these were the accounts that elicited Friedman’s seminal writings on the subject, discussed below.)

The next generation of CSR brought strategic concerns to the fore. Davis (1973) argued that firms have an obligation to direct their actions toward “the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks” (cited in Lee, 2008, p. 59). Lee places Davis in the “enlightened self-interest” camp because the “underlying assumption was that, if the surrounding society which businesses belong to

Footnote 7 (continued)

ognized as performing and being affected by the “roles, practices, norms, and values” of the institution of business would not be limited to those immediately associated with firms and their value chains.

⁸ I am somewhat reluctant to continue what I see as an over-emphasis on “the firm” as the primary touchstone for everything to do with business but it seems the clearest analog here.

⁹ This is not to say that participants and scholars have not used moral language or concepts, or drawn on familiar moral frameworks to answer specific questions. Such usage was nonetheless generally nested within the dominant paradigm of CSR.

¹⁰ (Kocka, 2016), especially Chapter 4 (pp. 95–161). John Stuart Mill and Karl Marx provide contemporaneous discussion (Marx, 2016, 2005; Marx and Engels, 2019; Mill, 1998).

¹¹ (Bakan, 2012), Chapter 1.

¹² I do not mean to suggest that this was the first time that people questioned the role of the firm or (more particularly) the corporation. As noted, the question has been hotly debated for centuries. My concern here is with the current debate regarding the firm in its current form.

¹³ See Bakan 2012, pp. 16–21 for a more cynical take on the rise of CSR as a concerted effort to assuage people’s fears about the increasing size and power of firms.

deteriorates, businesses lose their critical support structure and customer base. Therefore, it is in corporations' long-term interests to support the well-being of their environment" (*ibid.*). Similarly, Eels and Walton (1974) said that

corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving that social order. (Carroll, 1999, p. 278)

The motivations and justification are different, but the general vision of what CSR involves is indistinguishable from the first generation.

Taken together, these works make the broad outlines of the paradigm of CSR relatively clear. Again, a paradigm is an internally coherent set of normative and cognitive ideas intersubjectively held by the relevant "policy actors"—in this case, for the institution of business. This will include practitioners at all levels as well as (*inter alia*) regulators, scholars, and clients/customers. Each of the requisite four dimensions is present:

- (i) Values, assumptions, and principles about the nature of reality, social justice, and the appropriate role of the firm.

The works discussed above make some distinctive assumptions about the nature of reality (how the world is)¹⁴ and the role of the firm. Specifically, they assume that firms (or their executives) are (1) competent to identify "the objectives and values of our society," the "broad social ends" that should be pursued, the "needs and goals of society," and any necessary "improvements to the social order"; (2) competent to pursue such things; and (3) authorized or otherwise entitled to do any of these things. These obligations are taken to be specific to firms and are not similarly binding on other entities (like individual human agents, NGOs, schools, or religious orders). It is unclear whether firms also have specifically moral obligations in this system. Policy actors who adopt this paradigm will recognize the essential role played by firms in providing goods

¹⁴ The requirement that a paradigm includes "principles about the nature of reality" can sound quite imposing but its primary function is to create a space for empirical commitments (in contrast to the normative options of "social justice and the appropriate role of the firm"). While some paradigms do include revolutionary claims in this category—*e.g.*, my own claims about the existence of metaphysically robust corporate agents (s. 3), and a referee mentioned the claims of deep ecology—it is not necessary that all paradigms do so.

and services but also expect firms to "address the broad social problems of the day," to "support and improve the social order," and to "oversee the operation of an economic system that fulfils the expectations of the public."¹⁵ Policy actors who adopt this paradigm will also assume that such an undertaking is legitimate—that it is consistent with, or even required by, the demands of justice. There is less to say about values, not because the paradigm doesn't make assumptions about values but because they are not particularly distinctive. CSR has not generally relied on innovative axiological claims, instead drawing selectively from traditional moral and political theories.

- (ii) A conception of the problem that requires intervention.

The central problem is the question of firm responsibility. By the time the paradigm of CSR arose, firms had become large, powerful, immersive, and pervasive, and their behavior was no longer a matter of limited interest, or a concern only to those directly involved with them. Firm behavior had broad social impacts and it had thus become necessary to arrive at some kind of social consensus about what firms owed to those around them in terms of consideration, restraint, and active support.

- (iii) Ideas about which policy ends and objectives should be pursued.

This is effectively a question of *which* social issues should trigger firm engagement. The original formulations give little guidance on this: a situation apparently merited intervention when it did not conform to "the objectives and values of our society" or "enhance total socio-economic welfare." The second generation recognized a slightly more constrained set of actionable issues, namely "things that could undermine business function," though this extended to ensuring a "functioning free society."

- (iv) Ideas about appropriate policy means to achieve those ends (i.e., implementation principles, type of instruments, and their settings).

While not apparent in the language quoted above, the assumed "means" seem to be limited to voluntary adjustments to firm programs and structures that would enable firms to engage with the relevant social issues. In contrast, it does not seem to include pursuing legislative or

¹⁵ All quotations reiterated from the historical accounts *supra*.

regulatory change, e.g., or establishing any kind of formal accountability for firms which engage in this way.¹⁶

The scope of activities and concerns encompassed by “CSR” underwent radical expansion in the 1980s, partly because an influential scholar simply changed the meaning of the phrase to capture *all* of the various responsibilities of a firm (economic, legal, ethical, and philanthropic) (Carroll, 1999, p. 289) and partly due to the introduction of stakeholder theory (Lee, 2008, p. 62). There were no apparent changes to the first, second, or fourth dimensions above, but policy actors began to recognize a much larger and more diverse set of policy ends and objectives for the third dimension. New frameworks—which I will call “CSR cognates”—had begun to proliferate by the mid-1990s, some as refinements of CSR and some as challenges to it: Carroll mentions “business ethics, stakeholder theory/management, corporate citizenship, and sustainability” (2021, p. 1263), to which I would add the triple bottom line, ESG, political CSR, and strategic CSR.¹⁷ All of these different frameworks are now mixing, mingling, and blending in the discourse and practice of CSR.

In addition to this lexical and intellectual diaspora, by the early 2000s there was “no longer a conceptual break separating corporations’ social and economic performance” (Lee, 2008, p. 62). Proponents of “strategic” CSR could claim that “CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage” (Porter & Kramer, 2006, p. 79). By this point CSR is still discussed in moral terms and retains its focus on benefits to society, but the moral or normative force has vanished along with the grandiose vision. In sharp contrast to the earliest formulations, “CSR” isn’t really a responsibility anymore; it is just a technique or strategy, something to be pursued when the situation warrants it but otherwise ignored.¹⁸

All of this suggests that the paradigm of CSR is failing, if it has not failed already, and that we are due for a paradigm

shift. Following the criteria identified in the previous section, the events outlined above show (1) *widespread experimentation with new forms of policy* in the form of the many cognates that began appearing in the 1990s, in theory and in practice. With the presence of these new contenders, none displacing the others, we see (2) *an accumulation of policy failures* as the proliferating cognates undermine the clarity and coherence of the paradigm with respect to its content, the obligations it imposes, and the justifications for those obligations. The loss of coherence necessarily undermines consensus, which in turn reduces the likelihood that the paradigm’s solutions can or will be implemented. This is not to say that policies indicated by the individual cognates have not been implemented or have not achieved anything. It’s just that, in many cases, they aren’t the solutions of the paradigm of CSR anymore. As a result, the paradigm is (3) increasingly *likely to generate anomalies*: inconsistent or even contrary policy solutions, or solutions that are not minimally acceptable to the population or otherwise cannot be implemented. This is evidence of (4) *significant change in all four dimensions of the paradigm*—in the starting assumptions, the shape of the problem to be answered (or the understanding thereof), the scope of the ends to be pursued, and (thus) the means to be used. With all of this we have seen (5) a *shift in the locus of authority* as the contest spills into the broader political arena. Debate about CSR and its cognates has spread well beyond the policy actors typically concerned with such things and into both public discourse and legislative and regulative bodies. For example, in 2022, the SEC proposed rules requiring ESG disclosure from all public companies in the United States, providing a legal underpinning for what was previously a voluntary CSR-related undertaking (Mariani, 2023). In the same year, several state legislatures moved to legally curtail investor reliance on ESG factors, at least with respect to state funds (South, 2023). This is hardly the behavior of policy actors implementing a shared, internally coherent set of normative and cognitive ideas.

Beyond all of this there is a further difficulty with the paradigm of CSR which is exacerbated by its failure. From the very beginning, the executives who authorized themselves to *identify* “the objectives and values of our society,” the “broad social ends” that should be pursued, the “needs and goals of society,” and the necessary “improvements to the social order,” took a large step toward authorizing themselves to actively *set* these things. In theory, identifying and setting objectives, values, and ends are entirely distinct processes, but they are easily (perhaps inevitably) conflated in practice—especially in the absence of strong, reliable checks, and balances. To quote Friedman, this conflation makes of the business practitioner a “self-selected ... legislator, executive, and jurist” (1970, p. 122). The paradigm of CSR encourages and obscures what should be a

¹⁶ This is a rough sketch of the paradigm and a cursory treatment of an extensive literature, but I hope it is enough to suggest the distinctive commitments and broad outlines.

¹⁷ See (Bansal and Song, 2017, p. 106) for an even longer list of CSR cognates. Bansal and Song 2017 begins with a similar concern about this proliferation of constructs and the confusion that follows, referencing Kuhn and noting, “If concepts and constructs are not defined clearly, scholars fail to build theory, communicate effectively, and think creatively, thereby hindering the development of the field” (106, citations omitted).

¹⁸ David Ohreen (2012) traces a similar progression, drawing on additional sources. He denies concluding that CSR is “conceptually bankrupt” (252) but fails to note any meaningful conceptual content; all he offers in its favor is that it may play a practical role in motivating good business practices. Which sounds like conceptual bankruptcy to me.

highly controversial move: the intrusion of private firms into domains traditionally reserved for the institution of government. This expansion of CSR is often referred to as political CSR, though I will call it corporate political responsibility (CPR) for the parallel. I return to this concern in Sect. “[Corporate Political Responsibility](#).”

Corporate Moral Responsibility

Questions about what one entity owes to others in the way of consideration, restraint, and active support generally fall within the domain of moral theory, so the question of firm responsibility was a moral question from the very beginning. The familiar frameworks of moral theory—deontology, consequentialism, natural law, virtue ethics—provide an obvious way to approach the question of firm responsibility, and it is a curious fact of intellectual history that this possibility received so little effective attention. Establishing why the debate didn’t follow this obvious route would be an empirical project far beyond the scope of this paper, but two concerns might make this otherwise obvious route seem unattractive: it might seem that the familiar frameworks of moral theory do not apply to the actions of firms, or that traditional moral obligations would be insufficiently demanding even if they did apply.¹⁹

It may seem odd to suggest that traditional moral obligations don’t apply to firm behavior. After all, firm actions come from people and people are certainly moral agents bound by traditional moral obligations. Why doesn’t this just settle the matter? The fundamental difficulty with this attractively simple move is that the actions of firms are not identical to the actions of their members. The two are closely related but there is a significant distinction between the actions of the firm as a whole (“corporate actions” like buying a new factory, designing a new consumer good, merging with another firm) and the individual member actions that contribute to them (each member playing their particular part by doing research, negotiating terms, engineering components, securing financing, filing reports, etc.).²⁰ It takes

¹⁹ A referee noted another possibility: that moral theory did not play a significant role in early efforts to answer the question of firm responsibility because “[m]any philosophers abhor business, and avoid talking about it.” I agree. See (Freeman, 1995) for further discussion of this difficulty.

²⁰ This statement draws on a distinction from the collective action literature. A “corporate agent” is a highly organized collective (what Isaacs calls an organization and Collins calls an agential collective (Collins, 2019; Isaacs, 2011)) which arguably qualifies as a metaphysical individual in its own right. This is in contrast to more loosely organized entities (what Isaacs calls goal-oriented collectives and Collins calls teleological collectives) and to simple masses of individuals. See (Hess, 2018b) for an extended comparison. Corporate actions are the self-initiated actions of a corporate agent, regardless

a little more work to argue that the firm actions that *arise from* member behavior are also bound by traditional moral obligations, but there are two ways to do it.

The first pathway to CMR begins with Friedman’s point that individual practitioners are bound by traditional moral obligations—“the basic rules of the society, both those embodied in law and those embodied in ethical custom”—even while engaged in business activity (1970, p. 33). As Nien-hê Hsieh has put it more recently, “the basic principles of morality ... apply to all managers in their capacity as natural persons” (2017, p. 294). Hsieh seems to conclude that this is sufficient to effectively impose moral obligations on the firm. While this is intuitively plausible the argument tangles upon a closer look: proponents cannot rely on either identity or causation to complete the move from individual member obligation to firm obligation. For one thing, the managers are not identical to the firm. There are many things that are true of the managers (i.e., that they are human, that they are employed by the firm) that are not true of the firm. As the two are not identical, the simple fact that the managers act morally or have moral obligations does not allow us to conclude that the firm acts morally or has moral obligations. Also, unfortunately, moral individual actions do not invariably combine to yield moral collective actions, so even perfect manager morality does not guarantee moral firm action. Firms do things that no individual does (no individual “buys a new factory” or “merges” when the firm does so). Something as simple as poor governance could easily lead a firm full of earnest, honest, virtuous people to violate moral obligations by ultimately misrepresenting the firm and its products to customers and regulators, or causing a great deal of unjustified harm. (For that matter, unless the firm itself is subject to moral obligations, firm actions such as buying a new factory or merging wouldn’t *need* to meet moral standards; they would be not immoral but amoral.) For all of these reasons, member moral obligation and action is not the same thing as—and does not necessarily add up to—firm moral obligation and action.

Alternatively, it may be that Hsieh is not relying on either identity or causation for this result but instead suggesting that individual members are morally obligated to coordinate their actions *so that* the firm acts in accordance with traditional moral obligations (Hsieh, 2009, 2017). There are two difficulties with this move, though neither is insurmountable.

Footnote 20 (continued)

of their legal basis or significance (contra (French, 1995, 1984); see (Hess, 2020)). “Corporate” in this context is a metaphysical status, not a legal one. There is an ongoing debate about how best to understand the relationship between corporate actions and the individual actions that contribute to them; current candidates include causation (synchronic and diachronic), supervenience, constitution, and grounding.

For one thing, if the obligations are borne by the individual members rather than the firm, this approach explains *how* we would go about guiding firms toward moral actions but doesn't actually justify the claim that we *should*. We all participate in a multitude of collective actions every day, and it would be impossible to shape all of them with an eye toward normative standards. Hsieh and others who want to rely on this argument owe us an explanation of why these collective actions in particular—the corporate actions—need to conform to moral standards when others (like the collective impact of people in my neighborhood) apparently do not. For another thing, it is not uncontroversial to claim that traditional moral obligations apply to the members while they are at work. At the very least, workplace behavior is governed by professional norms that are often sharply at odds with more traditional norms, and this at least complicates the picture. More troublingly, there is a strong, widely accepted counterclaim that traditional moral obligations do *not* apply within the institution of business. We find this claim forthrightly asserted in Albert Carr's "Is Business Bluffing Ethical" (1968),²¹ discussed in Ed Freeman's "The Business Sucks Story" (1995), and so widely accepted in public discourse that those of us who work in business ethics face constant, tired jokes about oxymorons and empty sets. This widespread skepticism may have played a role in the choice to avoid a paradigm of corporate moral responsibility in the first place. Assuming that both of these difficulties can be addressed, however, Hsieh's approach establishes a justification for applying traditional moral obligations to corporate actions.

The second pathway to CMR is to recognize the firms themselves as moral agents. This may not have seemed like a viable option when the paradigm of CSR first arose, as the philosophical literature at the time was hostile to the possibility of collective agency in general and corporate agency in particular, but the literature has advanced significantly since that time.²² While the claim remains controversial, it is now sufficiently well established to survive initial challenge and

establish a *prima facie* case.²³ Like Hsieh's approach, this path to corporate moral responsibility also faces the concern that even if firms qualify as moral agents, they might not be bound by traditional moral obligations. The earliest explorations of corporate agency suggested as much by developing accounts of corporate agency that were specific to business entities, or even more narrowly specific to legal corporations. In these accounts, the model agent was thus a rather exotic, highly specialized creature, endemic to the economic or business arena and defined by distinctive mechanisms involving executives, hierarchies, and incorporating documents (internally) and by distinctive concerns with profit, shareholders, and legal compliance (externally).²⁴

Current accounts of corporate agency are less reliant on idiosyncratic details of organization and arena and show corporate agency to be a much more flexible and pervasive phenomenon. It is far more similar to human agency than earlier accounts allowed and certainly not limited to the business arena. Human agents have moral obligations not because they are human but because they have certain capacities (rationality, autonomy, reactive attitudes, etc.). Recent proponents have argued at length that corporate agents have these capacities and more.²⁵ If corporate agents qualify as moral agents on traditional accounts of agency, action, and normative competence, then they are bound by the traditional moral obligations associated with those accounts. Any social entity (firm, government agency, college, NGO, etc.) sufficiently organized to operate competently will likely have those capacities and thus the obligations that follow.²⁶ With

²³ See (Pasternak, 2017, p. 135) for a similar claim and citations. For good introductions to the current "state of the debate" see (Orts and Smith, 2017), (Mansell et al., 2019), and (Bazargan-Forward and Tollefsen, 2020).

²⁴ See e.g., French (1995), especially Chapters 7–12, 14. See also (Hsieh, 2017, p. 295) regarding the "highly specialized theories" proposed for business ethics. Singer (2019) explicitly tries to strike a balance between giving too much weight to the economic work firms must do (thus over-exoticizing them) and giving too much weight to the social setting they must navigate (thus failing to recognize the unique circumstances that they confront). I think Singer errs slightly on the side of over-exoticization, but suggest that the approach presented here provides a strong foundation for his project. There is far more to the full system of CMR than what Singer describes as "a set of deontic obligations by which business actors must abide" (259).

²⁵ See (Hess, 2010, 2014a, 2014b, 2018), (Björnsson and Hess, 2016).

²⁶ The capacity of normative competence is something of an outlier here, as the capacities required for "normative competence" will vary depending on the normative theory in play. For example, the capacities required to fulfill the obligations of virtue ethics are very different from those required to fulfill Kantian or utilitarian obligations. Any firm sufficiently organized to function as a firm should have the capacities necessary to fulfill utilitarian or (probably) Kantian obligations, at least on most interpretations (Hess, 2018a); it is a separate question whether any given firm is actually making use of those capacities. The demands of virtue ethics and natural law, less tightly wedded to rational autonomy, are less likely to be developed coincidentally, without specific effort.

²¹ "If the businessman (sic) is to reconcile personal integrity and high standards of honesty with the practical requirements of business, he must feel that his bluffs are ethically justified. The justification rests on the fact that business, as practiced by individuals as well as by corporations, has the impersonal character of a game—a game that demands both special strategy and an understanding of its special ethics" (Carr, 1968, p. 144).

²² (French, 1995, 1984, 1979) is generally recognized as the seminal work for the corporate agency literature, along with (Werhane, 1985) and (Copp, 1984). More recent foundational work in the philosophical literature includes (Copp, 2006, 2007), (Hess, 2014a, 2014b, 2023), (Hindriks, 2008, 2014), (List and Pettit, 2011), and (Tollefsen, 2015); (Orts, 2013) and (Singer, 2019) present clearly articulated accounts of the closely aligned "real entity theory" in the business literature.

that, we can turn to most of Western philosophy to answer more particular questions about the likely nature and scope of those obligations.

Regardless of whether we take Hsieh's individualistic route or the holist route of recognizing the firm itself as an agent, I thus suggest the adoption of a new paradigm of Corporate *Moral Responsibility*—one that may not be but could be intersubjectively held by the policy actors for the social institution of business. Regarding the requisite four dimensions:

(i) Values, assumptions, and principles about the nature of reality, social justice, and the appropriate role of the firm. Among other more generic assumptions about the nature of reality, the paradigm assumes that firms (in themselves or through their members) are (1) competent to identify traditional moral obligations; (2) competent to comply with them; and (3) obligated to do so. Policy actors who adopt this paradigm recognize the essential role played by firms in providing goods and services, but also recognize that firms—like human agents—are bound by traditional moral obligations as they go about their work. Any particular excuses or exemptions claimed must be argued for within these existing frameworks, without need for analogy or debates about applicability. Simple references to identity or role (“but it’s a firm” or “but I’m at work”) do not suffice. Regarding justice and values, it assumes that the same basic frameworks that answer questions about justice and value in other domains can answer them with respect to the institution of business.

(ii) A conception of the problem that requires intervention.

The central problem is still the question of firm responsibility. Firms have become even larger and more powerful, immersive, and pervasive than they were when the question first arose in its modern form. It is essential to arrive at some kind of social consensus about what firms owe to those around them in terms of consideration, restraint, and active support.

(iii) Ideas about which policy ends and objectives should be pursued.

This is effectively a question of which social issues should trigger firm engagement. Here again, the paradigm sends us back to the same basic frameworks that help us identify and rank social issues and concerns without specific reference to firms: situations in which there is significant suffering, disrespect, lack of freedom or opportunity or flourishing, ecological damage, etc. The same basic

frameworks that assign both forward- and backward-looking responsibility for addressing problems in other contexts can assign them with respect to action in the institution of business.

(iv) Ideas about appropriate policy means to achieve those ends (i.e., implementation principles, type of instruments, and their settings).

The means include drawing on familiar language and concepts without the need to develop new intellectual frameworks, though it will require creative work and—especially—significant input from the social sciences to apply the language and concepts properly in this domain. To the extent the paradigm requires conceptual development, the work can be bolstered by looking at parallel and analogous application in other domains. This is a contrast to the paradigm of CSR, which is explicitly limited to the institution of business; there are no parallels or analogies for “social responsibility” in other domains. The means will certainly include voluntary adjustments to firm programs and structures that would enable firms to engage with the relevant social issues but could also extend to pursuing legislative or regulatory change (just as other moral obligations sometimes receive legal backing). The frameworks would also support—and perhaps require—the establishment of formal as well as informal accountability for firms which fulfill or fail to fulfill their obligations. This latter will be of particular importance if firms continue to expand the scope of their “socially responsible” work, as discussed in Section “[Corporate Political Responsibility](#).”

Drawing on both individualist and holist arguments arguments from the corporate agency literature, I have argued that we are justified in relying on traditional moral theory to answer the question of firm responsibility. I have also suggested that this is an attractive option. In contrast to the paradigm of corporate social responsibility, the paradigm of corporate moral responsibility sketched above sends us to a trove of new (and very old) concepts, principles, values, and techniques to guide us through specific applications—not just the isolated elements of moral theories already present in the CSR literature, but fully integrated systems that address entailments, exceptions, exemptions, priority and conflict, and other relations among the various elements. Unlike the neologistic paradigm of CSR it also offers the possibility of analogous development, looking at how the concepts that make up the paradigm have been applied outside of the corporate context. It offers greater clarity and familiarity, stronger and clearer justifications, and millennia

of careful scholarly work and lived practice in negotiating the world on these terms.²⁷

A final concern about trading CSR for CMR might be that moral responsibility—however familiar, well developed, and applicable—simply sets the bar too low for something as potentially powerful as a firm. That may sound a little bizarre to a scholar of ethics, but on the rare occasions when moral obligation appears as such in the CSR literature it is typically an oddly cramped little thing, limited to restrictions on lying and stealing and weak requests for charitable contributions. It is a striking contrast to the enormous “social” obligations of “oversee[ing] the operation of an economic system that fulfils the expectations of the public,” etc. Thus, before leaving the topic of CMR I would like to point out that traditional moral obligations impose a significant burden on firms and other corporate agents (as they do on human agents).²⁸ Any major moral tradition will require considerably more than just “not lying” and making the occasional gift. Utilitarianism requires the moral agent—any moral agent, every moral agent—to maximize pleasure and minimize pain “for all of sentient creation.” Kant requires the moral agent—any moral agent, every moral agent—to act in ways that actively support the “humanity” (rational autonomy) of any rational agent with which the moral agent engages. This goes well beyond simply not using them as mere means and imposes obligations of respect, support, and development.²⁹ Aristotle requires the moral agent to develop a rich array of excellences and virtues, all of which are to guide its actions in its natural social setting, and Aquinas requires the moral agent to become that version of itself that best contributes to the flourishing of all of creation (and thus the glory of God). While none of these philosophers were concerned about the environment, all of their theories have environmental implications as well as global reach. And all of this just scratches the surface.³⁰ There is

no reason to assume that the obligations of CMR will be lighter than those of CSR—just better developed, and with clearer limitations.

Replacing the paradigm of CSR with the paradigm of CMR will not automatically answer the question of firm responsibility. For one thing, none of this is simple or straightforward. The Western tradition(s) have never spoken with a single voice about moral obligations, and contemporary work continues to develop new concepts and discover new implications of old ones. For all the disagreements, though, there are still centuries worth of carefully defined terms, carefully developed frameworks, and widely acknowledged entailments, not to mention supporting work on the exceptions, exemptions, role-specific nuances, priority and conflict, and all the other details that must be considered in determining whether this particular moral agent ought to ϕ in this particular situation. Much of this is broadly familiar and accessible to scholars and (to some extent) practitioners alike, and all of it can be drawn upon in efforts to determine what is required of a particular firm in a particular situation. Scholars working in CSR have always drawn on pieces of traditional moral theory but it is the system in its entirety that needs to be brought to bear. It is an enormously valuable resource, but only available as a whole if we’re willing to adopt the paradigm of CMR.

For another thing, “answering questions” isn’t what paradigms do. Shifting paradigms force us to reconsider the existing data, assumptions, insights, and ideas, reorganizing them and integrating the findings and solutions generated under the prior paradigm into new configurations. When a shift is successful it opens up new avenues for the solution of existing problems, while generating or surfacing new problems in their place. Some of the earlier work will no longer fit and will have to be discarded, but much of it will carry forward and contribute to new developments. Adopting CMR won’t automatically answer the question of firm responsibility or solve all of our problems, but it might help us make progress.

It may also reveal new problems, and that returns me to my final concern regarding the paradigm of corporate social responsibility. From the beginning the paradigm of CSR has assumed that firms and executives are both competent and authorized to identify “the objectives and values of our society,” the “broad social ends” that should be pursued, the “needs and goals of society,” and the necessary “improvements to the social order.” This easily slides into *setting* social objectives, values, and ends, and *deciding* how best to improve the social order. It is thus unsurprising that firms have in fact begun to do exactly these things, partly in response to internal imperatives but also in response to

²⁷ As Ohreen concludes, “So let us start talking about moral responsibility, and stop talking about social responsibility” (2012, p. 251).

²⁸ Assuming that the underlying claims of corporate agency have been established, it is obvious that corporate agents will be able to fulfill the role of a Utilitarian agent, predicting future consequences and opting for the path that involves the most pleasure and the least pain for all affected. It is less clear that a corporate agent can “act out of respect for the law” (Kant), follow natural inclinations to fulfill a role in God’s plan (Aquinas), or develop their own virtues (Aristotle). For arguments that corporate agents can meet the Kantian standards for agency see ((K. M. Hess, 2018a, 2018b), (Rehg, 2023), and (Silver, 2019), but see (Altman, 2007) to the contrary; regarding Aristotle, see (Moore, 2005) for the seminal work and (Caulfield and Laufer, 2018) and (Sison et al., 2017), particularly the section on “Individual Virtues and Organizational Virtues,” for more recent developments.

²⁹ See, e.g., (O’neill, 2000), (Arnold and Bowie, 2003), or more generally (Bowie, 2017) regarding the sweeping scope of Kantian obligations in a contemporary context.

³⁰ See (Hsieh, 2017, pp. 299–300), (Hsieh, 2013).

public demand. This is political CSR, what I have called corporate political responsibility (CPR). Within the paradigm of CSR this is unremarkable, and in fact is no more than has been proposed. In sharp contrast, the paradigm of CMR is well placed to identify this as a potential encroachment and to sound the alarm.

Corporate Political Responsibility

Many firms today have taken the idea(s) of CSR very seriously. As Scherer and Palazzo note, firms already

engage in public health, education, social security, and protection of human rights in countries with repressive regimes; address social ills such as AIDS, malnutrition, and illiteracy; engage in self-regulation to fill global gaps in legal regulation and moral orientation; and promote societal peace and stability.... [Firms] engage in discourses that aim at *setting* and *redefining* those [legal and moral] standards and expectations in a changing, globalizing world and assume an enlarged political coresponsibility (2007, p. 1109, *emphasis in original*).

Proponents of CPR present this as an advance over previous conditions, in which the relevant governments were no longer able to “predict problems and conflicts in society, to formulate regulations *ex ante*, and to enforce these rules through the legal and administrative system” (*ibid.* pp. 1100–01). With governments allegedly no longer competent to do this, scholars argue that the proper response is for firms to step in and fill the so-called “governance gap.” A representative statement from Moon, Crane, and Matten urges firms to “shar[e] in the administration of individual citizens’ rights, both within companies and more broadly within the boundaries of companies’ external economic relations” (2005, p. 440) and to stop “delegating the responsibility for the governance of contested social issues to governments.” There is little discussion of when or how these firms first acquired the responsibility for governing contested social issues that they are now supposed to stop delegating.

As I have already noted, traditional moral obligations are quite demanding and many of the specific initiatives that firms might adopt under the above descriptions would likely still be required (as they should be). My concern is with any remaining initiatives that would *not* be required by traditional moral responsibility: *e.g.*, those involved in “administering” human rights, both internally and externally; those involved in “the governance of contested social issues”; or returning to the earliest formulations, those involved in “overseeing the operation of an economic system that fulfils the expectations of the public” or “improving the social order.” There are smaller, morally required activities

that might fall within each of these descriptions, things that we would rightly expect any society member to do. It is entirely reasonable to ask each of us as private individual agents—human or corporate—to respect human rights in our own actions, *e.g.*, or to engage in education and debate about social issues, participate ethically in the economic sphere, and do what we can to help those around us. The paradigm of CSR goes well beyond that. As Moon, Crane, and Matten make clear, the paradigm of CSR asks firms to go beyond simple moral behavior and *govern*—to step into roles traditionally reserved for the government. As noted in Sect. “[Corporate Social Responsibility](#),” the paradigm of CSR has assumed that this is desirable and appropriate from its inception. Our reliance on this paradigm has obscured the truly radical nature of what is being proposed, and the paradigm itself provides little basis for raising or interrogating the proposal.

I have argued above that the paradigm of CMR offers greater clarity and familiarity, stronger justifications, the benefit of analogous development, and an extraordinarily rich trove of concepts, principles, values, and techniques. Perhaps the greatest strength of CMR, however, lies in the fact that the theories of moral responsibility upon which it draws already exist within a broader net of theoretical frameworks in a way the novel paradigm of CSR does not. This is of particular importance with respect to theories of political responsibility. Drawing on the paradigm of CMR gives us immediate access to theories about the *limits* of moral obligation and the boundary between moral obligations—held by all moral agents—and political obligations held by governments. CSR recognizes no such boundary or distinction with respect to firms.³¹

Moral and political theory are clearly related. They draw on similar concepts and concerns to generate normative claims, but the normative theories themselves are neither identical nor interchangeable. I have argued elsewhere that the distinction between the two lies in the specific concerns that they address, concerns that arise in part from the nature of the specific contexts they regulate and in part from the nature of the actors to whom they are addressed.³² Unlike moral theories, political theories assume the existence of an agent authorized and able to exercise coercive force over a community always at risk of dissolving into individuals. Political theories are thus concerned with order, stability, and legitimacy in a way that moral theories are not. They are

³¹ Hsieh considers similar concerns about encroachment on domains reserved to the state (2017, pp. 305–308), noting in particular firms’ lack of authority and accountability. He concludes, “The point is that we risk undermining the legitimacy of the state” (*ibid.* p. 306). I see the exercise of coercive authoritarian power over an unconsenting population as the greater concern.

³² (Hess, 2024)). For other, excellent treatments of the discontinuity thesis see (Baderin, 2021) and (List and Valentini, 2014).

addressed to a distinctive agent (one authorized to exercise coercive power) with a distinctive task (to bring about a certain kind of setting) for a distinctive entity (a heterogeneous, pluralistic community).

As part of achieving this distinctive task, the government is both obligated and authorized to exercise the “police power”: to ensure some degree of health, safety, and well-being (however understood) for the population under the government’s rule.³³ In contemporary western society, this is often taken to include addressing broad social issues (poverty, unemployment, environmental pollution, etc.), ensuring the availability of basic services (police protection, power, water, transportation, health care, education, etc.), and managing or policing larger systems (environmental systems like rivers, wetlands, and shorelines; economic systems like markets or even the entirety of “the economy”). Again, there are radical differences among the competing theories about how and to what extent the government should pursue these ends, but even a staunch libertarian like Friedman recognized a governmental role in supporting education and alleviating poverty.³⁴ In order to make decisions about how to pursue these various ends and balance them against each other, government is also generally granted the authority to set the larger ends at which the society as a whole will aim as well as the methods by which those ends will be pursued.

Given the breadth and significance of the government’s authority over these matters, most of which have profound implications for the governed populations, political theories typically impose numerous constraints on the entities that pursue this project. These constraints aim to guarantee varying levels of transparency, accountability, answerability, representation, and some kind of “voice” for the governed, and the constraints are largely institutionalized—built into the policy, procedure, and culture of government actors and backed by law. Different political theories argue for dramatically different kinds of authorized agents and settings, for dramatically different uses of the police power and with dramatically different constraints on governmental authority, but they all address these components—a sharp contrast to traditional moral theories primarily concerned with the action and development of a single moral agent.

To sum up: moral theory governs the moral obligations of moral agents, political theory governs the political obligations of political agents (governments), and they are not—at

all—the same thing. CSR both encourages and obscures the demand that firms cross the line between the two.

To the extent that firms are being asked to step into political roles and participate in governing, there are at least four possibilities.³⁵ To begin, firms can (1) act under the direction of a legitimate government to provide needed knowledge, expertise, or resources³⁶; (2) petition the government(s) with jurisdiction over their operations, advocating for changes to government policy or practice; and (3) provide assistance during a crisis. The first two fall within the scope of normal business activity without getting into CMR, CSR, or CPR at all, and none of the three options is inherently problematic (though of course all can be abused). In each case the firm is working under the direction of a legitimate government rather than intruding on its prerogatives. Alternatively, however, (4) the firm can step into the role of the government itself, either because the government is entirely absent (as in a failed state) or because the government has not acted on an issue that (allegedly) requires action. It is this fourth possibility that concerns me here.

Perhaps the proponents of CPR are correct, and firms should act in the various ways outlined at the beginning of this section. The firms who have taken up this suggestion are powerful agents with extensive knowledge, skills, and resources; they are sometimes able to move quickly and effectively to address acute problems in a way that governments rarely can³⁷; and the largest of them can indeed exercise significant coercive force over actors within and outside their immediate boundaries. The fact that they have been as successful as they have at least partially validates the impulse to ask them to act in these ways, and the concerns I have raised here do not necessarily suggest otherwise. Appreciating the difference between moral responsibility and political responsibility, however, and recognizing the very different obligations, agents, methods, and constraints associated with each, does help us see what is at stake.

³³ Police Power, Black’s Law Dictionary (6th ed. 1990). See also *Keystone Coal Association v. DeBenedictis* for the explanation that “the police power, is an exercise of the sovereign right of the Government to protect the lives, health, morals, comfort and general welfare of the people.” 480 US 470, 503 (1987) (quoting *Manigault v. Springs*, 199 US 473, 480 (1905)).

³⁴ (Friedman, 2009), especially Chapter 6 (regarding education) and Chapter 12 (regarding poverty).

³⁵ There is a fifth possibility very different from the others considered here—namely, that executive and managerial members engaged in the governance of the firm itself are quite literally involved in governing a political community and should be subject to obligations and constraints (at least) analogous to those of a more traditional government when engaged in that activity. Despite what the literature may currently suggest, nothing about incorporating political theory into firm management guarantees a liberal regime, or a democratic one. There are many political theories and structures. See (Hess, 2024) and sources cited therein.

³⁶ See (Hess, 2021) regarding concerns about this possibility.

³⁷ Though the much-lauded effectiveness of firms over governments is at least partly due to the comparatively limited set of constraints under which they operate. The freedom to act without the many layers of transparency and answerability that burden governments can be incredibly valuable in the occasional emergency, but more troubling in long-term governance.

Having recognized these distinct domains of moral and political theory and obligation, one possibility is that we will simply decide that firms do not fulfill the criteria for an entity who is obligated or authorized to act under political theory. In this case they may act under the direction of or within the bounds established by a legitimate government, as outlined above, but they may not govern. They may be powerful, skilled, well-resourced, and *able* to exercise coercive power, but they have not been properly authorized to do so (by election, descent, or whatever the relevant criteria may be) and they are not bound by the relevant constraints. Their policies, procedures, and culture do not include mechanisms for abiding by the relevant constraints and there is no legal backing to enforce them.

The second possibility is that we will decide that the firms are close enough—that their ability to act effectively in this domain is sufficient to establish their right to operate in it, or that they otherwise meet the criteria for being a political agent. This seems to be the tack taken by proponents of CPR. In this case, however, their actions will not fall within the paradigm of corporate moral responsibility but within the paradigm of corporate political responsibility, and they will need to conform to its demands. This would include seeking authorization in some manner and developing the practices, policies, and culture necessary to institutionalize the protections and constraints appropriate to this sphere—a simply extraordinary undertaking, but not optional. As sketched above, there is a reason these particular constraints come along with the exercise of this kind of power.

It is not impossible for firms to move in this direction and the literature has already started to suggest possibilities, though none even begin to address the scope implied by the above analysis.³⁸ This would get us our properly politically active firms, but probably at the cost of most of what made it an attractive option in the first place and almost certainly at an enormous cost to their effectiveness in producing goods

³⁸ There are numerous references to firms engaging in “democratic discourse” with affected parties, and demands for transparency, but nothing that would establish the kind of answerability of democratically elected officials (which is weak enough, as a control). Scherer, Palazzo, and Baumann note the need to control transnational corporations (TNCs) “just as the democratic state needs to be controlled by its citizens” (Scherer et al., 2006, p. 517). This sounds good, but they follow this comment with a discussion of establishing *internal* democratic structures. This makes the firm answerable to its own members—at least potentially—but not to the outsiders that it will be “governing.” Similarly, Moon, Crane, and Matten note in passing that, “If corporations participate in governance in the respective frameworks their accountability should be analogous to those of other actors with whom they share in governance” (2005, p. 445). Again, this is helpful but, looked at carefully, is not quite equivalent to the claim that they should be as accountable as an elected government. Another oddity of the literature is the indiscriminate inclusion of transnational corporations with other “corporate” actors whose primary project involves the public good: governments, international institutions, and civil society groups (e.g., Scherer and Palazzo 2007,

and services. Lacking the fleetness and flexibility that made the firms an attractive alternative to the government, the firms are now essentially just ... governments. They would just be governments that also make widgets, and probably not as well as they used to. Further, it is now a truism that “with great power comes great responsibility”³⁹ but we rarely acknowledge the corollary that “with great responsibility comes great power.” As firms move into this domain they stop “delegating the responsibility for the governance of contested social issues to governments” (Moon et al., 2005) and start “*setting and redefining* [legal and moral] standards and expectations in a changing, globalizing world” (Scherrer & Palazzo, 2007, *emphasis in original*). The more responsibility firms take for society, the more power they will have over it. It is worth debating whether that’s what we want.⁴⁰

Regardless of whether we want to invite firms to govern or not, before we can even engage in that debate we need to be able to say something about what the proper role of the government is, in contrast to the role(s) of other players within the political community. We have to be able to say something about why government actors have the obligations and constraints that they do, and we have to be able to say something about the boundary between the domains of individual moral obligation and governmental political obligations. All of that has to be in place before we can return to the question of whether the tasks firms are taking on have gone too far, and none of it can be adequately articulated or debated within the paradigm of CSR, which elides precisely the boundary at issue. The paradigm of CMR—embedded as it is within the larger framework that includes political responsibility—carries all of that work with it.

A final benefit to adopting the paradigm of CMR is that clarifying the distinction between CMR and CPR opens up the possibility of a truly *social* responsibility that might lie between the two—the kind of responsibility that arises from membership in a community. Such obligations would still accrue to individual agents (human or corporate) but would

Footnote 38 (continued)

p. 1107 and 2011, p. 900). Scherer and Palazzo describe the rest of these groups as “non-governmental organizations, civil movements, and other civil society actors who map, filter, amplify, bundle, and transmit private problems, values, and needs of the citizens” (2011, p. 918). It is not clear why TNCs belong in that group. Hussain and Moriarty have at least argued that if we take this path we need to ensure true “accountability”—a situation in which affected parties “can remove the official [or other actor] from office or otherwise impose serious costs on the official if he or she acts in ways that are inconsistent with their felt interests, concerns, and ideas” (Hussain and Moriarty, 2016, p. 522).

³⁹ It appears that (Lee, 1962) really is the source for this particular coinage, though of course the idea long pre-dates Spiderman.

⁴⁰ (Brenkert, 1992) presents a fascinating, prescient survey of some of the subtler implications of a shift to CPR.

track membership and capacities for collective action rather than individual capacities like rationality and autonomy, on the one hand, or authority and legitimacy on the other. Recognizing this distinct set of obligations as part of a three-way division into moral, social, and political obligations would focus attention on this otherwise minimally developed branch of ethics and allow us to treat it separately from the very different demands that corporations act morally, on the one hand, or (potentially) as governments on the other. Iris Marion Young offers a promising foundation for this work, as does the growing literature on collective action and obligation and the literature on civic obligation.⁴¹ It would be disastrous to add yet another meaning to the term “corporate social responsibility” so we would need to come up with something else—perhaps “corporate communal responsibility” (CCR) to mark its distinction from CMR and CPR.⁴²

Conclusion: Friedman was Right

I have argued that the paradigm of CSR is failing, becoming less coherent and effective as the anomalies pile up. The paradigm of CMR, in contrast, provides a robust, familiar set of imperatives and justifications together with millennia of careful scholarly work and lived practice. Most of all, recognizing the sphere of moral responsibility picked out by the paradigm of CMR highlights the boundary between that sphere and the sphere of political responsibility—a boundary obscured or actively rejected by the paradigm of CSR. It exposes the problematic political overreach implicit in CSR from its inception—an implicit permission that becomes more explicit with each passing year—and opens up the possibility of exploring a truly “social” (communal) responsibility that might lie between the moral and the political.

I would be remiss if I failed to acknowledge that the position advocated here bears a striking resemblance to the one advocated by Milton Friedman in *New York Times Magazine* (1970) and elsewhere. Friedman loathed CSR, and given the common failure to distinguish between CMR and CSR he is often read as rejecting CMR as well, but his actual position was more nuanced.

Friedman begins his 1970 *Times* piece by effectively distinguishing between moral responsibility and social responsibility, acknowledging that individual businessmen [sic] are bound by traditional moral obligations—“the basic rules of the society, both those embodied in law and those embodied in ethical custom”—even while engaged in business activity. As discussed in Sect. “[Corporate Moral Responsibility](#),” with a little bit of work this seems likely to yield the result that firm actions must also comply with ethical custom; if the individualist argument from Hsieh fails, there is still the argument from corporate moral agency. In either case, Friedman’s acceptance that traditional moral obligations apply to actors in the institution of business makes it very difficult for him to reject the paradigm of CMR as I have described it here. (I should note that this is a less scandalous result than it may seem, as there is room to debate the scope and content of those moral obligations). Friedman nonetheless argues passionately against *social* responsibility.⁴³ He objects to CSR in part because it can cut into profits and violate fiduciary duties to stockholders, but his primary concern was this: even when “socially responsible” activity is profitable and done with the consent of the stockholders, it remains objectionable because it requires private citizens to intrude into a sphere properly reserved for government action. CSR is “intolerable,” he says, because it makes the businessman who engages in it a “self-selected ... legislator, executive, and jurist,” bypassing the “elaborate constitutional, parliamentary and judicial provisions” that we have established to ensure that authoritative action on social issues conforms to the preferences of the public.

Indeed.

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⁴¹ (Young, 2010). I should note that there is already a literature on corporate citizenship, rising to prominence in the 1980s and 1990s and recently revitalized as yet another cognate of CSR; for discussion see e.g., (Carroll, 1999), (Moon et al., 2005). Again, I am suggesting a different approach than the one generally taken here and in the other cognates—one that draws on traditional forms and frameworks rather than relying on the unique nature and position of firms.

⁴² A referee gently pointed out that CCR is already taken (designating corporate criminal responsibility), but I cry mercy! All of the good acronyms have already been taken for something.

⁴³ By which he meant things like reducing prices “to contribute to the social objective of preventing inflation,” voluntarily reducing pollution “in order to contribute to the social objective of improving the environment,” hiring “hardcore” unemployed “to contribute to the social objective of reducing poverty.” All of these are consistent with other statements issued around that time (quoted in Sect. “[Corporate Social Responsibility](#)”) which form the core of the paradigm of CSR.

Declarations

Conflict of interest The author has no conflict of interest to declare that are relevant to the content of this article.

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