Comment on Sacconi's "CSR as a model for extended corporate governance: social contract, reputation and reciprocity"



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CSR as extended governance Key achievements

- 1. Rational foundation of the emergence of the firm and of the motivation for compliance.
- 2. This is a normative (moral) definition of the responsible corporation.
- 3. Use of game-theoretical tools: contribution both in business ethics and in moral theory.
- 4. Alternative objective function of the firm (beyond pure profit-maximization)
- 5. An argument against CSR as reputation. The logic of reputation alone would not lead the firm to CSR.

Conformist preferences: The problem of refined abuse

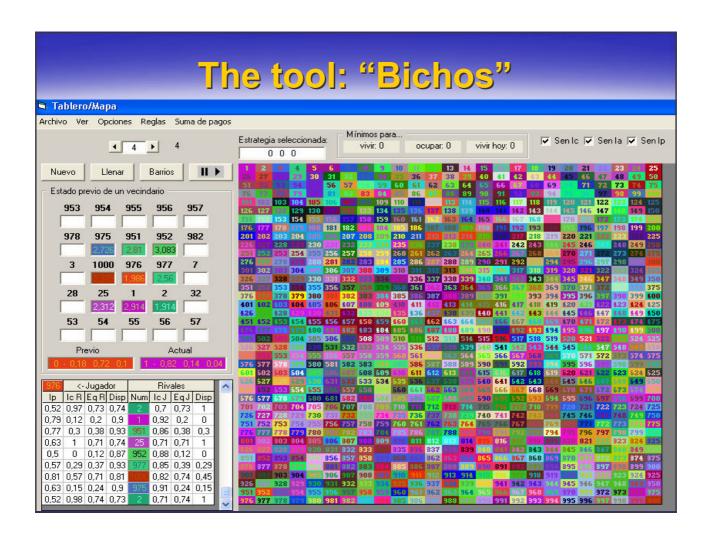
the firm will "fulfil its [CSR] duties only to the minimum extent necessary to dissuade the stakeholder from exiting the relation (although it is quite unfair)" (Sacconi, 2004)

Stakeholders would accept refined abuse if they were prefect utility maximizers. But they are not. They have CONFORMIST PREFERENCES → They are ready to punish the abusive firm, and to exit an unfair relationship (even at some cost).

Objections to conformist preferences

- 1. They are an unwarranted moral premise.
- 2. They are an inductive generalization of empirical facts. This would restrict the normative force of the theory.
- 3. The resulting utility function (with conformist preferences) is too complicated (technical objection).





TENTATIVE CONCLUSIONS

DYNAMIC EQUILIBRIUM for the trust game: mutual cooperation.

AVERAGE PAYOFF tends to 2.

DOMINANT STRATEGIES/PROFILE → High reciprocity/fairness.

INTUITION → An evolutionary stable population would be composed by agents very capable to assess reputation (past cooperative interactions) and ready to cooperate with non-abusive/cooperative partners

This would explain the observed presence of conformist preferences