When Is Corporate Social Responsibility Theft?

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Over the past few decades, socioeconomic thinking has shifted away from capitalism's traditional narrow emphasis on corporate profits and toward a more purposive approach characterized by a new mantra: "People over profit" (Partridge 2015). The underlying message here is that serving society is more important than extracting wealth from society. Scholars have uncovered ample evidence that there is no real trade-off in actuality, as firms increase profits by doing social good (Falck and Heblich 2007; Harrison et al. 2010; Jones et al. 2018). Stakeholders, including customers, employees, financiers, suppliers, and communities, tend to support and invest in firms that "do good." Thus, stakeholder theory suggests that firms perform worse when pursuing profit maximization and better when pursuing a *stakeholder* strategy of corporate activism under the label *corporate social responsibility* (hereafter CSR). By *corporate activism* or *CSR*, we mean activities performed by the firm unrelated to the firm's economic activities, instead aimed at non-profit-seeking social or political objectives. Stakeholder theory's instant popularity as a business ethic brushed aside the academic debate initiated by Friedman's controversial 1970

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The Independent Review, v. 30, n. 1, Summer 2025, Copyright © 2025, pp. 45–63.

essay concluding that firms' moral duty was to maximize profits.[1] This stakeholder theoretic paradigm led to the creation of new institutional rules, both formal and informal, including the environmental–social–governance (ESG) business scoring system as a primary investment criterion (Van Duuren et al. 2016).

Consistent with this paradigm shift, the business ethics literature abounds with CSR advocacy (see Fatima and Elbanna 2023 for a review). Few scholars challenge the moral foundations and assumptions underlying such corporate activism (some notable exceptions include, e.g., Goodpaster 1991; Pava and Krausz 1997; Hasnas 2013). Instead, most scholars accept unquestioningly the moral status and validity of the aims of CSR, while the mechanisms by which such practices are enacted have largely been sidestepped. Consequently, CSR activities often cater to the most vocal activists rather than the broader population. But a critical review of the CSR literature reveals a fundamental flaw in its assumptions and conclusions, as evidenced by the recent, costly marketing errors of Nike, Gillette, Target, and AB InBev. For example, AB InBev's Bud Light team enlisted influencer Dylan Mulvaney (Gasparino 2024), who famously documented her gender transition experience beginning in 2022 on social media, to promote its popular beer on social media. Mulvaney's infamous post, on April 1, 2023,[2] was indeed shared far and wide, but not for the expected reasons. Once-loyal Bud Light customers revolted, and AB InBev's stock price collapsed from $67 to $53 within two months. Although most of those companies have recovered from their advertising mishaps, their blunders exposed a critical weakness in CSR literature—namely, that not everyone holds the same moral values and priorities. This irrefutable reality has devastating consequences for stakeholder theory.

In what follows, we present and defend what may be considered a radical conclusion: that the modern manifestation of CSR, far from being a morally and ethically enlightened or superior approach to corporate governance, actually amounts to *theft* from at least some of the firm's stakeholders. Our argument is chiefly philosophical, not legal—we examine concepts in business ethics, morality, and social responsibility, avoiding legal interpretations or assertions. Our objective is to explore the philosophical ramifications of CSR within the context of a property rights ethic, with theft broadly conceived as a wrongful taking from a rightful owner.

Succinctly, the argument runs as follows: When a corporation invests resources in non-profit-seeking moral activism (i.e., CSR), it expends stakeholders' resources in a way that diverges from at least some of those stakeholders' individual moral preferences. That misallocation prevents individual stakeholders from

1. The obvious objection—that if a stakeholder strategy maximizes profits, then it is implicitly a profit-maximization strategy—will be addressed in a later section.

2. The post displayed Mulvaney arrayed in the fashion of Audrey Hepburn's Holly Golightly character from *Breakfast at Tiffany's*. It read: "Happy March Madness!! Just found out this had to do with sports and not just saying it's a crazy month! In celebration of this sports thing, Bud Light is giving you the chance to win $15,000. Share a video with #easycarrycontest for a chance to win!! Good luck! #budlightlightpartner."

directing resources on which they have a rightful ownership claim toward their own preferred ends. Accordingly, the firm effectively appropriates those resources to expend them on the moral preferences of a subset of stakeholders, depriving others of the opportunity to meet their self-defined moral obligations and responsibilities. This "theft" of stakeholders' claims is alleviated only through a profit maximization strategy, whereupon stakeholders can allocate their claimed payouts (e.g., a dividend) as each shareholder sees fit—that is, toward whatever self-defined moral obligations each shareholder so chooses.

Do Firms Have Moral Agency?

The underlying impetus for stakeholder theory is to expand the range of moral activist options for market actors. Few dispute the rights of private business owners to pursue business activities that support social causes of interest to the owner. Extrapolating from this uncontroversial feature of property rights, Hart and Zingales (2017, 248) pose the following question: "If owners of private companies take social factors into account and internalize externalities in their own behavior, why would they not want the public companies they invest in to do the same?" Let us set aside for now the obvious retort: To pursue social aims, why invest in a for-profit corporation rather than directly in a social endeavor?

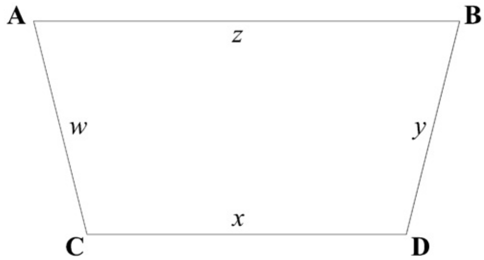
This argument for stakeholder theory, and consequently for CSR as an ethical license or even obligation for corporate activism, fundamentally derives from a positivist understanding of organizations as moral agents. Positivists and pragmatists alike speak of organizations, including firms, as *acting agents* that perform collective actions. This framing suggests that firms have the right and duty to *act morally*, just as individuals do. The colloquialism that companies "give back" to the society to which they owe their success reflects this perspective. But anthropomorphizing firms is imprecise and misleading. Sociologists have evaded deeper inquiry into their methodological holism—the essential position we have just elucidated wherein social entities are considered independent collective agents acting with collective will. Admirably, Hwang and Colyvas (2020) attempted to clarify the nature of collectives as actors, characterizing the "actor" concept as a mere abstraction applicable across multiple social levels. Thus, firms and other organizations are "actors" at a higher sociological level, their agency a collective will. Such collective will exhibits *moral* values and priorities manifested as moral collective action.

While this sort of anthropomorphism comports with common language and the way we tend to discuss organizational activities (e.g., "Apple discontinued iPod production"), it disregards our understanding of action as agentic (McBride and Packard 2021). If we reject the anthropomorphism of firms, we are left with individuals as the only acting agents having moral rights and duties.

Methodological Individualism

Methodological individualism, a term coined by Schumpeter (1908), posits

Figure 1
Coleman's Bathtub



Source: Adapted from Coleman (1990).

that social phenomena (including collective action) are not fully explicable at the macro level and must be traced to individual-level causes and effects. Coleman (1990) famously depicted this concept as a bathtub (see Figure 1). The causal relationship between social phenomenon *A* and social outcome *B* (causal relationship *z*) is necessarily incomplete. We can only find a complete understanding and explanation of the effect of *A* on *B* in the path from *A* to *C* to *D* to *B*. That is, we must understand in what way social phenomenon *A* effects a change *C* at the individual level (causal relationship *w*), how individual-level change *C* enacts a change *D* in individual-level behaviors (causal relationship *x*), and how the change *D* in individuals' behaviors manifests in the aggregate or collectively in social-level outcome *B* (causal relationship *y*). By merely accepting $A \rightarrow B$ through path *z*, one is left utterly unequipped to predict or explain when the causal relationship $A \rightarrow B$ through *z* might not hold. But this reasoning itself seems insufficient to reject methodological holism. After all, we can simply add contingencies and boundary conditions as needed. So, to explain the fundamental error of methodological holism and the impetus for methodological individualism, we must wade in the often-murky waters of philosophy and, specifically, of social ontology.

Despite the legacy of Karl Popper (1979) and others who advanced a simplistic social ontology, affirming the reality of social phenomena and social entities as agentic, philosophers have since rejected and moved beyond that paradigm. A leading view in philosophy is that social phenomena, such as relationships, institutions, and firms, have no ontological status as real entities. Their existence and objectivity as entities is only *epistemological*—in other words, social phenomena are mind-dependent. In Searle's (1995) language, social entities are *ontologically subjective* and not *ontologically objective*. Their existence is a social construction and, on Searle's (1995, 2010) account, wholly dependent on the beliefs of those who propagate them. Because there is no such thing as a collective (hive) mind of individuals who share cognition, beliefs are individual and, at least typically, heterogeneous. Thus, theoretical explanations of social entities must rely on individual-level explanations of subjective beliefs and (inter-)actions (Lachmann 1969; Udehn 2002).

Despite this work in philosophy, social scientists have accepted only incremental revisions to their positivist holism. Today, modern postpositivisms have tempered some of the more controversial claims of positivism while retaining its basic tenets.[3] Bhaskar (1998), Archer (1995),

3. Reinhard Neck's (2021) "Methodological Individualism: Still a Useful Methodology for the Social Sciences?" clarifies distinctions between methodological individualisms and between individualism and holism.

and Giddens (1979) were influential scholars who not only revised positivism into a more viable philosophy but also addressed the counterarguments of the methodological individualists. These postpositivists argued that the debate between methodological individualism and holism (or collectivism) presents a false choice because the two sides can be reconciled. Bhaskar (1998, 28) writes:

> The real problem appears to be not so much that of how one could give an individualistic explanation of social behaviour, but that of how one could ever give a non-social (i.e., strictly individualistic) explanation of individual, at least characteristically human behaviour! For the predicates designating properties special to persons all pre-suppose a social context for their employment. A tribesman implies a tribe, the cashing of a cheque a banking system. Explanation, whether by subsumption under general laws, advertion [*sic*] to motives and rules, or redescription (identification), always involves irreducibly social predicates.

Bhaskar and Archer in particular viewed social phenomena as *emergent* in that their properties are irreducible to the individual level, as the methodological individualists argued. Archer (1995, 148) explains that "the effects of emergent properties are not those of 'other people' and reification is not involved in saying so."

But this conclusion is mistaken. Although it is true that social phenomena often are irreducible to individuals *individually*, methodological individualism maintains that explanations be reducible to the *individual level*, and not to single individuals. King (1999a, 210) notes, "on Archer's own account of social reality, the 'structure' which living individuals face, and which is supposed to be irreducible to other people is, in fact, only these very other people interacting in the past." In other words, social phenomena are explainable by the individuals comprising them, both individually *and* interpersonally, past and present (King 1999a; 1999b). Although the atomic properties of hydrogen and oxygen cannot individually explain water's properties—a favorite example of postpositivists—their *interactions* do. Similarly, individuals possess both *personal* and *social* values and beliefs. For example, an employee may not feel passionate about her firm's values or product, but she still cooperates because she values the income and benefits it provides. Thus, she partially surrenders her will to the firm in a mutually beneficial employment contract. This dynamic does not signify a "hive mind" or "collective will." Her participation is not mindless obeisance to the collective; instead, she aligns her own will with the firm's goals insofar as the relationship is valuable to her. If the benefits of her employment no longer outweigh the alternatives for either party, the relationship can be dissolved.

In short, firms aggregate the agency of independent individuals, each with their own minds, beliefs, wills, and *moral* preferences. When we speak of firms' actions and behaviors, we are using linguistic shorthand to describe the decisions and activities of authoritative individual members of that organization. Group decisions are often made conjointly, but this process does not resemble a hive mind or collective will; rather, it involves the cooperative negotiation of individual ideas, expectations, and efforts toward mutually beneficial aims.

Moral Heterogeneity

A theme of methodological individualism is that discussions about the moral values and preferences of firms actually refer to the moral values and preferences of their individual members. Whereas the term *firm behavior* usefully describes coordinated productive efforts, it can be misleading when applied to moral practices, because individual members of a firm generally have diverse personal motivations for their cooperative efforts.

Eabrasu (2012, 429) explains this phenomenon nicely: "The existence of a widespread consensus on morality contrasts sharply with our most basic intuitions. If there were to be just one case of general agreement in morality, it would surely be to agree that there cannot be only one single way of doing good." One need not be a moral relativist to observe that people subscribe to different moral values and priorities, often expressed as distinctive political ideologies, as well as different religious and moral codes. Eabrasu (2012, 436) submits, "the moral pluralist perspective makes the frontier between good and bad practices highly permeable, in the sense that the so-called 'good practices' can be questionable while alleged 'bad practices' can be morally justified in specific moral paradigms." Moral heterogeneity suggests that any absolute moral system is likely inseparable from the social dynamics in which people engage.

Moral heterogeneity is not a mere theoretical curiosity but by now a stylized fact. While the claim of moral pluralism is unlikely to face substantive pushback, as it comports plainly to our interactions in political discourse, we may further allay objections by pointing to substantial empirical work. For example, Graham, Haidt, and several collaborators posit that, because individuals vary in innate moral foundations, they manifest distinct moral positions and priorities, so that "cultures vary morally, as do individuals within cultures" (Graham et al. 2013, 58). Their foundational position that individuals (and societies) vary in their moral positions has been substantially validated empirically (Kivikangas et al. 2021; Zakharin and Bates 2023), although there are lingering questions about what the "moral foundations" that constitute those individual positions are (e.g., Iurino and Saucier 2020; Gray and Keeney 2015). More to the heart of our argument, Wowak, Busenbark, and Hambrick (2022) find that stakeholders vary extensively in their reactions to activist CSR, from ardent support to frustration and distancing.

How CSR Is Theft

Here we come to our provocative thesis that contemporary CSR practices constitute *theft*. The basis for this argument is in property rights theory and centers on the question of who decides—that is, who chooses the moral priorities of a collective organization such as a firm. More fundamentally, who are the rightful claimants to resources allocated for CSR? The debate involves two predominant theories: shareholder primacy and stakeholder theory.

Shareholder Primacy

In his 1970 *New York Times* article, Milton Friedman articulated the position of shareholder primacy theorists by adducing that "the social responsibility of business is to increase its profits." Critics typically focus on the attention-grabbing headline, neglecting the broader argument encapsulated in his article. For Friedman (1970), CSR amounts to "an assertion that those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures." Friedman concedes that the owner(s) of a firm "might establish a corporation for an eleemosynary purpose—for example, a hospital or school." Because the executive acts as the agent of the owners and has a moral and contractual duty to fulfill the owners' wishes, it is justified, even mandatory, that the executive pursue the owners' desired social causes. For Friedman, only in this case is CSR justified. In the case of the public corporation, executives who engage in CSR coerce their organization to support a sociopolitical cause that, he argues, should have been adjudicated through political processes.

This last point is key for Hart and Zingales (2017, 249), who argue that such political failure is precisely why CSR is justified: "If political change is hard to achieve, action at the corporate level is a reasonable substitute." Although some may balk at conflating moral and business activities, they argue, the two are inseparable in some instances. Thus, Hart and Zingales find no objection to individual support for social causes through investment or purchasing activities. This position does not conflict with Friedman's argument because the owners (shareholders) of the corporation will the firm to engage in CSR.

Stakeholder Theory

Ed Freeman (1984) espoused a rather different theoretical framework for understanding the firm, viewing it not in terms of a principal–agent relationship, but instead as a network of stakeholders. The "fundamental thesis of stakeholder-based arguments is that organizations should be managed in the interest of all their constituents, not only in the interest of shareholders" (Laplume et al. 2008, 1153). These stakeholders include the firm's shareholders, of course, but also its employees, customers, suppliers, and local society.

Under the stakeholder theoretic umbrella, the case for CSR is straightforward. Although the concept of CSR did not arise from stakeholder theory (Carroll 1979), Freeman's (1984) motivation for stakeholder theory was as a challenge to Friedman, aiming to broaden business responsibilities to include societal needs as well as those of shareholders. Thus, while CSR and stakeholder theory are technically distinguishable (Dmytriyev et al. 2021), especially regarding the expected commitments firms owe to stakeholders or to society writ large, recognizing a firm's community and society as key stakeholders rendered the distinction obsolete. Like Hart and Zingales (2017), stakeholder theorists reject the "separation thesis" that business and morality are (and ought to be) separated (Harris and Freeman 2008). Instead, they posit that business is inextricably intertwined with moral problems: “That business decisions have moral content is inescapable; pretending the two are divisible at best obscures important considerations and at worst paradoxically encourages a particular set of ethical norms that may be unintended” (Harris and Freeman 2008, 543). Therefore, pursuant to this position, firms should not hesitate to take proactive moral action.

CSR as Theft

In either view, whether shareholder primacy or stakeholder theory, the problem of moral pluralism rears its head. Hart and Zingales (2017) adopt a positivist/holist position when remarking that “shareholder welfare and market value are not the same, and that companies should maximize the former not the latter” (270) by accounting for the fact that “the relative weights on private and social payoffs vary across individuals” (250). This position involves a utility maximization calculus that risks reducing heterogeneous agents to statistics. To reach the maximized shareholder welfare outcome, Hart and Zingales espouse shareholder voting.

Stakeholder theorists see the situation much the same way. While stakeholder theory generally seeks to strategically balance the needs of *all* of a firm’s stakeholders, theorists have recognized that “it sometimes makes sense to narrow the focus of corporate responsibility to a particular group of stakeholders (or even groups without stakeholder status),” such as specific social causes (Dmytriyev et al. 2021, 1460). So far, stakeholder theorists have not extensively addressed the process for determining which causes to pursue (Orts and Strudler 2009). How do managers “balance the resources entrusted to them among their various stakeholders” (Reynolds et al. 2006, 298)? This is an important question, because “decision making with respect to stakeholder relationships can be fraught with tension. Trade-offs between firm interests and stakeholder interests, as well as those between or among the interests of different stakeholders, inherently involve the allocation of benefits and burdens among human beings and, hence, involve moral questions” (Jones et al. 2007, 141). Scholars initially pointed to the differences in the *legitimacy* of stakeholders’ claims on the firm as a primary determining factor (Phillips 2003). Barney (2018) argues from a resource-based view that the strategic dependency on stakeholders should influence allocative decisions. Despite these arguments, modern presentations of stakeholder theory, and particularly efforts to accommodate CSR, often overlook or downplay consideration of these differences in stakeholder claims.

The key problem with both perspectives is that they ignore the moral heterogeneity of stakeholders. When a corporate entity invests its resources in advancing a social or moral endeavor (i.e., pursues CSR), it expends the firm’s resources—to which stakeholders have rightful claims (Barney 2018; Phillips 2003)—in ways that at least some of the stakeholders would not choose. Stated differently, if those stakeholders could retain their claim to these resources, would they personally and voluntarily choose to commit them to that same cause? If not, on what grounds can a firm justly expend those resources in such a way?

Effectively, the firm ignores the just and legitimate claims of stakeholders on those resources and expends them on a moral endeavor. Ethically, this amounts to theft. We say "ethically" to distinguish our philosophical argument from actionable torts or prosecutable crimes. The law recognizes many species of theft, from larceny and robbery to conversion and embezzlement. We refrain from citing statutes or interpreting cases and instead invoke "theft" as a general concept involving the unauthorized taking of property with the intent to deprive someone of it. Legal analysis of potential civil or criminal liability for CSR-related activity is beyond the scope of this article.

Now we can respond to the question posed by Hart and Zingales (2017, 248): "If owners of private companies take social factors into account and internalize externalities in their own behavior, why would they not want the public companies they invest in to do the same?" In light of our foregoing analysis, the answer is clear: because not all shareholders of the firm will value one particular social cause uniformly. This moral morass is the same from a stakeholder theoretic perspective—a firm's stakeholders do not all hold the same moral priorities.

If firm owners vote on the cause, however, does not a majority or controlling vote on the social endeavor constitute justification for its support? The answer, we submit, is *no*. But this answer, which may resonate with some, is not obvious.

Moral Authority, Delegation, and the Tyranny of the Majority

From a shareholder primacy view, CSR might appear indistinguishable from any other strategic endeavor of a public firm. Given the diversity of shareholder opinions, a mechanism is needed to facilitate decision-making amid disagreements within the company. To this end, companies typically delegate strategic decision-making authority to a corporate executive with oversight from the board of directors or put matters to a shareholder vote. If those entrusted with decision-making power can shape the firm's strategy, would they not also enjoy the authority to pursue social responsibility initiatives for the firm? This question recalls evidence that CSR activities are profitable as well as the perspective that firms are rewarded by the market for "giving back" to society (Falck and Heblich 2007; Harrison et al. 2010; Jones et al. 2018). Although numerous studies find positive effects of CSR on firm performance, doubts linger about whether these effects are real or statistical—or even publication process artifacts (Ioannidis 2005; Kong et al. 2020). Such skepticism has led to the characterization of the supposed effects as an "illusion" (Karnani 2011). Several have argued that a firm's *reputation* for doing good holds more significance than its actual deeds (Karnani 2007; Liu and Lu 2021).

Whether or not CSR has a positive effect on firm performance, CSR differs from market strategy in two key ways. First, CSR involves investing in social endeavors without expecting a return on investment (ROI). CSR initiatives aimed at

ROI—a phenomenon colloquially termed "CSR-washing" (or, more narrowly, "greenwashing," "pink-washing," "woke-washing," etc.)—are perceived as inauthentic and consequently fail to produce the expected positive reputational effects (Mazutis and Slawinski 2015; Martin et al. 2024). Thus, CSR is an *expense* and not a strategic investment. Second, CSR is intrinsically morally laden, whereas market strategy need not be. The distinction can blur, as certain market strategies can involve unavoidable moral judgments (Hart and Zingales 2017). However, CSR is inherently *but avoidably* a moral position, setting it apart from normal strategic decision-making.

As a result, CSR constitutes a moral judgment on behalf of the stakeholders who have rightful claims to the firm's resources. However, whereas strategic decision-making authority is delegated to a firm's executives and the overseeing board of directors in public ownership arrangements (stock offerings), moral authority is *not* delegated to them. Friedman (1970) was correct that the executive's rightful duties are limited to *strategic* and *operational* decision-making only. Hart and Zingales (2017) may be right that some investors might prefer companies to undertake philanthropy on their behalf. However, if not *all* shareholders share that preference, or if they do not agree on which social endeavors to support and to what extent, then CSR in the face of this inevitable disagreement constitutes a moral judgment not delegated to the firm or its leadership.

This logic also extends to Hart and Zingales's (2017) suggestion that shareholders establish the preferred social endeavor by majority vote. In general, absent contractual terms dictating otherwise, a ruling majority has no right over the legitimate claims of a minority. At most, these voting members can vote to allocate *their own* claims toward a social cause, but they cannot vote to allocate others' legitimate claims to resources, an action that would amount to what Alexis de Tocqueville labels a "tyranny of the majority." Thus, CSR remains theft, even if a majority votes for it.

ESG Scoring

The above proposition also implies severe moral improprieties in the use of social responsibility metrics, such as ESG, by institutional investors. Researchers and investors have used the scoring of firms' social performance—that is, their moral goodness score—for decades. Scholars frequently use the Kinder, Lydenberg, and Domini (KLD) index (Sharfman 1996; now MSCI, see Eccles et al. 2020), for example, as a scoring metric to assess how firms' social responsibility efforts impact their overall performance. Motivated by mounting evidence linking higher social responsibility scores to better performance (Kotsantonis et al. 2016; Meira et al. 2023), investment funds based on these social responsibility indices began to emerge. The KLD index managed the Domini 400 Social Index, comprised of the four hundred public companies with the highest KLD index scores. Soon, other socially responsible investment platforms emerged, including the FTSE4Good Index Series and the Dow Jones Sustainability Index.

The acronym *ESG* was introduced to modern discourse by a 2004 United Nations report entitled *Who Cares Wins*, which urged investors "to explicitly request and reward research that includes environmental, social, and governance aspects and to reward well-managed companies." Since then, several scoring systems have emerged to answer the UN's call. Thus, there is no single ESG score. Rather, ESG is an umbrella designation that can refer to any of several rating services that score firms' ESG performance (e.g., Institutional Shareholder Services, the Carbon Disclosure Project, MSCI, Sustainalytics, and S&P TruCost). More broadly, ESG refers to the nonfinancial standards or factors that governments,[4] nongovernmental organizations (NGOs), financial services institutions, investors, and proxy advisory services consider when they allocate capital or assess risk (Mendenhall 2023).

The problem with ESG scoring metrics has become apparent: they presume a moral consensus on what constitutes "doing good" that, in fact, does not exist (Eabrasu 2012). When institutional investors employ social responsibility scoring in their investment criteria, they commit their investors' contributions to moral endeavors that the investors may not prefer or even agree with. Moralistic investing is ethically problematic in all modern cases, but it is especially so when contributions to institutional investors are involuntary, as they often are with government funds (pension funds, bonds, sovereign wealth funds, etc.) or an employer's retirement fund.

Technically, this illustration raises fiduciary duty issues because institutional investors must prioritize maximizing returns on investment and mitigating risk rather than advancing environmental causes or social values unless specifically authorized by contract to do so. From a broad, philosophical perspective, breach of fiduciary duty and theft share similarities insofar as they both entail wrongful actions regarding others' property or assets as well as violations of trust or obligation. Both concern one party acting immorally by impermissibly and wrongfully using another's property. A breach of fiduciary duty occurs when one misuses the properties entrusted to them, whereas theft involves unlawfully taking another's assets or property.

When Is CSR *Not* Theft?

Readers may have envisioned scenarios where CSR seems morally permissible. Indeed, there are several exceptions to the overarching assertion that CSR constitutes theft. In this section, we review these exceptions for both descriptive and prescriptive purposes, proffering guidance for ethically permissible CSR. We adumbrate five possible exception cases:

1. Private ownership
2. Radical transparency
3. Moral universalism
4. Moral individuation
5. Market-oriented purpose

Private Ownership

The first and perhaps most obvious exception to the proposition that CSR is theft is the case of a private firm. If a firm is privately owned, then its owner has

4. For an analysis of how ESG is government-driven rather than market-emergent, see Mendenhall and Sutter (2024).

full decision rights over the company's activities, *including* moral judgments. That other stakeholders may have heterogeneous moral preferences different from the owner's is inconsequential because these stakeholders have no legitimate claim over the firm's resources. Certainly, a private owner may accommodate other stakeholders' moral preferences for a variety of reasons, including improving employee morale and productivity, building a brand and reputation, avoiding institutional backlash or other penalties, and broadening market reach. However, the business owner is under no obligation to do so. In fact, owners may be overt and explicit about their own moral values and preferences and design the company to promote those values.

Of course, this logic is complicated when private ownership is dispersed among multiple co-owners, in which case the same questions of moral heterogeneity again rise. In this case, the purpose of the firm, including any moral judgment, is determined by the organizing contract. Unless the governing contract explicitly charters some moral aim, such moral causes are not within the firm's purview. Of course, collective private owners may proceed with such moral endeavors anyway if they can achieve some consensus or agreement regarding moral preferences. Formally or not, such an agreement essentially constitutes a contract revision to allow such activities.

Radical Transparency

Conversely, public companies face difficulties engaging in CSR without resorting to theft. However, some organizational designs at least partly resolve the ethical tension. One is *radical transparency*—what Tapscott and Ticoll (2003) call the "naked corporation"—which describes firms' embrace of overt transparency regarding the moral preferences of their decision-makers. Such overt and transparent moralism would engender an attraction-selection-attrition (ASA) process (Schneider 1987), whereby stakeholders become a morally homogeneous body. To avoid ethical missteps, companies must afford existing stakeholders time to reconsider their moral alignment prior to effecting any new moral decision or change, allowing the ASA process to shift the stakeholder body to the new moral position.

To reiterate, this approach remains problematic because executive leadership in a public company lacks the delegated authority to pursue unnecessary moral endeavors, unless it has been expressly granted by unanimous shareholder approval. Choosing a not-intendedly-profitable moral endeavor, even transparently, generally exceeds authorized boundaries for a public company. However, in this case the stakeholder body becomes morally homogeneous in that all stakeholders acquiesce to the moral pursuit. Accordingly, the remaining stakeholders are not coerced into the CSR investment. The only ethical challenge to this approach, then, is that prior stakeholders are unjustly compelled into moral misalignment. As a result, they must either acquiesce to a moral endeavor they do not prefer or dissociate from the company. For some stakeholders (e.g., investors and consumers), this dissociation may be only a minor inconvenience.

For others (e.g., employees), however, it constitutes a material difficulty that the company ethically must redress.

Moral Universalism

Another approach a public firm might take is to limit its CSR activities to universally embraced moral causes. While many social endeavors are ideologically slanted, resulting in a wide disparity in public support, others are universally acknowledged moral goods. Examples include humanitarian aid following a natural disaster, efforts to improve global literacy, research on unsolved medical conditions, and the like. Even though fringe cases of disagreement may exist, support for them is virtually unanimous. These "safe" CSR activities engender no controversy, since all stakeholders support them.

This approach also incurs ethical difficulties, however, though they are attenuated and thus comparatively minor. First, it entails prioritizing a moral judgment over the firm's resources without explicit authorization to do so. More fundamentally, the firm extracts resources from stakeholders to support a cause that, although the stakeholders agree with and support it, may not reflect their preferences. That is, had they retained their claim on those resources, they may well have employed them elsewhere. Our values are hierarchically scaffolded (Packard and Bylund, forthcoming): While we aspire to all our values, scarce time and resources necessitate trade-offs—that is, ranking some values over others to maximize preferred outcomes. A firm's engagement in CSR does not constitute a form of theft only if its stakeholders *would have chosen* to contribute those resources to that specific cause. Of course, if that were the case, the firm's CSR would accomplish nothing except, perhaps, to make a contribution to that cause more convenient for stakeholders.

Moral Individuation

Another solution would be to individuate CSR contributions, allowing stakeholders personally to choose which cause to support. Amazon Smile, which allowed Amazon customers to select a registered charity and donate a fraction of the proceeds of each sale to their chosen cause, was a moral individuation CSR program. [5] In 2007, Google provided its AdSense clients with a $100 gift card to DonorChoose.org, attenuating the thievery of CSR even for morally heterogeneous stakeholders. Effectively, the firm compels stakeholders to contribute a portion of their claim to the firm's resources to a moral cause, but it maximizes the subjective valuation of these contributions by allowing each stakeholder to allocate that portion toward their highest moral values. Thus, a "moral individuation" approach resolves concerns about the value ranking implicated by moral universalism.

Yet even this approach is not free from moral overstepping if and to the extent that it compels a contribution and to the extent that allowed options are limited.

5. Amazon ended the Smile program in 2023, according to the company, in order to "focus its philanthropic giving to programs with greater impact" (https://www.aboutamazon.com/news/company-news/amazon-closing-amazonsmile-to-focus-its-philanthropic-giving-to-programs-with-greater-impact).

Again, this provokes the question whether a stakeholder independently would have contributed those resources to that cause and, if so, whether the firm has accomplished anything.

Market-Oriented Purpose

As a final morally permissible approach to CSR, we extrapolate from Madden's (2020) pragmatic theory of the firm (PTF) what we will term *market-oriented purpose*. Per the PTF, "maximizing shareholder value is best positioned not as the purpose of the firm, but as the result of a firm successfully achieving its purpose" (Madden 2020, 25–26). The firm's purpose is constituted by a unifying vision for sustainable prosperity through mutually beneficial relationships with all stakeholders. Integrating this core idea with Hutt's (1990, 260; Mises 1949) argument that "consumers' sovereignty is the stimulus to which productive effort is a response," the visionary purpose of a firm—including its moral position—is ultimately dictated by the market. Said differently, the firm would adopt a stance of purposive morality if and to the extent that its target market demands it, and that purpose would then undergird the firm's major activities (Madden 2020).

This market-oriented purpose approach is arguably the most and only fully morally permissible CSR option for a public corporation. The essential argument here is that, if consumers demand a particular moral stance in a firm's operations, the firm's adoption of that moral stance is justified. For most large corporations, this implies no or very limited moral activism to accommodate its morally heterogeneous target market. However, smaller or more niche firms may purposively address distinctive moral demands from morally heterogeneous consumers. Some private schools would tailor their curriculum to a particular ideology, while others would teach diverse ideas. Some firms would seek certification that they produced their goods without child labor; others may engage willingly in child labor to provide salvatory income to desperate families. Thus, the market-oriented purpose approach accommodates a broader range of moral preferences compared with the aforementioned approaches. From the firm's perspective, the market-oriented purpose approach simply involves acting in the firm's best interest by addressing the market's strongest demands. This approach to CSR essentially aligns with the Friedman doctrine whereby meeting market demands constitutes profit maximization. If a firm chooses, instead, to cater to a narrower moral niche of the market for nonstrategic reasons, forgoing higher profits otherwise attainable, the moral challenges described earlier resurface.

The greatest challenge with the market-oriented purpose approach, however, is in the potential conflict between heterogeneous moral preferences within the market. If firms effectively cater to all moral priorities in a market, conflicting priorities inevitably emerge. For example, a firm that targets customers concerned about anthropogenic climate change[6] may win their appreciation by reducing

6. Some see climate change as an externality rather than as a moral issue. We do not take a position, but merely acknowledge that disagreements on the causes, consequences, and obligations toward addressing climate change have taken on a moralistic component.

carbon emissions, but firms catering to customers who believe that anthropogenic climate change is exaggerated or false may undermine the effectiveness of the other firm's efforts by freely emitting carbon. Dick's Sporting Goods may elect not to sell firearms, but it cannot prevent a firearms dealer from opening a store next door. Vegan food producers and consumers have no power (besides, e.g., lobbying and other anticompetitive practices) to stop ranchers from selling meat. When disparate moral preferences conflict, firms following a market-oriented purpose approach may encounter protests, political pressure, and other forms of backlash from those of opposing views. However, from an ethical standpoint, this approach is legitimate.

Conclusion

At first blush, CSR seems appealing. People understandably believe that highly profitable corporations with substantial resources are well positioned to *do good* and should do so. Like so many of our instincts, however, this impression is misguided. We have argued that CSR, as practiced in modern corporations, constitutes a form of *theft* from morally heterogeneous stakeholders. Stakeholders with a legitimate claim to the firm's resources are rightful owners of those resources, which they may allocate as they choose. It may be the case, in future contract arrangements, that moral authority is explicitly delegated to businesses to act philanthropically on stakeholders' behalf—as essentially, albeit informally, in the case of radical transparency. However, in the modern state of affairs, businesses do not have delegated authority to act moralistically on the behalf of stakeholders.

Therefore, it appears that the most morally permissible approach is indeed the Friedman doctrine: A firm should maximize its profits and justly distribute them to the stakeholders who have rightful claim on them. These stakeholders can then individually allocate those gains to whatever moral endeavor(s) they choose. This approach seems to us not only the obvious but also the *only* morally permissible answer for public corporations.

Stakeholder approaches and CSR tend to treat stakeholder claims on a firm's resources as equal, causing ambiguity. As a result, firms often allocate resources from stakeholders with stronger claims (e.g., shareholders, employees) to stakeholders (e.g., social causes) with weaker claims, if any (Briscese et al. 2021). Yet, as companies increasingly donate employee bonuses to charities (Ivanova 2017; Norton and Dunn 2008), one can imagine a situation in which an employee in financial straits, desperate for his Christmas bonus, discovers that the bonus has been spent instead on a social project that he finds morally dubious or even repugnant.

Firms are not people, even if they enjoy corporate personhood under the law. They are legal constructs—collectives of people—on which the law confers rights and responsibilities. They do not have a brain or a soul. They are not caring or uncaring, moral or immoral. The *people* within a firm possess a moral conscience and thus hold moral obligations. When we recognize that it is ethically unacceptable to coerce another in the name of morality, the problem with CSR becomes clear: CSR is essentially theft.

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