

## Corporate Social Responsibility and the Companies Act 2006 (*News 12<sup>th</sup> January 2010*)

Corporate social responsibility is a fashionable concept that is all too often accepted in an uncritical fashion. This is regrettable because it has the potential to do much harm, especially insofar as it influences government policy.

I was delighted to participate in the December 2009 edition of *Economic Affairs*, the Journal of the Institute of Economic Affairs, which focussed on Corporate Social Responsibility (Volume 29, No. 4). The contributions included Elaine Sternberg writing on “Corporate social responsibility and corporate governance”, David Henderson on “Misguided corporate virtue: the case against CSR, and the true role of business today” and myself on “Corporate social responsibility and the Companies Act 2006”.

In my contribution I looked at the controversial *s. 172 Companies Act 2006*, the new directors’ duty to promote the success of the company. My argument was that the new law risks making UK companies less efficient as a form of business structure. This is because *s. 172* could make directors less accountable to shareholders and therefore increase the so-called agency costs of using a UK company.

Further information on how to obtain copies of this edition of *Economic Affairs* can be found under the heading ‘Corporate social responsibility agenda is unreasonable and inefficient’ at <http://www.iea.org.uk/record.jsp?type=news&ID=493>.

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