

**Session 5: Integrative application I**

# **Corporate Social Responsibility**

**Instructor: Guo Xu**

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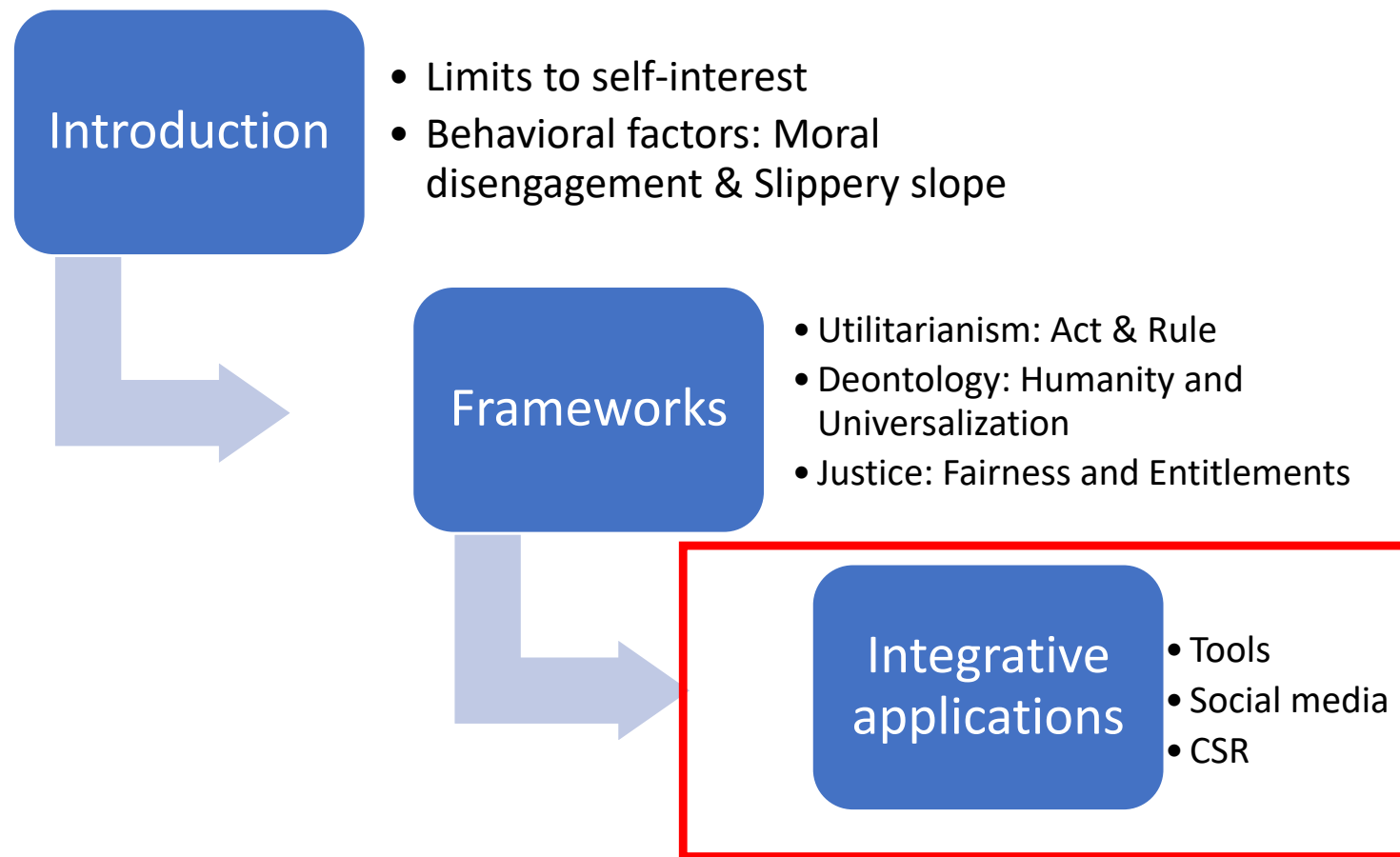
Social Media and Self-Regulation

# Reminders

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- Optional/ungraded **Assignment 5** posts tonight
  - Sustainable supply chains in the garment industry
- **Group project** due next week
- GSI section this week: **Rigorously Ethical**
  - N470, Friday April 19, 9-10:30am

# The scheme of things...

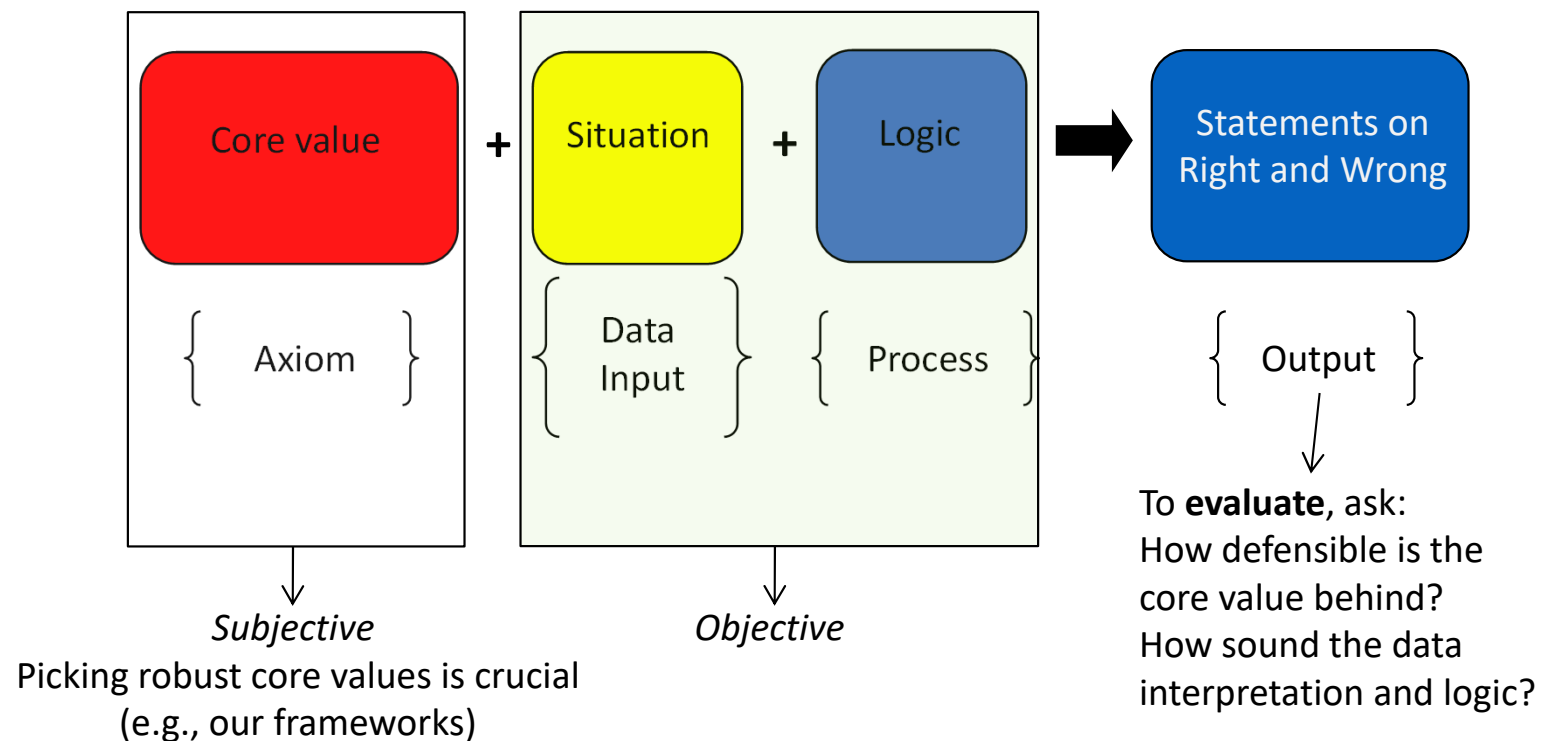


# Plan for today's session

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1. Completing the toolkit
  - Structuring ethics arguments and guiding discussions
  - Quick scorecard generator
2. Case: social media content moderation? 
3. Corporate Social Responsibility

# Structure of ethics arguments

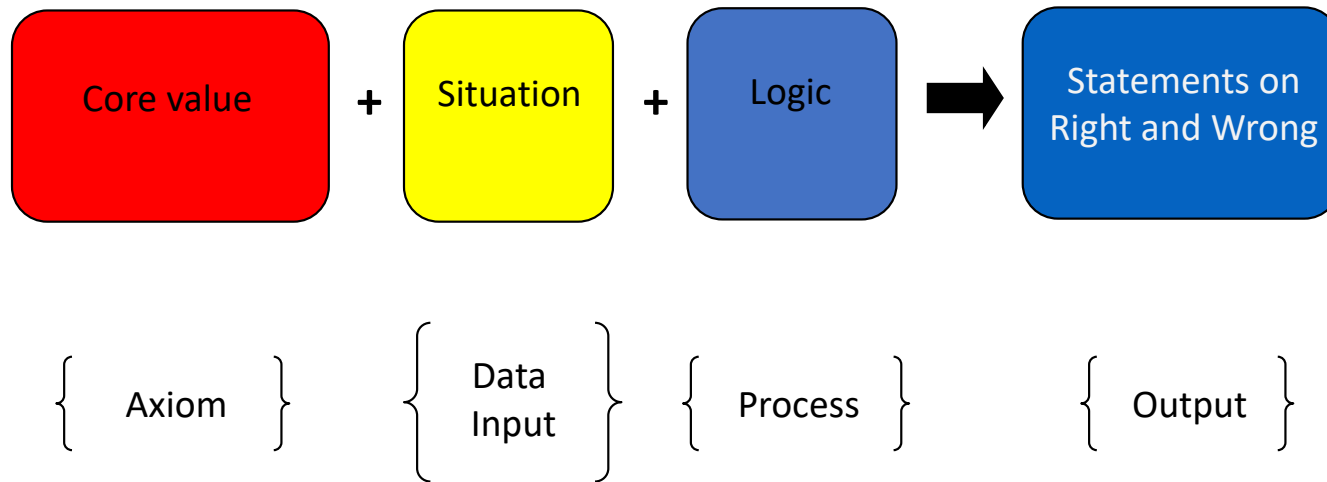


# Implementation: values and strategy

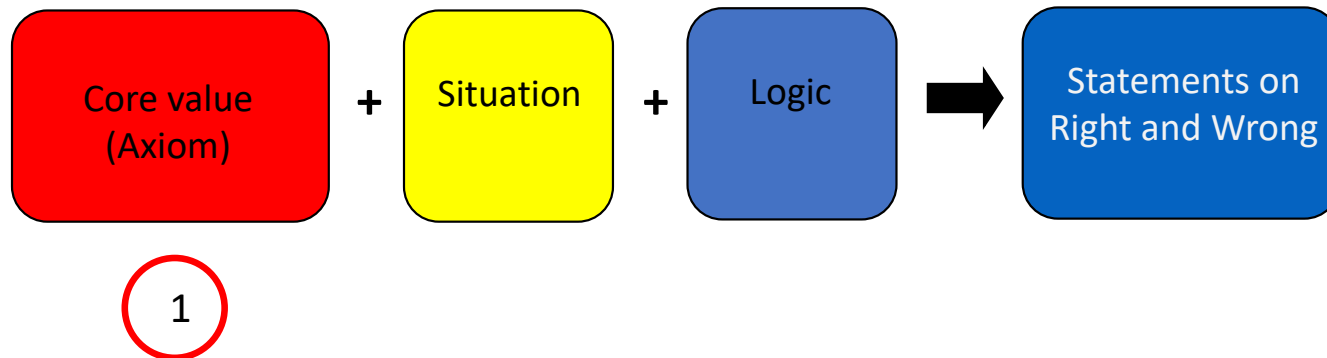
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- What is your strategy when desiring to pursue an ethical agenda?
- Problematic scenario: tense business meeting and you say “Immanuel Kant would say...”

# Guiding ethics discussion



# Guiding ethics discussion



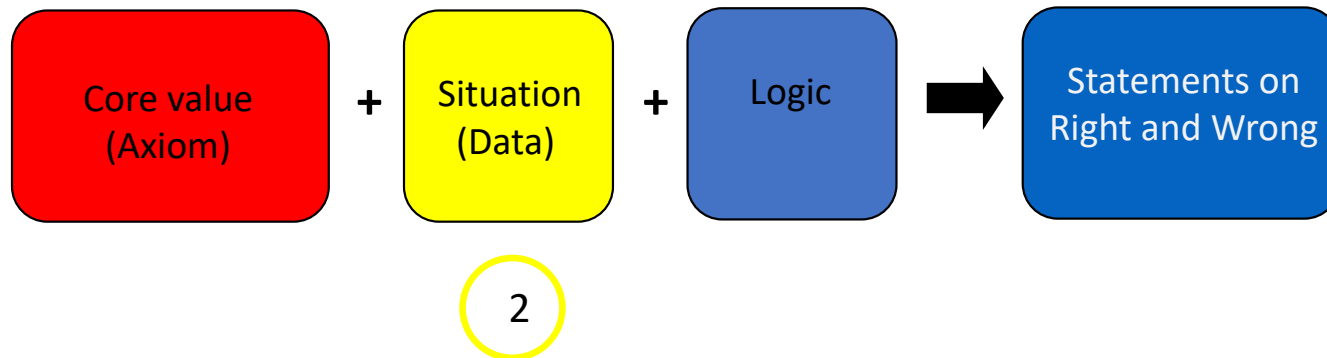
Try to get convergence on a core value before much is known about the problem

E.g.: organize energies around ideas of betterment, fairness, autonomy or dignity (no need to quote philosophers)

Try to approximate conditions of impartiality

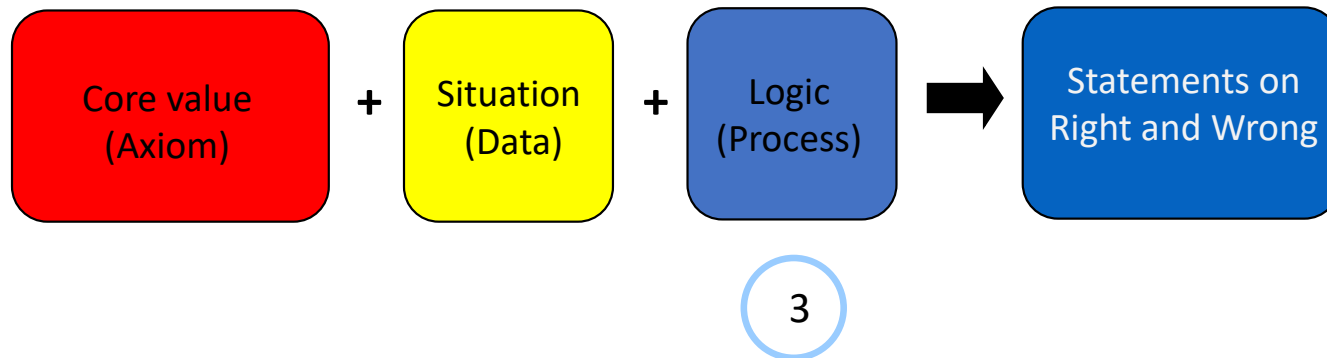


# Guiding ethics discussion



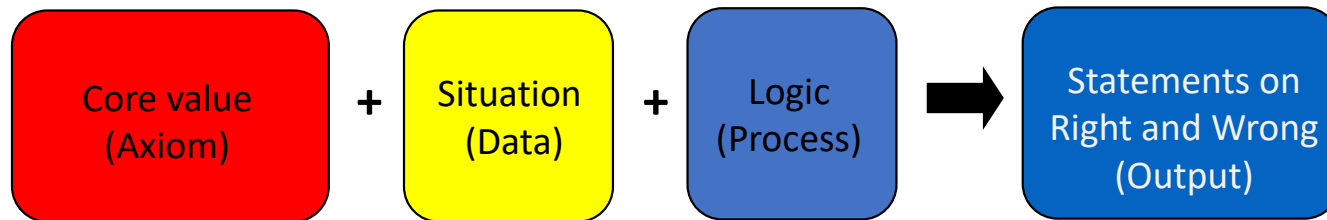
Try to get convergence on the facts  
The relatively less abstract task

# Guiding ethics discussion



Push for strictly logical derivation of what, given the data,  
the core values would imply

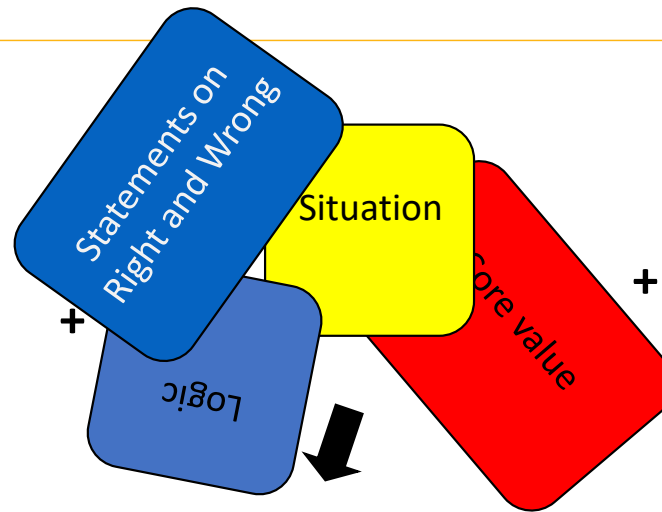
# Guiding ethics discussion



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Then converge to statements about what's right & wrong

# Implementation - challenges



Individuals will:

- Redefine values when discussing data
- Abuse the data when applying logic / invent their own data
- Jump to conclusions (“That’s just so wrong...”)
- Reassert prior positions, only louder
- Be affected by biases
- Claim that a moral judgment may be unnecessary in the first place (especially when self-interest conflicts with ethics)

# Dealing with challenges - tactics

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- Neutralizing bias and isolating essence of problem
  - Artificial story – declutters, facilitates logic, impartiality
  - Examples:
    - *Omelas* story brings out notion of rights that cannot be traded off
- Inject perspective – *imagined judgment*
  - Will we be judged as having made a positive difference?
  - Or having damaged dignity, violated basic rights?

# Quick scorecard generator

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- **Utilitarianism:**

- Act: Will my action enhance aggregate welfare for all stakeholders?
- Rule: If everyone took this action, would the resulting society have higher aggregate welfare than if no one took the action?

- **Duty Ethics:**

- Does my action coerce or deprive anyone of a chance to consent?
- Can my principle for action be universalized, or will it only work if I'm the exception?

- **Justice:**

- Entitlements: Does my action expropriate property of others without their consent?
- Fairness: Does my action help the weakest stakeholder?

# Questions?

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- Before we move to the case...

# Pop quiz

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- According to **Section 230** of the Communications Decency Act, internet platforms are *not* liable for what content users post on their platform.
- A: True
- B: False



# Case: social media and self-regulation

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- Key facts?

JAN  
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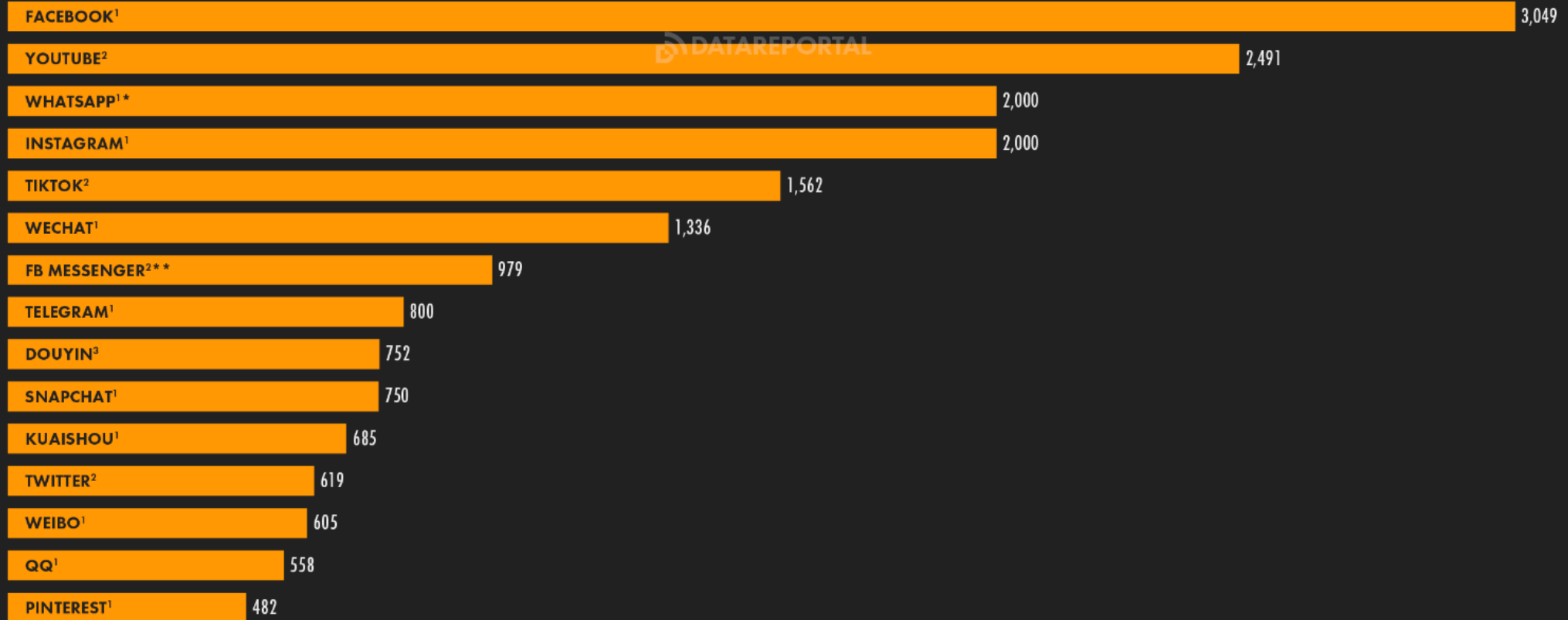
# THE WORLD'S MOST USED SOCIAL PLATFORMS

RANKING OF SOCIAL MEDIA PLATFORMS BY GLOBAL ACTIVE USER FIGURES (IN MILLIONS) (NOTE: USERS MAY NOT REPRESENT UNIQUE INDIVIDUALS)

NOTE: SIGNIFICANT ANOMALIES IN THE DATA PUBLISHED IN TWITTER'S OWN AD TOOLS MEAN WE ARE CURRENTLY UNABLE TO REPORT A RELIABLE FIGURE FOR TWITTER USE, SO IT DOES NOT APPEAR IN THIS RANKING



GLOBAL OVERVIEW



232

**SOURCES:** KEPIOS ANALYSIS OF (1) COMPANY ANNOUNCEMENTS OF MONTHLY ACTIVE USERS; (2) PLATFORMS' SELF-SERVICE ADVERTISING RESOURCES; (3) IIMEDIA. **ADVISORY:** USERS MAY NOT REPRESENT UNIQUE INDIVIDUALS. **COMPARABILITY:** (\*) THESE PLATFORMS HAVE NOT PUBLISHED UPDATED USER FIGURES IN THE PAST 12 MONTHS, SO FIGURES MAY BE LESS REPRESENTATIVE. (\*\*) SOME MESSENGER AD FORMATS ARE CURRENTLY UNAVAILABLE IN AUSTRALIA, CANADA, FRANCE, AND THE UNITED STATES, SO THE FIGURE SHOWN HERE MAY UNDER-REPRESENT FACEBOOK MESSENGER'S ACTUAL AUDIENCE. SOURCE AND METHODOLOGY CHANGES; BASE REVISIONS. SEE [NOTES ON DATA](#).

we  
are  
social

Meltwater

BerkeleyHaas

# Profits vs. content moderation

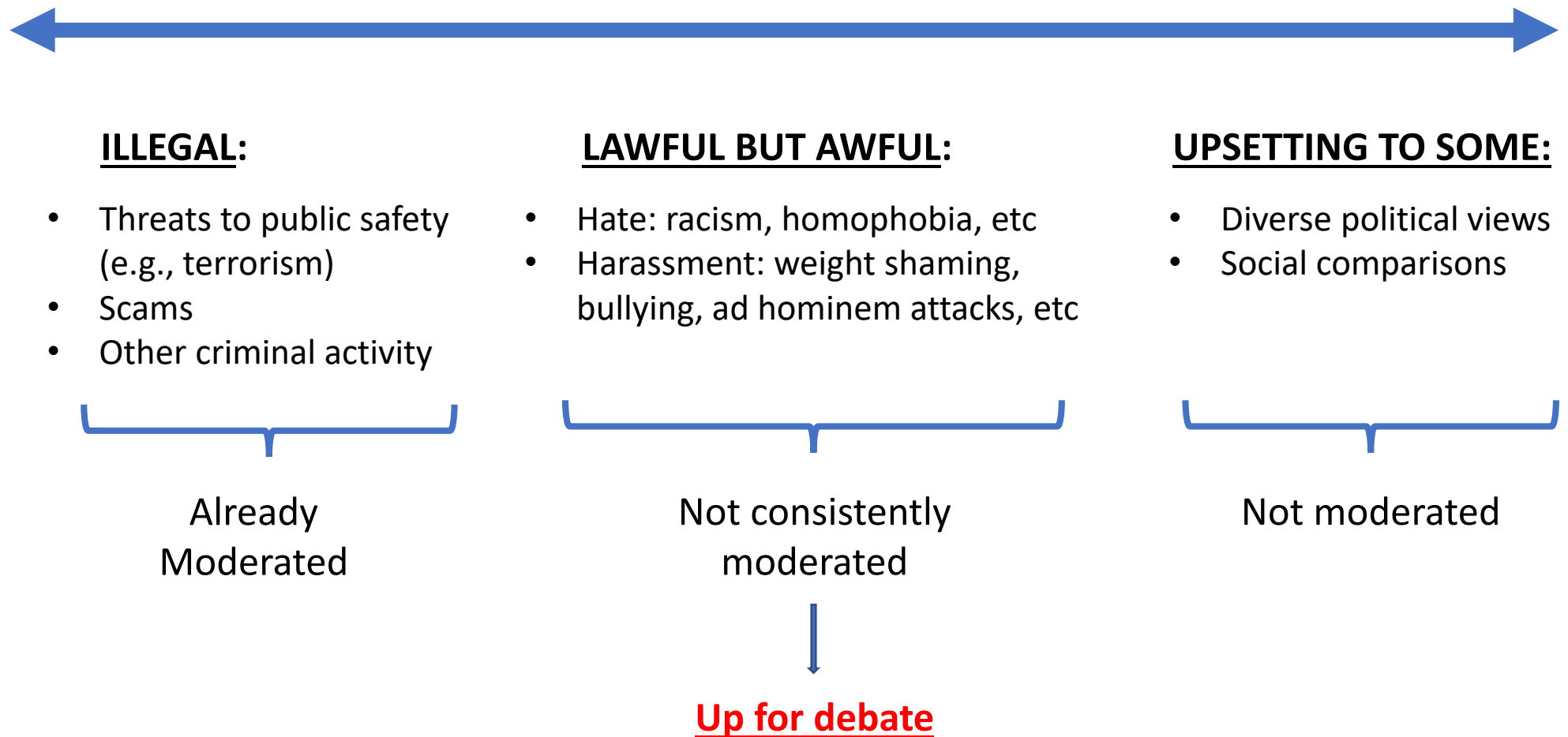
- “[As] long as your goal is creating more engagement, optimizing for likes, reshares and comments, you’re going to continue prioritizing polarizing, hateful content.” Frances Haugen, WSJ
- **Experimental evidence:** randomized toxic content blocker reduced engagement on Facebook by 23%, reduced ad consumption on Twitter by 9.2% (Beknazar-Yuzbashev et al. 2022)



(A) ORIGINAL COMMENT SECTION

(B) MODERATED COMMENT SECTION

# Types of content: a continuum



# What about fake news?



## ILLEGAL:

- Threats to public safety (e.g., terrorism)
- Scams
- Other criminal activity

## LAWFUL BUT AWFUL:

- Hate: racism, homophobia, etc
- Harassment: weight shaming, bullying, ad hominem attacks, etc

## UPSETTING TO SOME:

- Diverse political views
- Social comparisons

**Fake news** (i.e., disinformation, conspiracy theories)

- More heterogeneous category spanning full spectrum
- Not main focus of our analysis

# Scope of moderation

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- Options for content moderators:
  1. Deleting posts
  2. Cancelling accounts
  3. **Not amplifying content**
- (1) and (2) may provoke free speech objections, while (3) should not

# Initial discussion:

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- Ethically, should Facebook increase its moderation of toxic content?

# Small groups

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- Ethically, should Facebook increase its moderation of toxic content?
- Justice as entitlements
  - Groups on my left
- Duty ethics
  - Groups in the middle
- Act utilitarian
  - Groups on my right
- Make sure to consider different relevant actors:
  - Posters: generating toxic content
  - Consumers: exposed to such content
  - Subjects: mentioned in such content
  - Others...



# Expropriating shareholders?

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- **Concern:** *expropriation of investors* – who may lose from content moderation b/c it likely reduces users and engagement
- Would a corresponding drop in ad revenue imply that investors have been expropriated?

# The “shareholder primacy”

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- Does sacrificing profits for a social goal expropriate the shareholders?
- A: Yes
- B: No

# Alternative views to shareholder primacy

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- **Beyond profits:** Holistic shareholder value maximization 2.0
- **Role of mission:** Consent – role of [mission statement](#)
- **Legal debate:** Obligation to maximize profits real?
- **Rectification:** Is the firm expropriating in the first place?

# What did Friedman say?

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- Milton Friedman stated that the sole responsibility of business is to maximize profits
- A: True
- B: False

# What Friedman wrote

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Make as much money as possible while  
*“...conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.”*

# How Friedman is remembered...

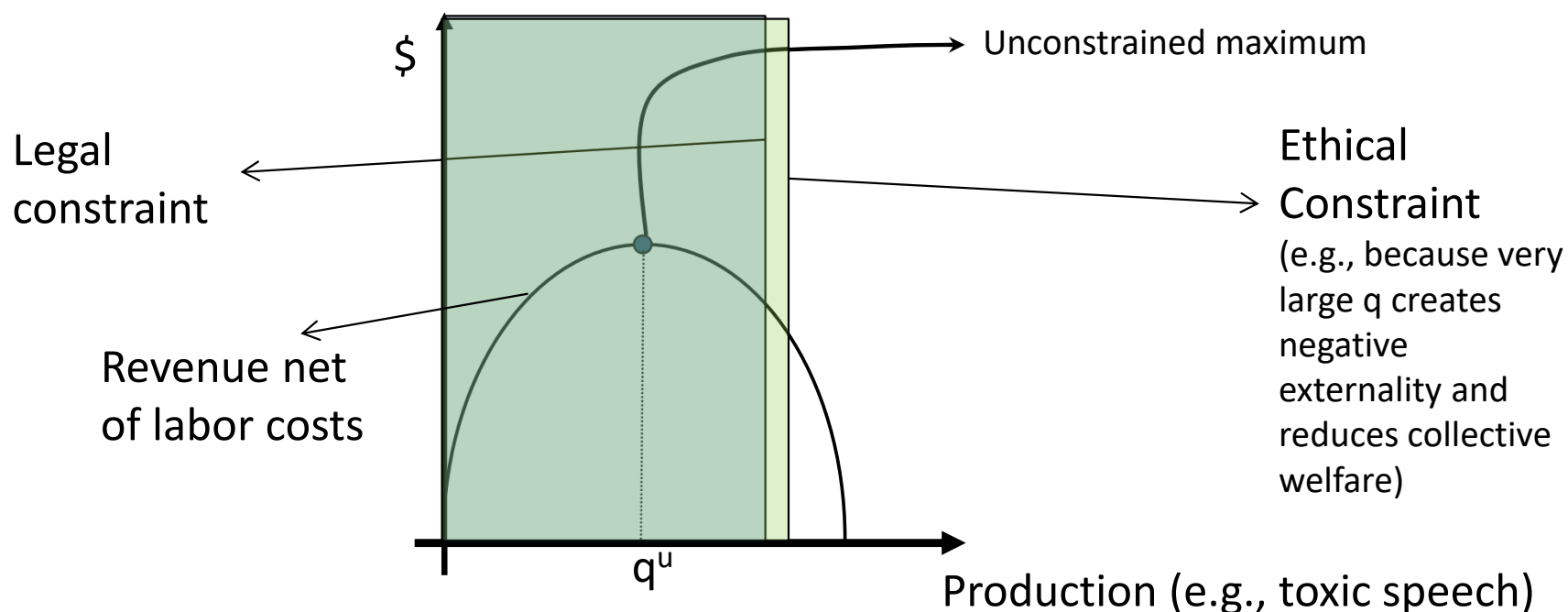
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Make as much money as possible while  
“...*conforming to the basic rules of the*  
*society, both those embodied in law and those embodied in ethical custom.*”

- This is constrained maximization
- Constraints: law, and **ethics**

# CSR as (ethical) constrained optimization

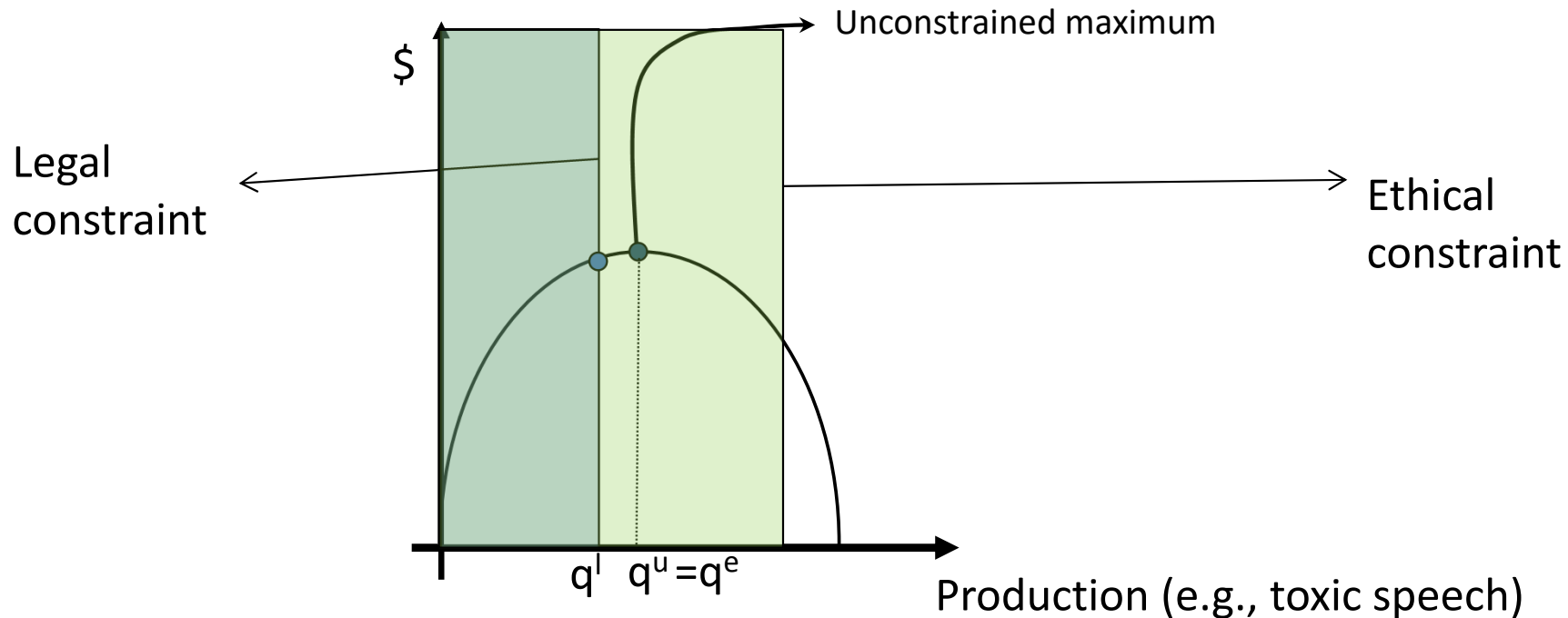
## Case: non-binding constraints



- After imposing legal constraint, can still choose  $q^u$
- After imposing ethical constraint, can again still choose  $q^u$
- Invisible hand: leaving firms to be self-interested does not clash with collective goals (e.g., social welfare maximization)

# CSR as (ethical) constrained optimization

Case: legal constraint binds

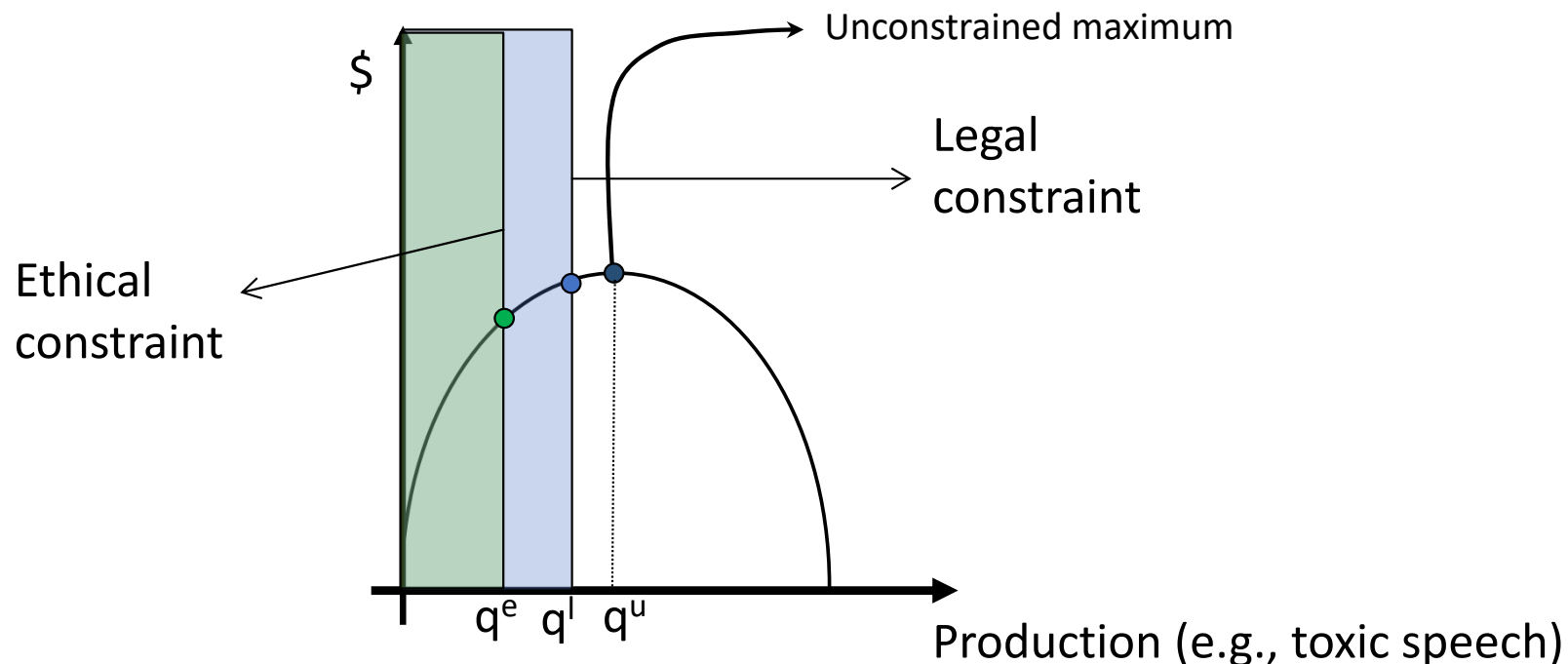


- Producing  $q^l < q^u = q^e$  entails compliance, **not CSR**
- Regulation in this case seems excessive



# The case of a strong negative externality – sustainability challenges

Case: legal and ethical constraints bind



- Producing  $q^l$  is compliant, but not CSR. Producing  $q^e (< q^l < q^u)$  is CSR
- $q^e < q^l < q^u$  : related to market + government failure; values not incorporated into prices nor regulation

***CSR: ethics-based profit restraint when markets and governments have failed***

# Role of mission

- Mission not just PR, but alleviates concerns with investor protection – know what you sign up for



TikTok is the leading destination for short-form mobile video. Our mission is to inspire creativity and bring joy.



Investor Relations ▾



Meta Investor Relations

What is Meta's mission statement? ^

Originally founded in 2004 as Facebook, Meta's mission is to give people the power to build community and bring the world closer together. Our products empower more than 3 billion people around the world to share ideas, offer support and make a difference.

The mission we serve as Twitter, Inc. is to give everyone the power to create and share ideas and information instantly without barriers. Our business and revenue will always follow that mission in ways that improve – and do not detract from – a free and global conversation.

# Coming next...

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More challenges in the brave new world

- CRISPR and the ethics of gene editing
  - How fast to move? More about CSR