

May 18, 2005

**BUSINESS**

By ALAN MURRAY



## Will 'Social Responsibility' Harm Business?

May 18, 2005; Page A2

Are the capitalists abandoning capitalism?

Tomorrow, **General Electric Co.** -- icon of American business and the most widely held stock in the world -- will release its first-ever "Citizenship Report," a 75-page bow to the bevy of nongovernmental organizations pushing for ever-more "corporate social responsibility." The release comes just nine days after GE took the surprising step of self-imposing restrictions on greenhouse gases to combat global warming.

What harm is there in companies taking more responsibility for social and environmental problems? Plenty, if you adhere to the theories of Adam Smith, argued more than 200 years ago that the general welfare was better served by people pursuing their enlightened self-interest than by misguided attempts to serve society. The 20th century proved his point: Profit-seeking corporations, constrained and buttressed by moderate government regulation and spending, did far more to increase the welfare of the world than a proliferation of "socially responsible" governments. And the 21st century is proving it yet again: China's embrace of Adam Smith has yielded the greatest alleviation of poverty in history.


But that isn't enough for the people who populate the NGOs that rival governments and corporations for power in the post-Cold War world. Impressed by the success of global corporations, these groups are increasingly trying to make them vehicles for their hopes and dreams for improving society. And companies, weakened by a succession of events -- the collapse of technology stocks, the Sept. 11 terrorist attacks, corporate scandals -- are increasingly bending to NGO demands.

### TALKING BUSINESS

What obligations do companies have to be "socially responsible"? Write to Alan Murray at [business@wsj.com](mailto:business@wsj.com)<sup>1</sup>. If you want to share your thoughts but don't want your letter published, please make that clear. Read other readers' comments [here](#)<sup>2</sup>.

If you think I am overstating the case, take a look at the Web site of the Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org)<sup>3</sup>), an Amsterdam outfit that GE calls a "very important" resource in preparing its report. The initiative describes itself in bureaucratese as a "long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability

### DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: [www.djreprints.com](http://www.djreprints.com).

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

### ABOUT BUSINESS

*Business*<sup>6</sup>, published Wednesdays, examines the intersection of business, public policy and economics. Alan shares reader reactions on WSJ.com's discussion boards in the days following the publication of his column, at [WSJ.com/Discussions](http://WSJ.com/Discussions)<sup>7</sup>.

Alan Murray is an assistant managing editor at The Wall Street Journal and a regular contributor to CNBC. A graduate of the University of North Carolina, he joined the Journal in 1983; he served for nearly a decade as the Journal's Washington bureau chief before joining CNBC in 2002. He holds a master's degree in economics from the London School of Economics. Alan is the author of "The Wealth of Choices: How the New Economy Puts Power in Your Hands and Money in Your Pocket." He is also a regular panelist on Public Broadcasting Service's "Washington Week in Review."

Write to Alan Murray at [business@wsj.com](mailto:business@wsj.com)<sup>8</sup>.

Reporting Guidelines." Huh? Its real goal seems to be subsuming the primary mission of the corporation -- making profits -- within a host of other goals, from the promotion of biodiversity to the protection of indigenous rights.

Companies that claim to use these GRI guidelines include many large European concerns -- **Bayer AG**, **BT Group PLC**, **BASF AG** and **ABB Ltd.** -- as well as American companies such as **Ford Motor Co.**, **General Motors Corp.**, **Microsoft Corp.** and **McDonald's Corp.**

GE is the biggest catch yet.

A disclosure here: During the first 12 years of my life, I was prohibited from owning or using anything -- even a light bulb -- that carried a GE logo, because my father was a salesman for rival Westinghouse. And during the past three years of my life, I was employed by the company, as Washington bureau chief and anchor on its cable-news channel CNBC. I'll attempt to keep my comments free from the influence of either childhood antipathy or adult gratitude.

While nodding to the Global Reporting Initiative, GE takes a much more hard-headed approach to citizenship. In an introduction, Vice President Ben Heineman begins with an unapologetic defense of the company's profit-making mission: "Strong economic performance over a sustained period of time...provides myriad benefits to innumerable shareholders, creditors, employees, retirees, customers, suppliers and communities." He then focuses on the need to fully comply with the rules and restrictions that governments impose on companies in the interest of society.

Only then does he discuss going "beyond compliance" -- taking actions not required by governments but seen as creating benefits for society. These are the sorts of actions that the NGOs are looking for -- and that might raise Adam Smith's eyebrows. GE's new environmental policies are a case in point. President Bush has opposed the Kyoto treaty on global warming. So why should GE impose restrictions on itself, at a potential cost to shareholders?

In an interview last week, GE Chief Executive Jeff Immelt argued the new restrictions on greenhouse gases would have a "de minimis impact on our investors." Moreover, he said that, Mr. Bush notwithstanding, he believes some sort of Kyoto-like constraints are eventually inevitable.

Most important, Mr. Immelt says he has concluded that efforts to control carbon emissions pose a huge business opportunity for GE. The company makes a host of products -- wind turbines, efficient jet engines, nuclear-power-plant components -- that stand to benefit.

GE may have found a way, for now, to appease the NGOs while still serving its shareholders. That's a good trick. Whether appeasement works in the long run, as companies face ever more pressure to pursue an ever wider range of social and environmental goals, remains to be seen.

*What obligations do companies have to be "socially responsible"? Write to me at [business@wsj.com](mailto:business@wsj.com)<sup>4</sup>. If you want to share your thoughts but don't want your letter published, please make that clear. Read other readers' comments [here](#)<sup>5</sup>.*

**URL for this article:**

<http://online.wsj.com/article/0,,SB111636707702036221,00.html>

**Hyperlinks in this Article:**

- (1) <mailto:business@wsj.com>
- (2) <http://www.globalreporting.org/>
- (4) <mailto:business@wsj.com>
- (5) <http://online.wsj.com/article/0,,business,00.html>
- (7) <http://wsj.com/discussions>
- (8) <mailto:business@wsj.com>