Instinctive Behavior, Producer Surplus and Corporate Social Responsibility

by

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Abstract

This paper addresses a phenomenon that cuts across many disciplines of the formal tradition of learning. Out of numerous multifaceted academic disciplines involved in the argument, psychology, economics and business management stand out, as reflected in the title of the study. The research on the topic is carried out by adopting an inductive approach involving intangible aspects of psychology and tangible parameters of sociology centered around the disciplines of economics and business. The author maintains that the phenomenon of Corporate Social Responsibility (CSR) represents a challenge of finding the resolution to the paradox of selfish and altruistic human motives. It is argued that quality of that resolution will be determined by the quality of positive laws of sociology and the quality of intrapersonal regulation to help appreciate social responsibility in the presence of opportunities for maximizing self-interest. The review of the literature on CSR underpins factors of international political economy responsible for promotion of the phenomenon in North and South during the last century and in the new millennium respectively. The findings lead to the conclusion that rhetoric of CSR, contemporaneously prevalent in countries like Pakistan, merits the analysis of both its motives and fall out within a North-South divide.
Introduction

In a broader sense, CSR became an issue mainly in the recent years. The evolution of this phenomenon is largely to be credited to the neoliberalist era that began in the last quarter of the 20th century and continues to dominate in the new millennium. Not surprisingly, the conceptual and operational definitions of CSR are subject to as many controversies and disappointments as is the outcome of neoliberalist economics manifested in looming threats to social, economic and environmental sustainability. The scope of this study is, however, only limited to addressing the issue of CSR. The analysis is carried out by adopting an inductive approach while probing into both interconnected aspects and disconnected separate currents of the phenomenon. The interconnectivity of CSR relates the capitalist paradigm with the individual/collective human behavior. The disconnection on the other hand refers to specific real world issues with local and global contexts involving simultaneous but unequal capitalist development in the North and the South. The paper is divided into three parts. Part 1 reflects on the relationship between instinctive and ethical behavior of the entrepreneurs. The former is driven by the motivational force of self-interest exhibited in efforts to accumulate producer surplus, while the latter demands social responsibility under the influence of intrinsic and/or extrinsic regulations. Part II presents a brief review of the literature on CSR, largely relating to the corporate sector in the North. Finally, Part III of the paper analyzes the literature on CSR in the developing countries and highlights its recent origins in a world where Technical Barriers to Trade (TBTs) are increasingly underscoring the North-South divide in gains from economic globalization.

I. Elements and Compound

Human society happens to be an artificial construct evolved through a process of successive making and remaking of positive laws in the realm of both sociology and technology. The positive laws in sociology are the rules and regulation governing the edifice of human society at each level of existence. Before getting into different forms of positive laws, it is important to first understand their rationale which, in turn, requires the understanding of biologically governed behavioral traits. At a broader level, the latter are recognized as the instinctive behavior with the survivalist instinct being the strongest of all. It therefore follows that the effort to remain the
fittest, widely recognized as self-interest, happens to be a natural right of all creatures. That said, a vast majority of humankind also like to call themselves the supreme creature or the higher organism owing to another two natural endowments; namely, superior intellect and the ability to change the things for better or for worse. These two endowments and self-interest, the strongest of the instinct, together underscore the significance of positive laws of sociology which have always existed in every society, however small or big, developed or underdeveloped, ancient or modern. More explicitly, the positive laws in sociology provide a regulatory mechanism for human behavior which is driven by both selfish and altruistic motives. The selfish motives come spontaneously and effortlessly with submission to dictates of the instinct. The altruistic motives on the other hand require relentless philosophizing to help regulate instinctive impulses in a manner ensuring both survival and self-control, an enlightened resolution of paradoxical endowments, though widely considered and interpreted as self-sacrifice.

Positive laws of sociology merit an understanding both at the intrapersonal and interpersonal spheres. In the former case, it happens to be a system of self-regulation. The most reliable barometer for measuring the efficacy of each individual system is personal integrity. Although the intrapersonal positive laws, usually called principles and/or convictions, essentially happen to be intrinsic to a person, the social environment is the provider of major explanatory variables which determine the relativity of selfish and altruistic traits of an individual’s character. Therefore, interpersonal variations in behavioral patterns are frequently a source of conflict in human society, warranting widely recognizable and/or generally applicable positive laws for conflict resolution. These laws represent a continuum of both social norms and governance structures including all prevalent forms of informal and formal laws of sociology respectively.

Social responsibility is therefore a phenomenon lying on the crossroad of intrapersonal and interpersonal spheres of the positive laws of sociology. Both logic and ethics vote in favor of socially responsible individual and collective human conduct: an altruistic act of one person/group serves the interest of the other and vice versa, while conduct blinded by self-interest would set in motion a collision course. Unfortunately, the former case universally

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1 Indeed, majority of the social problems are symptomatic of socially irresponsible behaviors manifested in the actions that are apparently advantageous to individuals/groups within a selfish, shortsighted view, but harmful to the long run collective interest of the society including the individuals/groups originally responsible for those actions [for developing further insight into the issue, see Hardin, 1968].
happens to be less prevalent in practice because not only the persuasive values for guidance of conduct are usually established without studying the motives and impulses, the regulatory rules also very often fail to take fuller account of the opportunity set, involving both options and constraints, of participants. This is as much true for CSR as it is for any other form of social responsibility, specifically in developing countries like Pakistan. The author agrees with the opinion of Pickford (1940) that in practice, a normative science such as ethics must be inextricably bound up with purely realistic psychology (P. 379). It must, however, be added that the normative science of CSR also must not overlook the context specific social physiology and social pathology since in this case one size doesn’t fit all.

That said, what usually fits all is the purely realistic psychology of the economic agents, universally translated into self-interest. Each and every member of human family always remains an economic agent on the consumption side of the spectrum. Similarly, with the exception of those identified with unmanageable mental and physical disabilities, people also remain producers, in one way or the other, for better part of their lifetimes. Although economic theory is limited in its application only to the producers and consumer making exchange in the market, its limitations ought not make those outside the market lesser of consumers and producers. Theory, nonetheless, provides the analytical framework to develop the cognition of purely realistic psychology of economic agents translated into impulses and motives of the consumers and producers for utility maximization and profit maximization respectively. The most sought after form of the latter is economic profit making, while economic profit is the producer surplus after the revenue has been accounted for all costs including the opportunity cost of production. In so far as CSR is considered to add to the short-

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2 The area above the supply curve, between the competitive equilibrium price and the supply curve intercept, is called producer surplus. The term was introduced by Marshall (1925: P. 811) and, sometimes, it has been subject to controversy. For example, Mishan (1968) recommends that the term "producer's surplus" be struck from the economist's vocabulary (P.1279). However, Mishan’s elaborate analytical model failed to defy the concrete phenomenon of producer surplus which essentially exists in a producer’s psyche even when not verifiable from firm’s balance sheet. On a technical note, it is an empirically established theoretical construct that a monopoly, natural or legal, producing under favorable cost conditions may continue to have producer surplus even in the long-run. On the other extreme, a perfectly competitive market is usually perfect in an imperfect fashion, very often allowing some firms to make economic profit within an industry where, simultaneously, the sister firms might have been operating on or below their long-run optimum.
run costs of the firm, it fails to convince the purely realistic psychology which usually fears the long-run as a dead end.  

II. Weights and Measures

To begin with, CSR is essentially a concept providing ethical guidance to profit seeking private corporations operating in a market environment. The concept can’t therefore be applied to government departments, nonprofit private companies and/or to organizations functioning under socialist economic system.

The debate on CSR has emerged through a process spanning over the entire length of last century, but the phenomenon still remains a subject of intense controversy. Therefore, management is hampered by the of lack of a paradigm which addresses both the "what" and the "how" of social corporate behavior [Murray and Montanari, 1986: P. 815]. Indeed, social responsibility was not intelligible on the agenda of the corporate sector that largely evolved in 18th and 19th century, the centuries widely identified with the first liberalist era responsible for ferociously ruthless form of capitalism which ultimately invited the Communist Manifesto. In the next century, the innovative mantra of Ford assembly line and other technological developments doled out illusionary possibilities of unprecedented size of producer surplus. Unfortunately, the majority, driven by short-sighted self-interest, went headlong through successive short-runs of vertical and horizontal industrial expansion until most of them plunged into the long-run which is documented in the business archives under the heading of Great Depression, a colossal jinni that contemporaneously is feared to be bottled up in a huge corporate vessel which may breakdown anytime and release the monster to punish the humanity for collective sins of complacency. The Asian crisis of 1990s and ongoing economic melt down in North are the preambles of a saga which threatens to render the earlier Great Depression a tempest in the tea cup, given the spaghetti bowl of backward and forward linkages of today’s corporate world.  

3 The dead end here is the metaphoric adaptation of the famous saying by John Maynard Keynes that in the long-run we all are dead. Friedman (1962), in spite of belonging to an opposite school of thought, appears to share the same belief while advocating profit making being the only CSR.

4 The author has coined the term of Spaghetti Bowl for backward and forward industrial linkages which are responsible for setting in motion a cumulative process of industrial growth both with a positive or a negative sign.
In the author’s opinion, it is the insight into the *spaghetti bowl* which is behind the stockholder theory for business ethics. An analytical framework which considers CSR simply as a managerial obligation to maximize the financial returns to the stockholders[1]. The theory is pretty well justified, if the managers have the collectivist insight to seek after profit making rather than economic profit making. That said, this insight usually fails to make a manager one of the highest paid CEO in the real corporate world where the market tends to produce monopolies which frequently happen to be coercive, if not *unnatural* and *illegal*; causing negative externalities and besetting market failure of a magnitude which is currently responsible for making US President Bush the *Comrade* Bush; hence validating the argument that the private pursuit of profit simply cannot be relied upon to secure the common good [2].

It therefore follows that CSR must go beyond profit making[3]. However, the domain beyond tangible parameter of profit is ridden with controversies. Moreover, it goes without saying that long-run perfectly competitive optimum of a firm, without committing deception or fraud, remains a prerequisite for corporate social responsiveness which, many argue, ought to considered as the managers having a fiduciary duty not merely to the corporation's stockholders, but to the corporation's stakeholders. The latter include anyone who has a *stake in or claim on the firm* [4] i.e. all those who can affect and are affected by the corporation. The literature on CSR widely considers stockholders, customers, employees, suppliers, community residents and the natural environment as primary stakeholders[5]. Clarkson (1995) further incorporates into the panorama the public stakeholders group including government and communities that provide

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5 There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud (Friedman 1962: P. 133).

6 In the microeconomic principles, profit making is a producer optimum where a firm covers all costs including the opportunity cost of production. While considering the assumptions of perfectly competitive industry (all firms being of equal size and efficiency, with unchanged techniques, some inelasticity in the supply of each factor, and an absence of external economies; see, Mishan, 1968: P. 1276) a firm may have the ability to make economic profit only in the short-run, while the long-run optimum only allows profit making with a break-even. The latter happens to be a necessary but not sufficient condition for any measure of CSR.
infrastructure and market and whose laws and regulations must be obeyed and to whom taxes and other obligations may be due.

The vast canvass of stakeholders approach to CSR inevitably invites philosophical controversies. For example, Friedman (1962) maintains that managers ought not accomplish benevolent goals without prior consent and due authorization of the stockholders whose money is actually involved in altruistic transactions. Indeed, spending other people’s money without their explicit consent will violate Kant's principle of persons having absolute worth [Kant, 1804/1981: P. 37]; namely, that one who breaches an agreement with a party is treating the person/persons of that party merely as a means to her/his own ends rather than the other way around i.e. the other party being an end in itself. That said, the Kantian principle could be turned on its head while considering that every human being is entitled to be treated as an end in herself/himself rather than merely as a means to some other end. Therefore, it can be morally justified to spend stockholders’ money without their consent as long as it is done to promote the public interest [Donaldson 1982, 1989]; and the firm’s management has an obligation to act in the interests of the stakeholders as their agent [Evan and Freeman, 1988: P. 103].

Finally, a large body of literature on CSR considers a corporate entity as a set of interdependent relationships among primary stakeholders [Chakravarthy, 1986; Evan and Freeman, 1988; Hill and Jones, 1992; Kotter and Heskett, 1992; Harrison and St. John, 1994; Donaldson and Preston, 1995; Jones, 1995; Greenley and Foxall, 1996]. Some of the authors also maintain that effective stakeholders management leads to financial performance [Kotter and Heskett, 1992; Harrison and St. John, 1994]. Indeed, many empirical studies have been carried out to determine the relationship between CSR and financial performance. However, the researchers have largely failed to reach a consensus on this issue. For example, Arlow and Gannon (1982) reviewed seven empirical studies and concluded that economic performance is not directly linked, in either a positive or negative fashion, to social responsiveness [P. 240]. Similar findings were reported by Kenneth et al (1985), whose study revealed that varying levels of corporate social orientation do not correlate with their performance differences.
III. Strength or Weakness?

In practice, there are different definitions of CSR both within a country and between the countries. Indeed, it is still not a really established term in developing countries like Pakistan; though very much a part of the popular vocabulary of global business executives and organizations. The author has made an effort to go through a vast body of CSR literature relating to both North and South. Unfortunately, in the latter case the phenomenon does not appear to have emerged through a spontaneous process reflecting both social consciousness and mobilization, as it has been the case in the North where the CSR happens to be a synthesis born of the archives recording a demographic composition of enlightening one tenth of the people during the liberalist era of capitalist development; the remaining nine tenth served only as the material and means to that end.7 On the contrary, the overabundant literature on CSR in decolonized South embarrassingly appears to be a recent corporate response to the foreign consumers and the World Trade Organization (WTO). Indeed, TBTs played up on the WTO forum by the developed countries, though still part of the Doha Round stalemate, are virtually operational in various disguises since after the conclusion of the Uruguay Round in the 1990s.

The argument in the foregoing is demonstratively supported by the relative age of the literature on CSR in developed and developing countries. The earliest study[Huxley, 1945] on CSR in the West introduces the social man, the phenomenon which was to replace the economic man of the age of liberalism. The latter, as mentioned earlier, invited the Communist Manifesto, but still ensured the triumph of the economic man by turning the tide of socialism to the autocratic Russian empire, until Great Depression broke out in the capitalist citadels, the United States of America (US) and Europe.8

Huxley(1945) held that when a big employer talks about his democratic right to individual freedom, meaning thereby a claim to socially irresponsible control over a huge industrial concern and over the lives of tens of thousands of human beings whom it happens to employ, he is talking in a dying language[P.17]. He considered laissez-faire a false abstraction which, in

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7 The rhetoric is borrowed from Dostoevsky’s Diary of a Writer for January 1876, quoted in Dostoevsky 1873/1994, P. 727.
8 The author has always held this position that Keynesian economics was more of an antidote for the looming threat of socialism than it was a cure for the Great Depression, while the Marshall Plan to reconstruct Western Europe in the aftermath of World War II was a timely to response to Europe’s dollar gap crisis which otherwise might have been responsible for another Animal Farm, denying US all chances of world supremacy[for a deeper insight into the issue, see, Khan, 2008].
his opinion, had lost relevance it once possessed. Perhaps the first ever echo of stakeholders theory of CSR is recorded in the following passage:

But when Mr. Henry Ford, for instance, says that the principle of individual freedom gives him the right to do what he likes with his business, he is confusing the issue. He is now dealing with a large and powerful group, in which social relations ought to be the overruling consideration—relations of the management to the thousands of workmen employed, of the firm as a whole to the national economy, to the regional and local planning, and so on [P. 20].

Author’s argument can be rejected by the die-hards on the solid basis that Julian Huxley, a biologist by training, is neither known for a business researcher nor he wrote in a corporate journal. That said, the archives, unfortunately, do not end with Julian whose grandfather Thomas Henry Huxley, himself a writer, lived in the times when the US corporate sector thrived successively on slavery and convict labor. Similarly, it took a long struggle, spanned almost over a century, to eliminate child labor in Europe in 1920. It does not mean, however, that WTO rules on TBTs ought not to relate with CSR. The only problem is that not only the CSR literature on developing countries happens to have its genesis in TBTs, a large part of the literature is a vivid reflection of the same phenomena[see, for example, Blowfield, 2003, 2004; Dolan and Opondo, 2005; Schrage and Ewing, 2005; Hussain, 2004; Kaufman et al., 2004; Nielsen, 2005].

Furthermore, the arguments of the CSR studies on developing countries are advanced with an apologetic tone rather than a self-assured rhythm. The earliest work referred in the literature on CSR in developing countries is by Visser and Macintosh (1998). The authors attempt to take pride in the religious tradition of Asia homing Hinduism, Buddhism, Islam, and Christianity. The ethical condemnation of usurious business practices by all these faiths is considered an example of CSR in the region dating back thousands of years. Similarly, Frynas (2006) quotes the 4th century BC Indian statesman and philosopher Kautilya who advocated the business practices based on moral principles. In Far East Asia, Nelson (2004) gives the credit for CSR to the Buddhist traditions of the region. This naïve approach to CSR in Asia also finds its counterpart in Latin America. Vives (2006) reported, after surveying over 1,300 small and medium-sized enterprises in the region, that the religious beliefs of people in Latin America are
one of the major motivations for CSR, while Logsdon et al. (2006) relate the phenomenon to the pre-Hispanic cultural traditions of community self-help and solidarity.

Not only the religious cultural and traditional appreciation of CSR in developing countries is a late appearance in the literature, coinciding with the erection of TBTs in the post-Uruguay Round era, the argument analyzed in the foregoing is clearly out of context while considering that origin of CSR lies in the controversies of capitalist expansion during the last century. The author is again tempted to refer to Huxley (1945) who, in spite of his deficit of the relevant expertise, encompassed both the contemporary rationale for CSR and its cultural parallel in Europe:

Our old order contains two principles which, derived from very different historical sources, have now combined to deadlock progress. One is the liberal principle of economic individualism and the sacredness of profit motive; the other is the conservative principle of class privilege based on property and on social position. In a society based on these principles, social services are considered a mixture of charity and of Palliatives designed to patch up defects in the system. For the most part, the individual human being or the groups that go to make up the nation are tied together by impersonal bonds such as the economic motives, not by a living framework of rights and duties. Consumers, being unorganized and without the force of profit motive behind them, find their interests neglected as against those of producers and distributors [P. 18].

The upshot is that CSR happens to be a Western term where it is mainly linked with big firms, the firms whose activities are visibly present for public rating. Moreover, with the advent of neoliberalist era CSR has lost the status that the phenomenon once held in the developed countries’ academic circles of business management. The criteria for evaluating the globally most admired 10 companies, reported in the Fortune magazine, is a case in point.9

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9 Indeed, the Western literature on CSR owes its origins to an implicit paradigm that emerged from the cold war between socialist and capitalist blocks. Hence it is all but a coincidence that the largest body of Western CSR literature appeared in the years before the triumphant hegemony of neoliberalists, recorded in the Washington Consensus on the Thatcherite and Reaganite economic agenda [see, for example, Bauer, 1972; Moskowitz, 1972, 1975; Dierkes and Bauer, 1973; Abt, 1974; Anshen, 1974; Linowes, 1974; Sethi, 1974; Davis and Blomstrom, 1975; Lerbinger, 1975; Bowman and Haire, 1975; Folger and Nutt, 1975; Heinze, 1976; Holmes, 1977; Keim, 1978; Ingram, 1978.}
In the developing countries on the other hand the largest number of businesses still takes the form of sole proprietorship or partnership. As a matter of fact, developing countries, even when considered as one entity, poorly compare with US and Japan alone who, by the end of 1980s, together accounted for 70% of total global capitalization [Becker et al. 1990]. This is evident from the fact that, by the end of 1980s, India and Pakistan ranked 85th and 92nd in the world league table of corporate size, with average company size of US$19.1 and US$6.6 million respectively. These measures poorly compare with Japan who ranked 13th in the same table with average company size of US$911.3 million [Standard & Poors, 2002, P. 27]. Table 1 in the following provides three broad measures for comparison of the corporate sector of Japan with four major South Asian countries at the end of 1999.

**Table 1:**

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Listed Companies</th>
<th>Market Capitalization US$ billion (% of GDP)</th>
<th>Average Company Size US$million</th>
<th>Turnover US$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>211</td>
<td>0.9</td>
<td>1.9</td>
<td>4.01</td>
</tr>
<tr>
<td>India</td>
<td>5863</td>
<td>185</td>
<td>41.5</td>
<td>31.5</td>
</tr>
<tr>
<td>Pakistan</td>
<td>765</td>
<td>7</td>
<td>11.9</td>
<td>9.09</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>239</td>
<td>1.6</td>
<td>10.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Japan</td>
<td>2470</td>
<td>4547</td>
<td>104.6</td>
<td>1841</td>
</tr>
</tbody>
</table>


The GDP measure of market capitalization shows in Table 1 that the corporate sector in Japan, the second largest economy of the world, is much more influential than the corporate sector in India, leave alone Pakistan or any other country in South Asia. Although India appears to have an edge over Japan in terms of the number of corporation registered on the stock exchange market, her average company size is much small than that of Japan. However, both India and Pakistan have shown progress in average company size compared to the end of 1980s. That said, the decade of 1990s was a period of cut throat global competition where not only the new markets were emerging, the players already in the markets were also strengthening their

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10 The criteria includes in order of appearance innovativeness, quality of management, employees’ talent, financial soundness, use of corporate assets, long-term investment value, social responsibility, quality of products, globalness.
strongholds, as is evident by the average size of Japanese companies which, compared to their size at the end of 1980s, were more than twice bigger at the end of 1999. Finally, a very high turnover rate in Pakistan, compared to other four countries listed in Table 1, invites some heart searching by those who believe that speculative investment is one of the most reliable barometers for determining socially responsible performance of the corporate sector. More importantly, the foul play of inside trading, if goes undetected, is also sometimes responsible for high turnover rate. Indeed, both these issues ought to be fundamental to any measure of CSR.

Table 2 provides relatively recent information on the relative significance of corporate sector in South Asia and two largest economies of the world, US and Japan. India ranks 13th in terms of the absolute size of market capitalization and also fares pretty well while considering the GDP measure. However, it still has to go a long way to match the two largest economies of the world on the per capita measure of market capitalization. Pakistan with a rank at 51 is much below India also on the per capita account of market capitalization, while faring a little less poorly on the GDP measure.

The figures listed in Table 1 and Table 2 are a representation of the developing countries effort to catch up with the global capitalist development. Baskin (2006) studied three generic indicators of CSR on the data for 127 leading firms from 21 emerging markets across Asia, Africa, Latin America, and Central and Eastern Europe. The findings reveal that firms representing the emerging markets have a respectable representation in the Dow Jones Sustainability Index and show rising levels of take-up of the Global Reporting Initiative and ISO 14001. The author, however, identifies that competitive advantage in international markets remains one of the key drivers for CSR in Central and Eastern Europe and Asia. Similar conclusions are recorded by Araya (2006) whose survey of top 250 companies in Latin America revealed that businesses with an international sales orientation were almost five times more likely to report on CSR than companies that sold products regionally or locally.
Table 2: Market Capitalization in South Asia: International Comparisons

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Capitalization in 2005</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ billion</td>
<td>US$ Per Capita</td>
<td>Per US$ 1,000 of GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>4</td>
<td>87</td>
<td>21</td>
<td>109</td>
<td>51</td>
</tr>
<tr>
<td>India</td>
<td>819</td>
<td>13</td>
<td>505</td>
<td>81</td>
<td>686</td>
</tr>
<tr>
<td>Pakistan</td>
<td>46</td>
<td>51</td>
<td>295</td>
<td>87</td>
<td>415</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>8</td>
<td>73</td>
<td>292</td>
<td>88</td>
<td>244</td>
</tr>
<tr>
<td>Japan</td>
<td>4,737</td>
<td>2</td>
<td>37,070</td>
<td>18</td>
<td>1,045</td>
</tr>
<tr>
<td>United States</td>
<td>16,998</td>
<td>1</td>
<td>57,346</td>
<td>7</td>
<td>1,369</td>
</tr>
</tbody>
</table>


*Italic figures represent the country rank in the league table for each of the three separate measures of market capitalization.*

Finally, a sizeable part of market capitalization in South accounts for foreign direct investment and standardization imposed by multinationals, striving to achieve consistency among their global subsidiaries and operations, is one of the major drivers behind formal practices of CSR in recipient countries. The findings of Asia study by Chapple and Moon (2005) suggest that multinational companies are more likely to adopt CSR than those operating solely in their home country. However, the authors also pointed out that the profile of multinationals CSR tends to reflect the profile of the country of operation rather than the country of origin [P. 415].

Conclusion

The normative science of CSR must not overlook the context specific economic physiology and social pathology since in both cases one size doesn’t fit all. The phenomenon did not evolve in its own right even in the Western corporate world which, after failing the stockholders in the 1930s, had to extend its social accountability matrix to the inclusion of stakeholders in an atmosphere charged with the revolutionary hype. In the developing countries on the other hand, CSR is a recent arrival. The available literature on the subject shows that CSR is being warmly courted by part of the corporate sector having direct stakes in WTO measures under Non-agricultural Market Access (NAMA) to Western countries. The global trading interests of the business community in countries like Pakistan warrant appeasement of Western governments and consumers on strenuous issues like child labor, gender equality and labor and environmental standards. This is tantamount to endorsing TBTs which are still not binding in the backdrop of
Doha Round stalemate. Not only the CSR rhetoric is inconsistent with the reality check in the South, its proclaimed targets appear to create serious distortions involving suboptimal choices which manifestly compromise both status and interest of domestic consumer in favor of the consumer in the West. More importantly, in the backdrop of the Bastille of agricultural subsidies, CSR backdoor in developing countries conveniently spares the West to go for inconvenient settlement in the Doha Rounds for getting the TBTs through.
References


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