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Corporate Social Responsibility (CSR) of Eastern and Western Models:
A Comparative Study

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“Anonymous market participants are largely exempted from moral choices as long as they play by the rules. In this sense, financial markets are not immoral; they are amoral” (George Soros’s Open Society: Reforming Global Capitalism)

“With great power comes great responsibility” (cf. the movie Spiderman)

Let us start this research article by citing the 2 quotations above, and discuss the philosophies behind them. For the former, Capitalism as the most crucial force to drive the global growth in our world history seems to be accepted as ‘amoral’ zone. For instance, if I own a private company and compete with my rival until that company has gone bankrupt, it seems to be accepted in the world of capitalism. When the rule is set, and I act according to the capitalism rule for making profit from my own investment, it is not ‘immoral’, but ‘amoral’. Capitalism seems to create a non-moral issue zone so that an individual can use his/her ability to search for success. When there is an equality of opportunities (as in Liberalist ideology) or when the rule is set, the rest is depended on individual’s ability and gut to pursue his/her interest. This is a concept of amoral, and it is bolstered by means-ends calculation or instrumental rationality.

However, as in the latter quote, one may challenge that even profit-making business should have a responsibility; with an increasing power of large corporation, like transnational corporation (TNC), under
globalization, their great power come great responsibility. This research will discuss this dilemma or controversy leading to the debate between capitalism resilience vs. capitalism transcending.

This research paper has 3 purposes. Firstly, it aims to explain the relationships between politics and business under globalization. Secondly, with (economic) globalization creating trans-national space or territory, the roles of trans-national corporations (TNC) are encouraged. Therefore, the idea of (global) governance, corporate governance (CG) and corporate social responsibility (CSR) are created to tame the power of TNC. The second purpose of this paper is to explain the relations among them. Thirdly, the paper also aims to explain a comparative view of CSR models between the East and the West, and also the notion of social enterprise (SE). This will also be analyzed under the context of arguable debate between the adaptation of capitalism and the movement beyond capitalism.

There are 4 parts in this research: Politics and Business in the Global Age; Globalization, Governance, and Trans-national Corporation (TNC); From Corporate Governance (CG) to Corporate Social Responsibility (CSR) and to Social Enterprise (SE) and A Comparative View of Eastern and Western CSR; A Review of CG, CSR, and SE under Capitalism Resilience vs. Capitalism Transcending.

**Part I: Politics and business in the Global Age**

In the global or even in the national political economy, there are 3 main forces. First, the state, through its government, creates public policy for people. Second, the market place, through corporation, runs business for good economy. Third, civil society, through civil society organization or non-governmental organization (NGO) builds social movement for the people. True democratic society, Giddens argues, should not be composed of the market place and the state, but should have civil society to balance (1999, 77-78). However, in reality, the balance is not well balanced. Democracy tends to turn to be ‘corporatocracy’ as business firm can highly influence to politics and bring benefit to each other. This is really evident even in the US as we can see from the ‘Occupy Wall Street’ (OWS) Protest in 2011 (in the time of writing) or anti-TNC protest targeting to corrupt economic system that is in opposition to democracy (see picture 1).

*Picture 1: State, marker place and civil society relations*
Actually, OWS is a people-powered movement that began on September 17, 2011 in Liberty Square in Manhattan’s Financial District, and has spread to over 100 cities in the United States and actions in over 1,500 cities globally. OWS is fighting back against the corrosive power major banks and unaccountable multinational corporations wield against democracy, and the role of Wall Street in creating the economic collapse that has caused the greatest recession in nearly a century. The movement is inspired by popular uprisings in Egypt and around the world, and aims to expose how the richest 1% of people are writing the rules of a dangerous neoliberal economic agenda that is stealing our future (http://occupywallst.org).

In reality, our society is not balanced as Giddens’ suggests. Politics and business are very close and interdependent to each other while majority of people in society are separated from them. Abraham Lincoln’s speech at the Gettysburg as ‘government of the people, by the people, for the people’ (Abraham Lincoln, 19 November 1863, The Gettysburg Address) may not be valid today. Instead, the government of the corporation, by the corporation, for the corporation may be more validated. Indeed, President Lincoln also made another speech regarding power of corporation that “I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country…corporations have been enthroned and an era of corruption in high places will follow” (Abraham Lincoln, 21 November 1864, Letter to Col. William F. Elkins)

Politics and business collusion happened not only in the West, but also in the East. For instance, there is a dark side of developmental state in Japan as Ryuzaburo Kaku, honorary Chairman of Cannon, says ‘Business can address a number of different issues, but I have chosen four that I think are especially important. First, I propose that companies stop relying on the government for handouts and special favors. Many Japanese companies belong to an iron triangle in which politicians, bureaucrats, and large companies collude with one another” (2003, 118).

This raised 2 interrelated issues to the politics and business relations. First, government, when it has stronger or weaker political power, tends to be in the pocket of business interests? So who actually governs?
(Moran 2009, 3). These also lead to the rival issue between democracy and ‘corporatocracy’. Therefore, we can see a clear picture that governments with political power, and corporation with economic power, tend to be at the same side, while people and CSO do not have a close relation to them. Second, in the space having weaker power of the government, such as in the trans-national territory under globalization, TNC that functions on a global scale tends to operate beyond the power of government.

Nevertheless, this opens a room for CSO to create a new form of governance to encourage people’s participation to tame TNC (and its governmental alliance). With increasing power of TNC, it surprisingly brings about the growth of social movement activity against the TNC too. In this sense, CSO will generate the governance of stakeholders’ participation to compete with old form of government and its business alliance (see picture 2). The notion of governance will be discussed in details later.

*Picture 2: State and business alliance versus civil society*

There are few reasons for the movement against corporation. The first two reasons are contented by Soule accordingly. First, with the mergers and acquisitions, corporation becomes much larger. This leads to economic concentration, and, then, more economic power of corporation which makes a few corporations control many aspects of individuals’ lives. Second, corporations increasingly influence a political process, leading to government’s biased policy such as ‘corporate welfare’ or state’s policy benefiting corporate interests over the interest of people. The second reason is a central one to the movement against corporation (2009: 2-4). Indeed, many political scientists, both from Marxist and neo-pluralist camps, point out the structural advantages of business corporation. Neo-pluralist like Lindblom (1977), for instance, argues that business groups have
privileged position in the economic system which the government has to indulge. Moreover, he claims that business-people are real public officers of the economic system. With no doubt, theorists from Marxist camp will argue in the same way as the state is an instrument of the capitalist class.

Third, the intensity of economic globalization, weakening the state’s power in the trans-national space, provides the increasing power of the TNC trans-nationally and irresponsibly. This made so many impacts to the countries that TNC invested in. Therefore, there is no doubt too why many movements against corporation occurs in the developing countries. This is a movement to tame foot-loose capitalism of TNC in the trans-national space. The last reason is congruent to Soule, who explains that globalization has led the power and importance of the national government to be eclipsed by the power of the transnational entities. This takes away the regulation of the corporation from the purview of governments, so targeting the state has begun to make much less sense. Within this context, direct targeting to the corporation is a result (2009: 8-9)

Essentially, it is the third reason that links politics and business relations, under a framework of political economic discipline, from domestic level to global level, and turns to be an international political economy. This is going to be a main content that this paper will contribute to.

Part II: Globalization, Governance, and TNC

We have already mentioned the term ‘globalization’ many times in this paper, but what does globalization exactly mean? Globalization is political, technological, social, and cultural, as well as economic. It has been influenced above all by developments in communications dating back only to the late 1960s (Giddens 1999, 10). Therefore, it is a complex of intermeshing cultural, social, political, economic, and technological elements that reduces the time-space span and makes people more connected and more aware of others around the world (Giddens 1990, 64) Globalisation also refers to the firm and enduring patterns of worldwide interconnectedness. However, the concept of globalisation denotes much more than a stretching of social relations and activities across regions and frontiers. Distant events can have serious domestic impacts while local happenings can engender significant global repercussions. In short, globalization represents an important shift in the spatial reach of social relations and organisation towards the interregional or intercontinental scale. Therefore, it reduces the time-space span, and makes people more connected and more aware of each other. Broadly speaking, globalization can be defined as ‘the growing interconnectedness and interrelatedness of all aspects of society’ (Jones 2010, 4).

However, this does not necessarily mean that the global will replace and displace the local, national or regional orders of social life. In the contrary, the local becomes embedded within more expansive sets of global
relations and networks (Held and McGrew 2003, 3). In the process of globalization, there is also a process of localization, which the local and global are blended to each other, and then becomes ‘glocalization’. For example, in McDonald’s Restaurant in East Asia, American burgers are ‘glocalized’ to be sweet and sour pork burger in Hong Kong or basil-pork burger in Thailand. This is a contradictory process of globalization. In this context, globalization is a combination of binary oppositions or mutually opposed tendencies (Giddens 1990, 64; McGrew 1992, 74) generating contingent and dialectical consequences from globalization.

At the same time, globalization is also complex because it is a complex combination of cultural, social, political, economic and technological intermeshing (Giddens 1990, 64). If we consider McDonald’s as a representative of globalization, we can use example of McDonald’s again. McDonald’s is not merely a matter of food. It also represents economic income of TNC, cultural taste and political aspect. For instance, when the anti-globalization protesters make a movement, they, from time to time, destroy the McDonald’s restaurant. Therefore, globalization is a contradictory and complex process (Giddens 1999, 12-13), and this make globalization differs from Westernization (Held and McGrew 2003, 3). In the latter, the West dominates the East, but in the former, there is a space for West-East interaction and integration. Also, since globalization is a complex process, it raises another issue that economy as economic globalisation is just a part of globalisation. Therefore, we should distinguish economic globalization from globalization as a whole. Nonetheless, one has to accept that even though economic globalization is just a part of globalization as a whole, economic globalization is a main driving force to intensify globalization process as it will be shown later.

Daniel Bell argues that the state is too big for a small problem and too small for a big problem (Bell 1987 cited in Giddens 1999, 13; cited in McGrew 1992, 87). The latter shows the state’s problem in globalization because globalization ‘squeezes sideways’ and creates new economic political and cultural regions that go beyond the state’s territory (Giddens 1999, 13). Namely, it creates a new supra-territorial space (Scholte 2000, 46-50) or transnational zone. In this zone, globalization takes away some possession power of the state’s power especially in economic management and pulls away to the hands of supra-national organization or global economic and financial institutions (GEFIS) and TNCs.

We can see that globalization creates transnational space beyond the state’s sovereignty and authority. This is very important, especially for political study. If we go back to social contract theory, to resolve what Thomas Hobbes calls ‘problem of social order’ or the state of ‘a war of every man against every man’ (Hobbes 1651, 249), we, as free persons, have to abandon absolute freedom to the state. Then, the state will have sovereignty to govern us. In this context, the state, sovereignty, and government become synonymous.

However, since globalization especially economic globalization, weakens the state’s power and makes the state lack of efficiency and effectiveness in handling transnational problems, the state and its government are
delegitimized. Under today representative democracy, the state’s political power, legitimacy and government come from ‘ballot box’ in constituent national territory. These are delegitimized by the interlinking and interdependence of state both at regional and global levels (Held 1995, 16-18). Namely, the state power is delegitimized by globalization because the state cannot or is less efficient and less effective in managing transnational problems, impacting to domestic territory.

This brings about the concept of the change from government to governance to tame globalization. As shown above that the state and its formal authority, or government, is in trouble under pressure by globalization, we cannot rely merely on the state actor and government. Instead, we need to have participation from non-state actors, whether they are corporation or NGO. Within this context, the notion of the change from government to governance, or ‘governance without government’ is introduced (Rosenau 1992). This is the concept that, in international arena, the state seems to disappear so we need to find or defy a new scope of governance without old institution of government (1992, 7). Rosenau explains that government is connected to the formal authority and police power of the state to direct policy implementation while governance is depended on inter-subjectivity of all stakeholders and coordination (1992, 4). Governance, comparing to governance, is not centralization, but decentralization (Scholte 2000, 143). In governance, there is a complex structure that integrates all levels of supra-state, state, and sub-state, as multi-layers, and combines state actor and non-state actors, as multi-laterals to each other (Held and McGrew 2002, 9).

The multi-layer refers to expanding the layer of the global participants from the only state level into the layers of supra state, state and sub-state. That is to say, it is an expansion of participants in global affairs in a vertical direction. For the multi-lateral, it refers to an expansion of participants in global affairs in a horizontal way and away from the state. For instance, in the supra-state level, there are TNC, supra-state organization or global and regional institutions, and trans-national civil society. In state level, there are national government, business corporation and domestic CSO or NGO. In sub-state level, there are forms of local government, and, also, the local and community movements. Therefore, we can see that in this process, it is a moving away from being a state actor only into including the non-state actors. This is a form of ‘post-sovereign governance’ (Scholte 2000, 133) that is metaphorically similar to ‘new medievalism’ having overlapping multiple political power in the global politics (Bull 1977 cited in Scholte 2000, 144)

If Globalization can weaken the state power, it is uncontrollable under the concept of government. Hence, the concept of governance should be introduced to docile globalization. In this sense, participation is the core of governance. To confront the complex, contradictory, and contingent process of globalization, as mentioned above, we need to have complex form of governance to contain the negative impacts of globalization in the transnational zone. In doing this, only the state actor is too small for a big problem of globalization, so we need participation
from all stakeholders of non-state actors, both of market place and civil society. Stiglitz also argues in a similar way in the context of relations between globalization and development that ‘development is a process that involves every aspect of society, engages the efforts of everyone: markets, governments, NGOs, cooperatives, not-for-profit institutions’ (2006, 26). These are reasons why we need to change from government to governance, and, more important to this paper, CSR is introduced within this context and will be discussed later.

Hitherto, we can have a picture of the relations between globalization and the necessity to change from government to governance so as to domesticate globalization. Next, as I have already referred, the increasing power of TNC under globalization will be investigated in details. One of a crucial impact of economic globalization is that it creates an increasing role of TNC. By TNC, it is connected to the companies having their network of operation in at least 2 countries. The TNC may have strategic alliances with enterprises in other countries, namely, they have to operate their businesses supra-nationally and they have to have their networks, regardless of the size of their subsidiaries, large or small number (Scholte 2000, 125).

TNC have had long history in world trade. The British East India was the first company, which simultaneously the first TNC, when it was permitted by the British crown to turn from trade incorporation to profit-making company for shareholder (Monbiot 2000 cited in Ake Tangsupvattana 2005a). At this point, we can see a very close connection between politics (the British palace) and business (the British East India) at the genesis of corporation, which in this case also TNC. The early development of TNC was accompanied and supported by the empire (Litvin 2003) as ‘trade followed the flag’ (Cohen and Kennedy 2000, 118). Ironically, one of the early movements in the history of USA, if not the first and if not in the world, against corporation, the Boston Tea Party was in opposition to the British East India, supported by the British Empire. In other words, it was also the movement against politics and business conspiracy, igniting the American Revolution (Soule 2009, 1-2).

However, modern TNC is different because it is a decentralised network of trans-national production, which contrasts to the centralized character of the past. This attribute may come through direct decentralization of management, semi-autonomous, and ad hoc strategic alliance. In this respect, mother company, though has a very crucial role, cannot operate without networks of global production (Castells 2000, 121-122). This differentiates TNC in the time of world trade (or before globalization) from TNC in the time of global trade under globalization.

Another important character of modern TNC is that, comparing to early development; it is relatively independent from the state. Actually, by having more advanced and flexible organizational operations, such as offshore centers, ad hoc strategic alliance, network of global production and merger and acquisition (M&A), TNC does not need to rely on gunboat diplomacy of the state anymore (though some TNC prefer to do?). Furthermore, the state becomes ‘captive state’ of TNC because business corporations made a coup and seize political power and
use the state to initiate public policy for themselves (Monbiot 2000, 4). This is similar to the argument in the first part as in the notion of ‘corporate welfare’.

Globalization and TNC has mutual roles in supporting each other. While globalization decreases the state’s role in economic management and takes it to the supra-territorial arena, it increases the TNC’s power by taking the state’s role in economic management into the hands of TNC. At the same time, TNC also intensifies economic globalisation by incorporating among themselves and by integrating local economies into the global economy. That means TNC helps to consolidate globalization by creating one global market. Castells shows that TNC has a crucial role in a global economy from foreign direct investment (FDI), both from forming its own company and from M&A. Besides, expansion of global trade comes from TNC because its production can be counted as two third of global production. Moreover, in the rest one third, TNC’s subsidiaries also have their production (Castells 2000, 116-118).

If we turn to focus on economic power of TNC, we will find that in 2001, there were 65,000 TNCs with 850,000 subsidiaries, which sold goods and services around 18.5 US$ trillion (UNCTAD 2002 cited in Held and McGrew 2003). They contributed to 20% of the world production and gave rise to 11% of the world GDP (comparing with 7% in 1990). They contributed to 54 million jobs and produced 70% of the world trade values (ibid.). Among top 100 economic units of the world, there were 50 TNCs. This means that there were 130 countries having their economy less than these 50 TNCs (Cohen and Kennedy 2000, 123). Apart from that, the revenue of many TNCs is much more than GDP of many countries.

In Fortune’s issue of 2010 Global 500, the top 500 TNC produced total revenues of 23,085,071.4 $ millions and made profit 960,458.7 $ millions in 2009 (Fortune 2010). In 2010, they gained total revenues of 26,020,562.7 $ million and total profits of 1,526,798.2 $ millions (Fortune 2011). According to these data, it is a truth in itself about economic power of TNCs and we can see that the influences of the TNCs are so immense.

With TNCs’ economic power, reinforced by economic globalization, TNCs endeavor to push the state out of their way by bringing economic issues to the global arena. In this stance, the state’s political power, coming from and responding to the electorate in domestic boundary who may suffer from adverse impact of TNCs, gets difficulty in regulating the TNC. However, if the state and its remaining political power please the TNCs, they will be pleased to welcome too (Monbiot 2000, 9). The movement of TNC is compatible with the process of globalization itself which creates transnational territory beyond hand of the state.

At this point, we can see clearly that, comparing to the state, TNCs really expand their roles and power, especially in the transnational space. More importantly, their expansion of role and power can be done with less responsibility than the state’s. The state, at the end, must be responsible to its citizens, but TNCs that operate in a less responsible manner in the transnational zone, refrain from regulation of the state and electorate (Cohen and

There are contentions between positive and negative sides of globalization and the increasing roles of the TNCs. For neo-liberals, they argue that globalization stimulates growth and development bringing to prosperity and economic well-being of all. It is evident that they create job with better payment, improve qualities of goods and services, improve skills of workers and transfer technology directly and through research and development (R&D) for local people. Nevertheless, for the sceptics, they believe that globalization, especially economic globalization, is the source of inequality and poverty and impedes development and exacerbates inequality making the poor worse off in many parts of the world. In this stance, ‘globalization presents both unprecedented risks and opportunities’ (Stiglitz 2006, 26). Similarly, TNCs in particular generate more efficient business and economic system and bring about benefits to consumers at a lower price. However, they also create poor work conditions, environmental degradation, unfair trade to local businesses, elimination of local businesses, negative impact of local livelihood, corruption, economic instability, human rights violation, and, in some cases, criminal acts.

For instance, in 1989, the oil taker, Exxon Valdez, caused one of the largest oil spill and pollution in the history by leaking nearly 42 million liters of crude oil. Shell in Nigeria did its business in the way that was indifferent to local community and local pollution. There was an accusation that the case was also involved with criminal action. In 1984, the case of Union Carbide Corporation caused more than 2,800 lives in Bhopal, central India, because of the leaking of poisonous gas methyl isocyanate (MIC) (Cohen and Kennedy 2002, 130-131). The picture below, one of the most shocking pictures in the world, is so powerful to express the whole story of the Bhopal tragedy.

*Picture 3: Bhopal Gas Tragedy 1984 (Pablo Bartholomew)*

\[1\] http://www.toptenz.net/top-10-pictures-that-shocked-the-world.php#ixzz1gLH7sxKy
According to my research in Thailand about the clash between modern trade (in the case of hypermarket) and traditional trade (Ake Tangsupvattana 2010, 211-215), it is found that there are many negative impacts from the hypermarket. Traditionally, the supply chain of retail business begins with suppliers, selling products to wholesalers, who may sale directly to consumers but they usually sale to small retailers, who sell goods to customers. Small retailers basically open their shop-houses/small grocery shops/small ma-and-pa corner shops, which are places to live and to do household business. At the same time, some retailers having lower capital may rent kiosk in the wet market for selling fresh vegetables, meats and day-to-day consumer goods. The wet market is normally surrounded by shop-houses, but shop-houses also exist everywhere along the commercial roads apart from the market. When the hypermarkets come, the players, such as wholesalers and small retailers in the retail business supply chain are cut off because the hypermarkets make a direct channel to sell their goods to consumers.

From 2000 – 2006, Tesco, Carrefour and Big C expanded their hypermarket outlets from 24, 23 and 11 to 75, 49 and 24 respectively. Over 1998 to 2001, these TNCs expanded their branches around Bangkok metropolitan and this market became saturated. Between 2002 and 2005, they opened 63 branches in 41 of Thailand’s 76 provinces. The modern trades in Thailand represent 5 percent of store numbers, but 45 percent of total retail sales. They have increased their sales levels by an average rate of 15 percent between 2000 and 2005, to reach a level of 405 billion baht (US$10 billion). Hypermarket outlets, with their better modern management and more powerful economic power, can sell varieties of goods and products, with lower price. The more expansion of TNCs hypermarkets, the more small local retailers suffer. Therefore, shop-houses and fresh markets are threatened to close down as they did both in Bangkok Metropolitan and other provinces.

From the survey and research on the impact of modern trade to small retail shops in Bangkok of Sripatum University, it is found that hypermarkets make the most impact by 34 percent. Proportionally, this perception is
congruent to the data from PriceWaterhouseCooper’s identifying that, in 2005, hypermarket and warehouse clubs and convenient stores had a sale share of 22 percent and 11 percent out of 45 percent of the sale share of modern trades in retail business. Considering only the big three, Tesco-Lotus, Big C and Carrefour had turnover at 92.1, 58.0 and 23.1 billion baht respectively and gained the total retail market share of 173 billion baht and by 2004, it was estimated that hypermarket outlets grabbed around a 20 percent share of local retail expenditure and this made local shops lost heavily. The survey also finds that around 40 percent of shop-houses in Bangkok are closed down and these small retailers have to change their job. The same survey also identifies that, at the time of survey, the ratio between consumer buying goods and products at the modern trade and at small retailers are 50:50 but it is estimated that within 3-5 years, modern trade’s proportion will increase to 80 percent. Some source estimates that the number of small grocery stores has been steadily declining by 10-20 percent per year. From the data of Ministry of Commerce between 2001 and 2006, the registration as juristic person to retail and wholesale business was withdrawn for 60,529 out of 90,681 or around 60 percent (cited in Ake Tangsupvattana 2010). From the above data, we can see a very clear negative impact of TNCs to Thailand.

In order to prevent negative consequences, we need to control and regulate negative impacts of TNC. TNC may have a blind responsibility so they must be tamed and controlled to have social responsibility to environment, local community and workforce and etc. Therefore, the important point is to contain negative impacts of TNCs in the transnational zone, which TNCs have a free role to act with less responsibility, to be more responsible. This leads to the idea of taming TNCs under untamed globalization by using governance and participation from stakeholders instead of the state and its government. It is in this context that corporate governance (CG) and corporate social responsibility (CSR) are introduced.

Before moving to investigate the relations between governance, CG, and CSR, when we refer to governance, we have to realize that there is a competing claim in governance too. This makes us be conscious of distinction between genuine and distorted governance. By genuine governance, it alludes to the bringing of responsibility to power groups in the transnational zone as transnational democracy, that is, to create double democratization, both domestically and internationally, so as to bring about global justice for all countries. In contrary, distorted governance is the opposite way. It is the governance that promotes benefits to the most powerful states without caring global economic justice. This form of governance is a conspiracy amongst richer states, TNCs and global policy-making technocrats, which exacerbate welfare, human security, and poverty (Held and McGrew 2002, 13-14). From these criteria, we later can distinguish CG from CSR (and also social enterprise – SE) in the context of governance, and can categorize them as genuine or distorted governance.
Part III: From Corporate Governance (CG) to Corporate Social Responsibility (CSR) and Social Enterprise (SE) and A Comparative View of Eastern and Western CSR

Next, let us move to concentrate on neo-liberals’ understanding of globalization and governance, and their linkage to CG first. Due to the neoliberals’ strong belief in the economic globalization, the state’s power is weakened and the state is changed from being a decision maker to a decision taker. Therefore, neoliberals give prime importance to the role of the market as a governance mode of rule by market rather than a government mode of rule by the state. According to this perspective, neoliberals interpret globalization as a merely economic globalization and think of global governance as economic global governance, ruled and run by the market system. This view as neoliberal ideology is defined by George Soros as a market fundamentalism that exaggerates the merits of market mechanisms. This ‘ism’ believes that efficient markets can assure the best resources allocation and that any of intervention, whether from the state or international institutions, is detrimental. However, market tends to promote individual’s interest rather than common interest (2000, XXIV).

Neoliberal idea is linked to global public and economic policy of free market ideology called ‘Washington Consensus’. This policy pays attention on minimizing the government roles, emphasizing privatization, trade and capital market liberalization (by eliminating trade barrier), and deregulation (by eliminating regulation). In practice, the Washington Consensus pays little attention to equity, and considers that equity is a matter of politics. It is an efficiency that should be focused by economist, and it is the efficiency that the Washington Consensus will deliver (Stiglitz 2006, 27).

The term ‘efficiency’ is very crucial here because it will relate to limited notion of neoliberals’ CG and instrumental rationality underpinning the term efficiency. Since the state is weakened, and, then, is less efficient by economic globalization, neoliberals propose the project of governance mode of rule by market instead of government by the state. To increase efficiency and effectiveness (which are undermined by economic globalization) market system is used because, for neoliberals, efficient market ensures the best resource allocation and efficiency. CG is invented under this perspective because CG is governance in private sector using market mechanism to create efficiency and effectiveness through capacity building.

Neoliberals disseminate the ideas of governance mode of rule by market around the world. They try to handle trans-national problems as consequences of globalisation by creating a new form of global governance, which is the mainstream and dominant mode of governance presently. As mentioned earlier, economic globalisation erodes state’s efficiency and effectiveness in handling trans-national problems. Therefore, they try to invent a mode of governance to solve these problems. In doing so, they try to build capacities both in public sector
as good public governance, and in private sector as good CG. The aim is to rebuild efficiency and effectiveness to both public and private institutions in society (Ake Tangsupvattana 2005b, 166). However, with their economic neo-liberalism ideology, they mostly rely on the market system in capacity building so as to serve the market system. Namely, the aim of neoliberal governance is to build capacity for more efficient and more effective management by using market mechanisms. Efficiency and effectiveness are stressed because they are keys to the preparation of both public and private sectors to compete in the market under economic globalization.

For instance, CG, according to Asian Development Bank (ADB) project, is associated with the reform of structures where governance has been weak, such as boards of directors, internal controls, audits, disclosure, and legal enforcement. With the problems of overcapacity, bad investments, excessive diversification by large business groups, and excessive exposure to debt, especially unhedged short-term foreign debt, corporations should confront by putting into place, first of all, sets of rules that define the relationships among shareholders, managers, creditors, the government, and other stakeholders; and then sets of mechanisms that directly or indirectly help enforce those rules (Capulong, Edwards, and Zhuang 2000, 5-17).

Another example is CG details of the Standard and Poor’s (2004), which are related to the following issues:

- Ownership Structure and External Influence (Transparency of Ownership, Ownership Concentration and Influence)
- Shareholder Rights and Stakeholder Relations (Shareholder Meeting and Voting Procedures, Ownership Rights & Takeover Defenses, Stakeholder Relations)
- Board Structure and Effectiveness (Board Structure & Independence, Role and effectiveness of Board, Director & Senior Executive Compensation)

These measures are transferred to be technical assistances, which represent real practices of neoliberals’ governance mode of rule by market. The practices of CG are mostly connected to the improvement of corporation’s capacity, efficiency and effectiveness for better business administration. That is to say, technical aspect of management is stressed so that the widest concentrated point for CG is basically focused on shareholders, but stakeholders are ad hoc mentioned.

For instance, Standard & Poor’s CG contributes only a few issues about its relations with various stakeholders, and, ad hoc, mentions to any problematic relationships between the company and its stakeholder whereas it largely emphasizes many techniques of administration. Simultaneously, in ADB’s study, stakeholders are superficially mentioned but are not cleared who they refer to. Therefore, the application is narrow and limited
to the company’s circle by giving little concern to impacts on employee, environment, and community. That means it is corporate business responsibility for company rather than corporate social responsibility for society.

As discussed, the concept of good CG is fine, but it is not adequate to regulate the increasing power of TNC in globalisation. Indeed, this also shows that neoliberals’ governance mode of rule by market, embedded by ideology of market fundamentalist, is problematic. First, CG’s scope extends to only shareholders, not all stakeholders. The main target of corporate responsibility of CG is on shareholder so the furthest responsibility is on shareholder, not stakeholder. Second, CG substitutes political question of who gets what, when and how, and ethical questions of ‘justice’ in international development by technical aspect of efficiency and effectiveness. In this context, to increase efficiency and effectiveness without regarding to fairness to all stakeholders is not really accountable for (international) sustainable development. Third, as a consequence of emphasizing in technicality, business becomes ‘amoral’, or ethic free zone, which contains merely technical matters aiming to efficiency and effectiveness. However, ‘amoral’ may be ‘immoral’, if political and ethical questions above are brought back to question the technical aspect. Regarding, the distinction between genuine governance and distorted governance discussed above, CG is merely a distorted form of governance and not compatible with the concept of the change from government to governance because of ignoring stakeholders.

According to Neoliberals’ problems in CG, what we need now is the concept of corporate social responsibility (CSR) that expands corporate responsibility from shareholders to stakeholders, and, then, from company to society so as to tame TNC in globalization. CSR comes from the reaction to TNC’s irresponsibility in business operation (especially in the transnational zone) and their negative impacts. With negative impacts of TNC, there is pressure from civil society organization (CSO) directly to TNC and indirectly to (the remaining power of) the state to regulate TNC. However, what is so interesting for CSR is that CSR also opens room for TNC to regulate itself too. This is very important because if problem-makers can restrain themselves, there is no problem. In this stance, we can see that CSR opens opportunity to the state, corporation, and CSO itself to participate in (global) public issues.

In my research on CSR elsewhere (Ake Tangsupvattana 2007), in practices, CSR gives importance to community involvement, workplace, employee, environment, consumer rights and human rights and also good CG. All these aspects cover all human, social and natural dimensions. In this context, CSR broadens the scope of corporate responsibility to wider stakeholders or to society. CSR, therefore, is linked to sustainable development, which is strongly endorsed by governments everywhere, by international institutions, and indeed by anybody at all with a desire to be thought well of. It has become an organizing principle for the whole CSR movement. Emphasis

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2 The idea of substitution of political and ethical questions by technical question is applied from Higgott (2000), when he criticized neoliberals’ globalization.
is laid on environmental protection and on responsible behaviour towards workers and communities in the
developing countries (Crook 2005, 7).

In general, CSR is compatible with the notion of governance without government mentioned above
because it is connected to the idea of inter-subjectivity of all stakeholders. Of course, this refers to the concept of
participation that is one of the most intriguing characters of CSR. CG mostly relies on self-regulation of the
company itself. However, it is difficult for companies which have their ultimate goals of making profit to be
restrained from making profit. Indeed, only few corporations volunteer to do social responsibility (Ruggie 2003,
107). Capitalism, if guided by nothing but their own unchecked intentions, would be wicked, destructive and
explosive (Crook 2005, 8).

Simultaneously, relying on the state’s enforcement to businesses is also risky. The state is a strategic
agent, having its own agenda and interest. The state and business enterprises always have close relations and from
time to time share benefits with each other. This is not to mention that rich business-people have controlled the
state. CSR was conjured up in the first place because government action was deemed inadequate: orthodox
politics was sham, so pressure had to be put directly on firms by organised protest. However, there is a calling to
government to resume their duties too (The Economist 2004, 54). CSR, as a compassionate capitalism (The
Economist 2004, 53), presents alternative practices by bringing both the state and civil society to participate in
regulating corporate firms. At the same time, although CSR does not merely rely on the state and corporation,
CSR opens room for the state to regulate corporation, and open space for corporate firms to have self-restraint. As
mentioned above, true democratic society should not compose of the market place and the state, but should have
civil society to balance (Giddens 1999, 77-78).

CSR brings all stakeholders, TNC, home-country government, host-country government, international
institutions and (international) NGOs to participate in CSR. Indeed, NGOs can put this idea, win the battle of idea,
and move it much higher up in the corporate agenda (Crook 2005, 3). In other words, they campaign and mobilise
attitude of people so as to create new perception, which, in turn, pressurizes business firms to be responsible to
society. Apart from that, NGOs also informally regulate corporate on CSR and relate the state to formally regulate
corporate on CSR too. With the participation of multi-lateral actors of state, business and civil society, and of
multi-layered levels of the supra-state, state and sub-state levels, it reminds us that CSR ideas are congruent with
the change from government to governance (see picture 4) under globalisation as we discussed at the beginning.

*Picture 4: CSR as the change from government to governance*
At this point, we also clearly understand that CSR emphasizes on stakeholder rather than shareholder, and, then stresses on social justice rather than technicalities leading to efficiency and effectiveness. So the scope of responsibility in CSR is really extended beyond CG as shown in picture 5.

*Picture 5: Corporate governance (CG) and CSR and their scope of responsibility*

The goal of sustainable development points to a more concrete agenda for CSR: while pursuing profit, enlightened companies should take care in protecting the environment and upholding the rights of workers (and others) as well. Hence the ‘triple bottom line,’ which thought-leaders on CSR want companies to monitor and
report, doesn’t just aim to make money, but to protect the environment and fight for social justice as well (Crook 2005, 10). With its link to sustainable development, CSR clearly goes beyond limited concept of CG, fundamentally entangled with technical dimension of capacity building for efficiency and effectiveness.

Now we can comprehend the notions of CG and CSR and their comparison. Next, let us briefly move to the concept of social enterprise (SE) before entering into the comparative study of CSR between Eastern and Western models. SE refers to ‘innovative and social value-creating activity that can occur within or across nonprofit, government, or business sectors. While virtually all enterprises, commercial and social, generate social value, fundamental to this definition is that the drive for social entrepreneurship is primarily to create social value, rather than personal or shareholder wealth…Social entrepreneurship extends beyond more narrow definitions of social entrepreneurship that simply applies business expertise and market-based skills to nonprofits…the opportunities and challenges in the field of social entrepreneurship require not only the creative combination and adaptation of social and commercial approaches, but also the development of new conceptual frameworks and strategies tailored specifically to social value creation’ (Wei-Skillern 2008).

SE is also defined as ‘innovative activity with a social purpose in either the private or nonprofit sector, or across both’ (Dees 1998 cited in Austin and Reficco 2009). SE is the process which aims to ensure that ‘the values-based organizations see themselves as trustworthy and moral agents who are capable of generating trust based on sustained ethical behavior and innovative solutions to social problems. Their goal is not just to comply with the law, or to be responsive to key stakeholders, but they seek to lead through example, to exceed expectations, and to set new standards. In these organizations, social values are not viewed as a shiny patina meant to embellish the “real” company, but rather as a structural component and a cornerstone of their organizational identities. Values were not adapted to an existing strategy, but the other way round’ (Austin and Reficco 2009). That is to say, SE is connected to businesses’ approach to societal responsibilities and makes a better society by confronting and solving social problems. Hence, the notion of SE is very intriguing because it utilizes business means for the society, not for individual’s interest. This seems to be oppositional to the logic of capitalism, as capital accumulation, and one may raise the question ‘is SE going beyond capitalism? SE is a ‘civil economy’, the terms which I borrow from Davis, Lukomnik and Pitt-Watson who used these terms to parallel to civil society in politics. In politics, they argue, civil society is an institution that is necessary to main democratic governments accountable to public needs. Civil economy is a similar phenomenon, but occurs in business, which formulates corporations to be accountable to shareowners (2006, XIV). However, for them, civil economy is used in a very limited scope, which extends the range of responsibility, like CG, to shareholder only. It is more appropriate, for me, to use the terms civil economy in a broader context of SE. Economy becomes ‘civil’ when it can transcend instrumental rationality or means-ends calculation, to serve social
and public good instead of individual interest. The narrow scope of shareholder is associated with personal interest rather than public good. Actually, the idea of SE as transcending instrumental rationality will be very crucial contention in the next part when we will discuss the question of ‘going beyond capitalism?’

In crude capitalism, the notion of instrumental rationality for individual’s gain is very clear as Milton Friedman contends that ‘the only social responsibility of business is to increase its profit’ and ‘If charitable contributions are to be made, they should be made by individuals stockholders or employee, not by corporation’ (cited in Porter and Kramer 2003, 29-30). Friedman further argues that ‘...“social responsibility” goes beyond serving interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game...’ (2002, 133). Whereas SE goes beyond instrumental rationality by employing capitalist mechanism or the market system, underpinned by instrumental rationality, to serves social and public good. Picture 6 below shows evolution of CG, CSR, and SE concepts that depart from crude capitalism.

*Picture 6: CG, CSR, SE and capitalism*

Now we can more or less comprehend the level of attachment to social interest among CG, CSR and SE. Next, the 2 comparative models of CSR, Eastern vs. Western will be concisely investigated so as to distinguish
how they respond to wider social responsibility. The 2 models will be Eastern CSR of Kaku’s model of kyosei, or symbiosis\(^3\), and Porter and Kramer’s model of ‘Strategic Philanthropy/CSR’. Let us move to Kaku’s kyosei first.

*Kyosei* is defined as a ‘spirit of corporation’ in which individuals and organizations work together for the common good (Kaku 2003, 105). This idea needs symbiosis among stakeholders, not only for corporation, but also for social responsibility leading to common good of wider society. There are 5 stages in building *kyosei*, which are economic survival, cooperating with labor, cooperating outside the company, global activism, and the government as a *kyosei* partner (Kaku 2003, 105-106).

At fundamental level, corporation must survive from economic pressure. There is nothing wrong if company will make a profit, but later, company must realize that it has a bigger role for society too. Next, managers and workers should have a very good engagement with each other because they are in the same boat. This is a responsibility at inside level. Then, corporation should extend its good engagement with outside stakeholders whether they are suppliers, customers, competitors or community groups. When corporation expands its business in a foreign country, it should concern a global imbalance in trading, and tries to reduce it in order to improve standard of living in the poor countries. At last stage, with corporation’s economic power, it should urge national government to improve global imbalance. This is oppositional to the traditional idea of politics and business collusion (Kaku 2003, 108-111) as mentioned in part 1 of this article and also represents symbiosis of all stakeholders.

For the Western model of ‘Strategic Philanthropy’ (or we may call ‘Strategic CSR’) of Porter and Kramer, the core concept is that ‘Corporation can use their charitable efforts to improve the competitive context—the quality of the business environment in the locations where they operate. Using philanthropy to enhance context brings social and economic goals into alignment and improves a company’s long-term business prospects’ (2003, 31). For Porter and Kramer, competitive context is very essential because ‘companies’ success has become more tightly intertwined with local institutions and other contextual conditions. The globalization of production and marketing means that context is often important for a company not just in its home market, but in multiple countries’ (2003, 34-35). Therefore, to efficiently and effectively utilize philanthropy as a strategy to improve competitive context is, at the end, to bring benefits to company. Truly strategic philanthropy must improve company’s ability to compete (Porter and Kramer 2003, 60).

Porter and Kramer provide Cisco case as an example of strategic philanthropy/CSR, and shows that Cisco stands to benefit the most from the improvement in the competitive context, though Cisco also provides social benefits through Cisco Networking Academy (2003, 60-63). It seems to me that, to be fair to Porter and Kramer, they offer win-win situation between social and economic gains. However, it also seems to me that the axiom of

\(^3\) I would like to thank you to professor Kimura, GSID, Nagoya University, in explaining the meaning of Kyosei.
their thinking is that, as intrinsic nature of capitalism, the bottom line is business (or economic) profit. If there is no business or economic profit, there is no social benefit as well. This also shows that CSR is still under the shadow of SE because in the last instance, CSR (both Eastern and Western models) cannot transcend the instrumental rationality of individual’s gain as SE does. This will be discussed in details in the last part.

In creating strategic philanthropy, Porter and Kramer suggest 4 measures to maximize philanthropy's value - selecting the best grantees, signaling other funders, improving the performance of grant recipients, and advancing knowledge – so as to create combined social and economic values as in picture 7.

*Picture 7: Maximizing Philanthropy’s Value (cf. Porter and Kramer 2003, 45)*

We can see that, within the context of CSR, both models are genuine CSR and are not public relation CSR merely creating good image to get more benefit to the company. They are in the range of combined social
and economic benefits. However, the Kyosei model tends to be a more social benefit that is a higher degree of CSR. The purpose of the Strategic philanthropy/CSR is very clear that it aims to increase profit through better competitive context. In other words, process of strategic CSR merely shows MBA style of doing philanthropy effectively and effectively in order to bring a greater benefit to the corporation. In the last instance, it is philanthropy’s value to business, though it also produces social benefit.

Kaku’s kyosei as Eastern CSR is more involved with social benefits than Porter and Kramer’s strategic philanthropy as Western CSR because the latter is very much entangled with efficiency, effectiveness, and competitiveness under the concept of market system. Moreover, regarding the notion of genuine governance at the end of part 2, Kaku’s model brings political and ethical question back to the CSR. That is to say, for Kaku’s model, there is much more concern of moral and social responsibility than technical responsibility of building efficiency and effectiveness as presented in picture 8.

Picture 8: Comparative models of Eastern and Western CSR

Comparing to Kaku’s model, Porter and Kramer’s model of strategic philanthropy is less involved to society’s need than Kaku’s, but it transcends CG because the scope of their model goes beyond shareholder to
cover stakeholder. In other words, Strategic Philanthropy Model significantly has more combination of social and economic value than the CG. This can be presented in picture 9.

*Picture 9: Comparison between Eastern and Western models of CSR*

Actually, there is an intriguing point, as some literature implies, that differences between Eastern and Western CSR may be influenced by different forms of capitalism between Japan’s and Anglo-Saxon’s types. Ronald Dore argues that there is a difference between Anglo-Saxon’s stock market capitalism and Japan’s (and Germany’s) welfare capitalism influenced by different cultures. This is a binary between the former as ‘economy centred on the stock market as a measure of corporate success and on the stock market index as a measure of national well-being’, as opposed to the latter as ‘an economy which has other, better, more pluralistic criteria of human welfare for measuring progress towards the good society’ (2000, 10).

According to Dore, cultural influence is so essential. He points out that, in case of Japan, Confucian legacies lead to ‘productivism’, which relates to ‘the culture of making things’ rather than ‘the culture of making money’. That is to say, the former apprehends that ‘a culture geared to serving one’s fellow-citizens by providing goods and services is more worthy than and ethically superior to a culture geared by ‘mere’ self-enrichment (2000, 8). This directs Japan to be relatively egalitarian society, with a generous welfare state playing an important role in maintaining compressed income differentials (Dore 2000, 18).

Dore’s contention can be used to explain why Eastern CSR of Kaku has more and deeper involvement to social benefits. *Kyosei* model provides a deeper involvement to all stakeholders in all economic, social, cultural, environmental, and technological aspects. Moreover, *Kyosei* model is more involved in human being and
economic justice comparing to MBA style of technical management. However, both models of Kyosei and Strategic philanthropy/CSR remain under the framework of CSR, which at the end, still aims to make profits, though at different levels of the capitalist instrumental rationality. Therefore, both models and CSR itself cannot liberate themselves from the constraint of instrumental rationality or means-ends calculation to individual’s profit. Comparing CSR with SE, although it surpasses CG, CSR is still under the iron law of capitalism, which is that the real bottom line of company is a profit. CSR (and also CG) is merely a form of capitalist resilience, not transcending as SE. This is going to be a main subject of the last part which we are going to preliminarily discussed.

**Part IV: A Review of CG, CSR, and SE under Capitalism Resilience vs. Capitalism Transcending**

When our civilization departed from traditional society to modernity, rationality is the thing that separates these 2 epochs. The myth is substituted by rationality, so the disenchantment and enlightenment by rationality, especially means-ends calculation or instrumental rationality, are created, and then, the modernity. Within this context, state and its bureaucracy, and capitalism and its market mechanism are consequences. As Max Weber asserts that modernization is ‘a process of rationalization that affects economic life, law, administration, and religion, eliminating traditional ideas and customary practices in favour of formally rational criteria. It underpins the emergence of capitalism, bureaucracy, and the legal state. The essence of the rationalization process is the increasing tendency by social actors to the use of knowledge, in the context of impersonal relationships, with the aim of achieving greater control over the world around them. However, rather than increasing freedom and autonomy, rationalization makes ends of means (slavish adherence to the rules within modern bureaucracies are an obvious example), and imprisons the individual within the ‘iron’ cage’ of rationalized institutions, organizations, and activities’ (cited in Scott and Marshall 2009, 630-631).

The quotation above is very vital to this part because the development from CG to CSR and from CSR to SE involves with this instrumental rationality, underlying capitalist system. That means their development intertwines the instrumental rationality in the context of whether capitalism is evolved as a merely capitalism resilience or as a beyond capitalism. This will be discussed and formulated under my Framework of Capitalist Resilience vs. Capitalism Transcending in picture 10.

*Picture 10: Framework of capitalist resilience vs. capitalism transcending*
Within my Framework of Capitalist Resilience vs. Capitalism Transcending, it is really true in case of CG, as representative of distorted governance of market mode as mentioned above, that technical efficiency becomes an ‘iron cage’. In the practice of CG, the means is more important than the ends and then becomes the ends itself. Namely, the use of market system as means of generating efficiency and effectiveness through technicality becomes ends and enslaves CG with the matters of technical efficiency, rather than wider social benefits.

Comparing to crude or heartless profit-making capitalism backed up by instrumental rationality of individual’s gain, CG can be seen as a better model. At least, expanding the scope of responsibility to protect shareholders is better than letting the company be controlled by executive’s greed. Indeed, as Higgott maintains, the movement from Washington Consensus to Post-Washington Consensus after the 1997 Economic Crisis was to reduce a heartless capitalism though this movement was still entangled with technical question rather than political and ethical question (Higgott 2000). Within my framework, CG is considered as a form of capitalism adaptation because capitalism is merely resilient under the span of instrumental rationality, albeit crude capitalism has higher degree of profit-making. Therefore, one may deem CG as an excuse of capitalism.

CSR, of course, outdoes the CG because it expands a range of responsibility to a wider range of stakeholder and to social benefits. However, there are various degrees of contribution to social advantage in CSR. The 2 models of Kaku’s Kyosei as Eastern CSR and Porter and Kramer’s strategic philanthropy/CSR as Western model, presented above, demonstrate different levels of social benefit very well. The important questions remain whether CSR, comparing to CG, is also a form of capitalism resilience as the system adaptation. This question raises a controversial issue in CSR because whereas CSR is definitely beyond CG, it can be reckoned as an excuse to prolong capitalist system. In contrast, one may raise counterfactual argument that doing CSR is better than
doing nothing like in heartless and crude capitalism. These questions illustrate the nature of social science as always contesting and learning from controversy as well.

Nevertheless, in order to answer these questions, we may need to investigate each CSR model and case in details on how they make social contribution. Actually, high degree of creating social value of CSR with combination of economic and social value brings CSR into the terrain of SE, and logically, into the terrain of capitalism transcending, as presented in the grey area in picture 10. Another important issue is that comparing to SE, CSR is certainly enmeshed with the notion of instrumental rationality highlighting personal gain, though its degree was lowered than CG and crude capitalism. CSR, at heart, is still connected to the crucial bottom line of a profit-making company although it provides some social benefits. The process of capital accumulation is at a fundamental level of CSR as it is accepted and presented in Kaku’s first stage of *Kyosei*.

SE, as discussed above, is to do business in the market system and by using market system, but for a social and public benefit. We can understand that the ultimate purpose of SE is to create a social benefit by using the means of capitalism, or the market system, but not to drive an individual’s advantage. This is contrasted to crude capitalism which gives prime importance to profit without considering social responsibility. It seems to me that in SE, instrumental rationality through efficiency that is a foundation of modernity (and its social institutions, such as state, bureaucracy, capitalism and market system) is reversed. Instead of employing instrumental rationality in the market system to serve individual’s interest, it is converted to serve social advantage, and to create social value. Means-ends calculation, represented through efficiency, is calculated for public good, not for personal profit. In SE, technical efficiency of a market mechanism is not means-turn-to-be-ends, but serves a higher call for social interest. Therefore, SE exhibits a new version of combined capitalist and communist manifesto. Namely, SE may bring about the new epoch of civil economy going beyond capitalism and its instrumental rationality of modernity.

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