Arguments against csr

Finance

Corporate SocialResponsibilityWhile there may be people who are for the idea of corporate social responsibility, there are also others who oppose to it. One of whom, as we all know, is Milton Friedman. He believes that only individuals can have social responsibilities and that the purpose of a corporation Is to provide the highest possible returns to shareholders while obeying all the laws and regulations. There are 5 mall arguments against CARS.

First of all, it lowers economic efficiency and profits. CARS also imposes unequal costs among competitors and imposes hidden costs which are passed on to stakeholders. Also, more often than not, carrying out these social responsibilities require skills which businesses may lack. Lastly, it places responsibility on business rather than individuals. A business may have to allocate a certain amount of resources Just to meet the needs of the people andenvironment.

Suppose the firm currently has an unproductive operation in a certain country and it would definitely be better for the company if it closes this operation down but this will also mean that al the employees will lose their Jobs and Income. This will affect their livelihood and probably their families as well. For the firm to have corporate social responsibility, this will mean that the firm will have to keep It going so as to ensure their well-being Is taken care of.

However, this results In costs that are higher than necessary which ultimately leads to lower profits. Stockholders get a smaller return on their investments, making it more difficult for the firm to acquire more capital to sustain the company in the long run. Another example will be when a firm invests more in a reticulartechnologyso as to ensure that environmental concerns are met but this may backfire especially if there is only a handful of consumers who actually care about these environmentally-friendly products.

They may not be willing to pay a slightly higher price for such products. This again reduces profits and lower economic efficiency. Moneyused in attaining greener technology can otherwise be invested elsewhere to yield higher returns that will be more beneficial to the company. Even though corporate social responsibility Is well-intended, such social costless lower businesses efficiency, thereby depriving society of higher levels of economic productivity needed to maintain everyone's standard of living.

Moving on, the reason why it imposes unequal costs among competitors is because the more responsible companies would have incurred higher costs, putting them at a competitive disadvantage compared to other companies in the same industry. In a highly competitive market, the more responsible companies are even at risk of being out of business since their less responsible opponents will attempt to capture a larger market share.