LETTERS

edited by Jennifer Sills

Who Pays the Price for Shared Social Responsibility?

IN THEIR REPORT ("SHARED SOCIAL RESPONSIBILITY: A FIELD EXPERIMENT IN PAY-WHAT-YOU-want pricing and charitable giving," 16 July, p. 325), A. Gneezy *et al*. conclude that under shared social responsibility (when customers pay what they want instead of a fixed price, and half the proceeds go to charity), "the pursuit of social good does not undermine the pursuit of profit." That is, contrary to the results of Milton Friedman (*1*), companies' ethics are not competing with company economics. I suggest an alternative interpretation of their results.

In the critical shared social responsibility pay-what-you-want condition, the costs and benefits for the two players (corporations and customers) are very different. As the price paid by a customer increases, the company's direct cost (the purchased photo) doesn't change, whereas the customer's direct cost increases. Meanwhile, the company's direct benefit (profit) increases, whereas the customer's profit (the purchased photo) doesn't change. Furthermore, the company's direct contribution to social welfare (zero) doesn't change, whereas the customer's contribution increases. Therefore, the shared social responsibility pay-what-you-want strategy can be most parsimoniously described as a method for companies to conceal the unequal net benefits from customers while manipulating them to consume more; it creates the illusion that the company is directly contributing to social welfare, so customers are motivated by their own social values to increase company profits through increased consumption. Friedman's definition of corporate responsibility does not conflict with shared social responsibility, and consumers should remain, as Gneezy *et al*. say, "suspicious of the firm's intentions." As Anand and Sen observed, the goal of mainstream economics is "overall wealth maximization" that ignores "social justice and human development" (*2*); this goal does not optimize social welfare (*3*).

More important, assumptions about welfare, consumption, and altruism underlying the authors' conclusion contradict two widely accepted observations: (i) Biophysical limits mean that increasing current global consumption levels often reduces general social welfare (*4*, *5*), and (ii) the capacity for moral behavior is evolutionarily adaptive (*6*), so humans will contribute to social good at net direct cost (*7*). Therefore, shared social responsibility in this time of global economic, environmental, and social crises may require social (and business) structures that encourage widespread altruistic behavior that is not dependent on increasing physical consumption (*8*, *9*).

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Letters to the Editor

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Response

IN OUR INTRODUCTION OF THE CONCEPT OF shared social responsibility, we contend that it can help create value. Cleveland argues that shared social responsibility merely allows companies to conceal the fact that they are profiting from the customers' social responsibility while manipulating them to consume more (thus resulting in unequal net benefits). We agree that shared social responsibility increases consumption, and consider it a crucial observation. Shared social responsibility can increase customer spending, and it is essential to assure that revenue would benefit all parties—charity and customers certainly, but also the company itself. The last element is essential: If companies lose money by using shared social responsibility, they would simply not use it.

With that idea in mind, it is important to consider the issue of concealment. Cleveland gives a plausible account of the differential costs and benefits afforded the company and customer, but he does not consider that the company entirely and asymmetrically assumes the risk. Under shared social responsibility, firms voluntarily expose themselves to the possibility that consumers might pay little, or nothing, in exchange for the good. For example, in the field experiment we reported, marginal costs were close to $1 per photo. Suspicious customers could have paid $0 and inflicted a large loss on the company. It is precisely this vulnerability that signals the integrity of the company to its customers, who in turn might increase

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purchase rates or purchase prices. A firm that tries to take advantage of its customers would experience an immediate and substantial loss.

We also agree that "overall wealth maximization" is a goal, and that "optimiz[ing] social welfare" is a more problematic objective. However, Cleveland's argument about biophysical limits neglects an important aspect of shared social responsibility. He is right to point out that shared social responsibility does not increase the sum of money for the players, but that does not mean that it fails to increase their utility in general. By allowing customers to buy desirable products and simultaneously donate to charity, their utility increases relative to simply buying the product for the same price (*1*). Giving to charity is not a mistake, and it could benefit people. To the best of our knowledge, there is no biophysical limit to increasing the utility of the players, and shared social responsibility seemingly can increase it for all players: the customers, the charity, and even the company itself.

Shared social responsibility is a tool that helps make corporate social responsibility efforts (donating a percentage of a fixed price to charity) more effective. This also means that shared social responsibility may benefit the company's bottom line. In our view, it is acceptable, and even desirable, for a company to be profitable. Shared social responsibility provides a tool to increase the company's well-being in addition to the well-being of its customers and society in general.

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Nuclear Waste: Thorium's Potential

IN THEIR POLICY FORUM "NUCLEAR WASTE: Knowledge waste?" (13 August, p. 762), E. A. Rosa *et al*. overlook a possible solution to nuclear waste: alternative fuel cycles, particularly the Thorium Fluoride, Molten-Salt Reactor (Thorium MSR).

The use of Thorium as a fertile reactor input has the potential to greatly reduce high-level reactor wastes (*1*). (Thorium-232 is bred by the reactor's internal neutron flux to Uranium-233, which is then efficiently fissioned by another neutron. A small proton accelerator can also do the breeding. U233 is unnatural, because of a short half life, but fissions more easily than the U235 used in typical reactors.) Adopting the MSR