Corporate Social Responsibility (CSR) has become a buzzword these days. The concept of CSR and its contemporary form and consequences have generated in the last few years a dense and rich literature (for a recent and exhaustive overview see Segerlund 2010, see also Gilbert et al. 2010, den Hond et al. 2007, Matten and Moon 2007, Acquier 2007, Crane et al. 2007, Chapple and Moon 2005, Garriga and Melé 2004). On the whole, this literature has focused upon the diffusion of organizational and/or institutional practices and processes characteristic, in one way or another, of the contemporary trend of corporate social responsibility – over the last forty years or so at the most. 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 around this notion of Corporate Social Responsibility (consultants, non-governmental organizations or NGOs, international organizations, socially responsible funds and fund managers, civil society groups, etc…).

The objective, in this paper, is to propose a re-contextualization of corporate social responsibility. This re-contextualization will go in two main directions. First, we underscore the powerful elective affinities between contemporary CSR on the one hand and neoliberal globalization and its governance on the other. It sometimes appears as if the notion of a social responsibility of firms or business is a new phenomenon. In fact, there might even be a temptation to associate causally this “new” development with contemporary globalization. Naturally, the notion of a social responsibility of economic actors and organizations is not new. Hence, we also underscore the need for a second
kind of re-contextualization, one that goes through the taking of some historical distance. Working on the historical contextualization of this notion should allow us to better understand the specificities of the contemporary explosion of corporate social responsibility. To do this, I will compare the contemporary CSR trend to two alternative patterns of Business/Society interactions – paternalism on the one hand and the welfare state on the other. Through the comparison, we should be able to deconstruct the explicit and implicit ethical frames that lie behind the contemporary social responsibility trend and to assess some of its concrete implications.

1. Corporate Social Responsibility and Neoliberal Globalization

The literature on Corporate Social Responsibility is perfectly compatible with, and in fact often articulates with, the contemporary highly intense debates on transnational standardization and transnational governance (Djelic and Sahlin-Andersson 2006, Graz and Nölke 2008, Djelic and Quack 2010, Tamm Hallström and Boström 2010, Brunsson, Rasche and Seidl 2011). In the meantime, the transnational governance phenomenon, in its current form and density, inscribes itself in two interconnected historical trends. A first important trend is the profound transformation of capitalism over the twentieth century and the increasingly widespread role and place of corporate/managerial capitalism (Chandler 1977, McCraw 1997, Djelic and Amdam 2007). The second consequential trend has been the expansive progress over the last thirty years or so of neoliberal globalization (Campbell and Pedersen 2001; Jabko 2009; Mirowski and Plehwe 2009).

1.1 Corporate Capitalism

The contemporary notion of corporate social responsibility was born together, as it were, with corporate/managerial capitalism. 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 oligopolicist 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.

Figure 1 – Corporate/Managerial Capitalism – From US Origins to Ideal-Type

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 was precisely what happened after the end of World War Two, when this peculiar form of American capitalism increasingly came to be seen as a referent, if not a model, elsewhere in the world starting with Europe (Djelic 1998, Djelic and Amdam 2007). 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. 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.
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).

1.2 Neoliberal Globalization and Transnational Governance

As we argued above, the peculiar form of capitalism born in the United States (corporate/managerial) started to diffuse to other parts of the world after the end of World War II. This happened in a context where the geopolitical power of the United States had significantly increased and where that country was deploying, in certain parts of the world, a missionary engagement to serve the cause of liberalism and economic development (Djelic 1998, Djelic and Amdam 2007). The diffusion of corporate capitalism would only accelerate and broaden its reach with the onset of globalization, from the late 1970s onwards.

Globalization is an oft-debated concept that has been associated with many diverse definitions. I associate it here to two main trends. First, the globalization we are talking about is a “neoliberal” globalization (Campbell and Pedersen 2001). The onset of this contemporary wave of globalization parallels the global spread of the neoliberal agenda (Djelic 2006, Mirowski and Plehwe 2009). Neoliberal globalization has been characterized by a powerful trend towards marketization in many regions of the world. The term “marketization” refers both to market ideologies and market-oriented reforms. A market ideology reflects the belief that markets are of superior efficiency for the allocation of goods and resources. In its most extreme form, this belief is associated with the commodification of nearly all spheres of human life. Market-oriented reforms are those policies fostering the emergence and development of markets and weakening, in parallel, alternative institutional arrangements (Djelic 2006). During the last decades of the twentieth century, the dominant market-oriented reform mix has included macroeconomic stabilization, privatization, deregulation, liberalization of foreign trade and liberalization at the international level of capital flows (Simmons and Elkins 2004). A second defining feature of contemporary globalization is that it has come together with an increasing density of regulatory and governance activities of all kinds with a transnational scope and reach (Djelic and Sahlin-Andersson 2006; Levi-Faur and Jordana 2005). From this perspective, globalization is a consequential process of re-ordering. A multiplicity of organizations, networks and communities emerge and come together around different regulatory projects and agendas. This is increasingly taking place across and beyond national boundaries. This process involves states but not anymore as unique drivers of rule-making but as actors amongst (many) others. An important task for those organizations, networks or communities is to codify, frame and standardize practices, in particular by negotiating and issuing rules, norms or standards. They are also involved in the elaboration and activation of processes that make it possible to monitor adoption and implementation of those rules, norms or standards. From this perspective, the strength of national polities is not being merely displaced and replaced by the raw and anomic power of market logics. The constitutional rule of law characteristic of a Westphalian world does not, in other words, dissolve into the logics of
a global runaway market. Still, contemporary evolutions do reflect a consequential displacement – it is not simply business as usual. This displacement is one where the national rule of law has to come to terms with a dense landscape of rules often produced and monitored trans-nationally. The national “rule of law” has, in other words, to confront the progress of a transnational “law of rules” (Djelic 2011).

Corporate Social Responsibility as we know it has clear American roots, as we described above and as many others have shown (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).

2. 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.

2.1 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 19th 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 community 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).

2.2 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 thrrove 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 Bakunin, 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. Cooperatives 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 unifying 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).

3. 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 decolonization. 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!

References


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Interactions between Business & Society: CSR and its needed contextualization

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OBJECTIVE

Put contemporary CSR in perspective – double contextualization of CSR
  ● CSR associated with corporate capitalism/neoliberal globalization and governance
  ● Exploration of alternative understandings of the social responsibility of business

Deconstruct the explicit and implicit political and ethical foundations of contemporary CSR
CONTEXTUALIZATION 1
Corporate/Managerial Capitalism

Joint-stock corporation – dispersed ownership

Oligopolistic markets policed by antitrust

Capital through stock exchange – financial markets

Large Capital-intensive Firm

Separation of ownership and control - MANAGERS

Professionalization of Management
Campus, June 4, 1927 – Dedication Ceremonies
Wallace B. Donham and George F. Baker
The issue of social responsibility

“We must learn to see business as more than the creation of profits. It is a socially responsible activity, and it is our responsibility to ensure that business is conducted in a way that is socially beneficial.”

Wallace B. Donham
Dean of Harvard Business School, 1927
The issue of social responsibility
The issue of social responsibility
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.

*Edwin Merrick Dodd*

*Harvard Law School Professor, 1932*
Post 1960 trends

- Financialization
- Neoliberal Globalization
CSR as a form of transnational governance

- Multiplicity of fields and nodes – relations of co-opetition
- Proliferation of organizations and “organizing“ - mediators
- In the process – structuration of a transnational “community“
- Strong role of expertise and scientific legitimacy (over political and ethical debates)
- “Mainstreaming“ - deploying business cases FOR CSR
- Mobilization of the tools of the private sector – and particularly of the tools of the “audit“ society
- Associated with complex systems of “naming and shaming“
- Virtualization, dematerialization, commodification of the objects – “the environment“, “pollution“, “humanity“, “child labour“….
“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!"

*Emile Zola, Germinal*
Paternalism

Verreries Brancart, Fauquez (close to Belgium)
Toward the welfare state

Criticisms of paternalism

The cooperative movement

German “State paternalism“

The progress of the welfare state

- Progressive politics and appropriation of the Bismarckian model
- Expansive hold of totalitarian and authoritarian regimes
- Weight of private lobbies from insurance and medical professions
- Deep crises of capitalism and fear of communism
Characteristics the welfare state

- Provision of welfare benefits detached from the real work activity and geography
- A trend towards universalism
- Sense of solidarity decoupled from geographic and physical proximity – associated with the national, (virtual) “imagined community“
- Associated partial social “de-responsibilization“ for firms and other private actors – negative externalities are to be dealt with by the state
Unique foundations of contemporary CSR (1)

• Partial “re-privatization“ of the common good

• Reintroduction of private “discretionary powers“ in matters of social responsibility

• From local to national to “global“ territory

• Progressive dematerialization and virtualization of responsibility – WHO is responsible ??? The « Global Corporation »
Unique foundations of contemporary CSR (2)

- Dematerialization and virtualization of the targets also – FOR WHOM/FOR WHAT is there responsibility? Global citizen, Global environment
- Stronger importance of discourse (over action
- Structured through a dense “audit society“ frame
- Discursive trend associated with scientization and the “depoliticization“ of CSR
- Quantification in turn generates a commodification of “responsibility“ and in a sense the profound destruction of the notion as associated with the Enlightenment....
- Leads in fact to collective irresponsibility