**The Corporation and Corporate Responsibility in Historical Perspective – The Striking Fate of an Institution that Changed the World**

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Corporate Social Responsibility (CSR) has become a buzzword those days. A rich and dense scholarly literature has emerged over the last few years around the concept of CSR and its contemporary consequences (e.g. Aguinis and Glavas, 2012, Segerlund 2010, Matten and Moon 2008, Garriga and Melé 2004). In general, this literature has focused upon the diffusion of organizational and/or institutional practices and processes characteristic of the contemporary trend of corporate social responsibility – over the last forty years or so. Hence we have learnt about the diffusion of the practice of corporate and industry codes of conduct, about the (limited) expansion of socially responsible investment, or about the contemporary structuration and professionalization of an increasingly transnational field if not "transnational community" (Djelic and Quack 2010) around this notion of Corporate Social Responsibility – a community that includes consultants, non-governmental organizations or NGOs, international organizations, socially responsible funds and fund managers, civil society groups, etc….

The contemporary literature on CSR tends to connect the development of CSR-type activities with the regular progress over the past decades of globalization (Matten et al., 2003; Prakash and Griffin, 2012; Scherer and Palazzo, 2011; Scherer et al., 2006; Scherer et al., 2009). Globalization entails, from that perspective, the weakening role and power of nation states. In parallel, globalization also means more power and resources for private actors – particularly large corporations that operate in multiple countries. In that context, corporations are bound to enter the space deserted by governments – if only to produce some of the institutional rules and public goods necessary to their own proper functioning, within but also across national arenas. CSR hence takes the form of private, public and common good provision in a great variety of local arenas but it also emerges as deep involvement in transnational multi-stakeholder rule-making and governance (Djelic and Quack 2006, Graz and Nölke 2008, Mattli and Woods 2009, Büthe and Mattli 2011). As a consequence,

globalization would seem to "erode established ideas about the division of labor between the political and economic spheres" (Scherer et al., 2009, p. 327).

The objective, in this paper, is to shift the perspective somewhat. Rather than focusing on globalization as a key driver of contemporary CSR, we want to explore the affinities between the corporation as a major institution of contemporary capitalism and current dominant forms of CSR. Globalization is a phenomenon inscribed in time and space. And we suggest that a consequential feature of contemporary globalization is that it has come together with the institutionalization and the global spread of a historically unique form of capitalism – corporate and managerial capitalism, increasingly financialized since the last thirty years.

The contemporary corporation is a very peculiar institution and an extremely powerful one at that. In its modern legal form, the corporation has three striking features. First, it is treated as a fictional individual. As a legal entity in its own right, the corporation exists, potentially, in perpetuity, and at least well beyond the life span of its original shareholders. It is protected by strong asset partitioning and the creditors of owners or shareholders have no claims over the assets of the corporate entity (Hansmann & Kraakman, 2000; Hansmann, Kraakman & Squire, 2006). Second, ownership of the modern corporation means the holding of shares. In its modern form, corporate ownership tends to be dispersed and shares are easily transferable and marketable. This generally implies the decoupling of ownership and management and translates into multiple types of agency failures (Berle & Means, 1932). These failures have generated a rich literature on corporate governance (Clarke & Branson, 2012; Roe, 1996). Third, modern corporate share ownership is associated with the principle of limited liability. Shareholders cannot be made liable for the debts and liabilities of the corporation beyond the value of their holdings (Djelic 2013).

These peculiar features of the modern corporation have an impact, we propose, on the ways in which it inscribes and embeds itself in its surrounding social contexts. They also shape the sense of social responsibility of these firms and the forms it takes. The notion that economic actors and organizations have a social responsibility is not new. But we suggest here that the particular form of expression of this social responsibility is contingent through time and space. By comparing contemporary CSR to two

alternative patterns of business/society interactions – paternalism on the one hand and the welfare state on the other – we hope to contextualize contemporary CSR and show how it reflects the corporatization of contemporary capitalism. In the process, we will deconstruct the explicit and implicit ethical frames that lie behind the contemporary CSR trend and assess some of its concrete implications.

After connecting the literature on CSR and what we know on the evolution of corporate capitalism in the next section, we then explore two historical alternatives to CSR – paternalism and the welfare state. We underscore how, in both cases, a particular take on business/society interactions reflected and was connected with different political economies. In the discussion section, we outline – through comparison – the similarities and even more the differences. We focus in particular on the specificities of contemporary CSR and of the conception of responsibility that undergirds it.

## Corporate Capitalism, Corporate Social Responsibility and Neoliberal Globalization

We often take for granted the contemporary form of capitalism and our current era of globalization. This taken-for-grantedness stems from the belief that they are the outcome of a linear evolutionary process driven by technological and market trends and leading up to a superior form of economic organization (Chandler , Friedman – T). In reality, the historical process leading up in time to an institutionalization of financialized corporate capitalism and neoliberal globalization has been a complex one – with many unintended developments and consequences. We build upon and bring together different threads of literatures to retrace the dynamics of this process.

### *The Corporation*

Medieval jurists had defined the corporation (in Latin *universitas*) as being both at the same time a collective abstraction (and hence a legal *persona*) and the sum or reunion of its individual members (Canning 1996: 172-3). This corporation doctrine was

initially applied to the Church, to guilds, to cities, to the University (in the "narrow" sense of the term) and possibly even to the (national) Kingdom or the State itself (Ekelund et al. 1996, Greif, Milgrom and Weingast 1994, Canning 1996).

As Kingdoms, princes and states came of age in Europe and increased in power, they progressively managed to impose a monopoly on the use of the corporation vehicle. From that point on, the history of the corporation became closely associated with national politics and the Prince (Willinston 1888). Incorporation became a regal privilege that the Prince would bestow on given groups of private individuals, in general as they engaged in projects that served the interests of the Kingdom – and of the King – and hence "public interest". The first corporate charters of that kind were granted for the purposes of overseas trading. In England, the *Russia Company* was incorporated through royal charter in 1555 as the "marchants adventurers of England, for the discovery of lands, territories, iles, dominions, and seigniories unknowen" (Willan 1953, 1956). Soon, other states and Kingdoms followed suit, getting inspiration from this early innovation. Starting in the 1560s, France set up chartered companies with a focus on different regions of Africa and then on Canada. The *Compagnie des Indes Orientales* was chartered later on, in 1664 (Bonassieux 1892). Holland, in 1602, incorporated its *Dutch East India Company* or *Vereenigde Oost-Indische Compagnie*-VOC (Gaastra 2003). More or less at the same time, England granted a royal charter to its own *English East India Company*. Charters that were granted by states and Kings were associated with a number of privileges. Many of those corporations were granted different kinds of monopolies and some form of privileged treatment with respect to taxes and duties. As legal persona, they could act in law as a single body. In 1623, the Dutch VOC was granted the privilege of perpetual existence. This innovation was then soon followed in other parts of Europe and the free transferability of shares generally came along.

The second half of the seventeenth century was characterized, particularly in England, by the acceleration of two concurrent developments that increasingly became connected – the liberalization of incorporation and the progress of the notion of limited liability. The liberalization of incorporation seemed to increase the range of the possible. It appeared that all kinds of domains, all kinds of activities could be granted a charter – mining of metals valuable in war, banks, insurance, infrastructure

or even manufacturing projects (Hickson and Turner 2005). This came together with the partial delegation of the monopoly to grant corporate charters – particularly after the English revolutions. Charters could be granted directly by the King or, by power of delegation, through the authority of Parliament. In both cases, the costs associated remained high. In principle, petitioners still had to convince the authorities that their project served the public interest. Still, there were early on debates and controversies around the corporation and its justification. There was vocal opposition to some of the privileges of those corporations – that were seen to be directly associated with royal fiat and a certain form of absolutism (Hickson and Turner 2005). There was also real debate as to the nature of the services those corporations rendered. Were they indeed serving the ”general” or ”public” interest ? What if monopolistic corporations were nothing more than the ”by-products of cash-strapped monarchs selling privileges to the highest bidders” (Taylor 2006: 4)? Amongst the most vocal and violent critics of the corporation as an institution at that time, we find no less than Adam Smith (Smith 1776). His criticism of the *English East India Company* was particularly scathing but the “father of modern capitalism” denounced the size, nature and privileges associated with corporations in general. He argued that corporations tended to reduce and distort competition, to encourage speculation and malversation, to allow raw power and oppression and to significantly weaken, at that, all form of responsibility.

> The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own… Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company (Smith Wealth of Nations (1999[1776]), Book V, chapter1, p.741).

The liberalization with respect to domains was also associated with the granting of additional privileges. And there, the 1662 Act institutionalizing limited liability as a privilege that could possibly stem from incorporation was undeniably pivotal (Clapham, p.267). Common law went on prevailing and “the liability of members of even a chartered corporation was unlimited unless their charter specified that it was limited” (Perrott 1982: 91; see also Livermore 1935; Hunt 1936). Still, the consequence of all this was that, by the end of the 17th century, corporate charters and corporate status were becoming increasingly attractive. Partnerships came to mimic incorporated companies and attempted to function as if they were incorporated

(Ireland 1984; Harris 1994). A market or traffic in charters developed where old charters were, as it were, "recycled" – traded or sold for the development of projects that were entirely unrelated to those which had initially obtained a charter. The trading in shares (of both incorporated and non-incorporated companies) for short-term profit, otherwise known as "stock-jobbing" became a real sport (Hunt 1936; Harris 1994). In short, under the eyes of a dismayed Parliament, England was falling prey to the fever of speculation:

> The pernicious art of stock-jobbing has so wholly perverted the end and design of companies and corporations – erected for the introduction or carrying on of manufactures… The privileges granted to the [corporations] have commonly been made no other use of by the first procurers and subscribers but to sell again with advantage to ignorant men drawn in by the reputation, falsely raised and artfully spread, concerning the thriving state of their stock" (House of Commons Journal 1696: 595).

The fever would only get worse when the Sovereign got the idea to use corporate charters to convert public debt into shares of companies (Hickson and Turner 2005). The Mississipi Company, with the infamous John Law at its head was chartered in France in 1718 and the South Sea Company charter was redefined for that purpose in 1719 in England (it had received a charter in 1711 for trade with South America). The "aggressive marketing schemes" those corporations pursued generated a bubble (Petterson and Reiffen 1990). In England, other actors jumped on the bandwagon, most of which were unincorporated and the fever seemed soon to reach the entire society(Petterson and Reiffen 1990: 167).

Naturally, the bubble burst. An Act of Parliament was passed in June 1720, known as the Bubble Act (Harris 1994). This Act expressly re-affirmed that joint stock companies could only exist if and when they were chartered by royal or Parliamentary fiat. In the wording of this Act, "all companies presuming to act as a corporate body…raising a capital stock not intended by their charter… acting under any obsolete charter… forever be deemed illegal and void" (quoted in Harris 1994). In the dominant view, the Bubble Act is presented as a reaction to the bursting of the bubble and as a political attempt to contain associated disruptions (Shannon 1931, Amsler et al. 1981). More recent historiography, though, shows that in fact the Directors of the South Sea Company were quite involved in the lobbying for this Act (Patterson and Reiffen 1990). The South Sea Company was apparently trying to protect its expected

profits and saw the intense activity around its projects as an obstacle and a source of disruption. In the words of a contemporary observer,

> the South Sea managers were resolved to have the whole game of bubbles (so exceedingly profitable) for themselves only and the act was manifestly designed for its – South Sea Company – service (Harris 1994: 617).

In any case, this episode significantly slowed the conjoined progress in England of the joint stock company and of limited liability. The John Law scandal had very much the same effect in France.

Debates around incorporation and limited liability came back to the fore in England at the beginning of the 19th century – as the first industrial revolution was barely announcing itself. In particular, railways and their high capital intensity soon brought back powerful vocal critics of the Bubble Act. The key argument of those critics was that the Bubble Act was an outmoded and stifling legal constraint blocking the industrial development of the country. The debate was intense and the Bubble Act had also powerful champions. John Scott Eldon, then Lord Chancellor of Great Britain, kept arguing that for an unincorporated association to claim corporate personality was an offense at common law (Perrott 1982; Harris 1997: 689). In the early 1820s, a speculative boom was in process and a great number of unincorporated companies were being created – in direct disregard to the Act's provisions (Harris 1997: 679-80). This generated heated exchanges outside and inside Parliament but also intense lobbying if not manipulation. At the end of April 1825, Peter Moore, a member of Parliament who was also a "serial" director on many boards of unincorporated companies, proposed a bill to amend the Bubble Act. The bill was discussed, modified and simplified and the version that passed the House of Lords at the end of June was in fact a repeal of the Bubble Act. It would seem, at first sight, that the champions of the Bubble Act had lost. Another interpretation, though, is that they gave up on this particular fight because they believed that common law, in the end, would prevail in courts (Harris 1997: 693-95).

Still, in retrospect, this moment proved to be a key turning point in the history of British corporate law. But it would take another twenty years before a general incorporation bill was finally passed – this time de facto turning around common law when it came to incorporation. In 1841, the President of the Board of Trade, Henry

Labouchere, moved for a select committee to explore the rising occurrence of frauds and fraudulent behaviors associated with joint stock companies – whether incorporated or not incorporated. In 1844, this committee then chaired by William Gladstone[1], who was by then the new President of the Board of Trade, concluded that fraudulent behavior was all the more prevalent when companies were not incorporated. Its members suggested, as a solution, "a course of legislation calculated to make every joint stock company respectable, whether successful or not" (Committee on JSC 1844: 162-74). The idea was a bill for general incorporation, where registration would be automatic under certain criteria thus bringing the state discretion over incorporation to an end. Lo and behold, this indeed amounted to a complete reversal of common law logic. The key argument of members of this committee was that bringing the unincorporated company within the law "would attract towards it respectable directors and respectable managers, whence will inevitably result respectable transactions" (Committee on JSC 1844: 162-74). The Bill introduced on the basis of those conclusions was presented as solving two (contradictory) problems at the very same time. On the one hand, it would satisfy those who called for a more liberal regime of incorporation. On the other hand, it would bring all companies within the law, subjecting them to systematic scrutiny and hence reducing opportunities for fraudulent behavior. In the end, the fact that this bill was managing to bridge such contrasting preoccupations can certainly explain why it passed relatively easily. The Joint Stock Companies Registration and Regulation Act of 1844 created a Registrar of Joint Stock Companies. All partnerships having more than twenty-five members and freely transferable shares were required (and hence de facto allowed!) to register as corporations. Before being conferred full corporate status, though, they had to provide information and appoint auditors to "receive and examine the accounts". Regular information and publicity demands were furthermore made on corporations (with respect to members and their holdings). In exchange, those companies could function with all privileges incident to corporations (Hunt 1936: 95-8). By then, though, limited liability was not on the list of systematic privileges. The common law principle remained in place that unless otherwise specified in their charter, corporations were operating under unlimited liability. Hence, while the Act of 1844 "marked an epoch in the history of English company

[1] In the 1980s, Margaret Thatcher often liked to claim that William Gladstone would have felt perfectly at home with the types of politics she was implementing then in Britain.

law", this was because it turned incorporation into a general regime (Hunt 1936: 94). The legislator had yet to go after the well-entrenched general principle of unlimited liability.

And indeed, after 1844, the debate moved towards the issue of limited liability. This debate turned out to be intense and complex (Hunt 1936: 116-7). It involved and pitted against each other a number of very different groups. In 1855, two Bills were presented to the British Parliament. One proposed an extension of limited liability to all corporations; the other focused on partnerships. The first Bill passed the two Houses relatively easily. The second failed. The 1855 Limited Liability Act (18&10 Vic. c.133) was essentially an extension of the 1844 Joint-stock Companies Act. Provided that a Company had at least 25 shareholders and shares of no less than £10, it would be granted limited liability on complete registration. Insurance and banking remained excluded. The information requirements present in the 1844 Act were kept in place and those companies had to add "Limited" or "Ltd" in their name, as added information in particular to creditors. In 1856, the Act was modified and the result was a consolidating statute (19&20 Vic. c.47). It considerably simplified the registration process. The Act extended access to limited liability to all registered companies of seven or more members and it got rid of the £10 share qualification. Rather than having strict legal requirements on information, this Act proposed a set of by-laws with a focus on governance – we would call them "guidelines" – that companies could voluntarily adopt, if they so wished.

***Corporate Capitalism and its Dynamics***

In spite of all those developments, the corporate form remained a marginal legal structure in world capitalism until the 1890s. Things would start to change then and they changed first in the United States. At the turn of the twentieth century, the American capitalist landscape went through a "great transformation" – a consequential "corporate reconstruction" (Sklar 1980) associated with a rapid "managerialization" (Berle and Means 1932, Chandler 1977). The form of capitalist organization that emerged in the process was quite unique, if not peculiar, at the turn of the twentieth century and it would remain so for quite a while. The American "great capitalist transformation" had no equivalent before the Second World War

anywhere else in the world. Arguably, this emergent form of capitalism can be described and characterized by six main structuring features.

First, we find the large size and capital-intensive firm as a key dimension of this form of capitalism (Chandler 1977, 1990). Second, together with the large size of key players, we find an oligopolistic understanding of competition policed by antitrust regulation (McCraw 1997). Third, the constitution of large firms was made possible by and required a change in legal status. The joint stock corporation with dispersed ownership became quite common in American capitalism (Sklar 1980, Roy 1997). Fourth, those joint stock corporations were listed on stock exchanges where they found a large share of the vast capital they required (Navin and Sears 1953). Fifth, those corporations also soon came to be ruled by professional managers, whose legitimacy did not reside in ownership rights (Berle and Means 1932). Sixth, the separation between ownership and the everyday handling of company affairs turned out to be a major revolution. It triggered the emergence of a profession –management – and the structuring of an organizational field around that profession (Sutton et al. 1956, McKenna 2006). The sense that those six dimensions fit together is mostly a post hoc reconstruction. Historically, emergence was messy, cumulative and progressive but also partly accidental and unexpected. Still, as depicted in Figure 1, those dimensions articulate in retrospect to shape a ”constellation”, reinforcing and stabilizing each other (Djelic and Amdam 2007). The term “constellation” conveys a sense of flexibility. Depending upon the way in which we look at a constellation, we will not see exactly the same thing – some ”stars” will be brighter, others may be hidden.

This new form of capitalism was intriguing and sometimes even frightening to the rest of the world before the 1930s (Kuisel 1993). After World War II, though, it became a model, initially for Western Europe but then progressively also for many other parts of the world (Berghan 1986, Albert 1991, Djelic 1998, Zeitlin and Herrigel 2000, Moreno 2003, Tota 2009). This was to a large extent due to the superpower status of the United States and its *de facto* hegemony after the fall of the Berlin Wall. The fate of the American-born corporate/managerial form of capitalism would be closely related to that of the American nation as a whole, and as it turned out glorious days lay ahead after 1945. The corporate/managerial form of capitalism has progressively

and increasingly come to impose itself ever since in the most varied national settings (Moreno 2004, Wedeman 2003, Beyer and Höpner 2003, Yalman 2009, Reed 2011). Naturally, the order in which the different features of the constellation were picked up, transferred and adapted varied in each case. The timing and the characteristics of the transfer process also differed markedly. The argument is not, though, a "shopping list" argument. A constellation has systemic properties even if flexible ones. And the institutionalization of one or two dimensions creates path dependencies and has a tendency to stimulate the transfer and adoption of other dimensions. Corporate capitalism, as a consequence, has become a (nearly) global reality and has had a transformative impact on many national institutional systems. The period of contemporary globalization coincides quite tightly with the progress across the world of this corporate and managerial form of capitalism. In fact, we suggest that the global spread of corporate and managerial capitalism has been one of the constitutive dimensions of the contemporary episode of globalization.

While this peculiar form of capitalism spread to many parts of the world over the past four decades, it also changed in that period, in a quite consequential way. Although it remained characterized by the six dimensions identified above, the balance of power between managers and owners changed in favour of the latter, leading progressively from the 1980s forward to what is often described as the "financialization" of capitalism (Epstein 2005, Krippner 2005, Krippner 2011, Ertuk et al. 2008, Huault and Richard 2012). The notion of financialization refers to two key evolutions. On the one hand, the financial sphere as a whole progressively moved to the core of the capitalist system – transactions on financial markets becoming ever denser, faster and more regular. On the other hand, the corporation reoriented its priorities towards the maximization of shareholder value and hence the production of (short-term) financial value in globalized stock markets. In the process, the concern for producing goods and services was pushed towards the periphery of the corporate and managerial firm when it had originally been at the core. Instead, the maximization of share prices through an optimized representation of results in financial statements, as well as the optimization of the amount of taxes due through tax avoidance strategies and corporate transfer pricing moved to the core of corporate strategy (s. Sikka 2009), generating in time scandals such as Enron (2002) or Parmalat (2004).

***CSR***

Quite early on in the historical process of crystallization of this particular form of capitalism, its peculiar features came to be discussed in light of issues of responsibility. The 1929 crisis only reinforced the urgency of such discussions. In an article written in 1932 and titled "For Whom are Corporate Managers Trustees", Edwin Merrick Dodd, a Harvard Law School Professor and a specialist of corporations put it quite clearly:

> Modern large-scale industry has given to the managers of our principal corporations enormous power over the welfare of wage earners and consumers, particularly the former. Power over the lives of others tends to create on the part of those most worthy to exercise it a sense of responsibility (Dodd 1932: 1157).

Owen D. Young, who was then the Chairman of General Electric and quite representative of a generation of public minded businessmen and managers in the United States during that period, agreed heartily:

> Customers have a right to demand that a concern so large shall not only do its business honestly and properly, but, further, that it shall meet its public obligations and perform its public duties — in a word, vast as it is, that it should be a good citizen (Young 1929).

An interesting "space" where the consequences of corporate/managerial capitalism was explored from a responsibility perspective was the Harvard Business School in its structuring days – the 1920s (Khurana 2008). Wallace B. Donham, who was the Dean of the Harvard Business School in that period, was adamant that the key challenge of the times was to create the conditions for a socially responsible corporate capitalism and managerial class to emerge:

> Unless more of our business leaders learn to exercise their powers and responsibilities with a definitely increased sense of responsibility toward other groups in the community, unless without great lapse of time there is through the initiative of such men an important socializing of business, our civilization may well head for one of its periods of decline (Donham 1927).

So the birth of Corporate Social Responsibility (CSR), as we know it today, can be traded back to the early decades of a peculiar form of capitalism – corporate/managerial capitalism. The unique features of that form of capitalism have generated a particular take on the issue of business responsibility and business engagement in society that has paved the way in part to the current CSR movement. Without forgetting the role of religious or political activists or the particular influence of the Cold War and its aftermath (Spector 2008), it is important to underscore the endogenous filiation between corporate capitalism and CSR. Calls for a particular kind of corporate "citizenship" with a broad and wide reach (including international) were made as early as in the 1920s. This type of corporate citizenship was judged to be necessary due to the unprecedented size and power of American corporations but also due to diluted forms of ownership (Dodd 1932; Donham 1927). Broad and clear calls in that direction came first from within the system and only later from outside. The Corporate Social Responsibility that was called for in that context was often put in connection to the increasing role and power of the United States as a country on the world scene – and to the responsibility this increasing power entailed in the face of ever increasing risks and threats (Yogev 2001, Spector 2008). Corporate social responsibility, in that context, had a highly stabilizing aim. It would help save "American liberalism" from the many threats and challenges it was facing and this would be done through

> ...socialization of industry from within on a higher ethical plane, not socialism or communism, not government operation or the exercise of political power, but rather the development from within of effective social control (Donham 1927: 407).

Corporate Social Responsibility as we know it hence has clear American roots (eg. Acquier 2007). But CSR as we know it has also become embedded and inscribed through time in neoliberal globalization and the associated progress of transnational governance (Scherrer and Palazzo 2009, Segerlund 2010). This has happened together with the parallel inscription of corporate capitalism within neoliberal globalization. Corporate Social Responsibility, as a consequence, has now become structured as a broad and fluid transnational field, with a multiplicity of nodes that are in relations of co-opetition between each other. This transnational field is characterized by the

proliferation of organizations and organizing, by the strong role of expertise and scientific legitimacy and by the structuration through time of "imagined" and mostly virtual transnational communities of interest (Djelic and Quack 2010). The tools that are mobilized to monitor social engagement and responsibility are those of our "audit society" (Power 1997), revealing the broad based managerialization of most spheres of society. Audits and measurements are used to produce multiple systems of "naming and shaming" (Boli 2006) – (positive and negative) rankings, accreditations and evaluations. As a consequence, the politics of responsibility have been displaced to quite an extent – the real targets of those politics today are not the "objects" towards which the corporation engages its responsibility but rather the multiplicity of mediators (consultants, NGOs, the media, ranking and accreditation bodies....). The objects themselves are increasingly virtualized and dematerialized ("the environment", "humanity", "child labour"...). And responsibility itself increasingly becomes a "commodity" that in some circumstances is even traded on artificially created markets (Engels 2006).

## Corporate Social Responsibility in Historical Perspective

If we adopt an historical lens, the particular conception of business-society interactions, described above as contemporary CSR, soon emerges as highly contextual and situated. In no sense can it be seen to represent a universal solution. A foray in recent history shows the significance of at least two alternative conceptions – paternalism on the one hand and the welfare state on the other.

### *Paternalism*

Paternalism is a philosophy of social responsibility that connects, historically, with a particular form of capitalism. The heyday of this philosophy was the mid to late 19$^{th}$ century, particularly in Europe.

As the European continent was going through its early phases of industrialization, from the late eighteenth century throughout the nineteenth century, the production of goods was moved outside of individual farms and houses and centralized in factories. For decades and even centuries, the putting out or domestic system had been an

interesting strategy for contractors to avoid the power of guilds (Nussbaum 2002[1933], Kieser 1989). The emergence and multiplication of factories, mostly in the nineteenth century, reduced transaction costs for contractors turned owners/employers and solved all kinds of other problems for them as well – not the least of which were problems of control over the workforce (Hobsbawn 1996, Gray 1996). Factories were often connected to urban centres or they even fostered, in some cases, their emergence or development. The many social disruptions generated as the factory system was being structured have been documented at length and are well-known. The break-up of families and rural communities through the uprooting of some of their members, child labour, alcohol consumption and violence, out-of-wedlock pregnancies, poor hygiene, exhaustion from overwork but also work-related accidents and sicknesses with no protection or compensation pointed to the dark side of increased productivity and control (Engels 1987[1844]).

The emergence and development of the factory system in Europe took place within the frame of what can be called personal capitalism – in contrast to corporate capitalism (Colli et al. 2003). Factories belonged to firms that were under the strong control of individual or at the most small groups of owners – clearly and physically identifiable. Most of the time, management was and remained in the hands of one or some of the owners. Legal structures got to be more sophisticated throughout the nineteenth century. On the whole, though, the joint stock corporate form with dispersed ownership and limited liability remained rare in continental Europe. Personal legal forms, partnerships or hybrid structures where strong owners/decision makers opened their capital to dormant and passive investors were more widespread and prevalent.

Even though the social disruptions associated with the factory system were particularly acute in the context of the rapid and intense English industrialization of the nineteenth century, other European countries were also feeling the impact. Nineteenth century French novels provide, for example, striking and realist descriptions of the socially disruptive consequences of the factory system even though industrialization in France was proceeding much more slowly (Zola 1871-1893, Reid 1992). Economic transformations and their substantial societal consequences naturally triggered reactions. The progress of industrialization co-evolved in the nineteenth

century with the progress of the socialist critique. The increasing intensity of that critique combined with a genuine preoccupation for profoundly disrupting social trends to foster action and organization within parts of the European business classes. Paternalism emerged in that context (Magnusson, Nielsen N. J.). The sense of responsibility as defined through paternalism was often associated with strong religious convictions (mostly Christian – Catholic or Protestant) on the part of the owners and their families (Coffey 2003). It was also clearly associated with a classical patriarchal understanding of society and social relations (Reid 1985):

> Between the miner and the company there exists a bond of reciprocal affection, which makes him think of it as a good mother; between the miners and their general manager there has existed since time immemorial, in the fullest sense of the word, the idea of patronage which makes the miners consider him their father (Burat 1870).

The owner/boss was the Father and, as such, had a sense of responsibility towards his workers/children and their families. This sense of responsibility often came to extend towards the localized communities that surrounded the factory and/or the firm. Naturally, this particular understanding of social responsibility was not detached from utilitarian objectives. Healthy workers, stable families and family lives, quiet and thriving communities were all conducive to a productive and flourishing business.

Paternalism, though, was often more than a utilitarian project and it could reflect strong moral and value-based underpinnings. It is in fact possible to identify three main strands. Firstly, some variants of the paternalist spirit of the nineteenth century had clear elective affinities with the "civilizing, white man's burden" associated with the colonial enterprise. The paternalist project and its associated practices reflected, in that context the sense of responsibility that should come with a (perceived) sense of superiority. In one of the volumes of the Rougon-Macquart, *Germinal,* Zola captures that particular strand in a very powerful manner:

> Me, I am the father of my workers. They should know nothing but me and my will. I am their director, I am their owner, I am their purveyor, I am their doctor, their pharmacist, their providence at all times. I am their mayor and on my territory no one can face up to me. I am their deputy; I've got my police,

> my judiciary, army and money. It's me who made Carboville. I certainly have the right to be their master. As long as they do what I want, I am their father, I love them like children, but if it ever enters their heads to have a desire other than mine, I would say, 'Ah, you are not obedient? Well, we'll see about that. He who loves well punishes well! (quoted in Gillet 1976: 67-68).

Another strand of paternalism was more clearly connected to a Christian form of Humanism that underscored the urgent necessity to reconcile the intense development of capitalism with a sense of respect for the human being as divine creature. Léon Harmel, owner of textile mills in the North of France (today in Belgium) was an interesting exemplar of this perspective. He saw his company as a "Christian corporation" – he targeted the creation of a physical and spiritual community. Léon Harmel understood the Christian corporation to be "a ommunity of interests" that looked to "the well-being of the workers" and the "prosperity of the enterprise" (Harmel 1889: 37). Harmel was close to Pope Leo XIII and his work and thought were one of the influences behind the emergence of the Christian Social Doctrine as first expressed in the Encyclical *Rerum Novarum* in 1891. Leo XIII hoped that the "Harmel method" could spread across France and the rest of Europe as a competitor to Marxist socialism (Coffee 2003). Towards the end of the nineteenth century, Harmel organized regular trips to Rome, taking along groups of workers to meet the Pope (Coffee 2003). Arguably, we can identify a third strand of paternalism in that period in Europe, strongly influenced by socialist ideas and anchored in the intellectual tradition pioneered by Charles Fourier or Robert Owen. Jean-Baptiste-André Godin, who founded the stove company bearing his name, Godin, was one of the most famous pioneer. Around his firm, he constructed the structures for a community – the Familistère de Guise – with the objective of reconciling economic production and social progress (Lallement 2009). Although profoundly convinced by Fourier's utopian project, he was also a devout catholic, which reflected upon his own undertakings:

> Real equality does not imply that one should give the same thing to all but that all should receive in proportion to their needs. Real equality is an equality that is accepted and legitimate. This is not a community: but proportionality and association (Godin 1881).

Concretely, those different strands of paternalism translated on the ground into relatively parallel practices. The logic was that the firm and the owner/father were there to create some form of stability and security around the members/children. For different reasons, the responsibility to protect and/or to compensate for the disruptions associated with factory capitalism was seen to belong to the firm and its owners. Paternalism hence translated into housing, social security schemes connected to employment, company stores but also family- friendly remuneration packages, childcare, the provision of basic healthcare, laundry, sports or cultural facilities (Magnusson 2000, Coffee 2003, Lallement 2009). In some cases, the dream went one step further – the objective being to foster the emergence of a spiritual community. Then, membership into the firm could be associated to compulsory participation in religious offices or activities (Coffee 2003). In some of the most extreme variants of the paternalist experience, the firm became fused with the geographical community in which it was embedded – and vice-versa. The tire manufacturer, Michelin, and the city of Clermont- Ferrand are famous illustrations of this close interconnection but they are far from being the only ones in Europe at the time (Gueslin 1993).

While paternalism was clearly an important characteristic of European capitalism at the turn of the twentieth century, it was not entirely absent from the American context (Tone 1997). However, the "welfare work" of the Progressive era, in the United States, was much more clearly positioned and legitimized in utilitarian terms:

> It is not to be wondered that a man who has slept for six or seven hours in a room with ten others, only turning out of bed in the morning in time for a night-shift man to take his place between the same sheets, does not go to his work fresh, happy and cheerful. And after working hours, he has no place to go except the saloon, and nothing to do but drink. It is not likely that his health will be so good or his efficiency so great as that of the man who sleeps in healthy surroundings and has a comfortable home (Allen 1917).

When John Patterson, President and Founder of the National Cash Register Company (NCR), realized at the end of the 1890s that sabotage was a widespread practice in his factories, he decided to react. Sabotage meant product defects, heavy costs and lost clients. He understood that sabotage was an organized reaction that indicated widely shared dissatisfaction amongst his workers. In a matter of a few years, NCR became

“the nation’s leading exemplar of welfare work” (Tone 1997: 66). The introduction of better working conditions – more light and air, warm food, breaks, a gym and rooms for resting, lectures on dietetics and health.... – was justified because “comfort, health and relaxation bring greater efficiency” (Patterson as quoted in Tone 1997: 67). When Henry Ford introduced the five-dollar day in 1914 – a rate double that practiced elsewhere in the neighbourhood – it was in reaction to an extremely high level of turnover in his factories. In reality, the five-dollar day did not correspond to a direct wage increase but to a “profit-sharing payment that workers earned only if they complied with rules of conduct at work and at home” (Tone 1997: 91). In the official company pamphlets that explained the arrangement, it was presented as “good business”. The Ford Company was “anxious to have its employees live...under conditions that make for cleanliness, good manhood and good citizenship” (Tone 1997: 91). When asked about this kind of arrangement in the context of a Senate Commission on Industrial Relations in 1916, Henry Ford was very clear:

> Some persons may argue that we have no right to inquire how a man lives at home so long as he does his work at the factory.... But our experience leads us to conclude that [this] interest taken in employees...is most desirable from every standpoint, not only that of the employee and his family, but that of the business itself (Ford 1916).

So a certain kind of paternalism did exist in the United States, with a strong utilitarian and business focus. But the trend remained marginal on the whole in that country, affecting not more than 1,500 firms by 1914 (Tone 1997: 52). Most of the firms (close to 80%) that adopted this type of practices were large firms – with more than 1,000 employees. At the time, though, large firms with more than 1,000 employees represented only 0.2% of American businesses. Large firms were under the spotlight and many large business owners feared the potential regulatory intervention that could come if social conditions in those firms proved too dismal. The social critique of the Progressive Era could be scathing and it mostly targeted large firms. Large firms in the U.S. in that period were also more likely to have high levels of turnover, when their production lines, in order to be really productive, were highly dependent upon the permanence of a sizable labour pool (Tone 1997: 55).

***Towards The Welfare State***

Paternalism, hence, was a significant pattern of business engagement in society at the turn of the twentieth century. It played a major role in Europe (particularly continental Europe) and had also quite an impact in the context of large-scale American capitalism. Paternalism could trigger opposed and extreme forms of reactions. On the one hand, it was hailed by some as the symbolic expression of the deep sense of responsibility or even morality of the business classes. The Pope Leo XIII saw it as a viable alternative to Marxism socialism in the context of a critical assessment of "wild" capitalism. On the other hand, paternalism could be strongly criticized as a masquerade and the expression of manipulation. Paternalism could be reproached for the structural infantilization it entailed among workers. A responsible "Father", after all, should be somebody working to help his children acquire increasing autonomy through time. Paternalism was not doing that: instead it throve on persistent dependence.

Paternalism could also be criticized for its manipulative character – where the class struggle was being diluted in "heated housing programs" and "sports facilities ". This type of criticism was instrumental in the mobilization of parts of the working classes and of certain strands of socialism in favour of an alternative, or should we say a functional equivalent – the Welfare State.

Naturally, the historical emergence of the Welfare state – here again in Europe – cannot and should not be attributed to a single and simple cause (Esping-Andersen 1990). The political mobilization of the working classes, and in particular of the trade unions, played an important role but it was not the only driver of a Welfare state "revolution" in Europe. In fact, the closest one can get to an ancestor, in Europe, of the Welfare state was Otto von Bismarck's Prussian *Sozialstaat* (Beck 1995; Kott 2004). Arguably, Bismarck's project smacked of Paternalism writ-large – a state-level paternalist ambition motivated by a strong utilitarian agenda. Bismarck and his government understood the provision of social benefits to workers and their families at the level of the state as a way to create stability, security but also as a means to establish control over a workforce that was highly necessary to the broader project of German unification and state and nation-building. Bismarck was also strongly influenced by the insights of German conservative philosophers such as Lorenz von

Stein (Kott 2004). Von Stein underscored the profound instabilities and revolutionary risks associated with rapid industrialization and the progress of the market, calling in a sense for a mediating and stabilizing role for the state that should strive to stem the revolutionary (hear communist/socialist) tide. The *Sozialstaat*, in that sense, was complementary to protectionist and corporatist policies that strove to perpetuate economic and social stability and hence contributed to the rigidity of the social stratification system. Another objective behind the Prussian *Sozialstaat* was to reverse the immigration wave that was threatening to deprive the future German state of valuable human resources. Three different laws laid the foundations of the German *Sozialstaat* or Welfare state. In 1883, the Health Insurance of Workers Law provided protection against the temporary loss of income in case of illness. The Accident Insurance Law of 1884 provided for workers that had been injured on the job. The Old Age and Invalidity Insurance Law, finally, was a precursor of pension systems. Initially, the Bismarck system targeted only people who were gainfully employed and their families – and more precisely the top layer of the blue worker groups. The system was improved and broadened to other groups during the first decades of the twentieth century (Machtan 1994).

While Bismarck was building the foundations of a Paternalist Welfare State within an emergent German Nation, mutuality was developing in parallel as another kind of reaction to the disturbances and ills associated with industrialization and the progress of the market. The principle of mutuality was found across Europe in the nineteenth century and it spread rapidly. The logic was one of a double opposition – an opposition to the infantilization associated with industrial Paternalism and an opposition to the authoritarian control associated with a Conservative Welfare state *à la* Bismarck. The working classes should take their fate into their own hands and mobilize in collective forms to deploy different kinds of solidarities. The principle of mutuality materialized in Europe through the organization of trade unions into providers of welfare benefits, the constitution of "friendly" and "mutual aid" societies but also naturally through the development of the cooperative movement.

In England, the movement towards self-help within the working classes was led by trade unions and possibly, to an even greater degree, by friendly and mutual aid societies (Hopkins 1995). In a context where the consequences of industrialization

proved particularly acute and disruptive, where Paternalism was not as prevalent as on the continent and where poor relief was structurally associated with deep social stigma, self-help and self-improvement was a necessity (Spencer 1884). Trade unions organized to provide different kinds of welfare benefits to their members, with the added advantage, in the process, of stabilizing their membership. Naturally, trade unions retained their political role and goal and they were working towards the securing of better wages and working conditions. But in parallel, they came to structure and foster the development of associated friendly societies:

Through the trade unions, workers would win the wages necessary to sustain a decent existence, and through the friendly societies they would organize their own welfare services – social insurance, medical care, even housing loans. The profit motive was to be supplanted: in the factory by the mutuality of the workers' co-op; and in retailing by the co-op store. Not all these working-class hopes were realized, but the friendly societies, the trade unions and the co-op stores were successful and offered a fraternal alternative to the sometimes cold world of commercial calculation (Green 1985: 1).

The movement towards friendly, savings or mutual aid societies then got its own dynamics, developing in part independently from the trade union movement. Friendly societies were built upon the voluntary grouping of workers who were ready to invest small but regular amounts in exchange for the security that in situations of hardships, they and their families would receive some benefits from the money invested. The movement grew fast and while friendly societies brought together only 650,000 people in 1801 by 1910 there were more than 6.6 millions members in registered friendly societies to which should be added those belonging to unregistered groupings – altogether the estimate is that around 9 millions people were covered by the 1910s (Eden 1928[1797], Gosden 1979: 91). This was a membership larger than that of trade unions in England at the time (Takada 2005: 3). Altogether, the success of the mutuality principle was real and acknowledged in late nineteenth century England. It was hailed as a positive development across the political spectrum even though naturally the arguments would vary:

> ..it remains one of the great glories of the Victorian era that...welfare has been established in a very large degree by the labors and sacrifices of working men

> themselves, and by the wise and judicious legislation which has permitted and encouraged their endeavor in the direction of self-help (Gosden 1974: 259).

On the European continent, while friendly or mutual aid societies were not unknown, they never developed at par with what happened in Britain. Rather, the way in which the mutuality principle found its way in most continental European countries was through the cooperative movement. The mutualist movement, we know, had its ideologues. Robert Owen was a key inspiration in Britain and in the Commonwealth more broadly (Owen 1816). While he also had some influence on the continent, Joseph Proudhon was, arguably, the intellectual father of the cooperative movement on the continent. We know of the violent intellectual fights between classical Marxism and communism on the one hand and mutualism à la Proudhon on the other (Marx 1847). Mikhael Bakhunin, who for a while was an admirer and follower of Proudhon, described clearly and in non-polemical terms where the key disagreement lay:

> I am not a communist because communism concentrates and absorbs all the powers of society into the state, because it necessarily ends in the centralization of property in the hands of the state... I want society and collective property to be organized from the bottom upwards by means of free association and not from the top downwards by means of some form of authority...it is in this sense that I am a collectivist (quoted in Cahm 1989: 36)

Proudhon insisted on the importance of freedom, which had to be defended against the authoritarian proclivities of collectivism and state communism as well as against the exploitative consequences of large-scale capital ownership. A solution was the association of workers in self-managed co-operative organizations. Quoting John Kenneth Galbraith, Proudhon's two economic ideas are free credit and workers' associations:

> Two ideas of influence can be found in the modern residue of Proudhon's theories. One is the belief, perhaps the instinct, that there is a certain moral superiority in the institution of the co-operative. Or the worker owned plant. When farmers unite to supply themselves with fertilizers, oil or other farm supplies, and consumers to provide themselves with groceries, the ideas of

> Proudhon are heard in praise. So also when steel workers come together to take over and run a senescent mill... And Proudhon is one among many parents of the continuing faith in monetary magic – of the belief that great reforms can be accomplished by hitherto undiscovered designs for financial or monetary innovation or manipulation (Galbraith 1987: 99).

Proudhon's vision was one of federations of self-governing communes, where workers managed their own affairs from the ground up. He found empirical inspiration in the experiences of "mutualist" workers associations in Lyon, France, and essentially built up a theoretical justification to legitimize the spread of such forms of organization. Co-operatives would end the exploitation of wage-labor as "every individual employed in the association" has "an undivided share in the property of the company," "all positions are elective, and the by-laws subject to the approval of the members" and "the collective force, which is a product of the community, ceases to be a source of profit to a small number of managers and speculators: It becomes the property of all the workers" (Proudhon 1989[1851]: 222-3). According to Proudhon, mutuality existed when:

> ...all the workers in an industry, instead of working for an *entrepreneur* who pays them and keeps their products, work for one another and thus collaborate in the making of a common product whose profits they share amongst themselves. Extend the principle of reciprocity as uniting the work of every group, to the Workers' Societies as units, and you have created a form of civilisation which from all points of view – political, economic and aesthetic is radically different from all earlier civilisations (Proudhon, quoted in Buber 1949: 29-30).

The cooperative movement developed in this context in Europe – both the inspiration, from the ground up, of Utopian intellectual projects and inspired, strengthened in turn by this ideological theorization. The cooperative movement was European-wide but it proved particularly active in France, Italy and Spain. In Rochdale, England, a group of twenty-eight cotton mill weavers created in 1844 what is sometimes seen today as the first modern customer cooperative. The Rochdale pioneers pooled their resources and efforts to create a collective and self-managed store where customers were also members. Customer cooperative then multiplied in Britain during the following

decades. Those cooperatives sold basic commodities of good quality at market prices to members, distributing profits in the form of rebates. In France, the cooperative movement accelerated after the 1848 Revolution and then again during the Paris Commune. The movement was characterized by a multiplicity of producer cooperatives as well as market and distribution cooperatives in rural areas. A few credit cooperatives were also set up that would become, in time, extremely powerful organizations. In Germany, rural cooperative banks multiplied. Those worked in small markets, limited credit to members and applied low interest rates. As Europeans immigrated to the United States, they carried along with them the cooperative tradition and ideology that became deeply ingrained in certain regions of the country and given sectors of the economy (Schneiberg 2007). In fact, the cooperative movement had from early on a trans-national dimension. In 1895, an International Cooperative Alliance (ICA) was founded. The ICA is a meta-organization (Brunsson 2006) – a federation of federations representing close to a hundred countries today and many sectors of activity (ICA 2011a). The ICA provides an official definition for what is a cooperative, in its cooperative "statement of identity":

> A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. It is a business organization owned and operated by a group of individuals for their mutual benefit. A cooperative may also be defined as a business owned and controlled equally by the people who use its services or who work at it (ICA 2011b).

The most striking case, may be, of a successful cooperative utopia turned reality has been the Mondragon experience (Whyte and Whyte 1988). Mondragon is a region from the Basque country in Spain. Starting in 1941, under the strong leadership of a young priest, a project was born to reinvent a past tradition of mutualism in the region in order to help overcome an acute economic crisis. In time, more than two hundred cooperatives were created. Within the same geographical space, productive cooperatives were to work with credit and customer cooperatives. Even leisure and education came to be organized, in a number of cases, through the cooperative model. Associated with this dense cooperative network were mutual aid programs –

providing the communities with all kinds of welfare benefits (Morrison 1991, Ormachea 1993).

By the end of the nineteenth century, hence, the provision of welfare benefits followed quite different paths in Europe. Paternalism, Mutualism and State Paternalism or State Welfare were so many available paths. The motives behind those different forms of engagement varied quite significantly but they all reflected or even stemmed from the patent limits of wild capitalism and wild industrialization. For the most part, the provision of security and welfare benefits remained in private hands still by the end of the nineteenth century. The balance would shift during the first half of the twentieth century and welfare would progressively come to be "nationalized" (Esping-Andersen 1990). There are several explanations that need to be combined if one is to understand this profound transformation, which in time came to impact most European countries.

Naturally, we find the important role of progressive politics throughout the period. The particular life history of David Lloyd George, Chancellor of the Exchequer in a Liberal Government, explains in part why he heartily championed the British National Insurance Act in 1911. Germany was then used as a model and benchmark to justify the extension of the types of benefits provided by the friendly societies to a wider population in Britain. The National Insurance Act provided for health and unemployment benefits – on the basis of a shared contribution between employers and employees to which was added a broad based taxation. In 1942, the Beveridge Report benefited from the particularly difficult war conditions as well as from the existence, in that period, of a coalition between the Labor and the Conservative parties. After its victory in the 1945 general elections, the British Labour party proceeded to implement most of the recommendations from the Beveridge Report, building in the process a national Welfare State. Strangely enough, another driver of the progress of the Welfare state in that period has been the expansive hold of totalitarian and authoritarian regimes across Europe throughout the first half of the twentieth century. These types of regimes deployed broad based state paternalism as a means to co-opt and control various constituencies. Another driver of the nationalization of welfare seems to have been at least in some countries, the weight of private lobbies from the medical professions and the insurance industry. Those groups

were bound to benefit much more from a state-organized system than from a highly decentralized system controlled by workers and trade unions (Green 1985). Finally the deep crises of capitalism combined with the expansion and fear of communism were also major contributing factors, both in Europe and in the United States fostering the progress of the Welfare state logic.

All in all, organized labor was initially quite reluctant to the progress of the Welfare state as it tended to privilege instead mutualist and cooperative solutions. As time went on, though, coalitions were built and labor organizations were co-opted into the mechanics of the Welfare state. Scandinavian countries were probably those that went furthest towards this type of state mediated pact or compromise between labor and capital (Wahl 2007). By the 1960s, the Welfare state had become the dominant model for the provision of welfare benefits of different kinds and this across Europe (de facto East and West). The necessity to mitigate the risks and costs associated with industrial capitalism, urbanization and the progress of individualism had been, as it were, "nationalized", "captured by" or "delegated to" the state – the language to be chosen there depending upon who was doing the diagnosis. While Welfare states differ – Esping-Andersen identifies three ideal types (Esping-Andersen 1990) – there are some clear and common features. First of all, the provision of welfare benefits is detached from the real work activity to a much greater extent than is the case in the alternative systems described above. Naturally, there are differences here between the various kinds of Welfare states but, on the whole, redistribution is significantly decoupled in its amounts as well as in its mechanisms from the productive process. Secondly, even though here again systems will vary, there is a clear trend towards universalism – national citizenship becoming increasingly the key foundation for benefits entitlement. Thirdly, the sense of solidarity, in the context of a Welfare state is detached from proximate communities and associated instead with a relatively virtual national "imagined community" (Anderson 1983). Fourthly, the "nationalization" of welfare has a tendency to imply a certain form of social de-responsibilization for firms and other private actors. The production of negative externalities is to be dealt with by someone else. The economics literature has tended to re- interpret the Welfare state since the 1960s as a dangerous source of moral hazard (Arrow 1963) – where individuals would be encouraged to overuse services and service providers would be encouraged to increase prices. What if the main

source of moral hazard, in a Welfare state context, was in fact due to the possibility for firms to externalize most if not all of their responsibilities to workers and employees towards the collectively financed system? This, in fact, was an argument that Herbert Spencer had been using to warn against any kind of state run welfare benefits – pointing to the likelihood that, under such schemes, workers would receive lower wages and toil in more difficult working conditions (Spencer 1884).

## Discussion – Using Comparison to Underscore the Unique Ethical and Normative Foundations of Contemporary CSR

If we put the contemporary trend of corporate social responsibility in perspective and systematically compare it with alternative conceptions of business-society interactions, we unmistakably come to understand better this contemporary movement. In particular the systematic comparison provides leverage to identify and reveal the unique foundations – normative and ethical – of contemporary corporate social responsibility.

If we see corporate social responsibility as a conception that confronts (and mostly follows in time) the welfare state regime, we come to understand this contemporary movement as a partial re-privatization (at least) of the common good. The move from Paternalism and Mutualism to a Welfare State conception in Europe was clearly motivated, historically, by the desire to "nationalize" social responsibility precisely with a view to marginalize the private discretionary power that had ruled until then. This desire was motivated differently for different actors. Contemporary corporate social responsibility unmistakably re-introduces an amount of private discretionary powers in matters of social responsibility. This is all the more striking if we see the progress of contemporary CSR as running parallel to a questioning of welfare state arrangements.

When we compare contemporary CSR to Paternalism and the Welfare State, we also realize that the temporal move from one stage to the next and finally to the third corresponds to an extension of the territory, as it were, of the common good. Paternalism (but also mutualism) localized social responsibility. The firm (the cooperative or the friendly society) was in charge of a relatively narrow geographical

community. The move to a Welfare State conception expanded the horizon of social responsibility to a national territory. Contemporary corporate social responsibility has the world as its territory, at least potentially. The contemporary social responsibility of corporations is a global one.

This expansion of the target territory comes together in fact with the progressive dematerialization and the increasing virtualization of responsibility. The early paternalist owner or owners could clearly be identified as "real" individuals or families. The national polity in charge of managing the Welfare State was already a somewhat more dematerialized actor. The "ownership" of contemporary corporations is not only most of the time completely dematerialized; it is also highly fluid and fluctuating in time. On the other hand, the targets of social responsibility under Paternalism or Mutualism were also very real and physical – a workforce (often quite stable) and their families, a concrete, well delineated local community, a clearly defined membership body. In a Welfare State regime, the target was a dematerialized national "citizen" and a physical territory that could fluctuate quite a bit with military defeats and victories, colonization and de-colonization. For contemporary CSR, finally, the target is the even more elusive "global citizen" and our "global environment" – a notion that is highly dematerialized and in fact difficult to grasp.

The more we move away from Paternalism or Mutualism and closer to contemporary CSR, the more we see the strong role of discourse over actions in the management of social responsibility. Naturally, the Paternalist owner or manager did build discursive strategies around his actions (Coffey 2003) but those actions took centre stage and they could be concretely, physically identified and experienced – the utopian "familistère" of the Godin firm in Guise (in the North of France), the housing developments for workers planned and financed by Michelin in Clermont Ferrand, France, or generous health benefits at Endicot Johnson, a shoe manufacturer in the State of New York (Mueller and Philippon 2006). A key issue around contemporary CSR is that of the decoupling between increasingly dense discursive products of all kinds that actually neatly fit into a broadened "audit society" (Power 1997) and actions that are becoming increasingly difficult to follow and experience. This generates many outcries of "green" or "ethical" washing (Tokar 1997).

This discursive trend, furthermore, is increasingly associated with scientization and

the deployment of complex measuring tools and processes (Power 1997, Drori and Meyer 2006). This move towards a "measurability" of responsibility is hailed as so many steps towards transparency and efficiency. But we should also recognize the fact that measurability and a "quantification" of social responsibility are creating the opportunity and the possibility for the commodification of responsibility – what is more, on a global scale (Engels 2006). Arguably, this type of commodification of responsibility is a source of collective irresponsibility (Mitchell 2002). As such, it could be seen as an important explanatory factor of the recent world economic crisis and might be one of the Achille's heels of contemporary capitalism.

Finally, the evolution from Paternalism and mutualism through the Welfare State and on to contemporary Corporate Social Responsibility has come with a broadening of target territories and in that respect with a certain form of geographic (at least) universalization. Still, the concomitant re-privatization that comes together with contemporary CSR means the return, to some extent, to a fair degree of discretionary power in the hands of private economic actors. The latter, and in particular the large corporations, have quite a free hand in the targeting of certain constituencies over others, certain issues and priorities over others, certain tools over others, as long as they remain within a general framework that is so broad as to really constrain nothing (eg. Global Compact). This is reminiscent, indeed, of the greater degree of discretionary power that was traditionally associated with Paternalism – and against which, precisely the Welfare State revolution had attempted to fight!

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