THE POLITICAL ECONOMY OF CORPORATE RESPONSIBILITY ACROSS EUROPE AND BEYOND: 1977-2007

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THE POLITICAL ECONOMY OF CORPORATE RESPONSIBILITY
ACROSS EUROPE AND BEYOND: 1977-2007

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How can we explain the variation of Corporate Responsibility (also known as CSR and Corporate Citizenship) – business's voluntary engagement for social and environmental ends above legally mandated minimum standards? This thesis develops a political-economic explanation for CR's temporal and cross-national variation. It argues that Corporate Responsibility has elective affinities with economic liberalization and market liberalism, and functions as a material and symbolic substitute for institutionalized forms of social solidarity. The erosion and dismantling of Institutionalized Social Solidarity (ISS) is associated with the rise of CR. The dynamics of the response may be country or Variety of Capitalism specific. Both employers and state officials have an interest in compensating for the hardships of liberalization and the weakening of institutionalized social solidarity. One way in which they seek to legitimate the market vis-à-vis their 'stakeholders' and the electorate, and justify themselves vis-à-vis their own conscience, is through Corporate Responsibility. Those in the engine rooms of contemporary capitalism want to perceive themselves as serving the common good. This is true irrespective of capitalist 'varieties.' Using Corporate Responsibility Associations (CRAs) as a proxy for the institutionalization of CR, the thesis tracks the growth and spread of CR across Europe and beyond. Chapters illustrate the co-evolution of CR and Thatcherism in the UK since the late 1970s; the rise of CR and the decline of Organized Capitalism in Germany since the mid-1990s; the conversion and contestation of EU-level CR since

the 1990s; and CR's spread and variation across the OECD. The thesis concludes by reflecting on the outlier case of New Zealand, on the transnational networks of CR, and on the ambivalence of responsible business in contemporary capitalism. CR is not only part of the solution to pressing problems, but – as a complement to market-liberalism and a substitute for institutionalized social solidarity – part of the problem

BIOGRAPHICAL SKETCH

Daniel Kinderman was born in Berkeley, California, and grew up in Victoria, British Columbia, Canada. He got a B.A. in Political Science with a Minor in Philosophy from the University of Victoria, and an M.A. in Political Science from York University in Toronto, before enrolling in graduate studies at Cornell. For his graduate research, he spent three years living in Europe and was a visiting researcher at the Max-Planck-Institute for the Study of Societies in Cologne and the Social Science Research Center (WZB) in Berlin, Germany. He is currently an Assistant Professor in the Department of Political Science and International Relations at the University of Delaware.

For Dagmar and Sophie

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I. Introduction

The 1980s were tough times for British workers. Margaret Thatcher's unleashing of capitalism left social wreckage and mayhem in its wake, making the 1960s and 1970s seem like *capitalism light*. Yet Thatcher's forceful installation of a market-driven order did not precipitate a straightforward profit- or shareholder orientation in the British business community, as is commonly thought. As power shifted to employers, prominent businessmen committed themselves to Corporate Responsibility. Hector Laing, Lord Laing of Dunphail (1923-2010) was one such businessman.

Laing was Chairman of United Biscuits, a close friend and outspoken supporter of Thatcher and her policies, and a leading advocate of Corporate Responsibility in the UK. Again and again, Laing implored other businesspeople to join him and others on this quest. Despite his position as Chairman of one of Britain's largest companies, he insisted that he had not forgotten those less privileged than he:

> I support this Government's policies – they have given business back its freedom, along with the discipline of failure if it is unprofitable. But freedom demands responsibility and if we want to continue to enjoy our freedom, we must demonstrate that a buoyant economy and business success go hand in hand with a caring society; that as our profits increase so too does our contribution to improving the condition of disadvantaged areas and people (Laing, 1990: 18)

Existing scholarship provides little guidance for understanding the rise of Corporate Responsibility in Thatcherite Britain. Researchers are so focused on the tug-of-war between activists and corporations that they have lost sight of CR's political-economic and institutional context.

By now, pretty much everyone acknowledges that "CSR is booming." Even the skeptical *Economist* wryly remarks: "The movement for corporate social responsibility has won the battle of ideas" (The Economist 2008: 3; 2005: 4). In just a few decades, companies' extralegal engagement for social and environmental ends has moved from obscurity to center stage. Corporate Responsibility is now the received wisdom: activists, managers, entrepreneurs, employees, politicians, policymakers, and international organizations have embraced its rhetoric and practice. Numerous public figures[1] have given CR their stamp-of-approval.[2] A growing number of scholars and entire scholarly journals are devoted to studying and promoting it.[3] There is disagreement over how to practice CR. But there is little disagreement over whether or not to do it. In what has become a universal script, responsible corporations engage in voluntary, positive-sum, win-win partnerships and cooperation with stakeholders, minimizing their negative externalities and maximizing their positive impact. The majority of large multinational corporations have adopted 'codes of conduct' with explicit reference to Corporate Responsibility. According to observers, CR "is real and substantive and deserves to be taken seriously by anyone interested in business, politics, or the relationship between the two" (Vogel, 2005: x). Moreover, "In many cases, corporations are behaving in a far more ethical or responsible fashion than they once did" (Soule, 2009: 27-28). Neither the economic turmoil unleashed by the

[1] Including: Kofi Annan, former Secretary-General of the United Nations; John Gerard Ruggie, the originator of the term embedded liberalism; and unbeknown to most, the late Milton Friedman, Nobel laureate in economics.

[2] Milton Friedman is well-known for his quip that the social responsibility of business is to increase its profits: managers are unjustified in re-distributing shareholders' money, and lack the state's legitimacy for conducting social policy. In 2005, Friedman debated the issue of Corporate Responsibility with John Mackey and TJ Rogers, and concluded that his disagreements with Corporate Responsibility advocates were semantic. This is because Corporate Responsibility is said to increase, not detract from, shareholder value. See "Rethinking the Social Responsibility of Business: A debate featuring Milton Friedman, Whole Foods' John Mackey and Cyprus Semiconductor's TJ Rogers" Reason Online December 2005.

[3] At the time of writing, English-language CR journals include: The Journal of Corporate Citizenship, Business Ethics: The Magazine of Corporate Responsibility, Business Ethics: A European Review, Nonprofit and Voluntary Sector Quarterly, Stanford Social Innovation Review.

collapse of Lehman Brothers in 2008 nor the Gulf of Mexico oil spill fiasco by a corporation previously deemed "most responsible in its sector" have dislodged CR from the forefront of the public imagination. Impressive as the rise of CR is, many aspects of political-economic reality are hard to reconcile with the above account. Corporate law "is said to be witnessing 'the end of history.'" According to Adam Winkler, the progressive, public, stakeholder-protection/social-responsibility school[4] has been vanquished by the conservative, private, shareholder-wealth maximization school of corporate legal thought,[5] the very same school another scholar has termed "Corporate *Ir*responsibility."[6] While the literature on Corporate Responsibility has grown prodigiously, it is of little help for making sense of these puzzles: how is it possible that CR has triumphed in the battle of ideas just as the "conservative, private, shareholder-wealth maximization school of corporate legal thought" has vanquished the "progressive, public, stakeholder-protection/social-responsibility school"? How can corporations behave "in a far more ethical or responsible fashion than they once did" amidst disintegration social compromises and an increasingly distribution of income and life chances? Moreover, why is there significant cross-national variation of Corporate Responsibility, a low-cost ideology/practice that purports to benefit all

[4] Stakeholder approaches draw on the work of Richard E. Freeman, who claims that companies are responsible not only to their shareholders, but to "any group or individual who can affect or is affected by he corporation" [Freeman, 1984, cited in Melé (2008: 64)].

[5] "The long battle between the conservative, private, shareholder-wealth maximization school of corporate legal thought and the progressive, public, stakeholder-protection/social-responsibility school is now over. The victor, it is claimed, is the conservative school, also known as the 'nexus-of-contracts' approach, which holds that corporations should be run for the exclusive benefit of shareholders (what is often termed 'shareholder primacy'). To contractarians, the state's role in corporate governance is primarily to provide efficient default rules from which shareholders can choose to depart, and the few mandatory rules that do exist to restrain corporate behaviour are subject to evasion by choice of form. The terms of corporate activity are thus effectively set by markets, not by law. Progressive corporate law, with its preference for state-imposed mandatory rules to limit excessive pursuit of profit and its promotion of employee, customer, and community voice in corporate governance, has been vanquished (Winkler, 2004: 109-110)

[6] Mitchell (2001)

stakeholders including owners/shareholders?[7] Figure 1.1 provides an overview of CR's spread during the past thirty years. The bars represent the number of OECD countries that 'have CR' in a given year.[8]

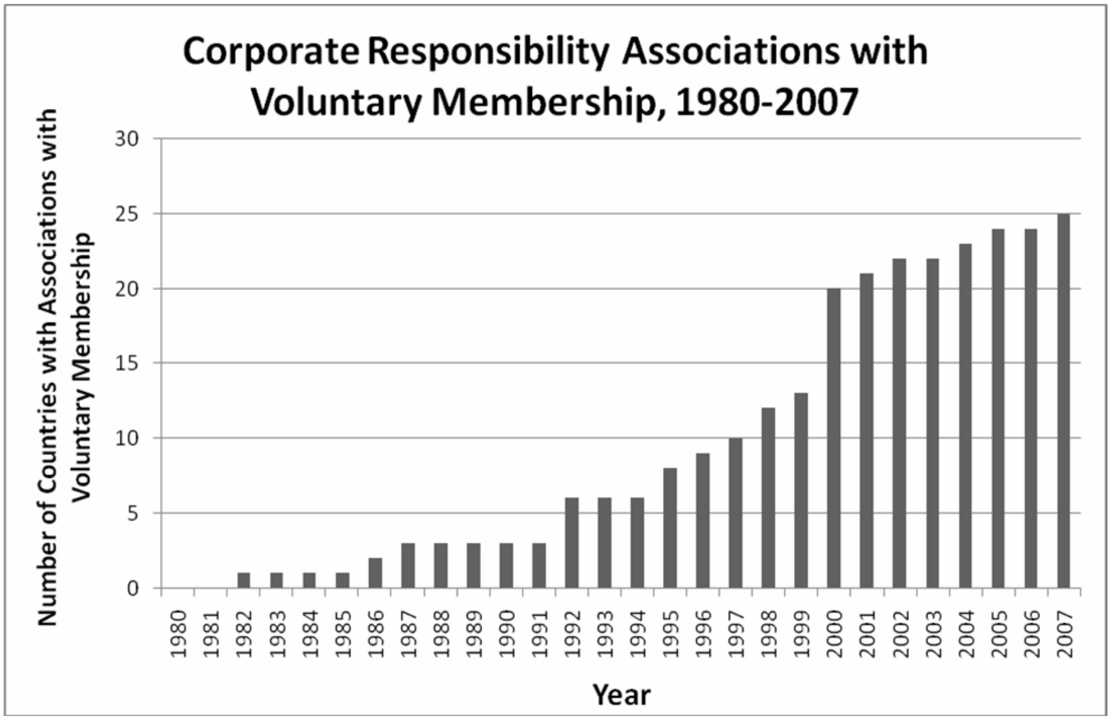

Figure 1.1: CR's Spread During the Past Thirty Years

Figure 1.2 shows a typology of two countries with extreme values on CR: the UK, 'extensive' and 'early,' and Germany, 'limited' and 'late.'

	Early	Late
Extensive	*Britain*	
Limited		*Germany*

Figure 1.2: Corporate Responsibility 'Leaders' and 'Laggards' in Contemporary Europe

Figure 1.3 gives us a sense of the gap between these two countries, with time on the x-axis and the number of firms subscribing to CR[9] on the y-axis. When it comes to

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[7] Whatever the differences in their domestic institutions, OECD countries have much in common: they are highly developed, affluent, and tightly linked with each other through trade and finance.
[8] A detailed description of these units of analysis follows on pp. 41-46.

timing, the UK comes in almost two decades before Germany. When it comes to quantity, the UK has a twenty-fold lead:

Figure 1.3: CR in the UK and Germany

What explains these differences? Why is Corporate Responsibility institutionalized at different times in different countries, and why do some countries have more CR than others? In short, what are we to make of this amorphous and essentially contested phenomenon?[10] In what follows, I outline a political-economic approach for explaining CR's variation and significance. Before proceeding to the argument, we need to establish what we mean by Corporate Responsibility.

[9] These are firms joining non-profit business-led coalitions for advancing CR. A detailed description of these units of analysis follows on pp. 41-46.
[10] I want to suggest that understanding CR's political-economic context will help us to make sense of it more generally. While philosophical literature on contextualism is relevant here, my claim does not rest on any strong anti-foundational views.

II. Defining Corporate Responsibility

Although CR's multidimensionality and amorphousness constitutes a challenge for empirical research,[11] it is possible to define the concept with reference to its socially accepted meanings. Following widely accepted usage, I define Corporate Responsibility as *firms' voluntary engagement for social and/or environmental ends above legally mandated minimum standards.*[12]

Three elements of this definition deserve emphasis. First, CR encompasses a wide array of 'responsible' practices ranging from a businesses 'core' responsibilities (survival, the production of goods and services, obeying the law) to initiatives which impact upon core activities (codes of conduct, reputation-, risk-, and supply-chain management) and those which lie beyond a firm's narrow economic functions (philanthropy, charity). Second, the engagement is voluntary. Third, it is business-led.

The contemporary understanding of Corporate Responsibility, with its voluntarist emphasis, originated in the United States (Carroll, 1999). CR is

> the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and voluntary contract. Two facets of the definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by coercive laws or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities (Carroll, 1999: 284)

[11] The claim that social practices and institutions are socially constructed is now widely accepted (Berger and Luckman, 1966). It is less common to speak of different degrees of the social construction of social phenomena. If one does, Corporate Responsibility lies at one extreme: this elusive concept is situated on the social kinds end of the natural kinds / social kinds spectrum. (Whereas natural kinds have real, non-epistemic essences, social kinds do not).

[12] The World Business Council for Sustainable Development (WBCSD) states that "corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (WBCSD, 1999: 3). The European Commission has defined CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (CEC, 2001: 6).

Archie Carroll stresses that CR is “a condition in which the corporation is at least in some measure a free agent. To the extent that any of the forgoing social objectives are imposed on the corporation by law, the corporation exercises no responsibility when it implements them” (Carroll, 1999: 276).

Corporate Responsibility emphasizes that corporations should be accountable to a broader network of stakeholders than just owners/shareholders, and should take responsibility for social and environmental outcomes, while stressing – and this is crucial – *that they should be flexible to pursue these ends as they see fit*. Corporate Responsibility gives profit-oriented companies a discretionary role in the allocation and distribution of social goods.

Instead of being voluntary and left to the discretion of companies, standards can be enforced by hard law.[13] People can act out of a sense of duty, rather than because of the benefits they anticipate from their actions. Forms of corporatism or collaborative governance provide firms with less leeway for voluntary engagement while dispersing power more equally among stakeholders, for example empowering trades unions or works councils, thus reducing the ability of the owner(s) and of management to take credit for the activities in question. Historically, there have been alternatives to business self-regulation: the collective and legally binding institutions of the post-war compromise are one example.[14]

A brief remark on terminology is in order. I use ‘Corporate Responsibility’ as an umbrella term to refer to the discourse and practice of Corporate Social Responsibility (CSR), Corporate Citizenship, Corporate Social Performance, and

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[13] For Max Weber, hard law increases the probability that something will get done: “an order will be called … law if it is externally guaranteed by the probability that physical or psychological coercion will be applied by a staff of people in order to bring about compliance or avenge violation” (Swedberg, 2005: 140).

[14] Bartley (2007) and Matten and Moon (2008) are among the few authors who acknowledge this.

related terms.[15] These concepts have different emphases, but they share an emphasis on voluntary engagement above and beyond legally mandated minimum standards.[16]

III. My Argument in Brief

I argue that Corporate Responsibility is integral to the process of economic liberalization and to market liberalism itself. Market liberalism is best known for its political proponents Margaret Thatcher and Ronald Reagan and their agendas of liberalization, privatization, deregulation, and market society. Against John Gerard Ruggie who views CR as the "re-embedding of global liberalism,"[17] I argue that the rise and institutionalization of modern-day Corporate Responsibility is associated with the very same processes of liberalization and marketization which have spread across the world since the 1970s, and which involve

> a major recasting of the system of democratic capitalism as we know it …. The current transformation of modern capitalism is making it more market-driven and market-accommodating as it releases ever more economic transactions from public control and turns them over to private contracts (Streeck and Thelen, 2005: 5; 4)

Since the 1980s, "the spread of marketization has meant, in reality, deep transformations with economic, social and political dimensions. Market-oriented macro-economic policies – privatization, deregulation and liberalization – have spread rapidly" (Djelic, 2006: 71), along with New Public Management,[18] soft law,[19] and Corporate Responsibility.

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[15] Therefore, Corporate Responsibility does not have a different meaning than Corporate Social Responsibility (CSR). Both business and responsibility are inherently social endeavors, hence the word social can be considered redundant.
[16] A distinction is commonly made between CSR and Corporate Citizenship: CSR refers to engagement within a firm's core business processes and operations (CSR), whereas Corporate Citizenship (CC) refers to a firm's relations with its broader social and societal environment. As an umbrella term, CR includes both CSR and CC.
[17] Ruggie (2003, 2004, 2007)
[18] Saint-Martin (2000)

The emergence of Corporate Responsibility during the past thirty years is connected with the erosion and dismantling of the post-war social order[20] and its replacement with market-liberal forms of economic organization. The post-war order was a period of rapid economic growth, full employment, and declining levels of inequality.[21] Standards of living and life-chances for the vast majority of the population improved dramatically. Trade-union power, market-correcting regulation, extensive welfare-state provisions and corporate governance regulations strengthened workers' voice at the expense of owners' and managers' discretion.

Drawing on Karl Polanyi, Ruggie coined the term "embedded liberalism" to refer to a "grand social bargain whereby society agreed to liberalize markets … but also to share the social adjustment costs that open markets inevitably produce" (Ruggie, 2008: 3). In Ruggie's original formulation, "embedded liberalism" refers to the multilateral post-war economic order "predicated upon domestic intervention," an "intersubjective framework of meaning" that was a "fusion of power and legitimate social purpose" (1983: 209; 196; 201).[22] Ruggie describes the "grand domestic bargain" underpinning the embedded liberal compromise as follows: "societies were asked to embrace the change and dislocation attending liberalization, but the state promised to cushion these effects by means of its newly acquired domestic economic and social policy roles" (Ruggie, 1998: 89).

Since the 1970s, unemployment and inequality have risen, growth has slowed, and the institutional and ideological underpinnings of the embedded-liberalism

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[19] Vaughn Lowe describes soft law as "norms that are not themselves legally binding but form part of the broader normative context within which expectations of what is reasonable or proper State behavior are formed" (Lowe, 2007: 95-96). See also Chinkin (1989)'s seminal article.

[20] known variously as the 'Golden Age,' the 'post-war compromise,' the 'post-war consensus' and 'embedded liberalism.'

[21] Glyn (2006); Marglin and Schor (1992)

[22] Kurtulus Gemici (2008) argues convincingly that embeddedness should be understood as a methodological principle – i.e. 'in what ways is the economy embedded in these various contexts?' – but not as a theoretical proposition according to which economies can be embedded or disembedded. Despite this problem, the term has acquired widespread use, which is the reason why I adopt it.

compromise and "Golden Age"[23] have come under attack. This has occurred through liberalization, which Martin Höpner et. al. define as "the politically implemented and politically legitimized delegation of allocation and distribution decisions to markets" (Höpner, Petring et. al. 2009: 3). Most, if not all countries have experienced "a counter double movement … away from embedded liberal ideas" (Blyth, 2002: 5):

> in the past 30 years the established system of industrial democracy and stakeholder representation has been disrupted throughout the industrialized world. The roles of unions and of government regulation, central to the post-war order, have everywhere been weakened or have come under attack (Heckscher et. al, 2003: 3)

The employment system of embedded liberalism, with its stability and job security, has "collapsed" and "been shattered," resulting in "tremendous insecurity" for employees (Osterman, 1999: 180, 167, 181). According to Wolfgang Streeck, capitalists were no longer content being "stall-fed" by social democratic governments, and they set out to free themselves from the institutional shackles that had been imposed on them in the preceding decades:

> Capitalist firms and those who own and run them can only for so long be treated as patient cogs in a collectively serviceable machine. Then, their true nature must come to the fore again, revealing them to be the live predators that they are, for which politically imposed social obligations are nothing but bars of a cage bound to become too small for them and for their insatiable desire for the hunt …. Capitalists are the modern, nontraditionalist economic actors par excellance: they never rest in their perennial rush to new frontiers. This is why they are fundamentally unruly: a permanent source of disorder from the perspective of social institutions, relentlessly whacking away at social rules, continuously forcing rulers to rewrite them, and undoing them again by creatively exploiting the inevitable gap between general rules and their local enactment (Streeck, 2009: 234-235, 241)

How does Corporate Responsibility relate to these changes? John Ruggie nicely illustrates the hopes vested in CR. Ruggie suggests that CR can help "re-embed global liberalism" (Ruggie, 2002, 2003, 2005). "Good practices will help to drive out bad

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[23] Marglin and Schor (1990)

ones through the power of dialogue, transparency, advocacy and competition" (Ruggie, 2002: 32). In Ruggie's view, CR socializes, civilizes, and politicizes the economy.[24] The story I tell in this thesis is rather different.

Rather than subduing or taming markets, the rise of CR is associated with the "unleashing of capitalism" and with a "decisive recovery in capitalism's strength and stability" during recent decades (Glyn, 2006: 23).[25] Changes include the disciplining of labor unions, the decentralization of wage bargaining, declining statutory tax rates and levels of regulation, varying levels of welfare state retrenchment, and growing levels of poverty and inequality.[26] The rise of CR is part of the same process as business's shedding of institutionalized social obligations. CR is endogenous to the decline of the post-war compromise and the rise of liberal market varieties of capitalism in affluent countries during the past thirty years. This thesis draws attention to a neglected facet of CR: its anti-political role in sustaining and normalizing market liberalism.[27]

Since this thesis aims to explain change – the rise of Corporate Responsibility across the OECD along with the decline of institutional diversity during the recent decades – a historical-political approach to institutions that pays attention not only to their formal existence or persistence, but also to their political content, seems more fruitful than a focus on static institutional equilibria. Processes of layering, drift,

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[24] In this view, the economy is not just about profits; it's about sustainability, social cohesion, and variety of other social goals. No doubt the attractiveness of this vision accounts for CR's persistent allure among businesspeople, employees, and the public at large.

[25] Capitalism's dynamism and instability is powerful evinced by recurrent crises, including the current financial debacle. Yet the system is arguably without any serious alternative, hence cognitively stable or legitimate.

[26] Androniki Apostolakou and Gregory Jackson concur with this view. They argue "that CSR practices may be emerging as a substitute for formal institutions rather than as a mirror of strong stakeholder involvement" (2009: 2).

[27] As Andrew Barry (2002: 270) points out, "Politics can often be profoundly anti-political in its effects: suppressing potential spaces of contestation; placing limits on the possibilities for debate and confrontation. Indeed, one might say that one of the core functions of politics has been, and should be, to place limits on the political." In this view, CR depoliticizes, normalizes and rationalizes market-liberal forms of social and economic organization, even as it politicizes business practice.

conversion and exhaustion can take place while leaving the form and façades of institutions intact.[28] A focus only on formal institutions leads us to lose sight of:

> the retreat in contemporary capitalism of institutions imposing and enforcing public obligations on economic actors, in favour of voluntary, privatised institutions of the Williamsonian kind …. capitalist inventiveness is capable of using institutions for economizing, for example on transaction costs, that had originally been intended to serve some very different purposes, including not least market-breaking ones (Streeck, 2009: 170, 257)

My findings suggest that Corporate Responsibility substitutes for, rather than complements, institutionalized forms of social solidarity: powerful trade unions, market-constraining regulation,[29] and expansive welfare states in Europe and beyond. CR has risen along with the tide of market liberalism that has swept across OECD countries, indeed the world, in recent decades. CR has affinities for liberal varieties of capitalism and co-evolves with liberalization, privatization and deregulation: with the transformation of labor market regulation, industrial relations institutions, redistributive taxation, and social welfare programs. Contrary to the popular perception that CR has been at loggerheads with these developments, CR has in fact been integral to them, as part of the "economic spirit" of market liberalism, a term I elaborate below. It is commonplace to explain CR with reference to civil society activism and norm entrepreneurship.[30] In my view, the rise of CR across the OECD since the 1970s cannot be explained without reference to the transformations of capitalism during this period.

Corporate Responsibility is not generally a high salience issue for politicians and political parties. Like liberalization itself, CR has been a bi-partisan project,

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[28] Streeck and Thelen (2005)

[29] I am not suggesting that CR is at odds with regulation per se. It is necessary to distinguish between "market-making" or market conforming regulation on one hand, and "market distorting" or market correcting regulation on the other (Streeck, 2009: 156). CR is inversely related to the latter, not the former.

[30] Flohr, Rieth, Schwindenhammer and Wolf (2010); Soule (2009)

supported by parties on the Left and on the Right.[31] Yet CR is deeply political. CR has been integral or endogenous to the politics of releasing and freeing markets from social regulation. The rise of responsible business coincides with deep structural changes within the political economies of individual OECD countries. Scholars have been too quick to equate Corporate Responsibility with globalization and with trans-national anti-globalization activism.[32] David Vogel expresses this received wisdom when he states that "civil regulations employ private, non-state, or market-based regulatory frameworks to govern multinational firms and global supply chains" (Vogel, 2009: 153); and that CR is "a direct response to a perception that globalization has inappropriately distributed benefits globally; and that companies benefiting from globalization are the main vehicles of it, and therefore they should be the main targets to ameliorate its negative impacts" (Vogel, 2006: 40). CR is in part a response to civil-society anti-globalization activism, but this is by no means the whole story.

What emerges quite clearly from the chapters below is that CR is less about globalization than about *capitalism* at both national and trans-national levels. Contrary to the expectations of strong globalization and world society perspectives, political-economic contests at the national level are highly consequential for the political economy of CR.[33] As markets are unleashed, social protections erode. Margaret Thatcher's policies of liberalization, privatization and deregulation are emblematic of this turn to the market which has left no society untouched. Today, most people forget

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[31] In the view of the Right, CR is 'Corporate.' In the view of the Left, CR is 'Responsibility.' See Cioffi and Höpner (2006) for an account of center-left parties' support for, and right-wing parties' opposition to, pro-shareholder reforms in Germany. For an account of the limitations of this argument in Switzerland, Sweden, and the Netherlands, see Schnyder (forthcoming).

[32] In his widely acclaimed book, David Vogel states that "Because its focus is on the contemporary revival of CSR, it emphasizes developments since the early 1990s" (Vogel, 2005: 15). Yet his book also covers organizations, such as "Business in the Community, a prominent British NGO" (Vogel, 2005: 42), that pioneered a CSR agenda since the beginning of the 1980s. Chapter 2 pursues this historical revisionist argument at length.

[33] My claim that there are important dimensions of trans-national variation, and that states and domestic politics are consequential for the political economy of CR does not imply that trans-national processes are unimportant or inconsequential.

that Thatcher herself was an outspoken proponent of CR: the "Iron Lady" and leading members of the British business community saw radical free-market policies and CR as tightly linked,[34] as indeed they are.[35] This example suggests that CR is associated not only with the 'left' but also with the 'right' hand of business and society. Since Hobbes, it has become customary to think of politics using the metaphor of the 'body politic.' Bodies normally have two hands and arms – and so does CR.

This thesis provides abundant evidence of a correlation between Corporate Responsibility and market-liberalism. Identifying the causal linkages is tricky. Corporate Responsibility is slippery, amorphous and multidimensional, as it assumes different forms in different contexts and at different times.[36] Although this thesis stops short of articulating and testing causal claims,[37] I suggest that at the macro-level, there are elective affinities[38] between Corporate Responsibility on one hand, and economic liberalization as well as market-liberal institutions on the other. In some cases – such as in the UK under Margaret Thatcher – the rise of CR and market liberalism are high-salience affairs. In other cases, firms' CR engagement finds its diabolical twin in the low-salience, "quiet politics"[39] lobbying of industry and trade associations to secure institutional reforms for their members.

Corporate Responsibility is linked to the disintegration of the post-war settlement, the decline of institutionalized solidarity, and economic liberalization in

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[34] This makes it all the more astonishing that CR is branded as a left-wing ideology. See Green (2002) for an excellent discussion of Thatcher's conservative ideology.
[35] Both CR and market liberalism share an emphasis on business freedom and discretion. This differentiates them from the constraints of the post-war order that they replace.
[36] Thus, I agree with Suzanne Shannahan and Sanjeev Khagram that "diverse set of practices captured by the moniker CSR eschews easy, singular explanations" (Shanahan and Khagram 2006: 204).
[37] It is not alone in this respect. To the knowledge of this author, no existing social-scientific studies of CR do this.
[38] This term, which has its origins in eighteenth-century chemistry and was popularised by Goethe, is often used by Max Weber. Richard Swedberg defines the term as: "two sets of social facts or mentalities [which] relate to one another or gravitate to each other—even though no direct and simple causality between the two can be established" (Swedberg, 2005: 83)
[39] "Quiet Politics and Business Power" is the title of a forthcoming book by Pepper Culpepper (Culpepper, 2010).

multiple ways: it is used by governments and business to inoculate firms against burdensome regulation[40] and justify a light regulatory touch; to facilitate business-friendly reforms of political-economic institutions; to satisfy firms' needs that are not satisfied by the market and to compensate for market failures and deficiencies in public provision; and to constitute businesspeople as responsible moral agents. CR addresses problems (for businesses and society) which bear no discernable relationship to liberalization, and which predate it. CR also arises to address problems which stem from liberalization itself. It is in this specific sense that CR is endogenous to liberalization, that CR and liberalization are complementary. We can formulate this point in the form of a hypothesis:

H1. Liberalization and Corporate Responsibility co-evolve. As liberalization proceeds apace, CR will take root and grow.

Corporate Responsibility's temporal variation is linked to its function of legitimating economic liberalization and market liberalism. CR is an important element in the transition from social democracy and embedded liberalism to market liberalism. CR helps to furnish businesspeople with pragmatic and moral legitimacy in market liberal orders, and especially during processes of economic liberalization. Thus, it provides business with authority in these roles.[41]

Solidaristic political-economic institutions decrease the likelihood of CR adoption, whereas market-liberal institutions and policies of economic liberalization increase it. Analytically, institutions provide a good barometer for the rise of CR in different countries – the prevalence of liberal-market as opposed to non-liberal

[40] My claim is not that CR is associated with an absolute decline in the quantity of regulation in social or other affairs, for there has been no such decline: as Stephen K. Vogel has shown, freer markets are associated with more, not less, rules (Vogel, 1998). Rather, my claim relates to the social content of this regulation: market-conforming and enabling legislation is different from market-correcting legislation, institutionalized social solidarity or collective action that leads to redistribution.
[41] For Thomas J. Biersteker and Rodney Bruce Hall, "to have authority, actors must be perceived as legitimate" (Biersteker and Hall, 2002: 204).

political-economic institutions is a useful measure of the state of market-liberalism in any given jurisdiction, and a predictor of CR's emergence and prevalence. Rather than solid and invariant, national political-economic institutions have been in a state of flux during recent decades, bending and buckling under the tidal waves and torrential currents of global capitalism. The "major recasting of the system of democratic capitalism" referred to above is the product of agents who, driven by material and ideal interests and powerful systemic dynamics, have subverted the institutions of the post-war compromise and Social Market forms of economic organization. As they have done so, they have embraced Corporate Responsibility. In a twist on a growing literature that seeks to expose the ideational underpinnings of institutions and of political-economic change, my approach emphasizes the salience of political-economic institutions for explaining ideational change. No single conceptual perspective suffices to elucidate this relationship. Instead, an "analytic eclectic" approach is necessary which draws upon a variety of different frameworks.[42] In the pages below, I show how drawing simultaneously from different conceptual frameworks better elucidates the political economy of CR than any single one alone.

Both employers and state officials have an interest in compensating for the hardships that result from liberalization and the weakening and dismantling of institutionalized social solidarity. Corporate Responsibility functions as a 'filler,' rising as the post-war compromise decays and social market institutions erode.
At the macro-level, CR will be more limited in densely-regulated environments than in free market contexts; and as the former come to increasingly approximate the latter, CR will increase. If the gap between private and external costs is greater in Liberal Market Economies than in Social Market Economies, then so is the demand and need for CR. In the words of Geoffrey Heal, there is a

[42] Sil and Katzenstein (2010)

> resource-allocation role for CSR programs in cases of market failure through private-social cost differentials, and also in cases where distributional disagreements are likely to be strong …. [Where] private and social costs are roughly in line and distributional debates are unusual: here corporate social responsibility has little role to play (Heal, 2004: 1)

CR does not make sense to employers that are already doing much of this stuff on an involuntary basis. Yet CR does not automatically arise to compensate for the institutional deficits of liberalized and liberalizing economies.[43] CR substitutes for institutionalized social solidarity (a term I will elaborate below) in most cases, but not in all. Liberalization and CR co-evolve in most cases, but not in all. [44] Elective affinities are not ironclad causal laws.[45] Furthermore, to the extent that CR does fill the gaps created by liberalization, it does so partially and imperfectly.

In my argument, Corporate Responsibility functions to legitimate market-liberalism and economic liberalization, both by compensating for some of the fallout of the latter and by appeasing the ethical sensibilities of those associated with capital.[46] More generally, CR has the function of shoring up the legitimacy of capitalism.[47] At the micro-level, business people's engagement in CR cannot be understood in purely instrumental, Machiavellian, manipulative or cynical terms.[48] To conceptualize CR in purely rational-instrumental terms is to miss what accounts for CR's luster in the first place. Businesspeople want to believe in their own goodness

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[43] The coherence posited by structural-functionalist explanations is very rare in actually existing institutional systems. The reason is simple: although actors pursue their myriad (material and ideal) interests, there is no ingénieur système, "no master designer" (Streeck 2009: 106).
[44] New Zealand is a case in which thoroughgoing, indeed radical liberalization preceded, rather than accompanied, the rise of Corporate Responsibility.
[45] Analysts who invoke this concept must take care to explain exceptions to dominant patterns and not abuse the flexibility that comes with it.
[46] I am grateful to Richard W. Miller for pointing out that my argument can be construed in functional terms.
[47] Thus, my argument can be construed as a "functional explanation," according to Richard W. Miller: "These explanations of a social phenomenon appeal to its tendency to benefit a larger system in a certain way, without claiming that those benefits operate as people's reasons for creating or maintaining the phenomenon" (Miller, 1987: 119).
[48] Waddock (2008) contains a detailed portrayal of leading figures in the Corporate Responsibility movement, one that is impossible to square with cynical interpretations.

and virtuousness,[49] and CR facilitates this. Like the market-liberal order of which it is a part, CR is voluntary. This differentiates it from the mandated, coercive, binding nature of the order it replaces. While my findings push back against some of the more strident claims made on behalf of ideational and constructivist political economy, I do not propose to put narrowly rational-strategic action in its place. No doubt corporate officials are often disingenuous, well-trained in the art and strategy of corporate PR. But many of them are sincere. Moral legitimacy and sincere commitment is an important, if not indispensable underpinning of CR; sincere commitment helps originate and sustain commitment to CR activities. People say CR moves them because it's the right thing to do, and because being driven only by the "legitimate greed"[50] that is the cornerstone of the capitalist order is 'meaningless' and 'soulless.'

How do two of the major theoretical approaches in the social sciences, rationalism and culturalism, relate to the rise of CR and the decline of institutionalized social solidarity and institutional diversity in contemporary capitalism? Neither thoroughbred rationalist nor clear-cut constructivist or norms-based theoretical frameworks are up to the task. What is distinctive about CR, and this writer's treatment of it, is its hybridity, its innovative synthesis of instrumental reason and value rationality. Those who view CR as a mere Machiavellian fig-leaf are wrong. It is not narrow instrumental rationality alone, but material and "ideal interests" that motivate and constitute Corporate Responsibility. In this sense, CR is similar to the "economic ethics" Max Weber wrote about a century ago.[51] Just as in Weber's eyes,

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[49] Ludger Heidbrink (2003) argues that "the success of the responsibility principle stands in a direct relationship to the growing complexity of the modern world." The more difficult responsibility becomes to locate in modern knowledge and communication societies, the more intensively the responsibility principle is propagated (Heidbrink, 2003: 10, 263).

[50] Streeck, 2011: 143.

[51] As Richard Swedberg has pointed out to me, the infamous Protestant Ethic and the economic ethic of CR are similar in the following two ways: first, both are ethics, sets of values or principles that motivate their carriers; second, neither is backed up or enforced by the coercive power of the state.

the Protestant Ethic provided a foundational impetus to the rise of modern-day capitalism, Corporate Responsibility can be viewed as an economic ethic of market liberalism. CR seems close to what Weber described as the "theodicy of good fortune," the need of the privileged to legitimate their own situation. Humans have an enormous capacity to believe that they are doing good. In all Varieties of Capitalism, those associated with capital want to see their own conduct in this light.[52] These motivations provide a central impetus for CR.

IV. The Legitimation Functions of Corporate Responsibility

What role does Corporate Responsibility play in market-liberalism, and in transitions to market liberalism? I argue that CR performs crucial legitimation functions in market society and in transitions towards it. CR contributes to the substantive, procedural and constructivist legitimacy of business.[53] CR legitimates liberal market institutions as well as the political process of moving from social-market to liberal-market institutions. CR underpins not only individual firms, but national capitalist systems and global capitalism as a whole. But how does it do so? This chapter outlines how. Legitimacy is hard to pin down and measure empirically,[54] but this will not

[52] I am grateful to Richard W. Miller for this insight.

[53] CR contributes to what Michael Hechter and his contributors call substantive, procedural, and constructivist legitimacy. CR contributes to substantive legitimacy through the provision of public goods including education, training, and public infrastructure of various kinds. CR contributes towards procedural legitimacy though an increase in the transparency, inclusiveness, and accountability of corporate decision-making to external stakeholders. Finally, CR contributes towards contructivist legitimacy when firms "judiciously employ ideologies, symbolic scripts, and techniques of mass persuasion … highlight[ing] the very real possibility that … subjects may be hoodwinked into attaining "false consciousness" (Hechter, 2009: 287-288).

[54] As Michael Hechter remarks, "the measurement of legitimacy poses a formidable challenge. On this account, most empirically oriented social scientists try to refrain from discussing it" (Hechter, 2009: 280).

dissuade us from invoking it.[55] Figure 1.4 provides an overview of my discussion of the historical emergence of CR in the pages below.

Exogenous shocks and endogenous change erode solidaristic institutions. State and corporate officials initiate Corporate Responsibility to pave the way and to compensate for these changes. The legitimacy provided by CR can be differentiated into pragmatic and moral legitimacy.

Exogenous Shocks and Endogenous Change

↓ ↓

Institutional Retrenchment, Displacement, Layering,
Drift, Conversion, and Exhaustion
[Erosion of Institutionalized Social Solidarity]

↓

Corporate Responsibility

↙ ↘

Pragmatic Legitimacy	Moral Legitimacy
(Logic of Consequences)	(Logic of Appropriateness)

Figure 1.4: Institutional Change and the Legitimacy of Business:
The Functions of Corporate Responsibility

In Economy and Society, Max Weber referred to legitimacy as “the generally observable need of any power … to justify itself” (Weber, 1978: 953). Weber noted: “Not every case of domination makes use of economic means.” The members of the administrative staff who are “normally required” for rule

> over a considerable number of persons …. may be bound to obedience to their superior (or superiors) by custom, affectual ties, by a purely material complex of interests, or by ideal (wertrationale) motives. The quality of these motives largely determines the type of domination. Purely material interests and calculations of advantages as the basis of solidarity between the chief and his

[55] As Victor Nee and Richard Swedberg point out, “The difficulty of identifying, detecting, and measuring fundamental features of the physical world is widely acknowledged in the natural sciences. In the social sciences, we are still at an early stage of recognizing that mechanisms difficult to identify and observe may have a huge causal significance in explaining transformative changes” (Nee and Swedberg, 2007: 11).

> administrative staff result, in this as in other connections, in a relatively unstable situation (Weber, 1978: 212-213)

Weber's statement that a "belief in legitimacy" can furnish greater stability than "purely material interests and calculations" is as applicable today as it was when he was writing (Weber, 1978: 213). As James D. Brummer notes, institutional legitimacy can be understood as "a social consensus that supports the institution, gives it legal sanction, and perhaps even gives it special privileges" (Brummer, 1991: 74). Managers are aware of their need for legitimacy, and management journals contain scores of articles on legitimation strategies.[56] If Corporate Responsibility furnishes business with a greater degree of legitimacy, CR is a desideratum from business's point of view. The more legitimate business and the market are, "the more [they] tend to be taken for granted – and this gives th[ese] institutions legitimacy and makes [them] stronger" (Swedberg, 2005: 6). Following Mark C. Suchman (1995), I distinguish between pragmatic and moral legitimation, and describe how Corporate Responsibility fulfills each of these roles.[57]

Suchman defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574). For Suchman, pragmatic legitimacy "rests on the self-interested calculations of an

[56] Yongvanich and Guthrie (2007)

[57] The third element of Suchman's threefold categorization is cognitive legitimacy. Since it does not do much work in this thesis I do not discuss it in detail. Cognitive legitimacy tends to reinforce belief in the necessity of an institution, leading it to be taken-for-granted or accepted as an inherent part of the order of things. By valorizing the corporation, CR promotes the cognitive legitimacy of the corporation and of a market-driven social order. It is well-established that CR promotes the cognitive legitimacy of corporations, the market, and capitalism. (Manokha, 2006). L.E. Preston remarks that "The great bulk of corporate philanthropic activities has no connection whatsoever with profit seeking behavior or any other conventional business management goal. It does, however, have a great deal to do with the preservation of the social system within which the corporation operates" (Preston, 1986: 215). H.J. Glasbeek argues that Corporate Responsibility is "The Latest in Maginot Lines to Save Capitalism" (Glasbeek, 1987). Cognitive legitimacy seems close to Gramscian work on political economy and CR (Sklair, 2001). Without denying the importance of the cognitive legitimation function of CR, I do not foreground it in this thesis, because I have little reason to believe that cognitive legitimacy varies significantly across different regime types.

organization's most immediate audiences." Thus, it "boils down to a sort of exchange legitimacy" – a bargained exchange of material interests and calculations between two or more rational agents (Suchman, 1995: 578). Much of what is classified under the "business case" for Corporate Responsibility falls into this category.[58]

In the UK beginning in the 1970s, CR fostered entrepreneurship and job-creation in areas hit hard by rationalizations and restructuring. When firms have to lay off workers, CR can help to insulate the firms in question from public backlash. CR can also be used as a bargaining chip in employers' demands for market-liberal institutional reforms. The notion of pragmatic legitimacy suggests that as institutionalized solidarity weakens, as embedded liberalism and the post-war compromise fray and collapse, there is progressively more to compensate for, and CR emerges as a 'filler.'

I wish to emphasize that 'filler' should not be understood in the literal sense of providing full compensation for the social disruptions caused by liberalization or filling in the cracks[59] left by the lack of a comprehensive welfare state. Firms use CR to provide workers with better employment prospects and life-chances than would have been the case in the absence of these initiatives, while the companies in question save face, preserving their standing and reputation in the face of challenges from affected constituents. The oil company Shell uses CR to legitimate itself in the communities in which it was drilling. The supermarket chain Tesco uses CR to gain planning consent for new supermarkets. In the German city of Herford, the electricity giant E.ON obtains local authorities' planning consent for new high-voltage electricity

[58] CR is used in the following areas: employee training; personnel recruitment and community relations management through corporate volunteering; to pay off those who could stand in the way of a business's projects, for example infrastructure; to pre-empt a public backlash that could lead to new burdensome regulations or threaten a business's 'license to operate'; to comply with the requirements of the rating agencies of institutional investors; or as a means to legitimate or facilitate institutional reforms.

[59] Or gaping holes, as it may be.

infrastructure in return for sponsorship of a new modern art museum. These actions can narrow the gap opened up by the unrolling of market-liberalism, but they are far from closing it.

Moral legitimacy is no less important. In contrast to pragmatic legitimacy's focus on self-interested calculation, moral legitimacy is grounded on a logic of appropriateness. While moral legitimacy's altruistic grounding "does not necessarily render moral legitimacy 'interest free,'" Suchman maintains that "at its core, moral legitimacy reflects a prosocial logic that differs fundamentally from narrow self-interest" (Suchman, 1995: 579). There can be no doubt of the towering importance of moral legitimacy in the Corporate Responsibility movement. Many, perhaps most people engaged in CR – inside of firms, intermediary CR organizations / associations, and of course civil society activists – are engaged not for instrumental reasons, but because they believe in the rightness of their cause.[60] In few cases is Corporate Responsibility merely a rationalist-strategic means to the attainment of other ends.

This thesis contains abundant evidence that businesspeople really believe in CR. CR, in turn, helps businesspeople believe in themselves, in their own worthiness and deservedness. But what about workers, NGOs, and civil society activists? It seems possible that CR's motivating force is weaker for workers than it is for those higher up the corporate hierarchy. To be sure: workers are sometimes beneficiaries of CR; but they are rarely its drivers and initiators. Workers may favour CR if the alternative is

[60] This seems to be more generally true: of scholars studying CR, and of journals associated with the Corporate Responsibility movement. The leading contribution in a recent issue of the Journal of Corporate Citizenship, for instance, is titled "A Journal That Makes a Difference." In an interview, the Journal's founder Malcolm McIntosh describes his motivations for the journal: "It's most definitely about seeing the planet as one space. It's about connecting economic, social and environmental issues and impact and performance around the idea that we share one planetary space connected back to the human world of people, making the world a peaceful and socially just place for everybody. That's absolutely fundamental" [Cooperider and Fry (2009): 3].

market liberalism *tout court*, i.e. market liberalism without CR. Something, after all, is better than nothing.[61] But this is not a savoury choice set.

A deeper look suggests that the relationship between CR and political-economic structures is more complicated than the above. As Nancy Fraser points out, a straightforward Polanyian perspective, one which views the political-economic contests of the past decades as a tug-of-war between market liberalism on one hand, and institutionalized social solidarity on the other, is deficient. The political economy of advanced capitalism is not simply a struggle between markets and social protection, as Polanyians (and political economists more generally) are inclined to believe. There is a distinct third category – emancipation – which cross-cuts the opposition between markets and social protection. Emancipation has been at the core of capitalism's "New Spirit,"[62] which has muddied the waters by incorporating some of the radical critiques launched at it since the 1960s. "[B]ecause the new spirit of capitalism incorporated much of the artistic critique that flourished at the end of the 1960s, the accusations formerly leveled at capitalism out of a desire for liberation, autonomy and authenticity no longer seemed to be soundly based" (Boltanski and Chiapello, 2006: 419). CR is part of this incorporation.

Instead of a contest between markets and institutionalized social solidarity, Fraser suggests that we conceptualize the relationship between markets, social protection, and emancipation as a "trilemma." In an ideal world, we could simultaneously have the dynamism and innovation that characterize competitive markets, high levels of institutionalized social protection, and an emancipated society

[61] We are reminded here of Thucydides: The strong do what they will, and the weak suffer what they must. Civil society activists' investment and complicity in the market-liberal order, on the other hand demands more systematic analysis. There is considerable evidence that civil society activists target corporations directly because it is easier than targeting governments; and because it invests activists and civil society organizations with a role they did not have in the post-war order.

[62] Boltanski and Chiapello (2006[1999]).

characterized by the absence of systematic oppression and domination. On the basis of the historical record, Fraser suggests that at best two of these three can be realized at any one time, and none of these categories is an unqualified good. Social protection, marketization, and emancipation each have their own ambivalences. Social protection, for example,

> is often ambivalent, affording relief from the disintegrative effects of deregulation, while simultaneously entrenching oppression …. Deregulation of markets does indeed have the negative effects that Polanyi stressed, but it can also beget positive effects to the extent that the protections it disintegrates are oppressive (Fraser, 2009)

Viewing the economic transformations of the past thirty years, we have witnessed a

> one-two punch in which marketization and emancipation effectively ganged up on social protection …. The relative shift from embedded liberalism to neoliberalism arose from the convergence of two distinct historical streams, each with its distinctive project and its distinctive critique of postwar social democracy. The first stream was indeed neoliberalism, a political project that aimed to disencumber markets from regulatory regimes (both national and international) of Embedded Liberalism. The second stream was an array of postwar new social movements, which attacked the various oppressive aspects of social protection in the postwar welfare state. Thus, while free-marketeers excoriated welfare states as paternalist, bureaucratic, inefficient, and oppressive, movements for emancipation critiqued their gender-hierarchical androcentrism, their monocultural majority communitarianism, and their neo-imperialist misframing of social protection. The result was a one-two punch in which marketization and emancipation effectively ganged up on social protection. In this three-sided conflict, the ambivalence of emancipation was largely resolved in favor of marketization. Intentionally or otherwise, it became allied with the latter against social protection (Fraser, 2009)

Fraser’s re-formulation of Polanyi has important implications for the political economy of CR. It suggests that CR can legitimate market liberalism in not one but two ways. CR can entail the provision of social protection at the firm-level to compensate for substitute for declining levels of institutionalized provision. CR can also entail an alliance with emancipation and against social protection. In sum, we have three possibilities:

1. Emancipation--------CR----------------- Market Social Protection
2. Emancipation Market-------------CR------Social Protection
3. Social Protection------------------Emancipation CR-------Market

Source: own conceptualization on the basis of Nancy Fraser's Messenger Lectures given at Cornell University in November 2009 (Fraser, 2009)

Figure 1.5: The Three Worlds of Corporate Responsibility

In the first scenario, Corporate Responsibility allies itself with Market Forces to dismantle the post-war order, replacing institutions of social protection with institutions that are more normatively appropriate – for example, in the area of gender equality and racial and ethnic diversity – yet less socially protective. In the second scenario, CR satisfies some of the needs for social protection in the wake of liberalization, much in the tradition of 19th century paternalistic industrialists and philanthropists, who paid only selective attention to emancipatory social movements and changing social values. Scenario 3 is the utopia of socialists, CR cynics and radical NGOs. It involves the alliance of social protection and emancipatory movements against markets and Corporate Responsibility, in effect socialism. As we will see in the empirical chapters below, the contested political economy of CR is situated firmly within scenarios 1 and 2. Before proceeding to the dependent variable, we will discuss sociological approaches and their relevance to this thesis.

Sociological neo-institutionalism and the world society approach of John Meyer and his colleagues herald promise for this subject matter, for they foreground "normative preferences and the power of legitimacy" (Krücken and Drori, 2009: 10). World polity theory emphasizes the influence of institutionalized norms and "of the broader sociocultural environment as an explanatory variable for organization" (Krücken and Drori, 2009: 12). Sociological neoinstitutionalism views norms and social practices as diffusing across time and space through processes of "mimetic isomorphism" (Meyer, 2009: 50). Where economists and political scientists stress actors' agency, intentionality and the functional payoffs of strategic interaction, world society theorists see structure, legitimacy, and ideologies of functional payoffs. Sociological or organizational institutionalism emphasizes the non-rational – symbolic, ritualized and ceremonial – aspects of Corporate Responsibility's spread across space and time. According to neo-institutional theory, if firms or governments find themselves in a climate of uncertainty, they will tend to adopt practices just because they are considered legitimate in other parts of the organizational field.[63] John W. Meyer stresses the "extreme dependence of modern actors on wider legitimating models that sustain their actorhood" (Meyer, 2000: 238). These views will resonate with anyone who has witnessed the spread of responsibilization rhetoric and sustainability reports to ever more company offices across the OECD.

CR seems a 'most-likely' issue area for processes of homogenization and emulation: inter-subjective processes relating to reputation and legitimacy are highly salient, and CR is relatively inexpensive.[64] However, while sociological neoinstitutionalists must be commended for their critique of crude and overly simple rationalism, and while they are right to stress that norms matter, they underestimate the power of interests.[65] They ignore disparities in power and the relentless dynamism, unruliness and aggressiveness of capitalism as a historical social order. While neo-institutionalism and the world society tradition are of limited help for analyzing capitalism and identifying the determinants of CR's variance across time and space,

[63] Meyer and Rowan (1977). As Paul DiMaggio and Walter Powell argue, "structural change in organizations seems less and less driven by competition or the need for efficiency. Instead … forms of organizational change occur as the result of processes that make organizations more similar without necessarily making them more efficient" (DiMaggio and Powell, 1983: 147).

[64] CR, taken seriously, is not costless, and may entail significant investments that only pay off in the long term, if at all. Yet an abundance of evidence in this thesis and elsewhere suggests that much of what counts as CR falls under discretionary spending. No firm to date has been ruined on account of its CR expenditures. CR is not a big ticket item.

[65] As Richard Swedberg points out, the new sociological institutionalism argues "that firms are not run in a rational manner; firms just want to appear rational since rationality is an important value in contemporary Western culture" (Swedberg, 2004: 12).

they are nonetheless invaluable for identifying the cultural traditions of liberalism which move and legitimate actors propagating CR and market liberalism.[66]

At the core of the corporate avowals of citizenly conduct is a distinctly liberal worldview. Responsibility presupposes freedom. If an individual is not free in some important sense, that person cannot be held legally responsible or morally culpable for her actions. That much is straightforward. Transferring this insight from individual citizens to the social institution of the modern firm is anything but – yet many businesspeople and citizens do just this. This, and the fact that Britain and the United States have played leading roles in CR advocacy, suggests that high liberalism with its cultural scripts and political-economic reforms and interest-driven politics are associated with each other. The cultural traditions and scripts of liberalism are used to legitimate political-economic reforms and material interests of market liberalism. These traditions and scripts are wielded as weapons to legitimate employer-friendly reforms.[67]

Instead of Milton Friedman's insistence that the business of business is business, employers endorse liberalization and responsibility by chanting: 'Free us up so we can do some Corporate Responsibility!' The constraints of the post-war compromise have been loosened in some cases, removed entirely in others. Many of these constraints protected employees, and their removal has ruined many lives, resulting in increased disparities in income and life-chances. But the removal of these constraints has also opened up space for human agency. Some what firms are doing

[66] As John Meyer puts it, "the cultural traditions of liberalism provide a rich source of legitimating story lines." Personal communication, August 4, 2010.

[67] I am grateful to John Meyer for discussing this point with me. Meyer and the world society tradition underscore the importance of cultural traditions and legitimating scripts. Samuel E. Finer observes that "rulers cannot maintain their authority unless they are legitimated, and . . . they are legitimated by belief systems …. The belief systems are stronger than the ruling authorities because it is by their virtue that rulers rule" (Finer, 1997: 28-29).

today with CR was done by governments in the previous era. But other aspects of CR are new, and they may not have gotten done in the other world.[68]

CR may appear to be at odds with the ascendant philosophy of market-liberalism, endorsing as it does expansive extra-legal commitments of corporations; but where employers felt initial unease with this idea, they soon discovered the suppleness and usefulness of voluntary business-led CR. In practice, orthodox market-liberals and Corporate Responsibility advocates are separated by less than one might think.[69] As Luc Boltanski and Eve Chiapello remark, “the spirit of capitalism incorporates schemas other than those inherited from economic theory. These schemas, while they permit the defense of the principle of accumulation in abstraction from all historical specificity, lack mobilizing power” (Boltanski and Chiapello, 2006 [1999]: 20). Corporate Responsibility provides market-liberalism with mobilizing power. CR endows institutions and actors with legitimacy – not only the instrumental legitimacy required for system maintenance, but moral legitimacy as well. But what it is that is being displaced by market liberalism and CR?

V. Institutionalized Social Solidarity

The underlying idea of institutionalized social solidarity (ISS) is simple: formal and informal institutions constrain markets in the service of collective social goals. The umbrella term of ISS includes: redistributive and regulatory institutions such as the welfare state and market-correcting government regulation (especially of labour markets), trades unions, and other “constraining social obligations” (Streeck, 2009: 168). ISS also includes organized capitalism, a form of business organization

[68] I owe this formulation to Michael Schwartz, discussant at the American Sociological Association regular session on Corporate Capitalism in San Francisco, August 9, 2009.
[69] Indeed, the late Milton Friedman had no problems with CR provided it furthers, rather than impinges on, owners’ and shareholders’ interests – which it does in the now-dominant incarnation of CR. See footnote 2 above.

which relies on the "authoritative enforcement of social obligations on market participants" (Streeck, 2009: 151), thus "transcend[ing] maximization strategies and adjust[ing] them to collective interests beyond maximization" (Höpner, 2007: 3). These diverse institutions share a solidaristic normative core and endow citizens with social citizenship rights.[70]

ISS was a cornerstone of the post-war social contract in liberal democracies,[71] and scholars use a variety of different terms to refer to this idea. For Ruggie, it is "embedded liberalism." Robert Goodin, Bruce Headey, Ruud Muffels and Henk-Jan Dirven refer to these interdependent institutions as "welfare regimes."[72] This broad conceptualization of the explanans is indispensable if we are to undertake genuine "contextualized comparisons" of different institutions, which have an equivalent meaning (and possibly function) in different contexts.[73]

It is not necessary to specify a priori precisely which institutions of the post-war compromise need to be challenged to prompt the rise of CR.[74] Thus, the proposition is falsified if the retrenchment of ISS is not associated with the rise of CR. The fraying of this compromise need not lead to the outright dismantling of solidaristic institutions. Nor do I presuppose a 'race to the bottom' or downward convergence of different countries on a common absolute level of inequality, poverty,

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[70] Robert Goodin, Bruce Headey, Ruud Muffels and Henk-Jan Dirven conceptualize these interdependent institutions as "welfare regimes." Welfare regimes refer "to that larger constellation of socio-economic institutions, policies and programmes all oriented toward promoting people's welfare quite generally." Welfare regimes "bunch together particular values with different programmes and policies. Welfare regimes include the transfer-oriented welfare-state sector, the tax sector, and the productive sector of the economy" (1999: 5; 4; 5).

[71] It is not clear whether countries of Eastern Europe included in this study, such as Poland, the Czech Republic, Hungary and Slovakia, belong in this categorization.

[72] Welfare regimes "include the transfer-oriented welfare-state sector, the tax sector, and the productive sector of the economy" (Goodin et. al., 1999: 4; 5). Welfare regimes refer "to that larger constellation of socio-economic institutions, policies and programmes all oriented toward promoting people's welfare quite generally" (Goodin et. al., 1999: 5).

[73] Locke and Thelen (1995). A broad conceptualization helps guard against a common tendency in the institutionalist literature to conflate the physical existence or persistence of an institution with its actual content.

[74] Although empirical evidence suggests that welfare state and labour market reforms are pivotal

or welfare state retrenchment. Change relevant to the domestic status quo ante is more salient than convergence on some absolute level:[75] it is actors' perceptions of their interests in the context of these changes, rather than the changes themselves, that lead them to embrace and practice CR.

The transformations of the 1970s, 1980s and 1990s saw not only the weakening, retrenchment and dismantling of ISS, of the institutions underpinning the post-war order, but also a fundamental change in their quality. Capitalism has been "unleashed" (Glyn, 2006), and the institutions underpinning the post-war order have been weakened and dismantled. Institutionalized social solidarity took a hard hit. Trade unions lost members, state-owned enterprises were privatized, markets were deregulated and liberalized. Unemployment rose, as did income inequality. Where the institutions of the post-war order persisted, observers often interpreted this persistence as a sign of continuity – without recognizing the fundamental change in the institutions' function and quality. Not only institutions changed, the dominant ideology did as well. Bourdieu sums up market liberalism as "A programme for destroying collective structures which may impede the pure market logic" (Bourdieu, 1998: 2). Along with the rise of market liberalism, "[t]he language of class faded out of politics" (Offer, 2006: 297). Scholars disagree on whether the transition from embedded to market liberalism is a result of an exogenous shock (from globalization or international competition) or of endogenous institutional change: of displacement, layering, drift, conversion and exhaustion, in short, of self-undermining institutions.[76]

[75] Societal norms are not autonomous from social institutions, and one can plausibly claim that a restructuring of social institutions will over the medium- to long run lead to an adjustment of citizen's preferences, for example to being more accepting of inequality or poverty. But such adjustments take time, and during difficult times of economic turbulence CR can fulfill an important role by appealing to norms of altruism and fairness.
[76] Mahoney and Thelen (2010); Streeck and Thelen (2005); Streeck (2009)

I am agnostic on this matter. Whether exogenous or endogenous, the transition is linked to the rise of CR.[77] Thus we have hypothesis H2:

H2. Institutionalized social solidarity will be inversely related to CR: the higher the level of institutionalized social solidarity, the later the onset, and the lower the quantity of CR. The lower the level of institutionalized social solidarity, the earlier the onset of CR, and the greater its quantity.

Wolfgang Streeck (2009)'s typology of political-economic institutions is useful for comparing the post-war order with the market-liberal order which has replaced it. Streeck contrasts the Durkheimian institutions of classical sociology, which exemplify ISS and the post-war order, to the rational choice institutions, Coasian firms, and transaction-cost economics, in short Williamsonian order of market liberalism:

Durkheimian	**Williamsonian**
Authoritative organization	Voluntary coordination
Creation of obligations	Reduction of transaction costs
Public order	Private ordering
Government	Governance
Obligational	Voluntaristic
Exogenously imposed	Endogenously contracted
Third party enforcement	Self-enforcement

(Streeck, 2009: 155)

Figure 1.6: Durkheimian and Williamsonian Orders

The basic logic linking CR to a Williamsonian order[78] is simple. The fact that in a Williamsonian market liberal framework, many social and economic needs are not satisfied by binding institutional frameworks increases the demand and necessity for other actors, including the private sector, to contribute towards their provision (which is not the same as saying that they will therefore be satisfied). The needs of the economy and society can be satisfied by a binding institutional framework,

[77] To clarify, my claim is not that the transition to market liberalism is the only cause of Corporate Responsibility.

[78] As Bruno Amable remarked at the author meets critics session of Wolfgang Streeck's "Re-Forming Capitalism" at the annual meeting of the Society for the Advancement of Socio-Economics in Paris on July 16, it is unclear to what extent Williamsonian institutions are institutions or norms of conduct, rather than simply behavior.

authoritative organization, public order, and the creation of obligations – or through a less-binding framework based on the voluntary coordination and self-enforcement of the private sector and civil society. In the former case, these functions are built into a system's structure; in the latter, they are built into the system's units through CR. The fact that in a market liberal framework, there is a gap which leaves many social and economic needs unsatisfied by binding institutional frameworks increases the demand and necessity for other actors, including the private sector, to contribute towards their provision. This linkage is not functionalist in the Parsonian sense: employers and state officials will tend to perceive an increased need to legitimate themselves in the Williamsonian market-liberal framework, but they will not automatically or invariably embrace CR when faced with these challenges.[79]

Before discussing how my approach relates to the Varieties of Capitalism, I wish to show some of its advantages by comparing it to one of the most widely cited contributions to the literature on CR, Dirk Matten and Jeremy Moon's work on "implicit and explicit CSR" (Matten and Moon, 2008). Matten and Moon ask "how and why corporate responsibility (CSR) differs among countries and how and why it changes" (Matten and Moon, 2008: 404). Matten and Moon argue that "differences in CSR among different countries are due to a variety of long-standing, historically entrenched institutions" (Matten and Moon, 2008: 406, 411). While "explicit CSR relies on corporate discretion, rather than reflecting either governmental authority or broader formal or informal institutions," for Matten and Moon, "the distinctive elements of the European CSR are embedded in the European NBSs [National Business Systems], such as industrial relations, labor law, and corporate governance"

[79] While functional approaches have considerable purchase on the political economy of Corporate Responsibility at the macro-level, a careful analysis of the New Zealand case reveals their limitations. The most abrupt and radical liberalization of the whole OECD, with many social dislocations, did not result in the institutionalization of CR until years after the fact. I discuss this case in detail in chapter 6, the conclusion.

(Matten and Moon, 2008: 409). Matten and Moon remind us that binding regulations can be functionally equivalent to voluntarist "explicit CSR," and one or the other may predominate, depending on the context. This is a valuable insight, and Matten and Moon deserve credit for making the case for "implicit CSR" to a business- and management audience.[80] Nonetheless, their framework is problematic: it does not make the trade-offs between CR and institutionalized social solidarity clear enough.

The following statement is revealing of Matten and Moon's use of the terms "CSR" and "implicit CSR": "[o]ur NBS approach reveals alternative institutional frameworks to regulate the social consequences of business and to *enable corporations to share* in coordinated social responsibility" (Matten and Moon, 2008: 420; my emphasis). The problem with the term "implicit CSR" is that this analytical projection backwards includes involuntary as well as voluntary business involvement in the provision of social or collective goods under the label of CR. This thesis provides evidence that businesspeople do not typically view their interests in this way. They tend to be less than patriotic when it comes to being forced, through the compulsions of hard law, to contribute to collective goods. If the *differentia specifica* of CR is its voluntariness, it is not clear what is gained from applying this label to social institutions which have been imposed on businesspeople against their will. Applying the label of "implicit CSR" to institutionalized social solidarity creates the impression that business supported the creation or maintenance of these institutions. The chapters below suggest that "implicit" and "explicit" CR are not two different species of the same genus; they are altogether different beasts. Thus, Matten and Moon's "explicit CSR" is associated with a market-liberal agenda that is in effect a negation of "implicit CSR." These trade-offs need to be made much clearer. In the

[80] Matten and Moon's (2008) article appeared in Academy of Management Review.

next section, I discuss how my approach builds on, and relates to, Varieties of Capitalism.

VI. Corporate Responsibility and Varieties of Capitalism

Despite its limitations for explaining dynamic change, Varieties of Capitalism's typologies are relevant for the political economy of CR: I argue that Corporate Responsibility has affinities for Liberal Market, and against Social Market forms of economic organization. Not only did CR originate in the US; CR's emphasis on corporate discretion suggests that CR has a better 'fit' with deregulated LMEs than with more highly institutionalized Social- or Coordinated Market Economies. I begin with Hall and Soskice's seminal contribution and bring in other literature and concepts as I proceed.

The insight that "the capitalistic orientation of profit-making can take a number of 'qualitatively different forms'" is not new – this quotation stems from Max Weber (Weber, 1978: 164). Yet in recent years, one book and theoretical approach – Peter Hall and David Soskice's *Varieties of Capitalism* (2001) (henceforth VoC) – has achieved a prominent if not pre-eminent status in the sub-field of comparative political economy. Although Hall and Soskice (2001) have been criticized on a number of grounds,[81] VoC is a progressive research program that has resulted in a number of important works during the past decade.[82] I share these authors' preoccupation with different national institutional configurations of capitalism,[83] and with institutional

[81] Among them Amable (2003), Bohle and Greskovits (2009), Campbell and Pedersen (2006), Crouch (2005), Howell (2004), Kinderman (2005), and Streeck (2009)
[82] Including those mentioned in the above footnote and Pontusson (2005) and Becker (2009).
[83] Many scholars point out that in addition to national-level variation, there are also sectoral and regional varieties of capitalism (see Crouch, Schröder and Voelzkow 2009). And there are undoubtedly also regional and sectoral varieties of Corporate Responsibility. But one cannot do everything at once so my primary focus in this thesis is on national-level variation.

complementarities. My approach differs from VoC with regard to institutional complementarities and institutional equilibrium and change.

Hall and Soskice (2001) categorize affluent countries into two groups: those in which the predominant form of strategic coordination among firms is the market – Liberal Market Economies (LMEs) – and those in which non-market coordination plays a crucial role – Coordinated Market Economies (CMEs). Institutional complementarities are a central element of each economy's comparative institutional advantage: "nations with a particular type of coordination in one sphere of the economy should tend to develop complementary practices in other spheres of the economy" (Hall and Soskice, 2001: 18). Useful as it is, this concept must be modified if it is to be fruitful for the political economy of CR.

First of all, Hall and Soskice conceive of complementarities as institutional similarity (Campbell and Petersen, 2007: 326). An economy is based either on market- or on non-market coordination in different spheres and social sub-systems. This conceptualization is problematic. To be sure, some complementarities are based on institutional similarities, but others are a matter of institutional supplementarity or difference (Crouch, 2005). Although Hall and Soskice concede that "even in liberal market economies, firms enter into some relationships that are not fully mediated by market forces" (Hall and Soskice, 2001: 8-9), their theoretical framework is ill-equipped to deal with the logic of institutional difference. The evidence in this thesis suggests that CR functions according to the logic of institutional difference, thus weakening Hall and Soskice's claims of comparative institutional advantage based on a complementarity logic of similarity. CR arises in LMEs precisely because it is *not* market-based coordination; and it arises in Social Markets as they become more, not less, market-liberal. This is the sense of complementarity noted by Colin Crouch.[84] The underlying dynamic is similar to the use of bankruptcy law to "dampen the shock of neoliberalism" and "save neoliberalism from itself."[85]

The entities that are complementary to each other must coincide in time and space. If Corporate Responsibility is complementary to institutionalized social solidarity or the institutions of Coordinated/Social Market economies, it would arise earlier in these countries than in Liberal Market economies. If Corporate Responsibility is complementary to market liberalism, then it arises earlier in LMEs than CMEs in order to compensate for the former's market failures and legitimacy deficits. This leads us to our third hypothesis:

H3. Liberal Market Varieties of Capitalism develop Corporate Responsibility earlier than Coordinated/Social-Market Varieties of Capitalism

Complementarity can also manifest itself in terms of quantity. If the quantity of x is variable and x is complementary to y but not to z, x will be more plentiful in conjunction with y than it will in conjunction with z. Thus follows our fourth hypothesis:

H4. Liberal Market Varieties of Capitalism have more Corporate Responsibility than Coordinated/Social-Market Varieties of Capitalism

These hypotheses must not be treated as heuristics not dogmas. As critics point out, Hall and Soskice overstate the tightness of complementarity linkages.[86] Complementarities are contested and "loosely coupled" (Höpner, 2006: 402).

[84] As Crouch remarks, "components of a whole mutually compensate for each other's deficiencies in constituting the whole" (Crouch, 2005: 50). As Crouch remarks, Hall and Soskice's world is one of pedigree dogs: 'purebred' LMEs versus 'purebred' CMEs. CR functions according to the logic of mongrels: the erosion of institutionalized social solidarity is accompanied by firms' voluntary engagement in the form of CR.

[85] "The incentive to use bankruptcy law to intervene in the economy increases as other policy tools are set aside …. changes in bankruptcy law help to dampen the shock of neoliberalism. Rather than simply contradicting or undercutting neoliberalism, the new bankruptcy regime helps to save neoliberalism from itself" (Carruthers, Babb and Halliday, 2001: 119)

[86] Becker (2009); Campbell and Pedersen (2006)

Complementarities reside in "how people use them" (Deeg, 2007: 626) – they are not functionally determined by institutions alone. "One cannot read groups' interests or preferences strictly off structure … they are constructed through social interaction" (Jackson and Deeg, 2008: 701). Rather than the straightjackets or determinants suggested by Hall and Soskice (2001), the institutional configurations of LME- and CMEness provide actors with a set of dispositions and tendencies, ones which actors can (and do) manipulate creatively.[87] Agency, and actors' interpretation of their interests matters; structure is only partially determinate.[88] Richard Deeg and Gregory Jackson's formulation of "strategic constructivism" and "discourse coalitions" aptly acknowledges the importance of institutional configurations and symbolic articulations.[89]

Business discretion and voluntary engagement is perceived to be less burdensome, and more suited to corporations' needs, than legally mandated obligations. Employers have an intellectual affinity for CR because they prefer doing things voluntarily rather than being forced to do them. Intellectual arguments have played a role in this concept's victory (it is said that flexible-, soft- and network-based solutions are more dynamic and innovative than the stultifying coercive power of hard law), but corporate power has as well: as Thomas Berger and Peter Luckmann put it, "he who has the bigger stick has the better chance of imposing his definitions of

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[87] Alexander Börsch (2007); Uwe Becker (2007); Andrea Hermann (2008)

[88] Colin Hay and Ben Rosamond emphasize that "it is the ideas that actors hold about the context in which they find themselves rather than the context itself which informs the way in which actors behave" (Hay and Rosamond, 2002: 148). Unfortunately, like some other constructivists, Hay and Rosamond seem to neglect the interrelationship between context and ideas.

[89] "Discourse coalitions and strategic constructivism are, in our view, quite promising as it reinvigorates the CC literature with a neo-Weberian approach that integrates the material and ideational. Specifically, these perspectives incorporate an explicit, non-deterministic political dimension into various theories of capitalist variety. Such a political model starts with a theory of preference formation in which preferences grow out of the distinct institutional configurations of different capitalisms, and yet they cannot be reduced to these configurations because interests must be symbolically articulated and anchored in particular sets of values. A discursive approach could then be incorporated into an analysis of the historical co-evolution between preferences and their translation into outcomes (rules, policies, etc.) or institutional change" (Jackson and Deeg, 2008: 701-702)

reality" (Berger and Luckmann, 1966: 109). Since the late-1970s and especially following the collapse of Communism, business has had a progressively bigger stick. This suggests the need to move beyond VoC's excessively narrow firm-centrism to include a broader array of institutional variables: the extent to which national-level institutions decommodify labor,[90] and the organization of the national business community.

Gøsta Esping-Anderson (1990) famously distinguishes between liberal, conservative, and social-democratic worlds of welfare capitalism based on the degree to which they decrease worker's direct reliance on the labor market for income. Daniel K. Finn (2006) extends this idea using the metaphor of "fences." "Fences" constitute markets and define what activities may take place within them. The transition from the post-war compromise to market-liberalism shifted these boundaries, expanding the sphere of markets and reducing – though not altogether eliminating – de-commodified spaces and institutionalized social solidarity. While the fences have shifted, cross-national differences remain. Thus, in Social Market Economies,[91] the fences restricting direct market relationships tend to be more expansive than in Liberal Market Economies. Corporate Responsibility arises in part in response to the weakness of ISS vis-à-vis market relations.

If de-commodification has a stultifying effect on CR, the same can be argued for the degree of business organization.[92] The posited relationship between these two dimensions, regulatory/welfare-state compensation and business organization, is

[90] Esping-Anderson (1990)
[91] Jonas Pontusson distinguishes between „Liberal Market Economies" such as the United Kingdom and the United States and „Social Market Economies" such as Germany and Sweden. As articulated by Pontusson, SMEs „are distinguished by densely organized business communities ... strong unions and highly institutionalized collective bargaining systems .... [and] extensive public provision of social welfare and employment protection (2005: 17).
[92] Streeck (2009) suggests that the extent of business organization, rather than coordination (Hall and Soskice), best gets at the Durkheimian institutions that motivate our interest in comparative capitalism.

summarized in figure 1.6. In this stylized account, the upper left quadrant does not have an acute need for CR, since the bulk of externalities and social compensation are taken care of by the welfare state and the institutions of organized capitalism. By contrast, in environments with a residual welfare state and disorganized capitalism (the darkly shaded box in the lower right quadrant), Corporate Responsibility fulfils some of these tasks. The lightly shaded quadrants are ambiguous, in between these pure predictions.

	Expansive Welfare State	**Residual Welfare State**
Organized Capitalism	*Limited Potential to acquire pragmatic and moral legitimacy through CR*	*Ambiguous: Some CR*
Disorganized Capitalism	*Ambiguous: Some CR*	*Full Potential to acquire moral and pragmatic legitimacy through CR*

Figure 1.7 Welfare States, Organized Capitalism & CR

CR arises to satisfy material and symbolic needs that are not, or are no longer satisfied by existing institutional arrangements. There is more to compensate for in disorganized LMEs than in organized Social or Coordinated Market Economies with more extensive collective welfare provision. Conversely, the solidaristic institutions of CMEs tend to depress the perceived need for voluntary corporate activity.[93] It is to the dependent variable(s) that we now turn.

VII. The Operationalization of the Dependent Variable: Corporate Responsibility Associations

[93] As Neill J. Mitchell recognized twenty years ago in his work on corporate social policy: "Corporate social responsibility … is underdeveloped in most European corporations, because in Europe the state is traditionally viewed as the source of social policy" (Mitchell, 1989: 145) See also David T. Beito (2000)

Operationalizing Corporate Responsibility across time and space presents a challenge. Business-school literature provides little guidance, as it consists principally of case studies of specific companies and of cross-sectional work based on firm-level surveys. The analytical primacy of firms and of firm-level data in the study of CR is easy to understand: without corporations there can be no Corporate Responsibility. However, important as it is, firm-level data has several major limitations.[94] The overwhelming majority of firm-level work is not concerned with trans-national variation or with political-economic institutions. Instead, it is focused on the question of whether it pays to be virtuous.[95] Another problem with firm-level data is that it exists for very recent years only, which precludes a genuinely historical account of the rise of CR.[96] Given these limitations, is there a measure that can elucidate the institutionalization and growth of Corporate Responsibility at the national level; the collective action of firms for CR; the role of the state and of public policy, the lobbying, institutional and regulatory preferences of national and international business communities in the area of CR, and the stance of trade unions and other social actors towards Corporate Responsibility?

An examination of business-led Corporate Responsibility coalitions and associations (henceforth: CRAs) can generate these insights and more;[97] they are my

[94] I discuss these in detail in chapter 7.
[95] Vogel (2005) surveys this literature. His conclusion is that sometimes is does, often it doesn't. CR is a niche-strategy.
[96] When it comes to amorphous and rapidly changing subject matter such as Corporate Responsibility, trade-offs are inevitable. Most current work stresses the dynamism of the concept and practice, and so it should: Corporate Responsibility is a moving target. But in so doing, it underestimates the historical continuity between what firms are doing today and what they did decades ago. A focus on the establishment and growth of CR associations compensates for the presentist bias in the current literature. While CR is dynamic and changing, an examination of CRAs shows that there has been a tendency to overestimate the novelty, and underestimate the continuity of rhetoric and practice during recent decades.
[97] A problem with qualitative data from individual firms is that precisely because their individual reputations are on the line, firms are typically very circumspect about what they are willing to disclose. Whereas firm-level representatives are heavily guarded and provide highly scripted responses, several associations have provided me with full unrestricted access to their internal correspondence, financial and governing documents. And whereas several association representatives have told me that their own

proxy for CR at the national level. In this thesis, CRAs are business-led non-profit organizations[98] with a voluntary corporate membership, annual membership dues, and a mandate to advance the cause of Corporate Responsibility. With few exceptions, membership is open to any firm that cares to join.[99] CRAs work together with their membership to advance the cause of CR on a voluntary and mutually beneficial basis. Virtually every OECD country has a CRA; some countries have more than one.[100] There are also some at the supranational level. Though scholars to date have paid scant attention to these organizations,[101] I argue that they are indeed a proxy – by no means the only indicator, but a plausible and defensible indicator – for the state of CR in a given country at a certain time.[102]

CRAs highlight a level of political action above the level of individual firms, similar to what Michael Useem has referred to over twenty years ago as "the logic of classwide benefits" (Useem, 1984: 5). As an indicator, CRAs highlight the novelty of

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members provide them with inaccurate or misleading information concerning their CR activities and performance, intermediary organizations are less prone to do so, even if, like most of us, they may not always succeed in sober self-reflection.

[98] It is important to emphasize that CRAs are not genuinely multi-stakeholder organizations, organizations that give groups other than business a formal stake in the running of the organization (Freeman). Instead, in the words of Luc Fransen, they may "flirt with multi-stakeholderness" (Fransen, 2009: 71). Colin Crouch regards "the concept of 'stakeholder'" as "suspect, unless it refers to the possessors of legally or substantively guaranteed rights within a corporation, rights that can neither be reduced to market transactions nor removed at will by a firm (e.g. rights to codetermination enjoyed by employees and embedded in either legislation or guaranteed by collective agreements). If a right derives directly from a market contract (as with customers), the concept of stakeholder is redundant, as one needs nothing beyond the market contract to describe the relationship" (Crouch, 2006: 1535).

[99] The International Business Leaders' Forum does not admit weapons or tobacco manufacturers into its membership

[100] France has two (ORSE and IMS Entreprendre pour la Cité), as does Spain (Club de Excelencia en Sostenibilidad and Forética), Italy (Impronta Etica and Sodalitas), and Germany (Econsense and UPJ). The UK has Business in the Community and Scottish Business in the Commmunity. A smaller number of CRAs seek to advance the cause with an explicitly international or global mandate. My primary focus in this thesis is on CRAs with an explicitly national, rather than international or global mandate.

[101] to my knowledge, this is the first systematic study of CRAs.

[102] This indicator is obviously inadequate to account for local, regional, and supranational developments. Its usefulness is obviously premised on the assumption that states remain important loci for determining the institutional environment of business. As Colin Crouch (forthcoming, quoted in Amaeshi 2008) observes: "Local specialisms that depart from the logic of a national system … suggest that the nation state is not necessarily the most important level for determining the institutional environment of business."

CR during the past thirty years. Whereas "corporate welfare" in individual firms dates back many decades, in fact to the dawn of industrial capitalism,[103] firms' collective action to promote Corporate Responsibility through Corporate Responsibility Associations coincides with the rise of market-liberalism and attacks on ISS. CRAs also provide insights into a variety of other interesting phenomena including business's lobbying activities,[104] and reveal some of the limitations of club theory for the analysis of CR.[105] Their programmatic orientation and coloration are highly diverse.[106] Their membership includes the largest publicly traded firms in the world – with localized and culturally and geographically specific criteria of legitimacy. CR associations are by definition *collectivities* of firms.[107] CRAs are intermediaries and brokers between business, civil society, the state and the broader public; they serve their members' interests as well as those of wider society.[108] In short, CRAs are catalysts, facilitators and motors of responsible business practice.

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[103] See for example Jacoby (1998) for an account of the history of corporate welfare in the United States.

[104] Associations' mandate is typically to lobby their own members to be good corporate citizens, but in conjunction with trade associations and industry lobby groups, they are often also involved in lobbying the state when it threatens to mandate responsibility. By looking at associations' lobbying stance on issues of mandated regulation, we can contribute to understanding this important, but neglected, aspect of the "market for virtue." As David Vogel remarks, "the definition of corporate social responsibility needs to be redefined to include responsibilities of businesses to strengthen civil society and the requirement that all firms act responsibly (Vogel, 2005: 172).

[105] Matthew Potoski and Aseem Prakash's (2010) volume deals with "collective action through voluntary programs," voluntary "in the sense that it is not coerced by the state via regulation or statute … [it] is not mandated by legal or regulatory requirements" (Potoski and Prakash, 2009: 19). Potoski and Prakash distinguish between lenient and stringent club standards and weak and strong swords. These categories are of little use for the analysis of CRAs. There is virtually no variation regarding the stringency of club standards for the thirty CRAs studied in this thesis. These CRAs are open to any firm that wants to join. Yet there is a huge variation in the cross-national membership levels of these CRAs. Club theory cannot explain this variation. Moreover, CRAs include both leaders and CR laggards, companies that produce high and low amounts of social externalities.

[106] Encompassing community involvement, social compensation, ecological sustainability, in short, all aspects of CR.

[107] Thus, a thriving and vibrant CRA will benefit the reputation of business in general. The UK CRA is not called "bank X in the community," "manufacturer Y in the community," or "professional services firm Z in the community." It is called "Business in the community."

[108] William J. Baumol argues that "for business firms [the provision of public goods] is often a matter which can only be dealt with collectively, by volunteer groupings of firms rather than by the individual

Reputational concerns are one of the primary drivers of firms' engagement in CR. Reputation can be defined as "an intangible asset that helps companies attract resources, develop a sustainable competitive advantage, and drive long-term profitability" (Tucker, 2008: 2).[109] The stake that firms have in their reputations and brands helps justify expenditures in CR and in CR-related endeavors such as CRA membership, which is seen as a means to fortify and/or improve firm's reputation and brand. In this way, the brand/reputation factor helps resolve collective action problems that could otherwise plague CRAs.[110]

CRAs provide a platform for the exchange of 'best practice' through peer-pressure, in addition to functioning as 'think tanks' and consultancies for the CR activities of their members. To varying degrees, they challenge their members to attain ever-higher levels of 'responsibility,' social engagement, and minimization of negative and maximization of positive externalities. They organize award schemes for the most responsible companies. The staffs of these associations are typically composed of institutional entrepreneurs who see it as their duty to make the world a better place.

The fact that association members support the associational infrastructure for Corporate Responsibility in general, including the CR activities of their competitors, strengthens the case for viewing associational membership as one element (among many) of responsible corporate conduct – of the hitherto understudied 'social case' for Corporate Responsibility.[111] While it is difficult to determine the effect that CRAs

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enterprises. For it is only such groupings of firms that can provide resources sufficient to make the difference" (1970: 19).

[109] See also (among others) Fombrun and Shanley (1990). Fombrun defines reputational capital as "the excess market value of its shares – the amount of which the company's market value exceeds the liquidation value of its assets" (Fombrun, 1996: 92).

[110] The collective action challenges of the political economy of CR are twofold. First, there are costs, which may take time to amortize, or pay off. Second, the reputational benefits of CR are (to some extent) non-excludable. David Vogel remarks that CR often falls within the limits of "discretionary spending" (Vogel, 2005: 165). If Vogel is correct, the collective action problems that affect CR are not serious. Without data it is impossible to know for sure.

[111] A shortcoming of the current CR literature is its neglect of the 'social case.' The vast majority of extant studies of CR ask: 'what are the benefits of CR for companies? Are companies which engage in

have on the conduct of their member companies, it can be quite substantial. The fact that in the end, member companies take credit for their achievements does not imply that CRAs were unimportant for bringing these about. The overwhelming majority of companies that score highly in the CR league tables are members of CRAs, and associations' membership generally comprises the "inner circle" of national and international business elites.[112] CRAs are barometers for the state of CR in the country in which they are located. The existence of such an association, and the fact that firms are willing to join it, is evidence that the idea of CR has 'come of age' in a given country.[113] An early establishment date and a large CRA membership are signs that a country is a CR leader; a late establishment date and low membership levels are signs of a CR laggard.

VIII: Alternative Explanation: CR as Complement to Institutionalized Solidarity

This explanation states that institutionalized social solidarity and Corporate Responsibility are complements rather than substitutes. ISS enhances CR performance. This view is not only popular among Corporate Responsibility advocates and activists, it also has a number of prominent scholarly proponents. Although advocates of this view are plentiful,[114] only Maria Gjølberg spells out the underlying

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CR more profitable than their counterparts which do not?' Though undoubtedly important from the perspective of employers and business schools, in adopting the point of view of business, these questions neglect the impact of CR on societies – the 'social case.'

[112] Useem (1984)

[113] See chapter 5 for a detailed discussion. Like firms' membership in CR initiatives such as the Global Compact, membership in CRAs is no guarantee of corporate virtuousness. However, entailing as it does an explicit commitment to CR and a higher level of external scrutiny of their own activities, for example through the prodding of association staff, CRA membership is a plausible indicator of the state of CR in a given country. While adjustments must be made for the objectives of an association and for the size of its member companies, ceteris paribus, firms that are members of CRAs are more responsible than those that are not; and the greater the number of firms in a given CRA, the further the state of CR in a given jurisdiction.

[114] Midttun, Gautesen, and Gjølberg (2006), Gjølberg (2009a), Gjølberg (2009b), Ruggie (2007, 2004, 2003)

logic. In my attempt to render this claim plausible, I draw on these authors. Nonetheless, the views are largely my own.

Alte Midttun, Kristin Gautesen and Maria Gjølberg's findings "support the idea of a symmetric relationship between the 'old,' politically driven embeddedness and the 'new,' industry-driven embeddedness" of CR (Midttun, Gautesen and Gjølberg, 2006: 369). Maria Gjølberg argues that firms located in Coordinated Market Economies have a comparative advantage in CSR (Gjølberg 2009). Unlike the theory which views CR as a substitute for institutionalized solidarity and a complement to liberalization, the underlying assumption here is a positive-sum world, a variable if not expanding "market for virtue" in which Corporate Responsibility is a 'mirror' or reflection of the prevailing institutional framework (Apostolaku and Jackson, 2009). CR, in other words, is endogenous or integral to the solidaristic institutional frameworks of these countries and a complement to expansive welfare states, dense regulation, redistributive taxation and powerful labor unions – at least insofar as business is able to adopt and prosper under such environments.[115] As figure 1.7 shows, institutionalized forms of solidarity can be seen as primarily normative i.e. ideational, or material, or both:

[115] The fact that highly regulated and solidaristic economies in Europe are towards the top of the international competitiveness league tables is sometimes mentioned as support for this argument.

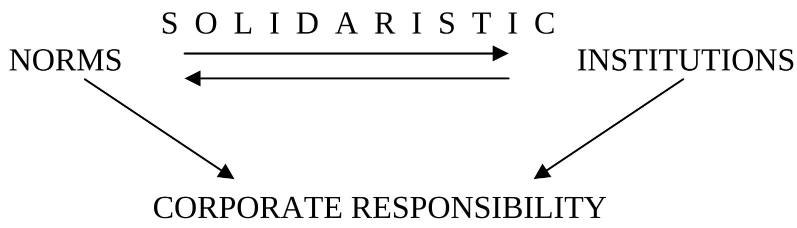

Figure 1.7: Institutionalized Social Solidarity and CR as Complements

In the rationalist version, firms endorse and practice CR as part of their instrumental and maximizing strategies. In the sociological or constructivist version, institutions shape the very interests and preferences of businesspeople, firms and associations, leading them to take a more enlightened, positive-sum or expansive view of their interests, or possibly even accept a lower rate of return in their desire to further CR.[116] A sociological perspective that views ISS and CR as complements might foreground the social relations and actors promoting Corporate Responsibility. If citizens and businesspeople embrace and practice the norms of CR as well as those of ISS, or if, for example, their social status becomes dependent on their corporate civic engagement, this could lead to a complementary relationship between CR and ISS. For Gjølberg, the welfare state and corporatism provide CMEs with a comparative institutional advantage in Corporate Responsibility (Gjølberg 2009: 9); the very social norms which underpin and sustain the welfare state and corporatism lead to higher CR performance.

The theory which states that CR is complementary to institutionalized solidarity admits to several additional variations. For example, the encompassment of social institutions may be positively correlated with CR. More encompassing institutions "provide 'built-in' conditions that facilitate internalizing production and consumption externalities," according to Lyle Scruggs (Scruggs, 2003: 152). This

[116] For an argument that welfare attitudes are governed by 'feedback loops' which stabilize and reinforce the logic of the system, see Christian Larsen (2006)

model seems particularly appropriate for economies in northern Europe where firms are embedded in dense networks of social institutions. If this means that firms in countries with encompassing institutions are already engaging in responsible business practice (to a greater or lesser extent), shouldn't these actors embrace CR? Moreover, these firms may be inclined to push for binding regulations for all to prevent their less-regulated competitors from undercutting their own high-road strategies.

As we will see, the empirical findings of this thesis contradict the CR-as-complement to institutionalized solidarity view. Countries that are invested in solidaristic structures take longer to adopt CR than their market-liberal counterparts and when they adopt CR, they do so in a less extensive way than their counterparts in liberal market contexts. Further, there does not seem to be much support for hard law, even among firms which one would think would have an interest in it.

IX. Plan of the Thesis

This thesis tells the story of Corporate Responsibility's rise in individual European countries, at the EU-level, and across Europe and the OECD. It is the fist systematic empirical account of this subject matter. Thus, the tasks it undertakes are not just analytical, but descriptive as well. Though this kind of work is undervalued in contemporary social science, it is necessary, indeed indispensable, for scientific progress. We begin with two detailed historical country case-studies on the UK and Germany. These chapters constitute the groundwork of the thesis. From this foundation, we proceed to more remote domains: to the EU-level, and to variation across Europe and the OECD.

Chapter 2 tells the story of the genesis and evolution of CR in the UK, tracing its rise from the 1970s to the present. The UK is an important case for both Corporate Responsibility and political economy. On one hand, the UK is said to be a global leader in CR; viewed through the dimensions of timing and quantity, the UK is both 'early' and 'extensive.' On the other hand, the UK is a leading exemplar of market-liberal varieties of capitalism. In an attempt to determine whether these two states of affairs have anything to do with one another, this chapter draws on a wealth of original data, including interviews with key figures and hitherto unseen archival materials. These sources show that CR and market-liberalism co-evolve. They support the claim that the rise of market-liberalism and the rise of CR are linked not only temporally, but causally, in institutions, interests, and actors' subjective understandings.

Chapter 3 recounts the rise of CR in Germany. Compared with the UK, Germany is a contrasting, possibly even a 'least likely' case. Whereas the UK is seen as a CR leader, Germany is a 'CR laggard,' 'late' and 'limited' in terms of timing and quantity. Whereas the UK is an exemplar of market-liberalism, Germany is an exemplar of coordinated, organized or non-liberal capitalism. Drawing on extensive fieldwork, this chapter sets out to determine what relationship, if any, obtains between these two states of affairs. I argue that there is a systematic relationship. The late and limited rise of CR in Germany is explained by the long-time persistence and comparatively recent erosion of structures of institutionalized solidarity and 'organized capitalism.' As Germany's economy has liberalized, CR has taken root.

Chapter 4 surveys the rise and political contestation of CR at the EU-level. EU institutions have far-reaching effects on EU member states, hence the importance of EU CR policy. What circumstances and agency prompted European institutions to adopt CR, and how has the political coloration of EU CR policy changed over time? Based on extensive field research in Brussels, I narrate the co-evolution of market-liberalization and CR promotion by the European Commission. This chapter also draws attention to considerable amount of political contestation over CR, not only by

EU interest groups, but within the Commission itself. The co-evolution of CR and market liberalism does not imply an actor-less apolitical functionalism.

Chapter 5 tests the generalizability of the proposed framework across Europe and twenty-five OECD countries, using Corporate Responsibility Associations, or CRAs, as proxies for the state of CR in a given country in a given time. Do Liberal Market Economies get CR earlier and in greater quantity than Coordinated- or Organized Market Economies? What about the relationship between regulatory density and CR? What about coding issues? This chapter includes an explication and defence of the measures used, and it discusses the relationship between the findings and existing literature.

Chapter 6 concludes the thesis. Rather than summarizing the empirical chapters, it provides a broad outlook on the reach – and the limitations – of the linkage between CR and market liberalism. I draw out the implications of my argument for the current economic crisis; reflect on the case of New Zealand, which saw radical retrenchment of ISS amidst skepticism towards CR; and outline priorities for future research: why do Anglo-American multinationals have the highest centrality in Europe’s trans-national CR networks? While this finding dovetails with my argument about CR and market liberalism, further work is needed to clarify their political significance.

CHAPTER 2

The Transformation of British Capitalism And the Rise of Corporate Responsibility: 1977-2007

I. Introduction

The British case is central to this thesis for two reasons. It has high values on the outcome of interest, Corporate Responsibility, and on the explanation which I argue brought it about, the systematic deconstruction of the post-war order. I will begin with the latter. For almost a century, one of the forces holding British society together was a "collective or class consciousness," "a consciousness of sin among men of intellect and men of property," in the words of Beatrice Webb. According to Mont-Pelerin Society member Ralph Horowitz, post-war Britain had a "Christian Socialist morality of the wickedness of profits and the sanctity of fair shares"; it was engaged in "a Social Welfare Crusade." (Horowitz, 1970: 3). By the 1970s, this view was being challenged, and the order that sustained it was breaking down. In economic terms, Britain was "the sickest of the sick men in Europe" (Rhodes, 2000: 34).

In 1976, Keith Joseph observed that Britain was "over-governed, over-spent, over-taxed and over-manned." If poor macroeconomic performance, a visit by the IMF in 1976, and the 'Winter of Discontent' in 1979 were symptoms of a seriously ailing patient, it was Margaret Thatcher who administered the medicine, "driving a stake into the heart of British trade unionism" (Reitan, 1997: 165) and creating "'an army of capitalists,' capable of winning the economic battle in Britain" (Hetzner, 1999: 3). While not all stones were overturned by "the first anti-socialist to come to power in social democratic Europe" (Jenkins, 1987: 340), this period saw a profound transformation of Britain's political-economic institutions, social order and ideological self-understanding. Ex-Thatcherite and former Chair of the Institute of Directors Sir

John Hoskyns reminds us that "the UK had been in a state of virtual economic civil war from 1964 to 1984" (Hoskyns, personal communication, January 5, 2009). If that is the case, there cannot be a shadow of doubt as to who won and who lost.

It is said that during the 1970s, British shopkeepers wanted their children to go into the public service. In the ensuing decades, that world, the institutions, and the ideology that had sustained it were replaced by 'Enterprise Culture.' John Banham, Director of the Confederation of British Enterprise in the 1980s, referred to this new attitude with the following words: "there's a new generation out there. They're hungry, and they like winning" (Riddell, 1991: 80). Britain has come to exemplify a market-driven economy and society in the popular and scholarly imagination. Finance has grown to comprise approximately one-third of UK GDP, and the aggregate market capitalization of publicly traded companies and the equity issued by newly listed companies are almost three and four times the global average.[117] Deregulation of the financial and housing markets, liberalization, large-scale privatizations, cuts in marginal income tax rates in favor of consumption taxes, and reduced rights for organized labor have resulted in a dramatic increase in income inequality.[118] The essential features of the ensuing British model of capitalism are summarized by Peter Hall as: "highly fluid labor markets [and] readily available labor at low cost" (Hall, 2002: 42-43). Indeed, Tony Blair proudly remarked that the UK has "the most lightly regulated labor market of any leading economy in the world." In some sense, the reforms paid off: the sluggish macroeconomic performance of the 1970s gave way to dynamic growth and low levels of unemployment that were the envy of many in continental Europe by the 1990s. To summarize the first point: Britain's socio-

[117] Cheffins (2008)

[118] Between 1980 and 2000, post-tax income inequality in the UK, though still lower in absolute terms than in the USA, increased by a larger margin than in the USA, France, Germany, Denmark, or Sweden (Glyn, 2006: 169). According to Shaw (2007: 43), "Britain witnessed the most rapid growth of inequality of any industrialized country" apart from New Zealand.

economic order has undergone a profound transformation during the past three decades.

"The Thatcher project deliberately set out to emulate the American model, and has been pursued with similar ardour by New Labor," notes economic historian Avner Offer (Offer, 2006: 365). During this same time period, Britain has emerged as a Corporate Responsibility leader. Although the contemporary era of Corporate Responsibility is thought to have originated in the United States,[119] Britain was the first OECD country (in 1981/1982) to found a national Corporate Responsibility Association – Business in the Community. Since then, CR has evolved with such dynamism in the UK that according to David Vogel, Britain has replaced the United States in occupying the "[global] geographical center of gravity" of CR:

> Today more conferences on this subject are held in London than any other city, and the London-based *Financial Times* and *Economist* cover CSR more extensively than the New York-based *Wall Street Journal*, *Fortune*, or *Business Week*. Since the mid-1990s, many of the most important publications on CSR, including influential critiques, have come from British-based organizations and individuals. The Journal of Corporate Citizenship and AccountAbility Forum are published in Britain, and UK-based Greenleaf and Earthscan are the major publishers of books on the subject. While ethical investment funds and advisors are much more likely to be American, largely because of the larger size of U.S. capital markets, ethical consumerism is much more widespread in the United Kingdom (Vogel, 2005: 7-8)

Since 2007, BITC has over eight-hundred member companies that pledge to 'continuously improve their impact on society,' and the organization's budget exceeds 20 million £. This is an entirely different order of magnitude than any other CRA in the OECD. When it comes to multinationals with staff in the UK, the latter's Corporate Responsibility activities are typically more extensive than in the

[119] Bowen (1953). Alastair Pilkington, the first Chairman of Business in the Community, remarked in 1984 that "almost 20 years more experience has put the USA generally well ahead of the UK in terms of corporate social responsibility" (1984: 14).

multinational's country of origin. So when it comes to corporate volunteering, Deutsche Bank's City of London operations win out over the much larger Frankfurt headquarters. Mike Kelly, head of Corporate Responsibility at the management, auditing and financial consultancy KPMG, confirms that when it comes to CR, "the UK is global leader by volume" (Kelly, interview, 2007). The Bank of England has extensive Corporate Responsibility activities. Germany's Bundesbank has none. Britain's post-1970s business elites not only like 'winning,' as in Banham's quote above; they also like to engage themselves for the common good. In sum, the U.K. has 'extreme values' on the dependent variable and explanation that are of interest in this thesis. In this chapter, I argue that the erosion and dismantling of Britain's institutionalized social solidarity and the rise of Corporate Responsibility in the UK are intimately linked.

This chapter focuses on the co-evolution of market liberalism and CR in the UK during the past thirty years. As I have suggested in chapter 1, it seems straightforward that CR gains prominence when public becomes private, for example when public utilities and social services are privatized. In the words of Ronen Shamir, "contemporary tendencies to economize public domains and methods of government also dialectically produce tendencies to moralize markets in general and business enterprises in particular" (Shamir, 2008: 1). But this does not tell us *how* firms come to assume these new roles. This chapter sheds light on these processes, drawing on interviews, a large number of hitherto unexamined primary documents and archival sources, and secondary literature. I focus on the major British CR associations: Business in the Community, Scottish Business in the Community, the London Enterprise Agency and the International Business Leaders Forum.[120] Remarkable as

[120] I am particularly indebted to Business in the Community and Scottish Business in the Community for giving me with access to their voluminous internal archives, a treasure trove of information on Corporate Responsibility in the UK and beyond. In addition, this chapter has benefited from documents

these CRAs are, I wish to stress that they are only part of the landscape of CR organizations in the UK.[121]

As noted above, my argument in this chapter is that the rise of Corporate Responsibility in the UK must be understood in relation to the structural transformation of British capitalism during the past thirty years. The British case exemplifies the co-evolution of CR and decline of the postwar order in liberal democracies. Surprisingly, few if any existing accounts view Corporate Responsibility as an integral part of this transformation. Instead, scholars commonly suggest that CR and "neoliberal economic ideology" were at odds with each other. According to Crowther and Rayan-Bacchus, for example, the "concern with social responsibility faded out at the end of the 1970s with the rise of the New Right politics of Thatcher and Reagan and the consequent legitimation of selfish behaviour and greed in the acquisition of wealth" (Crowther and Rayman-Bacchus, 2004: 245). According to Michael R. MacLeod:

> there was little indication within the business world itself that CSR was something to be seriously considered or operationalized, especially in the business-friendly environment nurtured in the core Reagan-Thatcher years of the 1980s. Promoting a more expansive business accountability to society ran headlong into consolidating a neoliberal economic ideology emphasizing deregulation and more unfettered opportunities for corporations (MacLeod, 2007: 233)

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from the National Archives in Kew (near London, UK), the Modern Records Centre at the University of Warwick, as well as countless interviews and meetings with Corporate Responsibility leaders in the UK. My special thanks goes to David Grayson, who was joint Managing-Director of BITC for several years and is now Professor at Cranfield School of Management, for his repeated guidance and meetings with me. And to Anthony Pelling, for indispensable and irreplaceable documents, for initiating interviews with key players, and excellent insights into BITC's founding phases.

[121] which now includes the London Benchmarking Group, AccountAbility, Centre for Tomorrow's Community, and scores of private sector and boutique consultancies including Corporate Citizenship and Sustainability. David Sadler and Stuart Lloyd "estimate that there are over one hundred consultancies in the UK engaged in some form or another of CSR activity" (Sadler and Lloyd, 2009: 615).

Maria Gjølberg argues that countries' CR performance can be explained with reference to "globalist" and "institutionalist" hypotheses. The UK's high CR performance is attributable to the "globalist hypothesis," in which "CSR emerges as a functional response to anti-globalization and anti-corporate sentiments" (Gjølberg, 2009: 608).[122] Gjølberg may be right that the UK's CR performance is facilitated by the UK's high proportion of highly internationalized or global companies.

But if my argument in this chapter is correct, Crowther, Rayman-Bacchus, Gjølberg and MacLeod have the story the wrong way around. It is not the case that the market liberalism of the 1980s prevented CR from being seriously considered or operationalized. Instead, CR sprouted and grew in precisely this environment. This chapter shows that the rise of CR in the UK is associated with the *opposite* of Gjølberg's "institutionalist hypothesis." Rather than "stronger institutions for the social embedding of the economy … result[ing] in stronger CSR performance" (Gjølberg, 2009: 609), the rise of CR in the UK is linked to the dismantling of these institutions.

Figure 2.1 provides a graphical representation of the number of firms in the membership of UK CRA Business in the Community from 1982 until 2007[123]:

[122] Since anti-globalization sentiments are directed against global companies, "the proportion of 'CSR companies' in a country is predicted to coincide with the proportion of global companies in the country's economy" (Gjølberg, 2009: 609).

[123] This data was compiled by the author on the basis of annual financial reports from Companies House. BITC has two levels of membership: national and regional. Total and Total (continued) are the sum of national and regional membership. This data is unavailable for the decade from the early 1990s until the early 2000s.

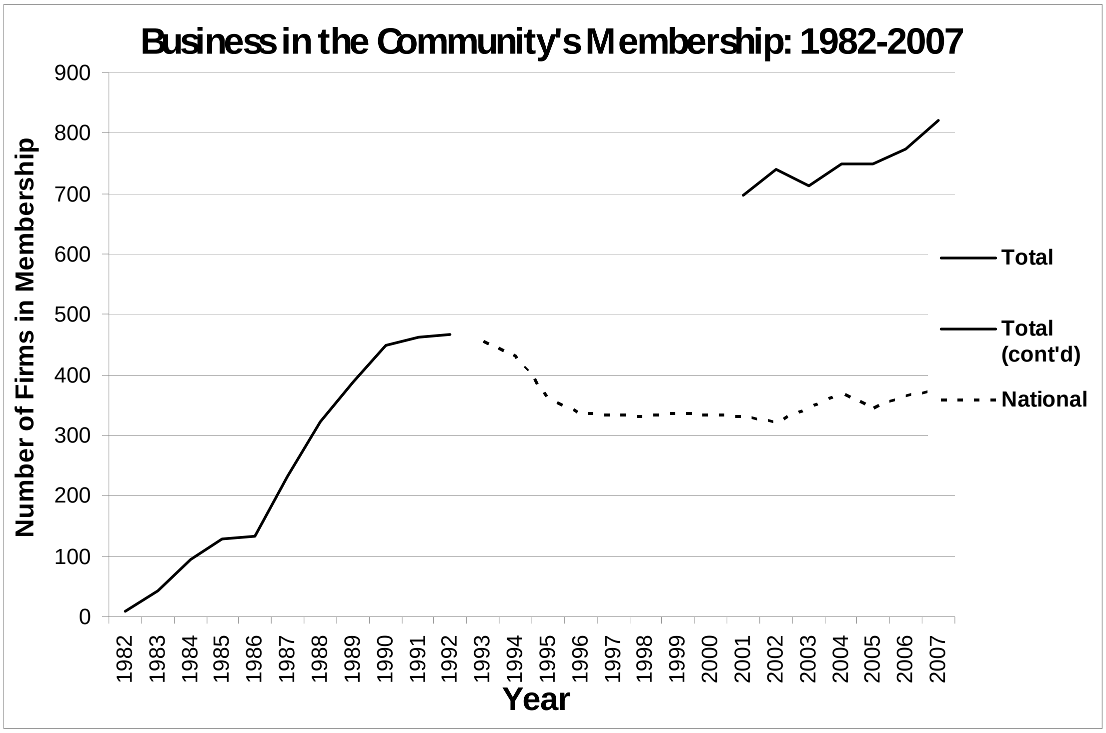

Figure 2.1: BITC's Membership

What was BITC's mandate during this period? The organization's mission as stated in 1983 was "to encourage industry and commerce to become more involved on a local basis in the economic, training, social and environmental needs of the communities in which they operate" (BITC, 1983: 2). In 1984, one of BITC's "two main objectives" was "the promotion of corporate social responsibility" (BITC, 1984: 2).[124] In 1994, the mission was "to make community involvement a natural part of successful business practice and to increase the quality and extent of business activity in the community" (BITC, 1994: 2). These mandates do not differ substantially from BITC's current mission, which is: "to inspire, to engage, and support and challenge companies to continually improve the impact they have on society." Despite the absence of national membership data for the 1990s, the data show that by the end of the 1980s,

[124] The other main goal is "to provide an umbrella role for the Enterprise Agency movement" (BITC, 1983: 2).

more than four-hundred corporations had joined BITC and committed themselves to the aforementioned objectives; by 2007, the total exceeded eight-hundred.[125] The claim that Corporate Responsibility did not take hold in the midst of the privatization, liberalization, and deregulation of the 1980s is untenable.

This chapter illustrates the role played by Corporate Responsibility in general, and CRAs in particular, in furnishing business with legitimacy during the rise of market-liberalism. I will suggest that the story of Corporate Responsibility in the UK has more general implications for scholars of political economy. This chapter addresses the following dimensions of CR in the UK:

> 1. Temporality and novelty. The rise of Corporate Responsibility in the UK dates back to the economic transformations of the 1970s and 1980s, when these ideas were 'imported' from the US – and not to transnational civil society activism since the 1990s.
>
> 2. Varieties of Capitalism and Complementarities. Corporate Responsibility is complementary to the expansion and intensification of market relations and to the erosion of institutionalized solidarity in the UK during the past thirty years. Corporate Responsibility should be understood as part and parcel of the transformation to market liberalism. CR has accompanied this shift, compensating for the market's deficiencies and deficits in the areas of legitimacy, business and social needs. Bringing CR in to the analysis challenges Varieties of Capitalism's conceptualization of comparative institutional advantage as well as its assertion that complementarity should be understood as institutional similarity.
>
> 3. Politics. Despite the association of Corporate Responsibility in the UK with one of Margaret Thatcher's rallying cries – 'Enterprise Culture' – CR cannot be understood as a narrow political project of the New Right. CR arose before Thatcher's rise to power; it has been supported by Labour and Conservative governments alike; and the UK's CRAs have maintained a strictly non-partisan stance. However, with regard to lobbying and institutional reforms, these

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[125] This growth, it is worth emphasizing, was not entirely organic, as BITC swallowed other organizations, including the Special Programs Unit, the Action Resource Centre and Action: Employees in the Community during the 1980s and 1990s. As a consequence, Peter Davies, Managing Director and subsequently deputy CEO of BITC, wonders whether BITC is "part of the problem rather than the solution." Following its mergers, BITC has become a "monster" which must be "fed" (Davis, interview, 2007). Be that as it may, in few other countries are observers concerned that the national CRA has become too large.

organizations have towed the line of industry lobby groups and employers associations such as the Confederation of British Industry and the Institute of Directors. Segments of the British business elite have used CR in their attempts to pre-empt burdensome government regulation – indeed, they have at times been aided in this quest by government itself. They have also sought to use CR take over activities previously undertaken by government, and to promote an Enterprise Culture which in its 'liberationist' incarnations views business as the hegemonic social pivot.

4. The UK has played a pivotal role diffusing CR into Eastern Europe and across the world. CR has spread in tandem with market-liberal forms of economic governance.

This chapter re-constructs the founding and initial phases of CR in the UK. While structural forces powered CR's dramatic rise, this effect was compounded by a number of idiosyncratic and context-specific factors including: the UK's business culture,[126] the UK's unitary and highly centralized state and business community,[127] and the involvement of Prince Charles. I begin by summarizing a few of the relevant changes in the British economy since 1977. I then proceed to discuss the implications for the Varieties of Capitalism theory. This is followed by an examination of Enterprise Agencies, Michael Pocock's 1977 Ashridge Lecture, the 1980 Anglo-American Sunningdale Conference on Corporate Community Involvement. I then proceed to the central focus of this chapter, the UK CRAs Business in the Community and Scottish Business in the Community. Because I see the period since the early 1990s as a continuation of the course embarked on in the 1970s and 1980s, it receives more superficial treatment.

Before proceeding to the appearance of Corporate Responsibility on Britain's historical stage, it is it is essential to place it in its historical context. This chapter begins in 1977 because Michael

[126] Grayson (2007). Tony Pelling, BITC's first Chief Executive, also remarks that "The British are obsequious. There is much more reverence for government here in the UK than in the US" (Pelling, interview, 2010).
[127] Compared, for example, with the decentralized and Federal states such as Germany and the United States.

Pocock's 1977 Ashridge Lecture, which laid out the UK Corporate Responsibility agenda, was delivered that year.[128] Furthermore, "it was not until the late 1970s that interest in corporate social involvement and responsibility became a phenomenon of general interest" (Marinetto, 1999: 1). Just a decade later, an article in The Economist magazine described the newly-found (or regained) confidence and assertiveness in Britain's elite:

> The revival of self-confidence under Britain's rulers, and particularly its businessmen, has been the greatest single achievement of the Thatcher years. That self-confidence is no longer a tender flower in need of careful cosseting. It has grown as the powers of trade unions have declined, as state industries have been privatized or forced to shape up. Now, after Tuesday's budget, no businessman in Britain will be able to claim that he is handicapped by higher taxes than his foreign competitors pay.
>
> For almost 40 welfare-state years Britain's leaders have said that the government will do it. Education, urban redevelopment, theatres and museums, new or better hospitals – all were seen as the job of the state, paid for by those extortionate taxes. The sense of civic pride and civic duty that is so common among American and Japanese businessmen barely existed in the Britain of 1945-1985. *Noblesse oblige* had gone; *richesse oblige* was buried by high taxes.
>
> It is starting to come back, and the unspoken message from Mr Lawson's budget is that it had better get a move on. Yes, the highly paid have a keener incentive to earn more; but they are also keeping more, and should be thinking of using some of that freedom that their extra money gives them to support charities, finance a small business, sponsor or employ bright kids, buy computers for a school. British businessmen have often claimed that the state uses its 45% of GDP inefficiently and ineffectively. Such adverbs were presumably chosen to mean 'relative to how well the private sector would use it.' Now businessmen have a chance to prove that point. If they fail, they will open the way to an unThatcherite government, and should expect little sympathy from it. There is no excuse any more.
>
> "From TINA to TINE," The Economist, March 19 1988

[128] Hardly less important, the White Paper Policy for the Inner Cities also appeared in 1977 under the Secretary of State for the Environment Peter Shore in the Labour government of PM Callaghan. Rather than viewing inner city deprivation as "a residual problem of the welfare state," the White Paper viewed the inner city problem as one that derived from a lack of entrepreneurialism. See Nicholas Deakin and John Edwards (1993: 3).

The decades since the late-1970s have seen a far-reaching metamorphosis of British capitalism with an unleashing of market forces on all fronts. Britain's system of industrial relations has been transformed with a dramatic weakening of trade unions. Welfare benefits have been cut back, resulting in a "break with universal social rights trajectory" (King, 1989: 51). State-owned enterprises have been privatized; income and corporate tax rates have been reduced; markets have been deregulated; and the service sector has grown as industrial employment as shrunk. This section surveys these changes and their relevance to CR, proceeding from industrial relations to privatization and the welfare state.

As E.H. Green notes, "Thatcherism saw its task as being to challenge and ultimately dismantle the institutions, practices, and assumptions which underpinned what had come to be known by the mid-1970s as 'the post-war consensus'" (Green, 2002: 216). Thatcher's deconstruction of Britain's system of industrial relations is among her most well-known legacies. Chris Howell characterizes the post 1979 Conservative challenge of the industrial relations regime as "a critique of the entire postwar political economy of Britain" (Howell, 2005: 135). The decline of organized labor was precipitous: "the eighteen years of Conservative government industrial relations reform saw the most sustained assault on trade unionism among advanced capitalist countries in the postwar period" (Howell, 2005: 133). The numbers are striking:

> In 1979 13.3 million people belonged to trade unions, the highest level ever reached in Britain, for a union density of 55.4 percent; approximately 85 percent of the working population were covered by collective pay-setting mechanisms.... By the end of 2001, after eighteen years of consecutive Conservative rule, and more than four of a 'new' Labour government, union membership had declined 40 percent to 7.6 million, and density had fallen below 30 percent of the workforce (Howell, 2005: 131)

Howell queries whether the high degree of collective bargaining regulation which predominated during the late 1970s “can be described as characteristic of a liberal market economy” (2007: 255). Rather than inherent characteristics of the British political economy, he suggests that “the end of industrial relations” and their replacement by managerial unilaterialism should be understood politically (Howell, 2005: 159). Employment in the manufacturing sector fell from 7.2 million in 1977 to 5.4 million by the end of 1984 (Gibb and Durowse, 1987: 3); manufacturing’s employment share dropped by 44% between 1979 and 1996, to 15.8% of the total workforce from 28.9%; the employment share of the service sector increased by 25%, to two-thirds of total employment. The share of total employment in small firms employing fewer than fifty people rose from 33.6% to 42.3%; the share of employment in firms employing over five-hundred people shrunk from 42.8% to 34.2%; women’s share of total employment increased from 39.9 to 46.3%; part-time employment rose from 18.5% to 24.8%; self-employment increased substantially (Howell, 2005: 138).

How has the weakening of trade unions fostered the expansion of CR? Though trades unions have seen it as their mandate to hold employers accountable for the welfare of their employees, unions are not generally supportive of initiatives in which employers and management have a decisive unilateral voice, as is the case in CR. Unions tend to favor union-, employee-led or legally mandated forms of corporate accountability. Thus, by weakening labor, one potential hindrance to CR has been removed. By 1981, the Trades Union Congress was anxious to be involved in the emerging attempts to coordinate CR in the UK.

When it comes to the privatization of state-owned enterprises, the UK has been hailed as a “trailblazer” and “paragon” (Glyn, 2006: 37). In her memoirs, Margaret Thatcher writes that:

> Privatization … was fundamental to improving Britain's economic performance. But for me it was also far more than that: it was one of the central means of reversing the corrosive and corrupting effects of socialism … Just as nationalization was at the heart of the collectivist programme by which Labour Governments sought to remodel British society, so privatization is at the centre of any programmme of reclaiming territory for freedom (Thatcher, 1993: 676)

Privatization reduced the share of government-owned enterprises from 12% to 2% from 1979 to 2006 (Glyn, 2006: 38). Privatization emerged as Thatcher's "great success" (Prasad, 2006: 102) because of its constitutive effects. By transferring 600,000 employees from the public to the private sector by 1987,[129] privatization shifted voters' identities and interests towards a 'property-owning democracy' – it "changed the actors' understanding of the project on which they were embarked" (Prasad, 2006: 103). The sale of social housing to tenants created a new ownership class. Privatization was one element in the "transformation of the British public into non-unionized, home owning workers increasingly drawn to the Conservative policies of lower taxes, incentives for home ownership, and punishment of the unions" (Prasad, 2006: 160).

As state-owned firms were privatized, the number of companies practicing Corporate Responsibility increased. While publicly owned state utilities are (at least in theory) democratically accountable, private corporations are accountable to the market. The market is an effective mechanism for the satisfaction of consumer demand; but it lacks the democratic accountability of the political process. The institutionalization and public endorsement of Corporate Responsibility can help to compensate for the 'legitimacy deficit' arising from privatization. If the newly privatized firm seeks to lay off workers, as many do, this would be an additional powerful motivator to take up CR, as a means to mitigate the negative side-effects and

[129] Jenkins (1987: 369)

legitimate the firm. Large-scale privatizations swelled the ranks of CRAs and organizations such as Business in the Community (discussed in detail below): newly-privatized companies almost invariably became members. The following table – derived from Peter Riddell (1989: 87, 88) – shows a list of the "main privatization sales" undertaken during the 1980s. The companies that became members of BITC are shaded in grey. Those that did not are white.

Name of Firm	Date of Privatization
British Aerospace	1981 (and 1985 for remaining shares)
Cable and Wireless	1981, 1983 and 1985
Amersham	1982
Britoil [taken over by British Petroleum]	1982 and 1985
Associated British Ports	1983 and 1985
Enterprise Oil	1984
Jaguar	1984
British Telecom	1984
British Gas	1986
British Airways	1987
Rolls Royce	1987
British Airports Authority	1987
British Steel	1988

Figure 2.2: Privatization and Business in the Community Membership

As we can clearly see, the majority of newly privatized firms joined BITC.[130] What about the welfare state?

As elsewhere in the OECD, U.K. government welfare expenditures grew rapidly in the 1960s and 1970s. Government expenditures on social security, personal social services, health, education and housing rose from 16 percent of GNP in 1951 to 24 percent in 1971 and 29 percent in 1975, one-half of total public expenditure (Finlayson, 1994: 352). The UK's economic troubles during the 1970s provided fertile

[130] David Halley, Head of International Partnerships and Business in the Community, notes that the BITC CR Index, an index developed to monitor firms' CR performance, "can be a useful tool to address issues of workplace, marketplace, community and environmental impact in the planning of privatization in order to signpost potential challenges and mistakes" (Halley, 2008: 378).

ground for a critique of the welfare state by the New Right. In their eyes, "not only could the state not deliver all the services expected or required of it, but equally it should not do so" (Finlayson, 1994: 355). In the words of Norman Johnson, the "neo-liberal version of the minimum state implies a dramatic reduction in the welfare role of the state and a transfer of functions and responsibilities to other institutions" (Johnson, 1987: 88).

Following Paul Pierson,[131] it has become customary to stress welfare state resistance in the face of politicians' attempts at retrenchment. However, Starke (2008) points out that Pierson understates the actual extent of retrenchment. Korpi and Palme (2003) show that between 1979 and 1995, "net wage replacement rates of work accident, sickness and unemployment compensation were reduced to a level not reached since the 1930s." Work accident compensation was cut from over 70 percent to 20 percent, and sickness and unemployment benefits were cut from over 60 percent in 1979 to just 20 and 24 percent respectively by 1995 (Starke, 2008: 176). It seems reasonable to posit that reductions in state welfare provision that lead to an increase in social deprivation and disparities increase the pressure on companies for social compensation in the form of CR. In the next section, I discuss the implications of UK Corporate Responsibility for Varieties of Capitalism.

II. Implications of CR in the UK for Varieties of Capitalism

I begin this section by describing Varieties of Capitalism's account of coordination and institutional complementarities. I then show how bringing Corporate Responsibility into the analysis challenges Varieties of Capitalism's account of British political economy since the late 1970s.

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[131] Pierson (1994, 1996)

Hall and Soskice (2001) distinguish between Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs). Along with the United States, Britain is characterized as an archetypical LME. The core of VofC's notion of comparative institutional advantage is that 'pure' uncoordinated Liberal Market Economies and 'pure' Coordinated Market Economies will outperform in-between types (Hall and Soskice, 2001; Hall and Gingerich, 2004). But what is coordination? For Soskice, "Coordination among business, outside of competitive market interactions, can take many forms within an economy. One way of measuring strategic coordination is to look at noncompetitive links between companies" that address a variety of collective action problems (Soskice, 1999: 104). For Hall and Soskice,

> non-market modes of coordination generally entail more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and more reliance on collaborative, as opposed to competitive, relationships to build the competencies of the firm (Hall and Soskice, 2001: 8)

For Hall and Soskice, LMEs are characterized by relatively pure market coordination. Thus, to quote Stewart Wood, "in an LME, where relations between firms are mediated by markets, the state will be more effective if it restores and 'sharpens' market mechanisms" (2001: 274). King and Wood share this view: the UK and the US were predisposed towards neo-liberalism by "the inability of business to solve basic problems of collective action" and by the absence of coordination (King and Wood, 1999: 375).

For Hall and Soskice, the differences between CMEs and LMEs are reinforced by the presence of "institutional complementarities." A complementarity exists when "the presence (or efficiency) of one [institution] increases the returns (or efficiency of) the other" (Hall and Soskice, 2001: 17). As Howell (2007: 259) recognizes, VoC views institutions as tightly linked and interdependent such that a change in one area will trigger change across the economy as a whole, if the structures of inertia are able to win out over the dynamics of institutional self re-enforcement.

Howell takes the Varieties of Capitalism account of British political economy to task for providing “a *post hoc* justification of the neo-liberal experiment after 1979” (Howell, 2007: 250). “Far from approximating a liberal market economy prior to 1979, the British labor market “was subject to a high degree of collective regulation” (Howell, 2007: 258). Only concerted state action and high levels of political conflict transformed Britain into an LME. Howell’s challenge of Varieties of Capitalism’s portrayal of historical continuity and its neglect of political conflict is forceful and on the mark.

Bringing Corporate Responsibility in to the analysis challenges Varieties of Capitalism in another respect, in the area of institutional complementarities. Although Hall and Soskice concede that “even in liberal market economies, firms enter into some relationships that are not fully mediated by market forces” (2001: 8-9), their theoretical framework seems ill-equipped to deal with the simultaneous sharpening of market mechanisms and *increase* of coordination in LMEs because it sees complementarities as a matter of institutional similarity (Crouch, 2005; Campbell and Petersen, 2007: 326). In contrast to Varieties of Capitalism’s account of complementarities as institutional similarity, Corporate Responsibility in the U.K. is complementary to the post-1980s institutional framework precisely because it is *different* from it: CR compensates for the latter’s functional and legitimation deficits. This is similar to the sense of complementarity noted by Colin Crouch: “components of a whole mutually compensate for each other’s deficiencies in constituting the whole” (Crouch, 2005: 50).

As Thatcher restructured the British welfare state and successively dismantled the high degree of collective bargaining regulation, new forms of collective action and employer coordination came into being to deal with the problems of unemployment, inner city unrest, business development and skills shortages. Business in the Community provides an excellent example. In this organization, firms that are competitors in the marketplace come together to collaboratively address problems that affect their businesses and the community at large. At the time of its founding, Business in the Community's mandate was to "engage industry and commerce to become more involved on a voluntary basis with the economic, training, social and environmental needs of the communities in which they operate" (BIC, 1983). In 1984, these activities included "small business clubs; links with enterprise and training; links with venture capital funds; establishing property registers; managed workshops etc" (BIC, 1984: 2). In 1987, 240 or 79% of all Enterprise Agencies across the UK provided training services to small businesses and to aspiring businesspeople (Colman, 1989: 304). The economic geographers Jamie Gough and Aram Eisenchitz draw attention to this compensatory function:

> since the mid-1970s, while neoliberalism has triumphed in national government, Local Economic Initiatives have expanded rapidly, using an approach neoliberals deride as 'tired and discredited' interventionism and consensus .... The great majority of local initiatives are politically Centrist, using mild forms of intervention pragmatically directed at perceived market malfunctions. They address demands both from business (for example, training to overcome skill shortages) and from labor and disadvantaged groups (training for equal opportunities) (Gough and Eisenchitz,1996: 179, 178)

Especially interesting for our purposes is Gough and Eisenschitz's suggestion that Centrist Local Economic Initiatives, which include CR programs such as Business in the Community, "create new nonmarket forms of coordination" in liberal market economies (Gough and Eisenschitz, 1996: 180). Jeremy Moon describes CR in the UK as entailing business "not only operating in its market mode but also in a network mode with government and non government organizations in which the interdependencies of actors depend neither on authority nor on market relations" (Moon, 2004: 1).

But if CR and liberalization are connected, what are the elective affinities between the rise of CR and the liberalization of the British economy? While successive British governments, including Margaret Thatcher's, have played a role in fostering CR since the late 1970s, CR in the UK cannot be properly understood as a political project of narrow ideological provenance. Instead, CR represents a response to business and societal needs during the structural transition away from the postwar compromise and welfare-embedded liberalism. CR serves to mitigate the negative material side effects of industrial restructuring, and endow the new market-driven order with legitimacy. This process of co-evolution (Boyer 2005)[132] is described in the remainder of this chapter.

III. Defining the Agenda: C.C. Pocock's 1977 Ashridge Lecture

When people recount the recent history of Corporate Responsibility in the UK, Micheal Pocock's 1977 Ashridge Lecture is sometimes mentioned as the starting point (i.e. Grayson 2007). Pocock's talk proposed a UK CR agenda for the 1980s and well into the 1990s. Pocock had spent thirty years in the Royal Dutch/Shell Group and in 1977 he was the Managing Director and also the Chair of the London Business School. Given the seminal nature of his talk, it is surprising that the secondary literature contains no references to its actual content. This is an unfortunate omission, as Pocock's lecture provides invaluable insights into meaning of CR: in to the conditions that necessitate it; and into the institutional reforms that need to accompany

[132] As Robert Boyer remarks, "all institutional forms result from social compromises ….. At the level of the economy, there is no automatic mechanism that would ensure their compatibility. Instead, institutional forms continuously adjust and thus co-evolve. Co-evolution is the process of trial and error through which a series of institutional forms that are initially disconnected and formally independent (since they result from institutionalized compromises among diverse agents in different fields) adjust to one another until a viable institutional configuration emerges" (Boyer, 2005: 367).

it. Pocock prescribes some of the key 'reforms' of the British economy since the late 1970s, which other countries have undergone at varying times and to varying degrees since then. The foil I am arguing against is the widespread claim that CR involves "re-embedding" the corporation in society.[133]

The title of Pocock's talk is "More Jobs: a small cure for a big problem." Pocock's central message is that "even with renewed economic growth, enough new jobs are unlikely to come from the traditional sources, but there is a hope – to put it more strongly – that the encouragement of small business could help significantly" (Pocock, 1977: 3).[134] By contrast, a continuation of the status quo will have dire consequences: "unless this intractable problem of structural unemployment is corrected, we are likely to witness the permanent alienation of whole blocs of people – defined by lack of skill, by location or by age group – who will lose the dignity, and the discipline, of working to pay their own way" (Pocock, 1977: 3). Pocock identifies a slew of causes for this unsatisfactory state of affairs. One of the most important relates to competitiveness and rationalization pressures: "Most industrialists you talk to here will admit that their aim is to do better, to make more and newer things, but to do it with fewer people – maybe partly different people, certainly better educated and trained, better paid too, but above all *fewer* people" (Pocock, 1977: 4). The reason he gives is not, as one would think, the direct financial cost "which still compares favourably with other countries, but what might be called the behavioral cost" (Pocock, 1977: 4). In Pocock's view, "large concentrations of manpower" are afflicted by problems such as "immobility and inflexibility, over-manning, contrived overtime and low productivity." These are exacerbated by "a whole raft of well-meaning social

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[133] Ruggie (2003, 2005, 2008)

[134] According to Brian Wright, Pocock's interest in how small firms work was actually prompted by his daughter purchasing a garage (Wright, interview, 2007).

legislation, in which the theme of job protection is uppermost, while the ideal of job opportunity is virtually ignored" (Pocock, 1977: 5).

Pocock diagnoses an unfavorable – too low – birth rate of small businesses in the U.K. at the time of writing. "[T]he burden of taxation, availability of finance, and the coils of red tape" are to blame (1977: 7). Unions are taken to task for their contribution to this predicament:

> In fact, over-manning indicates industrial suicide, and it would be great to hear a trade union leader—a real *leader*, I mean—saying so. Is it fair to put this onus on trade unionists alone? I think so, because the root cause of over-manning, even in otherwise efficient plants, lies in a highly conservative union structure, with the jealousies, internecine competition and sheer resistance to change that this implies. We will never have a really efficient and well-paid manufacturing population until this self-inflicted damage is corrected, and there is little that management can do about that particular problem
>
> If we want labour mobility, jobs in depressed areas, the rebirth of urban centres, then we must encourage the small business and accept the imperfections and inequalities which may come with it. It may be unfair, but it is less unfair than nothing. Of course I am not arguing for no checks, but for fewer, for exemptions according to size, and for a willingness to sacrifice some sacred cows (Pocock, 1977: 5; 8)

What "sacred cows" should be sacrificed on grounds of expediency? Pocock states that "fair wages clauses and Schedule 11 of the Employment Protection Act are the enemy of entrepreneurial growth and competitive efficiency" (Pocock, 1977: 9).[135] It is not difficult to characterize the general thrust of Pocock's lecture: a decisive break with the post-war political-economic order is necessary. In subsequent publications before his unexpected death in 1979, Pocock stresses the need to move away from risk adversity and the 'entitlement state' towards a more dynamic form of capitalism:

[135] The 1975 Employment Protection Act had provided new individual and collective rights for workers. Schedule 11 "permitted the extension of collective bargaining into new areas, such as private services" (Howell, 2005: 116).

> If the first political challenge confronting us in the years just ahead is the problem of economic imbalances, the second is the trend toward risk aversion. The demand of what US Ambassador [To the United Kingdom] Kingman Brewster calls the ‘entitlement’ state are twofold: first, for ‘public goods’ (education, housing, sports fields); and, second, for protection – protection against unemployment, against old age, sickness, noise, smells, even against unwanted competition. And governments everywhere have encouraged the notion that they have it in their power to offer voters not only a shower of public goods but a risk-free society as well (Pocock, 1979a: 24-25)

> Failure to adjust means extinction, so we must have the guts to say a blunt ‘no’ to political pressures and we must break – or rather, untie – union strangleholds (Pocock, 1979b: 195)

Pocock did not believe that unleashing market forces *alone* would suffice to address the crisis at hand. As he emphasized, business had to play its part: “industry cannot just opt out of society’s problems, particularly those that press on the local community where it operates” (1977: 5). The Corporate Responsibility initiatives Pocock lists – training programs, businesses cooperating with local schools and making unused facilities available to budding entrepreneurs – became a central focus of the London Enterprise Agency, Business in the Community and Scottish Business in the Community in the years and decades to come.

Before moving on, I wish to underline the boldness with which Pocock urges a break with the past, both in instituting Corporate Responsibility and in breaking with (or simply breaking) the postwar system of industrial relations. For the purpose of comparison, just one year earlier in 1976, Lord Robens of Woldingham had remarked in the inaugural Ashridge Lecture:

> Management needs to be much more tolerant and helpful to Trade Unions and to the Trade Unions Organizations ... What we need is not a political coalition. We really need for five years a Council of State, composed of all parties and of none, and of the Trade Union and business world. Such a government could identify very clearly what was required to put the country back on its feet. They would require to forego their political theories and concentrate on a single aim (Woldingham, 1976: 14, 15)

Jonathan Boswell and James Peters term Robens' view "revisionism." Revisionism refers to a cooperative relationship and to the positive-sum balancing of the interests of labor, capital, and the state with an unmistakable resemblance to corporatism. Revisionism remained a powerful and popular view among businessmen in the mid 1970s. Pocock's view seems much closer to "liberationism," which sees business in a hegemonic role as the "social pivot" (Boswell and Peters, 1997: 16), with labor and the state clearly subordinate. Liberationism was still contentious in the British business community in 1977. Howell concurs that at the time of Pocock's lecture, British business had yet to make a decisive break with Donovan:

> The speed at which employer attitudes towards trade unions and collective regulation turned to hostility is remarkable. Until at least the 1970s, the bulk of employers seemed committed to making Donovan work—working with trade unions to the problems posed by economic restructuring. The same could not be said by the end of the 1980s (Howell, 2005: 140; my emphasis)

Admittedly, Prime Minister Callaghan's abandonment of Keynesianism and full employment and his quip at the Labour party conference that "The option [of spending yourself out of a recession] no longer exists" lay between these two talks (Kavanagh, 1992: 185); but Pocock's Ashridge Lecture was given *before* the 'Winter of Discontent' of 1979, which "emerges as the moment in which Thatcherism achieved state power" (Hay, 1996: 274), galvanizing support for the liberationist camp. It is ironic that in Pocock's conception, the rise of CR – a business ideology that advocates for enlightened self-interest and corporate community involvement – is premised on breaking with the post-war settlement and weakening some of the central pillars of institutionalized social solidarity. The following section discusses how Corporate Responsibility endows the new market-liberal regime with pragmatic legitimacy.

IV. Enterprise Agencies: Vehicles for the Promotion of CR and Pragmatic Legitimacy in the 1970s and 1980s

In this section, I discuss the Local Enterprise Agency (LEA) movement, which originated in the 1970s and grew rapidly during the 1980s. LEAs endow business with legitimacy by providing material and symbolic compensation to those who become unemployed as a result of plant closings, rationalization, and tight macroeconomic policy. The Enterprise Agency movement differs from individual companies' attempts to acquire pragmatic legitimacy through Corporate Responsibility initiatives. Adam Rendall, formerly with Shell and (with Anthony Pelling) one of the two founding staff of Business in the Community, provides a good example. Rendall recalls how "a lot of the things we [Shell] needed to do (drilling etc.) didn't make us popular. What happened is we throw money at good causes." Thus, CR "allowed [drilling] projects to go ahead with less aggravation than they otherwise would have faced" (Rendall, interview, 2007). LEAs developed to address problems that confront collectivities of firms, segments of British business pertaining in areas of high unemployment or where major firms were laying off workers.

The British LEA movement began around 1974/75 (Community Initiatives Research Trust, 1985: 2), as a response to the rationalization, industrial restructuring and rising unemployment confronting the UK at this time. The situation was especially grim in Britain's inner cities, and in areas dependent on manufacturing and on the dying industries of coal, steel, and shipbuilding. LEAs trace their origins not to Thatcher's Conservatives but the Callaghan Labour government, and to these challenges. "By the late 1970s," note Barnekov, Boyle and Rich, "urban policy was already oriented towards a more expansive role for the private sector and, in important respects, was compatible with the Conservative Government's ideological commitment to privatization" (Barnekov, Boyle and Rich: 1989: 143). Until the beginning of the 1990s, the practice of Corporate Responsibility in the UK was tightly bound to LEAs.

Supported by private and public-sector monies, LEAs supported entrepreneurship in economically depressed areas, thus furthering business's pragmatic legitimacy. For LEAs, Corporate Responsibility was the promotion of entrepreneurship. Supporting budding entrepreneurs seems sensible given that labor market participation is the primary ticket to social citizenship in liberal democracies. But for those who associate CR with businesses transcending business interests or even with anti-capitalist agendas, this may be surprising. Job creation agencies represented "a means of weakening potential worker opposition to closures," according to Colin Mason (Mason, 1987). In the case of the British Steel Corporation's job creation and re-training agency,

> As a symbol of British Steel's good intentions towards its threatened workforce and by raising hopes of alternative employment opportunities, it [the job creation agency] can be interpreted as a means by which BSC hoped to implement its redundancy programs without serious labour resistance (Mason, 1987: 305)

Mason emphasizes the positive symbolism of job creation initiatives:

> in the short term the symbolic value of corporate job creation initiatives and rapid growth achieved by some new companies which such initiatives have assisted – no matter how rare and atypical such 'success stories' are – can be of great importance in increasing hope, morale and confidence, all commodities that are scarce in communities suffering from the erosion of their employment base (Mason, 1987: 305)

While stressing that evidence

> on the tangible impact of such initiatives in terms of employment creation indicates that they provide a very partial solution to the problems resulting from large scale redundancy and are unable to do more than achieve a very limited reversal of economic decline in areas affected by corporate disinvestments (Mason, 1987: 308)

The symbolic politics touched on in these quotations deserves emphasis, as it receives little acknowledgement in the contemporary CR literature. Jeremy Richardson writes: by engaging in local economic initiatives, “Business can at least avoid the criticism that it is ‘uncaring’ and they certainly contribute to a feeling that at least ‘something is being done’ especially at a local level” (Richardson, 1983: 19). “By publicizing our activities, we can bring home to the community as a whole the fact that companies *do* care, and that the private enterprise system is not (as it is sometimes caricatured) a cold, selfish and self-centred system” remarks Sir Mark Weinberg (Weinberg, 1990: 8). Support for institutions such as Local Enterprise Agencies can show evidence of the “human face” of the corporation in communities afflicted by plant closures, according to Allan Gibb and Henry Durowse (Gibb and Durowese, 1987: 5). James Cooke, who directed the Special Programmes Unit of the Confederation of British Industry (discussed below), recalls: “at the public level of politics there was a considerable animus against Mrs Thatcher from the socialists and from the trade unions.” However, this animus did not provide much weight to opposition to Corporate Community involvement and CR, since “when you get down to the local community, everybody cared about their community” (Cooke, interview, 2007).[136]

The symbolic dimension should not lead us to neglect the practical impact of Enterprise Agencies in the context of high unemployment. Pocock’s proposals to facilitate entrepreneurship would allow large firms to rationalize and invest in more capital-intensive plant – laying off many of their workers in the process. The need to rationalize was intensified by the economic downturn that followed Thatcher’s monetarist turn in 1980/1981 and by the subsequent privatizations of state-owned

[136] Indeed, preoccupations with the public reputation of business were widespread in the business press at the time. In one Financial Times interview, for example, one interviewee stated that he thought “if we want to retain a mixed economy then it is essential that the private sector is seen to be doing something on its own during a recession … It would be disastrous … if the myth that business didn’t care which grew up in the 1930s was allowed to be revived” (Dickson, 1983: 11).

enterprises and international competitiveness pressures. There thus emerged a mutually beneficial relationship between rationalization, Corporate Responsibility, and the new enterprise agencies.

As Brian Wright, founder and longtime Director of the London Enterprise Agency (set up in 1979), put it: "there could be wholesale change in large companies because small companies could help people start again …. Shell saw it as a job creation scheme that would enable the private sector to invest in more capital-intensive plant (much the same thinking as Pilkingtons in St Helens, who had invented a new way of making glass that needed far fewer workers" (Wright, personal communication, June 19, 2008). None of this implies that the number of jobs created by Local Enterprise Agencies were adequate to compensate for the dramatic re-structuring of the UK economy. As Stephen O'Brien, Business in the Community's Chief Executive from 1983, put it in 1985: "Real jobs are being created cheaply, but so far in insufficient numbers to dent the devastation caused by the economic revolution through which we have been living" (O'Brien, 1985: 3). According to Business in the Community documentation, enterprise agencies helped to create 56,000 jobs in 1984, or 16.5 percent of all new jobs created (BITC, 1985: 4).[137]

My account would be incomplete without at least a brief mention of St. Helen's Trust, which was the first contemporary example of CR in the UK, opening four months before the establishment of the London Enterprise Agency (Fazey, 1987: 79).[138] The circumstances that led to the creation of the Community of St. Helen's Trust are well-known: new glassmaking technology led to substantial productivity gains and redundancies.

[137] David Goss views small business policy as politically motivated, pointing to the lack of evidence that "small business policy has produced real 'additionality' (events that would not have taken place without the policy intervention), except in the negative sense of removing legislative protection from workers" (Goss, 1991: 148).
[138] In fact, Bristol was first, but it was not as effective, as Anthony A Pelling has pointed out to me.

The Pilkington glass factory in St Helens offers a particularly striking example of how rationalization created a need for CR. The float glass processes were "reckoned to be over 10 times more productive" than the preceding production techniques, "a boon to glass manufacturers, but not to their employment" (Salmans, 1980: 67). The reduction of employment in St Helen's was accompanied by increasing investment and employment overseas (Salmans, 1980: 69). Peter Horan, a Merseyside official of the General & Municipal Workers Union, lamented: "now that the company has the new technology, it no longer needs the people of St Helens." According to the same trade unionist, the jobs created to replace those eliminated by large industrial employers such as Pilkingtons "are not the same types of jobs, with the same wage level" as those being eliminated (Salmans, 1980: 70; 72).

Foregoing the new technology and retaining extant employment levels would endanger the long-term survival of the company. Given the competitive pressures and macroeconomic conditions at the time, this was simply not an option. The Trust's expressed aim was to support the creation of entrepreneurship and new small businesses to take the place of the jobs that were being lost. The motivations for this policy are unclear. The fact that the Pilkington Brothers Glass company was the largest employer in St. Helen's limited collective action problems and the company's ability to externalize costs onto others, and these structural conditions may well have facilitated the Trust's success. But the company's managers, Bill Humphrey and Alasdair Pilkington, gave other-regarding rather than instrumentally rational or calculative justifications for their actions, so this question is hard to answer. In any case, the St. Helen's Trust became so formative that "it was held up as an example of the 'acceptable face of capitalism' with Government ministers urging other large corporations to follow the Pilkington lead," according to Ian Hamilton Fazey (Fazey, 1987: 74).

In its initial phases, Corporate Responsibility in the United Kingdom was closely connected with the agenda of urban regeneration spearheaded by the Pilkingtons and the London Enterprise Agency. As David Sieff of Marks and Spencer, one of the UK's largest food retailers, put it, "The inner cities, in which we have stores and many staff, present a bewildering range of challenges with problems of decay, unemployment and social unrest" (Sieff, 1980: 32). These dire circumstances propelled high-status businesspeople and state officials into action. They also opened state coffers. Substantial pubic monies flowed to promote the cause of CR. Indeed, there was widespread agreement across party lines regarding palliatives for the structural ailments of the British economy at the time. According to Robin Boyle, the involvement of business in urban regeneration through public-private partnerships, which has a close relation to the first phase of the development of CR in Britain, already began under Callaghan's Labour government in 1976:

> the enthusiasm for privatism emerged before the election of the Thatcher government in 1979 …. The desire to integrate the private sector into the development and implementation of policy aimed at urban renewal was not the invention of the 1979 Thatcher government, but can be traced to the review of inner city policy announced by Callaghan in September 1976 …. [O]n coming to office in May 1979, the Conservative government inherited urban programmes, compatible with their ideological and electoral commitment to helping industry and improving the urban environment (Boyle, 1983: 12, 13; 14)

The importance of CR for legitimating business in the difficult economic environment of the 1970s and 1980s cannot be underestimated. Brian Wright, Director of the London Enterprise Agency, had the impression that "companies believed that they should come up with solutions to society problems both because they were in danger of being taxed to allow the government to do so and because they (the companies) were able to do it better" (Wright, personal communication, June 30, 2008). Laying off employees without regard to the impact on employees and local communities could lead to pressures for government regulation. Wright recalls that “Shell together with BP and the banks also saw it [their involvement in Corporate Responsibility and in CR associations such as the London Enterprise Agency] as a way of trying to avoid a windfall tax on their profits” (Wright, personal communication, June 19, 2008). The fact that this thinking was taking place under Callaghan’s Labour government could support the view that CR was an attempt to secure business interests against state encroachment. The fact that Corporate Responsibility has grown and flourished under Conservative and New Labour governments since Thatcher – governments that were ideologically committed to eliminating burdensome regulation on business – underlines the limitations of these ‘business versus politics’ interpretations. In the following section, I discuss the Sunningdale Conference on Corporate Community Involvement. Sunningdale laid the groundwork for Corporate Responsibility in the UK during the past three decades.

V. The Sunningdale Anglo-American Conference on Corporate Community Involvement

Even prior to the Sunningdale Anglo-American Conference on Corporate Community Involvement, CR in the UK was an Anglo-American affair. On May 10, 1979, American Ambassador to the UK Kingman Brewster wrote a letter to Anthony Pelling, Assistant Secretary in the Department of the Environment, concerning the London Enterprise Agency which had been established that year. Brewster writes:

> it occurred to me that all of us might benefit from an opportunity to hear about it [LENTA] from those directly involved and to see whether there might be some ways in which some of us might wish to lend our support to a program with significant potential for constructive community relations in this capital [London]. At the suggestion of some of your colleagues and the Department of the Environment, I am hosting a small get-together for this purpose over coffee at my residence … The Department of Environment has informed me that the New Secretary of State, Michael Heseltine, is very interested in this project and hopes to be present for our meeting. I very much hope that you will also be

> free at that time and will be able to join me and a small group of representatives from American companies here in London to discuss this interesting initiative (Brewster, letter to Anthony Pelling, May 10 1979)

Anthony A Pelling worked for the Inner City Directorate of the Department of the Environment and was in charge of the preparations which led to the founding of Business in the Community in 1981. Subsequently, Pelling was Founding Director of BIC. He remarks that plans for a CR conference at Sunningdale and for a CRA were already well underway under Callaghan's Labour government. He had visited several cities in the US in 1978 and was impressed by the public private partnerships in Pittsburgh, Philadelphia, and Baltimore. The London Enterprise Agency was founded in April 1979, during the general election in which Margaret Thatcher became Prime Minister. Labour Ministers Peter Shore and Harold Lever were both at LENTA's opening press conference, convened at Shell, as was a Tory spokesman for the Greater London Council. Thus, LENTA was technically a cross party initiative (Pelling, personal communication, May 16 2008). Shore, who was one of Callaghan's Ministers, played a particularly important role in arranging the exchange of experiences between US and UK firms from the late 1970s onward. Indeed, the importance of American ideas in the initial stages of UK CR is hard to overestimate.[139]

If social movements are driving forces of CR, as many scholars maintain,[140] one wonders whether the urban unrest of this period caused Sunningdale or led to the founding of BITC. It did not, as Tony Pelling, the first Chief Executive of the organization notes: "BIC/BITC was up and running before the major inner city riots in

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[139] Anthony A Pelling, BIC's first Chief Executive, tells that Leslie Slote, former press secretary to Mayor Robert F. Wagner and Gov. Nelson A. Rockefeller, got him into the US embassy, arranged tours of US cities to learn from American experiences and "forewarned Ministers that we would have inner city riots which we poo-pooed," as Pelling recalls (Pelling, personal communication, August 30, 2010). Other examples include a "vice-president from Citibank, New York, [who] had been loaned to Brixton to work on housing problems" in 1981/1982 (BIC Chairman's Annual Report 1982-1983)

[140] See Soule (2009) for references to this literature.

the early 80s and was not a reaction to [these] events as is often asserted" (Pelling, letter to Stephen Howard, August 3rd 2010). Furthermore, the Sunningdale conference was already underway when riots shook Bristol and St Pauls riots. In March 1981, a month before the riots in Toxteth and Brixton, the decision was made by ten firms to set up Business in the Community.[141] BITC was not established in response to civil society activism or social unrest.

The Sunningdale conference was convened by Tom King (now: Lord King) and Anthony Pelling, both from the Ministry of the Environment, on 9-10 April 1980.[142] This conference had already been in the planning stages under the preceding Labour government. According to Pelling, the "main internal catalyst" was "a short letter from PM Callaghan to Peter Shore the Department of the Environment Secretary of State calling for measures to support the growth of small firms in inner cities" (Pelling, personal communication, 2007; see also Marinetto, 1998: 59). Indeed, it is worth stressing that the dawn of the contemporary era of Corporate Responsibility in Britain was orchestrated by government (Moon, 2005). However, it was not a partisan political project: it was supported and facilitated by Labor and Conservative parties alike (Grayson, 2007). Remarkably given its importance, no existing secondary literature contains any references to the papers or proceedings of this conference.[143]

Held at the Civil Service Staff College in Sunningdale Park, south of London, the Anglo-American conference on Corporate Community Involvement was attended by British members of government, industry and commerce together with people experienced in similar problems in America (Heseltine (1990 [1987]: 165). Of the twenty-seven conference delegates, seventeen corporate and government officials

.[141] I am grateful to Anthony A Pelling for providing me with this information.
[142] Interestingly, the US Ambassador to the UK, who C.C. Pocock refers to in the aforementioned section, was the co-sponsor of this conference.
[143] I am grateful to Anthony Pelling for entrusting to me his personal (and only) copy of the conference proceedings.

were based in the U.K. and ten were from the U.S. The conference's Anglo-American composition is no coincidence. As Michael Marinetto notes, during its early phases, CR in the UK "drew much of its inspiration from the policies of American corporations" (Marinetto, 1999: 8). Michael Heseltine, who was Secretary of State for the Environment, claimed that "the idea [for Business in the Community] originated in the United States" (Heseltine, 1983: 21). It does not seem like an exaggeration to say that the model of CR implemented in the UK was 'imported' from the US, which Max Weber eighty years earlier had termed "the land of associations par excellance" (Swedberg, 2005: 295).

The social legitimacy of business was prominent, perhaps the most prominent theme of the conference. In his paper "Dinosaurs did not survive," James F Langton, Senior Vice President of the Bank of America, described the public's questioning of the legitimacy of business as "pervasive":

> This questioning has eroded the sense of corporate legitimacy. Legitimacy – the public perception that an institution is serving societal need – is the charter to operate in a democratic society. Without such validation by society, corporations will be strangled by legislation and regulation, or, in the extreme, will be nationalized. Over the past decade, the industrialized countries have seen far too much of both kinds of infringements …. The unfortunate fact, borne out by poll after poll, is that the public holds the business community in low esteem. Acceptance of business conduct and function in public opinion polls is roughly analogous to the electoral approval public officials receive in the political process. Without such social validation, corporate activity is de-legitimized, and in a political democracy, real questions arise concerning survival of the corporate form (Langton, 1980: 39, 42)

Langton concludes his paper: "Business is beginning to recognize the problem of legitimacy, but still gropes for its solution" (Langton, 1980: 42). In view of the impending election of Ronald Reagan as President,

> For the first time in memory, American corporations have the opportunity to ride a ground swell of public sentiment against waste and inefficiency in government. If corporations do this wisely … a major reaffirmation of business legitimacy could take place over the next decade" (Langton, 1980: 46)

Noting high unemployment levels, the delegate from the London Enterprise Agency reported "There is a real and justifiable fear that where whole communities have lost any real prospect of employment – particularly in inner city areas – there will be widespread alienation adding to what is already an increasingly hostile climate for business" (LEA, 1980: 15). Not only pressures of pragmatic legitimation vis-à-vis the public, the new government's objective of reducing state activities prompted an increased interest in CR, noted Sara Morrison, a director of the General Electric Company Ltd. in the UK. Interestingly, not an actual reduction of state activities in society but rather the anticipation of such a reduction engendered this increased interest:

> Although relatively few companies in Britain pursue corporate responsibility policies those consultants who are active in the field detect a growing interest. Much of this has been seen in the last year and in part reflects a response to the new Government's intention to reduce the State's activities in society (Morrison, 1980: 16)

On the other hand, a tight macroeconomic environment does not help:

> It might be argued that the reduction of the State's activities in society and Government measures to combat inflation, including public expenditure cuts, result in an increased need for involvement in community affairs by large firms. But there is, of course, a dilemma, since difficult financial circumstances tend to concentrate the mind of the corporate executive on short-term profitability (Morrison, 1980: 16)

Apart from addressing the external pressures at hand, conference participants pointed to deficiencies in the institutional and regulatory status quo. Why was the U.K. behind the United States in Corporate Responsibility? Sara Morrison asked, referring to the prevailing level of corporate engagement, "Valuable though such aid and assistance is to voluntary organizations, it adds up to very little overall and hardly represents any selective, systematic or even very conscious involvement by employers and their firms in the welfare of the community. What prevents more being done?" (Morrison, 1980: 84). For Morrison, the expensive welfare state is to blame for the non-commitment of business and citizens to community affairs:

> Whatever the merits of Britain's welfare state and its services, and its taxes, it tends to encourage the firm impression among many that the well-being of fellow citizens is essentially someone else's business. Hence it is not surprising that industry and commerce do not readily accept that they might have a commitment to the welfare not only of their employees but also to the community in which they exist (Morrison, 1980: 85)

Other papers recount the experiences and best practices of American corporations for their British counterparts. Among the delegates who attended the Sunningdale conference was Sir Alastair Pilkington, who became the first Chairman of Business in the Community after the Shell rep backed out.[144] The Pilkington Brothers Glass Ltd company in the town of St. Helen's was important in another respect, for it is here that the notion and practice of the enterprise agency, the primary vehicle of Corporate Responsibility well into the 1990s, took shape.

The remainder of this chapter examines various facets of the evolution of Business in the Community (BITC), one of the leading business-led CR associations (CRAs) in the world. The next section provides some insight into the moral motivations underlying businesspeople's engagement for the cause of CR.

VI. Promoting Moral Legitimacy: Business and the Community and Scottish Business in the Community

Business in the Community was set up on June 1, 1981 and fully registered as a company limited by guarantee on 2 March 1982. Given the organization's current status as one of the foremost CRAs, its humble beginnings are remarkable. BITC was

[144] I am grateful to Anthony A Pelling for this information.

set up with three desks and three chairs, and was originally slated to self-destruct after five years if it proved unsuccessful in achieving its goals. The problem was, it was too successful. They wanted to carry on – and they did. Initially, BITC had no paid staff. It was composed entirely of secondees – staff on the payroll of the government or the private sector who were 'lent out' pro bono to the organization. According to Tony Pelling, BIC's first Director, these people hanged together; there was a kind of community (Pelling, interview, 2010). As the BITC's first annual report points out, the organization seeks to persuade Chief Executives

> of the contribution that business sector support could make to the alleviation of problems that might well threaten the existence of the mixed market economy, and the prospects for individual firms. The Group [composed of BIC's governing council in March 1982] believed that direct gains were to be had from closer involvement of firms with other employers and local authorities to stimulate local employment generation and to meet some of the social problems arising from structural change in the economy (BIC Chairman's Annual Report 1982-1983)

In what follows below, I present some of the key figures in the early phases of BITC. These people were outspoken supporters of Margaret Thatcher's politics, just as they were motivated by humanitarian and religious ideals and an expansive conception of their self-interest that contradicts Milton Friedman's view that "the business of business is business." These leaders were motivated by a very discernable sense of moral legitimacy, the view that CR is worth doing not because of its pragmatic or instrumental benefits for business, but because it is the right thing to do. If this evidence is any guide, the cynical interpretation of CR according to which it is no more than a fig-leaf or public-relations attempt to distract attention from businesspeople's real (and base) motivations and activities, is not applicable to many of the key leading figures in the UK's CRAs. As we will see, these figures tended to be political moderates, "wets" not radicals, within Thatcher's political ambit. They can be understood as the "institutional entrepreneurs" who provided an important impetus for the development of CR. Before discussing these Thatcherites, I wish to underline the importance of Thatcher herself. In a letterto Sir Alastair Pilkington dated August 3, 1981, the Prime Minister expressed her support for BITC:

> Tom King has told me about the formation of Business in the Community with its aim of encouraging industry and commerce to play a more active role in local communities. I have also heard about its success from others, including Lord Sieff. I am very pleased to be able to add my good wishes for its success to those you have already received from my colleagues.
>
> I am convinced that there is scope for a much wider involvement of industry and commerce with local communities, and I am pleased that Government Departments are associated with you and your venture. I hope that this association will continue and that, through it, practical projects will be developed.
>
> The recent troubles in some of our inner city areas well illustrate the need for action by all concerned. I hope, therefore, that you will be able to encourage more firms to take a keen interest in meeting the needs of those who live there. This is particularly important in the fields of training young people and encouraging small firms which can provide longer-term employment possibilities. I am sure that it would help a great deal if the commercial expertise of companies could be deployed, in co-operation with central and local government, to develop some of the under utilized sites which blight so many of our inner city areas.
>
> I understand your Council will be formally established in the autumn. Perhaps at that stage you will let me know more about the form it will be taking and whether there are other particular ways in which you feel we could help you.
>
> Yours sincerely,
> Margaret Thatcher (Thatcher, 1981)

Until his break with Thatcher in the late-1980s, Michael Heseltine was in the inner circle of her Ministers. A political moderate, Heseltine's career spanned posts as MP, Minister, Secretary of State, and Deputy Prime Minister from the 1970s through the 1990s. Heseltine was confronted with a severe recession in 1980 and 1981, which led to rapidly rising levels of unemployment and a series of violent uprisings in England's cities: first in Bristol in 1980, then in the Brixton area of London and the Toxteth area of Liverpool in 1981. As Clive Unsworth remarks, “[t]he vision of violence of such ferocity and on such a scale being unleashed upon the British mainland administered a profound shock to the political system” (Unsworth, 1982: 75).

At the time of the riots, Heseltine was Secretary of State for the Environment in Margaret Thatcher’s Cabinet. Heseltine remarked that he “saw many parallels in the developing UK situation with that which had arisen so dangerously in the US” (Heseltine 1981). He believed that

> England escaped revolution in the eighteenth century in part because, although there were some absentee landlords the privileged members of society were not divorced from their humbler fellows. They enjoyed very different standards of living, but they were closely involved and interested in the communities where they lived, and in general did not choose to desert their homes to attach themselves to the life of the Court (Heseltine 1990 [1987]: 151)

According to Heseltine, “British capitalists can show a well-developed sense of public duty” (quoted in Deakin and Edwards, 1993: 29). So Heseltine sought to re-connect what had become separated. In practice, this meant a focus on the inner city problem, which he described as “about concentrations of relatively poor people, inadequately educated and trained, living in badly maintained housing and areas of declining economic activity, rising unemployment and increasing crime and vandalism” (Heseltine, 1983: 3).

During and after the Toxteth riots, Heseltine invited thirty leading corporate executives to travel to Merseyside (where riots had recently taken place) by bus, and see for themselves the squalor in which some of their compatriots lived. The new BITC put together the group. Heseltine describes how interest quickly spread in the business sector:

> The breakthrough came when David Edmonds [Michael Heseltine’s personal secretary] received a telephone call from the secretary to the chairman of a financial institution who had not been invited. ‘I understand that some of my

> chairman's colleagues have been asked to tour Liverpool with the Secretary of State,' an anxious voice said. 'My chairman was wondering if there had been some mistake and whether a letter for him had not gone astray.' The bus was full' (Heseltine, 2000: 224)

This may be an early example of peer pressure or contagion behavior in the area of CR. Heseltine did not ask these executives for money – after all, "the private sector had been emasculated by years of penal taxation" (Heseltine, interview, 2006). Instead, he asked for one talented executive from each firm to be seconded (lent out, free of charge) to the Department of the Environment for one year. The result was the Financial Institutions Group, which sought to infuse government with entrepreneurial initiative and the spirit of efficiency. As Nicholas Deakin and John Edwards note, "the imagery was powerful: enterprise to the rescue where a plodding and divided local government had allowed such dreadful things to happen" (Deakin and Edwards, 1993: 29). In Heseltine's eyes, this was "a revolution" in the relationship between firms and government authorities, an early form of today's private-public partnerships (Heseltine, interview, 2006). There were also "radical, high Tory principles involved." Fazey describes these as follows, paraphrasing Heseltine:

> Here was an opportunity to develop a Twentieth Century version of noblesse oblige. Those who have the powers and responsibilities have an obligation to act on a wider scale than that of their own corporate entity. That is the approach that I adopted when I took that busload of institutional leaders round Merseyside and said, 'If you're not prepared to do it, who is?' What hope is there for a community like that unless those who have made a success and have the resources are prepared to take a positive look at the opportunities? (Fazey, 1987: 81-82)

Though references to "noblesse oblige"—"from those who have much, much is expected" have since vanished from Corporate Responsibility rhetoric, these quotations provide support for Bryn Jones' argument "that there are underlying similarities between contemporary CSR and previous, more explicit cases of patronage" (Jones, 2007: 168). Though the riots made this agenda more difficult to ignore than would otherwise have been the case, I agree with Ian Hamilton Fazey that they were not responsible for its initiation or for its final shape.[145]

A common refrain in the contemporary literature on CR is that the current 'strategic,' 'business case' focus differentiates it from previous philanthropic initiatives. A look at the early phases of BITC shows that this focus is not so new. "It is to enlightened self-interest that the [Community of St Helens] Trust appeals for support. Social conscience is a bonus," reads a 1981 report by the Community of St Helens trust (quoted in Morison, 1987: 71). In his 1984 recollection of the Sunningdale conference, Alasdair Pilkington writes that businesses should see CR not as charity, but as enlightened self-interest:

> there was clear agreement that the business sector had a major role to play in the renewal of local communities. More fundamentally, this was not just a charitable gesture; it was in the direct interests of business, their employees and investors …. Whilst some of these initiatives result from charitable motivations, the rationale for community involvement lies clearly in enlightened self interest …. Community involvement policy is not just a matter of public relations – it should be a part of the main stream thinking of corporate life … It should be a regular feature in company reports, and in systematic internal reviews …. Once employers recognize the value of such an activity it is wholly appropriate that they take a systematic and businesslike approach to 'manage' it (Pilkington, 1984: 15, 16, 20, 21)

Pilkington's statements are virtually indistinguishable from today's CRspeak and its stress on 'win-win' partnerships among different stakeholders:

> This thing is not just charity – and I don't mean to demote the concept of charity – it is good for the community, good for the nation, good for the company, and good for the individuals. You really are on the side of the angels in this in my view. Everybody benefits (Fazey, 1987: 86).

[145] Fazey remarks how: "…Despite the fact that riots were basically responsible for getting people out of their London offices to join the 'moneybus' tour of Merseyside, they were not the factor that precipitated Heseltine's view on partnership between capitalism and the public sector. Rather, they were a calamity that he turned into a vehicle to push an idea that was already well and truly launched (Fazey, 1987: 83).

It is remarkable that in the maelstrom of industrial and social conflict in the 1980s, BITC did not become the object of political contention. Pilkington let there be no doubt that keeping BITC away from partisan politics was one of his foremost objectives:

> It has also become separated from politics. We have had all the parties, all the trade unions, come solidly behind Business in the Community. I made it a condition when I took it on that there should be no question of this becoming a political football. And the politicians who have had anything to do with it have been absolutely meticulous about not turning it into a political issue (Fazey, 1987: 89)

Barnekov, Boyle and Rich similarly note that “one of the virtues of nearly all the enterprise agencies is that they function independently of Government, banks, local authorities, and unions, as well as being non-political” (1989: 106). To “those who resisted it and said it was only small compared with the size of the problem,” Pilkington made the pragmatic argument that “it was better to do something rather than nothing” (Fazey, 1987: 89). The same spirit of pragmatism and business interests informs CR:

> It is of course true that every business is part of a larger community, and in the long or short run every business will be affected by social conditions in that larger community. We are influenced by the world outside the factory gates or office doors, even by the world which may be a few miles away. In this sense trying to influence social conditions for the better makes plain commercial sense. It is also very much the case that those organizations which demonstrate in practical terms that they care about the larger community are likely to be in good standing with their workers, their customers, their shareholders, and with central government ….. Putting the matter crudely but directly, it seems very likely indeed that a very large number of companies would themselves gain from doing more as a consequence of higher public esteem and a better motivated work-force.

The excerpt is from Lord Carr of Hadley, who became Chairman of Business in the Community after Pilkington in the mid-1980s (Carr, 1986). It is striking how little these excerpts differ from today's CRspeak. If either one of these excerpts were to appear in print today, unaltered, hardly anyone would blink an eye.

The continuities also encompass the limitations of Corporate Responsibility. CR's self-proclaimed potential is not unlimited. There are limitations to the voluntary engagement of the corporate sector, actors with whom corporations cannot dance. In his important study *The Pathfinder*, Ian Hamilton Fazey remarks that "'Democratic' controls narrow the constraints and inhibit responsiveness" (Fazey, 1987: 122). How do they do so?

> Leadership by the private sector is another crucial lesson in pulling together community efforts of this sort. However well-meaning and idealistic, most similar efforts by local authorities rarely attain the same momentum and drive. 'Accountability' acts as a brake. Debates by groups of dedicated people are no substitute for action. If the debates lead to resolutions that cannot be realistically applied in the marketplace, their effect may be worse than inaction. This is not to say that the manager in charge be entrusted with unbridled power. It is rather that the controls over him or her are concerned with a different kind of accountability. If the manager fails to deliver, or does so in an unacceptable manner, he or she is sacked …. The question is about freedom of action within certain constraints (Fazey, 1987: 121; 120)

During the 1970s and 1980s, local council authorities occupied a similar role as radical civil society organizations over two decades later. I will now proceed to discuss some of the key figures in the evolution of Business in the Community, and in Corporate Responsibility more generally in the UK. These figures are sincere, outspoken advocates of engagement for the less-advantaged. They are also advocates of a market-liberal reform agenda.

BITC's first chair was Sir Alasdair Pilkington, from 1981 to 1984. Pilkington's glass company was subject to economic pressures which necessitated large-scale redundancies – yet Pilkington felt a sense of responsibility towards his employees which went beyond his legal obligations. The result was the pathfinder enterprise agency in St. Helen's. In the words of Michael Heseltine (1990 [1987]): 165):

> like so many companies facing technological change and the need to improve efficiency, Pilkington had to reduce its workforce drastically. In a town where it was the dominant employer, the directors resolved to combine their determination to keep the company at the forefront of the world market with an equal determination to temper the social consequences for the local people

During its first decade of existence, BITC's focus was on inner-city regeneration, including the creation of jobs in 'ghetto areas' and areas of high unemployment. The organization took on "responsibility for setting up the network of enterprise agencies which we saw could play a vital part in urban regeneration" (Heseltine, 1990 [1987]), 166). BITC also helped to regenerate rural areas. So great was the interest in CR during the 1980s that government officials were eager to enlist BITC's help in alleviating social problems. A letter written by Dr P J Whitehead of the Development Commission, a UK Government Body, and addressed to P Roberts of BITC, clarifies the interest of public policy in CR. Whitehead draws attention to

> unemployment and rural deprivation blackspots which would be suitable for BIC to target …. In addition to the valuable work which BIC undertakes through LEAs I believe that many of the projects mentioned above would benefit considerably in their own right from closer involvement of BIC and its members (Whitehead, 1987)

Several prominent businesspeople joined Pilkington on this quest, united by an involvement in wartime sacrifice.[146]

Sir Hector (now: Lord) Laing, who chaired the family-owned company United Biscuits from 1972 to 1990, Scottish Business Community during the 1980s and Business in the Community from 1987 to 1991, was a central figure in the formative

[146] Ian Hamilton Fazey writes that Bill Humphrey, the founding director of the St. Helen's Community trust, Bill Humphrey, that "the war was the single most formative experience" of his life (Fazey, 1987: 15). This is also true of Hector Laing, discussed below.

phases of BITC and ScotBIC (now known as SBC). Laing was very much a businessman. But as Director of United Biscuits, a family-owned confectionary company, he did not shy away from harsh criticism of his fellow businesspeople, and of financiers and speculators in the City who failed to live up to his moral ideals. Laing and others like him are evidence against the Machiavellian interpretation according to which CR is but a cynical or strategic attempt to legitimate base interests.

In his biography of Hector Laing, Peter Pugh characterizes this Scotsman as "a Christian with a deep and unquestioning faith" (Pugh, 16). Indeed, in correspondence with business leaders whom he hoped to enlist in Business in the Community, Laing referred to CR as his 'crusade.' Laing was also a "friend and loyal supporter" of Margaret Thatcher (Pugh: 1991: 139). Laing shared with Thatcher a faith in the utility of the market for solving social problems. As he put it in a newsletter in 1982, "Instead of looking to central government to solve the problems of economic decline, inner city decay and environmental blight, I believe that more could be achieved more quickly and probably at less cost if companies and their people tackled these problems in a local context" (quoted in Morison, 1987: 74). Laing's conception of businesses' responsibilities and self-interest is broad and encompassing. Laing's criticisms of finance, the City, and prevailing views of corporate governance are not what one would ordinarily expect from a close supporter of Margaret Thatcher. In his essay "The Balance of Responsibilities," Laing articulates a far-reaching critique of the City, speculation, and short-termism. He writes that "it is wrong to define 'performance' as short-term gains for shareholders" (Laing, 1990: 61) "Sadly, the national interest seems to be of little account where there is a profit to be taken" (Laing, 1990: 63). In another paper on the 'morality on the distribution of wealth, Laing writes:

> while profits are of course an essential operating requirement of a business they are not its sole purpose – the ultimate responsibility of business is to serve the needs of society and I believe the decision-makers in a business have a

> wider moral responsibility in the distribution and application of the wealth they create. Business cannot isolate itself from the community of which it forms a constituent part … Christ gave us two great commandments: to love God and to love our neighbour. 'Neighbour' as illustrated by the story of the Samaritan is not a term of limited liability. It is not to be used as the measure according to which whole categories of people are to be selected or rejected as fit objects for our sympathies. Our neighbor is anyone whose need constitutes a claim on those of us who have resources to help alleviate that need (Laing, 1985: 8).

He continues:

> The main justification for free enterprise is that it provides the best climate for innovation and risk-taking and I believe that it is the most efficient means of generating real wealth for a community and of lifting the standard of living of the vast majority of people. I support this Government's policies – they have given business back its freedom, along with the discipline of failure if it is unprofitable. But freedom demands responsibility and if we want to continue to enjoy our freedom, we must demonstrate that a buoyant economy and business success go hand in hand with a caring society; that as our profits increase so too does our contribution to improving the condition of disadvantaged areas and people (Laing, 1990: 18)

Laing described how "my peers thought all you had to do is make money and give it to shareholders. Improving the standard of living in the areas in which you drew your employees was anathema" (Laing, interview, July 6th 2006).

During the past decade, finance has been a major driver of Corporate Responsibility. From this perspective, it is interesting that in the late 1980s, "the Chairman [Hector Laing] was particularly concerned about the extent of the involvement of participation by the financial community. He felt that this sector required greater exhortation to become involved. There was general agreement on this point." Laing also admonished financial institutions and the City of London for their short-termism and insufficient patriotism. Regarding the attempt to justify CR on cost-benefit terms, i.e. the benefits [to the firm] of corporate social involvement exceed the costs, Laing states that "it's a mistake to try" (interview, July 6th 2006). Laing, it seems, was driven more by moral motivations and ideal interests than by the self-interested calculations of pragmatic legitimacy. The welfare of employees, communities and the country have independent status and are not reducible to mere means to the attainment of businesses' ends. When queried whether his firms' CR activities were benefitting shareholders, Laing instated that the better the community is going, the more likely the shareholders are to do well (Laing, interview, 2006). Referring to Milton Friedman's famous claim that "the notion of social responsibility was 'a fundamentally subversive doctrine,' and that 'few things could so thoroughly undermine the very foundations of our free society as the acceptance by company officials of a social responsibility other than to make as much profit for their shareholders as possible,'" Laing says "I cannot agree" (Laing, 1985: 7).

After being involved with the founding of the London Enterprise Agency, John Moorhouse moved to Scotland where he became CEO of Scottish Business in the Community (SCotBIC, later SBC), a position in which he served from 1990 until 1998. Like Laing, Moorhouse displays strong ethical convictions: "money without heart is meaningless" (Moorhouse, interview, 2007). Corporate Responsibility is not understood in pragmatic or ethical functionalist terms as whatever is beneficial for the firm with unspecified benefits to outside stakeholders. The Minutes of the Executive Council of Scottish Business in the Community provide an example of Moorehouse's thinking: "John Moorhouse commented that first and foremost companies must be seen to support their local community and until companies pursued this approach they would not be asked to become members of SBC" (SBC, 1992). The following provides another example of the importance of moral legitimacy for Moorhouse:

> Tesco had been involved in the initial planning of the London Enterprise Agency. They saw it as an opportunity to build up relationships to get planning consent for more supermarkets. Tesco wanted measurable benefits and outcomes for Tesco in return for what they put in (Moorhouse, interview, 2007)

To this Moorehouse said:

> That’s not what it’s about! I’m not here to deliver benefits to Tesco in return for what they put in. I’m here to persuade Tesco that they should be doing something around every school that they’ve got! (Moorhouse, interview, 2007)

There was no compromise, and Tesco did not become a member of LENTA. Moorhouse describes situations in which firms were eager to become members of SBC. From SUN Microsystems, he heard that: “We’re opening a factory next week [in Scotland]. Can we say we’re members of SBC?” To this Moorhouse replied: “we’d love to have you as a member but until you’re practicing some CSR we can’t invite you as a member.” The deal was “you gave your money to the local community first and to us second, we weren’t in competition for the same money,” Moorhouse recalls (Moorhouse, interview, 2007).

Allen Sheppard, on the other hand, is more pragmatic. Sheppard was CEO of Grand Metropolitan (now known as Diageo) from 1975-1996 and Chair of BITC from 1994-1996. For Sheppard, the connection between Business in the Community and market-liberalism is obvious. He states that BITC “actually started because regulation was becoming less marked.” He recalls that “we were great supporters of Margaret Thatcher,” recognizing that “we had to dramatically reduce employment in our own companies, reduce the inefficiencies” – but at the same time address very high unemployment levels, particularly of young people (Sheppard, interview, 2006). Addressing these challenges, according to Sheppard, required a shift from an ideology of ‘they-ism,’ which hadn’t worked in the preceding twenty years or so, to ‘we-ism’ by way of the promotion of job training and other programs described below. Sheppard has no problem conceding that “In case I’ve implied it was a well thought-out philosophy a lot of it was in the time we had available and it wasn’t a huge amount. We just kind of got on with doing it and we sat down and rationalized it afterwards.” Emphasizing the business-driven nature of CR and BITC, Sheppard warns against regulation in the area of CR: “One of the dangers [is] people being obligated rather than business itself using it appropriately…. There's a difference between their [government's] involvement in [supporting] social responsibility and where regulation starts" (Sheppard, interview, 2006).

This outlook, emphasizing voluntary engagement in a context relatively free of regulation and constraints for companies, is a constant for the major figures in the development of BITC whom I interviewed. Rather than eliminating the force of moral or non-instrumental motivations, it seems its precondition. Stephen O'Brien "had been ordained as a priest in the Church of England in 1971, but had subsequently left the church for the voluntary sector" and retired after a successful career in finance to become CEO of BITC from 1983 to 1992 (Trippier, 1999: 155). O'Brien describes his motivations for starting BITC as follows: "I got into it because I wanted to change the world and it didn't seem like government or churches were being very helpful. We only later began to work out what's the commercial case" (O'Brien, interview, 2006).

David Sieff directed Marks and Spencer's CR activities during the 1980s. Sieff critically remarks that the quality of CR has changed over his more than 30-year involvement with the 'movement.' Whereas twenty years ago the shareholders never really challenged CR initiatives and "quite a lot of companies had the philosophy to give to the community without expecting anything in return," "I think it has moved, today it has changed …..We're a much more materialistic society …. If I give something [today] I expect something back. If I spend 600,000 £, [the question would be] how much PR would I get from it?" (Sieff, interview, July 2006). Stephen O'Brien, former CEO of BITC, concurs: "quite a lot of companies had the philosophy to give to the community without expecting anything back in return" (interview, 2007).

An internal May 1997 "Chairman's Committee Paper" reflects the increasingly intense competitive environment and shareholder-value orientation: "An increasing number of members are seeking direct and defined benefit to their company in return for their membership contribution." From its original status as a "purposive" organization, as BITC has grown and risen to prominence, it has become increasingly "utilitarian" in Peter B. Clark and James Q. Wilson's differentiation between utilitarian, solidary and purposive organizations (Clark and Wilson, 1961). Sieff recalls that at the time that BITC was founded, people were saying: "You're a bunch of idealists. It's a pipedream." Though critical of these utilitarian tendencies, Sieff concludes that in light of the successes of BITC during the past twenty-five years "the idealists won. The riots helped" (Sieff, interview, July 2006).

The evidence above suggests that many of Business in the Community's key founding figures were motivated to by the desire to address their moral sensibilities and pressing social needs as well as the imperatives of business. This, I surmise, was a powerful motivation not only for the leaders of businesses and CR associations such as BITC, but for employees as well. The late Chris Bullock, who had been involved for Shell with CR since the early 1980s, remarked that the "Friedman line is soulless" and has consequently "become devalued over time." "We aren't machines," he insists. Bullock mentions his son, who spends most of his time "pushing money around" for Goldman Sachs. Though this activity pays handsomely, this activity is "is not that meaningful for his life," whereas community projects are (Bullock, interview 2007).

After 1983, with the return of Anthony Pelling to his Department and the appointment of Stephen O'Brien as Chief Executive followed soon by Sir Alastair Pilkington relinquishing the post of Chairman, BITC offered the role of Patron and later President to HRH Prince of Charles.[147] The active involvement of Prince Charles brought a social cachet to being a member of the BITC board. The Prince personally

[147] According to Tony Pelling, this post had been offered to Prince Charles at the outset. However, there had been concern that this might lead people to join the organization for the wrong reason: to hobnob with Prince Charles.

led a series of "Seeing is Believing" tours of depressed areas and participation in these was as strongly sought as had been invitations to Michael Heseltine's business leaders tour of Liverpool in 1981. The pull of the future monarch gave extra momentum to the growth of BITC's membership and his leadership and presence continues to bolster support for CR among UK firms.

Returning to the macro-level: at the same time as the British economy was progressively 'freed' from its fetters under Margaret Thatcher, Corporate Responsibility acquired a 'social' coloration. In ideal-typical terms, in a market-liberal regime, firms legitimate themselves by emphasizing that they are socially responsible. As we will see in the next chapter, this contrasts with the rise of CR in Germany. In that more constrained institutional framework, firms emphasize their 'freedom.' CR is thus a concept with different faces, which fulfills different meanings in different contexts.

VII. Corporate Responsibility and the Question of Regulation

So far, I have used precious little space to address the relationship between Corporate Responsibility – private self-regulation – and public regulation. David Vogel makes a compelling case that CR "should be about more than going 'beyond compliance'; it must also include efforts to raise compliance standards" (Vogel, 2005: 171). Yet Vogel provides no empirical evidence of business's willingness – or lack of willingness – to raise the bar for all. BITC's stance in this area is invariant and easily summarized: BITC is opposed to more stringent binding regulation. Anthony Pelling recalls that there had been fear/speculation during the mid-1980s that BITC had been set up to bypass the Confederation of British Industry as an organization representing business to the corridors of power. An article had suggested that BIC was an attempt to undermine the CBI from the left. However, these fears/speculations were without basis in fact.[148] There is little evidence that British businesses favor legislating more stringent standards for all. The exchange between Sir Geoffrey Chandler and Tony Cleaver, Chief Executive of IBM (UK), following the latter's lecture on "The Social Responsibilities of Business" (Cleaver, 1987) is particularly instructive.

> Sir Geoffrey Chandler:
>
> IBM is a very large part of its own industry and can in some ways influence a pattern of behaviour. But in most industries if one thinks one is good oneself, one will be concerned about the bad behaviour of competitors. I wonder if IBM share that concern, because their reputation is obviously tempered by the way other people behave. Would you welcome legislation which led others to match your approach to social responsibilities? Clearly IBM, like any other company in this country, suffers from episodes such as the Guiness affair.
>
> A.B. Cleaver:
>
> I think it would be very unusual for anybody in IBM to say that they would welcome more legislation. In general terms we would prefer to see self-regulation of one form or another. But as you observe, some recent events suggest that it is not always very effective. We clearly are a very large part of our industry, but I do not think that we do what we do because of our size and relative position within the industry. I really think we do it because we believe in the long term it is in our interests to operate that way. A rule book that somebody else had set up and you did not necessarily believe in would not have quite the same effect as going it because it is accepted throughout the organization as the right thing to do and part of company culture …. By being successful in genuine commercial terms, other people may come to believe that it is the right thing to do. I would rather achieve it by example than by legislation (Cleaver, 1987: 756)

Cleaver's response typifies businesspeople's stance on this issue, not only within the UK but across Europe and the OECD more generally.

A 20 May 1994 Strategic Impact review of BITC written by the management consultants McKinsey is also instructive. The review categorizes members according to their corporate will and skill on CR. In the report, approximately 57% of the

[148] Anthony A Pelling, personal communication, 7 July 2008

members sampled belong in the low skill and low will section, while 20% exhibit high skill and high will. Those with high will and low skill as well as high skill and low will make up just under twenty and five percent of the membership, respectively (McKinsey, 1994: 32). McKinsey sees BITC's mandate as helping to move as many members as possible into the high will and high skill category, and to stay far enough 'ahead of the pack' that even the most sophisticated members in that category continue to see value in their BITC membership.

On the issue of regulation, the McKinsey report differentiates between Business Impact goals and strategies, community impact goals and strategies, and government impact goals and strategies. According to McKinsey, Business impact goals and strategies are "on mission" for BITC, as they "play to the strengths of BITC and business." The example cited is to "secure members commitment to measurement and continuous improvement of their own performance in area x [for example increase members' purchases from black owned suppliers ten-fold in three years]" (McKinsey, 1994: 12). Community impact goals include the social objective pursued such as "reduce unemployment amongst black 16-21 year olds by 50% in three years." Like the business impact goals, social objectives are "on mission" for BITC, but challenging, since "it is harder to demonstrate [a] causal link between BITC / business effort and impact." Finally, there are government impact goals and strategies, for example, "secur[ing] introduction of U.S.-style positive discrimination laws." The McKinsey report is clear: these strategies and goals are "off mission," and they "do not play to BITC / business strengths" (McKinsey, 1994: 12-13).

That is not the only section in which the report discusses companies' lobbying impacts on public policy. In a later section, the report states that BITC "should focus on mobilising corporate organizations":

GET MEMBERS INTO ACTION	CEOs LOBBY GOVT
RATIONALE Membership satisfaction demands demonstrable if modest impacts CEOs can't do it on their own Employee demand for corporate involvement Employees need to be engaged and be helped to learn how to do it CCI is an excellent vehicle for people development	RATIONALE Impact driven by changes in Government may be large Government biggest lever on community CEOs sufficient CEOs value this form of activity
CCI mission requires heavy emphasis on mobilising corporate organisations BITC is market leader	There are many other players: CBI, Trade Associations, London First Changes uncertain, unsustainable and unlikely to satisfy membership

Despite recognizing that "Government [has the] biggest lever on community" and "the impact driven by changes in Government may be large," the McKinsey report recommends against BITC lobbying government on CR related issues. It points out that there are other, powerful players in this field, not only business lobbying associations such as the Confederation of British Industry and Trade Associations, but CEOs of large firms as well. BITC's stance is typical of the CRAs studied in this thesis. CRAs are neither able nor willing to lobby to raise regulatory standards.

In addition to a programmatic element, organizational interests matter. As the McKinsey report stresses, "Employees need to be engaged and be helped to learn how to do it …. CCI mission requires heavy emphasis on mobilising corporate organisations …. BITC is market leader." A voluntaristic framework accords a role to NGOs like BITC which they did not have under the post-war settlement, and which they might not have if the public provision of social goods was more extensive or regulatory standards were more stringent. This corroborates with other anecdotal evidence suggesting that NGOs and civil society organizations are organizationally invested, and actively complicit in the market-liberal order.[149]

[149] See Soule (2009: 8-9).

Another instance when BITC has spoken out against regulation was the Consultation on the European Union Green Paper 'Promoting a European Framework for Corporate Social Responsibility.' In unpublished BITC documentation preceding the Green Paper, BITC's push "to promote best practice, avoiding formal regulation," is apparent. "The CBI would go in heavily on the anti-legislation point and BITC wanted to endorse this but also put forward positive suggestions." One participant, Sandy Leitch, stressed that "the [BITC's] paper contained examples of leadership commitment but emphasis needed to be even stronger to offset possible legislation." While pre-empting EU legislation was at the forefront of participants' concerns, the question also arose of BITC's role should the EU take the legislative route: "Sir Peter [Davis] asked Peter Davies to respond on how BITC could cope and what role it would take if legislation were imposed" (BITC archives, CC4/2001/37 "Any Other Business," Business in the Community, London). In a summary statement on the Green Paper, then-BITC chairman Peter Davis stated:

> Business in the Community has worked closely with the CBI in the response to the consultation, as both organizations have the same core membership companies. We welcome the issuing of the Green Paper from the European Union as recognition of the mainstream relevance of Corporate Social Responsibility. However member companies of Business in the Community and the CBI are wary of the potential intervention of government through legislation on corporate social responsibility – by definition CSR practices are beyond compliance to legislation. Members would be against any suggestion of increased legislation, particularly at the European level that tries to draw together all the various strands that contribute to the definition of corporate social responsibility and imposes an EU-wide model (Davies, 2001: 3).

In this instance, one of the world's foremost CRAs spoke out against "harmonization" at the European level. Evidently, there continue to be exceptions to the "notable shift" towards "harmonization strategies" noted by Virginia Haufler: strategies which would "support international regulation ... in order to reduce the costs of operating under multiple regulatory regimes and level the competitive playing field," strengthening "international institutions as sites of governance" (Haufler, 2003: 231). In the U.K and elsewhere, this thesis finds little evidence that CRAs are pursuing harmonization strategies.

Quite the contrary: CR is used to justify a deregulatory agenda. In his speech to the Business in the Community 2006 annual conference, Conservative Party Chairman and now Prime Minister David Cameron describes the Conservatives' approach to Corporate Responsibility as "deregulation in exchange for more responsibility" (Cameron, 2006: 3). This view was later re-formulated by the Conservative Party working group in the report entitled "A light but effective touch" (2008). The report is based on the notion of Corporate Responsibility Deals. The Secretary of State convenes working groups with businesses and societal stakeholders. As a *quid pro quo* for their engagement and self-regulation, businesses are rewarded with "a lighter regulatory touch where appropriate" (2008: 11).

While speaking out against regulation, BITC has articulated an ambitious social agenda, setting goals which the organization and its member companies were unable to realize. The cynical interpretation according to which CR is pragmatic bargaining, public relations and tokenism cannot account for this discrepancy between objectives and outcomes. Sir Hector Laing celebrated Margaret Thatcher's policies, while chiding sections of the business community for their lack of responsibility. In a speech to the PerCent Club, Laing praised the Prime Minister:

> Your [Margaret Thatcher's] Government has taken a step back from involvement in every aspect of our economic and social lives, which has encouraged the business sector to take a step forward and to invest in the communities from which we draw our employees and to which we sell our goods and services. Without this change of climate, the Per Cent club would never have gotten off the ground (Laing, 1988: 2)

The UK PerCent Club was founded by Sir Hector Laing in 1986 to encourage companies to devote one percent of their before profit revenues to community investment; in more recent years, the Club has sought to inspire and challenge companies to maximize their positive impact on society. Hector Laing had gotten the idea from a visit to Minnesota, where firms devote up to five percent of their pre-tax profits to philanthropic causes. Though a number of companies ended up joining the Per Cent Club – 52 in 1986, nearly two-hundred by 1988 – these numbers remained far below Laing's ambitions. In 1988, Laing's objective was 500 members giving at least one percent of pre-tax profits within two years. This goal was never realized. Notes from the 08 July 1997 Board Meeting show that nearly a decade later, BITC intended that "the criteria for membership be increased to 1%, and that members move towards this target by 2001" (BITC 1997). In 1998, an unpublished "chairman's committee" draft "Measurement against the Strategic Objectives" enunciated similar objectives: "Increasing both the rigor and the membership of the percent club as a measure of company resources, in cash, time and time, allocated to community investment moving to a 1% standard, with 75% of the BITC membership achieving the standard" (BITC 1998). These objectives were not attained: according to David Campbell, Geoff Moore and Matthias Metzger, the generosity ratio of the PerCent Club members rose from approximately 0.49% to 0.64% of pre-tax profits between 1997 and 2000 (Campbell, Moore and Metzger 2002: 39; my calculations).[150]

During the 1980s, the political and social context for the conduct of business had undergone a fundamental change. In this new environment, defensive action to prevent government and trades union incursions into business freedoms receded into the background. In the "Corporate Social Responsibility Discussion Document:

[150] The PerCent Club has since been disbanded, in a move from philanthropic or redistributive CR to an increasingly 'strategic' orientation emphasizing the 'business case' for CR.

Business Investment in the Community," the Confederation of British Industry gives four reasons why businesses should become involved in CR:

> i) as caring citizens; the wish to put something back into the environment; much is already being done, the image of British business as exploiters and profit makers is not a true picture
>
> ii) Thriving British industry makes a contribution of some 28 billion a year to Government funds; value for money in public expenditure us a priority
>
> iii) Inner city riots, wasted resources, high crime rates, unfit workforce, and uncompetitive education system all contribute to business costs and are reflected in lower international confidence in the UK economy
>
> iv) If business does not take on the problems of the community, in tackling pollution for example, such issues may become law; industry would prefer to be allowed to get on with running its own business (CBI, 1987)

This document reflects on the Watkinson Report on "The Responsibilities of the British Public Company" in 1977:

> That report was written at a time when the CBI was concerned at the encroaching public sector. Now the pendulum is swinging the other way and the question is how companies should respond to the increasing demands which society is putting on it. Part of the response has to be to convince society of businesses' role in terms of wealth creation. The second aspect is to advise companies on how best to respond to these demands in the most constructive way at local, regional and national level (CBI, 1987: 3).

According to these documents, eight years after Margaret Thatcher's rise to power, British society was placing increasing demands on business. These societal norms must be seen in the context of Thatcher's institutional reforms and her dismantling of institutionalized social solidarity. In response to the demands made on business as a consequence of its increased freedoms, the CBI proposes two strategies: convincing society of the legitimacy of normal business activities, i.e. adjusting society's expectations in business; and helping business to satisfy these expectations "in the most constructive way" (CBI, 1987). As I have suggested above, CR helps to fulfill both of these functions, closing and diminishing though by no means eliminating the resulting legitimation deficit. The relationship between Corporate Responsibility and Enterprise Culture receives in-depth treatment in the following section.

VIII. Corporate Responsibility and Enterprise Culture

> I came into office with one deliberate intent: to change Britain from a dependent to a self-reliant society – from a give-it-to-me to a do-it-yourself nation. A get-up-and-go, instead of a sit-back-and wait-for-it Britain. This means creating a new culture – an enterprise culture – which accords a new status to the entrepreneur and offers him the rewards to match; which breeds a new generation of men and women who create jobs for others instead of waiting for others to create jobs for them (Thatcher, 1984: 11).

As I have sought to show, Corporate Responsibility, and the support of organizations such as Business in the Community, was one attempt to deal with the problems of unemployment, rationalization and industrial restructuring that hit the UK hard during the 1970s and 1980s. But CR was not only a material practice; it was (and is) a discourse as well, one that did not merely reflect material and social practices, but aimed to alter actors' self-understandings. The discourse of Corporate Responsibility rose along with those stressing entrepreneurship and Enterprise Culture. The historical backdrop of the 1970s is critical. According to Roger Burrows and Dick Hobbs, "before 1979 the term entrepreneur was one of abuse" in some sectors of society (Burrows and Hobbs, 1991: 1). In the words of Ian Hamilton Fazey, during the mid-1970s the attitude "was one that saw jobs as being provided by someone, some body, some institution, some central or local government body or agency, or some sort of charity" (Fazey, 1987: 23).

Enterprise culture was an attempt to reverse this tide in favor of business, to redefine norms of appropriateness, to provide a "radical break" and "complete political redefinition of the desired form of state and society" in line with the Thatcherites' goals (Kus, 2006: 507). Enterprise culture is the rhetorical inflection given to CR by

Margaret Thatcher's Conservative governments: "the programme of enterprise reform lies at the very heart of the government's moral crusade" (Heelas and Morris, 1990: 1); but since CR is *Corporate* Responsibility, Enterprise Culture is always at least a latent or implicit part of the concept/practice of CR. It can be seen as part and parcel of the Tories' attempt to replace the norms of the postwar compromise with an enterprise culture and a "property-owning democracy." In the words of Nicolas Keat, Enterprise Culture "emerged as a central motif in the political thought and practice of the Conservative government in Britain" (Keat, 1990: 1).

The current literature sees CR as an exogenous response to the threat of government regulation. Thus, it almost completely ignores Corporate Responsibility's active, indeed integral role in re-shaping of Britain's post-war order. For Jeremy Moon, "one reason that UK CSR can be regarded as increasingly explicit is the emergence of its new institutional context" (Moon, 2005: 60). Moon points to the crisis in societal governance in the 1970s, which the Thatcher government resolved by "narrowing its responsibility for the direct delivery of social goods" (Moon, 2005: 54). Moon rightly stresses that governments were not passive bystanders in the rise of CR in the UK: they actively promoted and facilitated CR in a variety of ways (Moon, 2005, 2004). However, the precise relationship between the rise of CR on one hand, and the socio-economic transformations of the 1970s and 1980s remains unclear, as in the following passage: "British CSR has now acquired wider global application as the trend toward the downsizing of government's role in social regulation has become more widespread" (Moon, 2005: 55). Is CR endogenous or exogenous to these changes?

Moon suggests that CR is exogenous, a reaction to these changes rather than part and parcel of them. He notes that CR was motivated "to protect the social license of business to trade." He quotes the following excerpt from the report Company

Responses to Unemployment, published by the Confederation of British Industry in 1981:

> companies fear that if they make no attempt to find solutions to community problems, the government may increasingly take on the responsibility itself. Thus might prove costly to employers both in terms of new obligations and greater intervention in the labour market. Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressures themselves and hence be able to develop their own policies in response to them (CBI, 1981: 7, quoted in Moon, 2005: 55)

Moon rightly emphasizes that many companies engage in CR hoping to pre-empt government regulation. But beyond this basic point, the excerpt is misleading, in two respects. First: it does not seem like UK governments from Thatcher to New Labour needed to be convinced of the merits of deregulation or of business-led CR. This was Margaret Thatcher's agenda, and these priorities did not change under New Labour. In the wake of the European Commission's 2003 Green Paper, for example, the UK's Department of Trade and Industry lobbied the Commission to "ensure that reporting on social and environmental issues remains voluntary" (Joseph, 2003: 62-63). Second, the above paragraph is a selective excerpt from the Company Responses to Unemployment report. Here is the excerpt preceding the one quoted by Moon:

> Not only do companies recognize their responsibilities to the community and see action as being in their own self interest, they understand that it is often business and not government which is in the best position to act …. Companies recognize that the entrepreneurial spirit on which private enterprise has developed, combined with the management expertise possessed by most successful companies, puts business in unique position to 'get things done.' The ability to analyse problems and develop solutions makes business more effective than a government department (CBI, 1981: 6).

In contrast to the paragraph quoted by Moon, this excerpt suggests that CR is not simply a reaction or response to the threat of government regulation. Instead, CR can be thought of as an active and integral part of business-led re-structuring of social relations away from institutionalized social solidarity and towards market-liberal norms of civic voluntarism. While some scholars have come to see the rightward shift of the Conservative party during the 1970s and 1980s as “The Free Economy and the Strong State,”[151] E.H. Green argues that Thatcher’s goal was to re-invigorate and de-politicize civil society. “Thatcherism can be viewed as perhaps the ultimate expression of Conservative belief in agencies of civil society as the fulcrum of social life” (Green, 2002: 278). This suggests a very different interpretation of Corporate Responsibility, and of government’s role in fostering it, than is suggested above by Moon, one which makes the impassioned advocacy of a Hector Laing for this cause much more comprehensible. I will return to the question of whether businesses can properly be thought of as yet another element of civil society. Whatever its intellectual cogency, we can see from the following example that this view was politically expedient.

The Institute of Directors was the most radical free-market wing of British business during the 1980s. Walter Goldsmith was director general of the Institute of Directors from 1979-1984 and “the most outspoken liberationist of early Thatcherism,” as Jonathan Boswell and James Peters note in their important study (Boswell and Peters, 1997: 155). Goldsmith is typical of liberationists in seeing a harmony of interests between business and society: “There is not a separate business interest that needs to be restored to … prosperity at the expense of employees and customers. The interests of business are not competitive ... but complementary and even identical with them” (Boswell and Peters, 1997: 157). In fact, CR was one element in Margaret Thatcher’s drive to replace the postwar compromise with ‘enterprise culture.’ CR was thus compatible with the political priorities of Conservative governments. As John Corner and Sylvia Harvey put it:

> In the New Right vision of enterprise culture, enterprise is the enemy of regulation, red tape and bureaucracy, of stagnation, welfarism, and elitism. … The enterprising spirit is believed to be at odds with the collectivist

[151] Gamble (1994)

> philosophy; it is competitive, flexible, innovative, bold, confident and risk-taking. It is a pre-condition, its advocates argue, for the creation of wealth, and its manifestations are to be found in the qualitative growth of small businesses, and in the wider share-ownership of privatisation and 'popular capitalism' (Corner and Harvey, 1991: 60).

Carr and Beaver (2002) point to a striking paradox at the heart of the creation of an enterprise culture in the UK: it was spearheaded by government. Thus, rolling back the state and redressing the balance between state and society were, to a considerable extent, the result of government action. Patricia Carr (Carr, 2000: 8) links the creation of an enterprise culture to the following structural changes:

> dismantling the welfare state
> reducing the power of trade unions
> deregulation
> marketization
> privatization
> cuts in taxation
> reducing the role of the state and enlarging that of the individual
> reducing the public sector borrowing requirement
> introducing firm monetary and fiscal discipline thus bringing inflation under control
> promoting self-employment

Although the rise of Corporate Responsibility was closely linked with these developments, it was not at their cutting edge. If we follow Jonathan Boswell and James Peters (Boswell and Peters, 1996) in dividing the post-war British business elite into "revisionist" and "liberationist" groups or ideal-types, the mid-1970s saw a groundswell of support for "liberationist opinion." Only well into the 1980s did this radical Thatcherite, neo-liberal view of society become dominant among business associations – and the Confederation of British Industry lagged behind the Institute of Directors in the adoption of this ideology (Boswell and Peters, 1996). BITC's close ties with the CBI in its early years can be seen as a sign that CR was initially aligned with the old order, not the new one that Thatcher and her disciples were creating. At the beginning of the 1980s, the CBI was criticized for its conservatism. An excellent example of this was Director Sir General Terrence Becket's vow in 1980 to conduct a "bare knuckles" fight to get the Thatcher government to lower interest and exchange rates. The CBI, and British manufacturing's reservations with selective aspects of Tory policy do not imply that the CBI was more supportive of the Labour party than the Tories. But they are a stark contrast to the Institute of Directors, to which BITC was only weekly linked during the early 1980s.

Relations between the IOD and BITC improved towards the mid-late 1980s. In his speech at the Institute of Directors' 1988 annual convention, IOD Chairman Sir John Hoskyns stated that "the Institute of Directors has been at the heart of Britain's economic revolution since 1979" (Hoskyns, 1988). While such laudatory self-descriptions must be treated with caution, a number of sources corroborate this claim. The IOD was a radical and outspoken supporter of the Thatcher government's remaking of Britain's post-war order (Grant, 1987: 127-128). Over time, "the unthinkable," the IOD's radical policy prescriptions, "gradually bec[ame] the conventional wisdom" (Hoskyns, 1988). Indeed, the IOD is "widely regarded as a major influence in shaping the Tory employment legislation" (Lewis and Wildes, 1984: 75). Lewis and Wiles write: "[t]he CBI was fatally flawed as an historical creature of corporatism …. [T]he CBI has ceased to be the voice representing capital to government and its leaders have sometimes been publicly rebuked for their lack of commitment to the new market ideology" (Lewis and Wiles, 1984: 71). While the split between the CBI and IOD was especially apparent in the early 1980s, it subsequently diminished. And even when the CBI remained "cautious," it "welcomed most of the [Thatcher] government's industrial relations policies" as Colin Crouch observes (Crouch, 1990: 342).

In his 1988 Convention speech "A New Agenda for Business," Hoskyns linked Corporate Responsibility to the IOD's radical agenda for institutional reform. Hoskyns stressed the IOD's push for privatization and a "low-tax economy," and against collective bargaining, which he described as "obsolescent" and "out of date": employees should be treated as "individuals not as collective factors of production." But along with these priorities, Hoskyns stresses the necessity for business to "improve the quality of business leadership" to "help solve public problems." The latter sounds much like Corporate Responsibility. In fact, Hoskyns referrs specifically to the Institute of Business Ethics and to BITC in his speech. He mentions that BITC's CEO Stephen O'Brien "warmly endorsed" the IOD's 'New Agenda,' as did BITC's President the Prince of Wales (Hoskyns, 1988).

Unlike the Institute of Directors, Business in the Community did not lead the charge against labor unions, the Trades Union Confederation, or other elements of the post-war settlement. BITC's was an inclusive enterprise from the very start. At the 1st meeting of the Working Group on Community Involvement which led to the formation of BITC, "The Chairman [Sir Alastair Pilkington] considered it important that the trade unions should also be involved as their support was essential. The Secretary Anthony Pelling reported that he had written to the TUC and hoped to arrange a meeting in early November to discuss the possibilities" ((CI(80)). As a result, the Trades Union Congress became a founder member of Business in the Community's Governing Council. Even during the coal miners in 1984-1985, BITC remained committed to non-partisanship. The organization's governing council was composed of members of the TUC as well as business and state representatives. According to a brochure entitled Trade Unions and the Community: Working for Jobs, "Business in the Community is a business-led partnership of business enterprises, central and local government, chambers of commerce, the trade union Movement and voluntary, professional and educational organizations" (1986: 1). However, being business-led, BITC was either unable or unwilling to take a stand on institutional reform that differed from the IOD, the CBI, and other business associations. On these fundamental questions of the institutional rules of the game, BITC swam with the tide. A cynic might state that BITC did not need to take a stance on these issues because powerful business interests already had. Another perspective would emphasize BITC's inability rather than its unwillingness to affect these macro-level processes.

To clarify, Business in the Community was manifestly not the leading edge of the transition towards market-liberalism in the U.K. Nor were the leading market-liberal think-tanks, the engines of the transition to market-liberalism – the Institute of Economic Affairs, the Centre for Policy Studies, the Adam Smith Institute and the Social Affairs Unit – outspoken proponents of Corporate Responsibility. The relationship was more complex and subtle than that.

Two decades later, the position of major British business interest associations on CR is unchanged. Businesses should engage in Corporate Responsibility activities as they see fit. The regulatory framework should provide them with as much discretion and as little compulsion as possible. In the words of Bryan Cress of the Confederation of British Industries, who lobbies to ensure that there is no regulatory framework on Corporate Responsibility, "CSR should remain a set of voluntary initiatives." In the context of CR, "[one should] not use the word should or must." In addition, "business is not a surrogate of government" (Cress, interview, 2006). Though large multinationals are more proactive than small and medium-sized companies, Cress stresses that there is no variation among the CBI's membership on the question of a regulatory framework. All 2,000 direct and 20,000 indirect CBI members agree that CR has to be voluntary (Cress, interview, 2006).

It therefore seems that Corporate Responsibility has not been at odds with the transformation of the British political economy since the late-1970s. On fundamental questions of the institutional and regulatory framework, business and industry lobby and business-led CR organizations have been on the same page. This is not surprising when one considers that virtually all members of BITC are simultaneously members in powerful industry lobby organizations such as the CBI and IOD. Apart from the alignment of their underlying interests, it is clear that despite the impressive dynamism of CR in the UK, the voices from Centre Point (CBI) and Pall Mall (IOD) carry more punch than those from Shepherdess Walk (BITC), where emphases differ. The relations between these organizations can be seen as a "good cop, bad cop" division of labour: the CBI and IOD lead the charge to promote a business-friendly environment and defend business against burdensome regulations, while BITC and other organizations work together with companies on a voluntary basis to maximize positive and minimize negative impacts.

This division of labour is facilitated by the prevailing definition of CR that sees it as 'activities that go *beyond* compliance.' Thus, as one official of the UK's Department of Trade and Industry stressed to me, "corporate taxation is not a CSR issue" (DTI, interview, 2007). Whether it may become one remains to be seen; but the theoretical point stands. If CR consists of whatever goes beyond regulation, "you can't have the conversation about what should be regulated," as Deborah Doane of the CORA Coalition for Corporate Accountability stresses (Doane, interview, 2006). This is not to deny differences of emphasis between business associations with a broad-based membership and CRAs composed of CR leaders and agenda-setters. The latter may, for example, stress the difference between legality and morality. Thus for Peter Brew of the International Business Leaders Forum: "just because something is not illegal it doesn't mean it is right. We take a very different line from the CBI" (Brew, interview, 2007).

For British trade unions, Corporate Responsibility is an ambivalent phenomenon. "CSR is not a substitute for legally required minimum standards which all companies should comply with" remarks Janet Williamson of the Trades Union Congress. "One of the dangers of CSR is in the sphere of what's voluntary. [CSR] tends to promote a pick-and-choose agenda." Williamson points out that virulently anti-union companies such as Unipart and Asda are members of Business in the Community. According to David Grayson, John Neill, CEO of Asda, was "scarred by the trade union militancy and extremism in the UK auto industry in the late 1970s/early 80s which largely destroyed the UK auto industry (Grayson, personal communication, January 6, 2010). According to Williamson, the white collar union Amicus has tried to use CSR to argue against the off-shoring of thousands of jobs from the UK. "I wouldn't say it's succeeded," she remarks (Williamson, interview, 2006). However, it would not seem reasonable for union activists to blame BITC for some of their members' antipathy towards unions. By its very nature, CR precludes such sanctioning power.

Though BITC has often sought to 'inspire rather than bludgeon,' BITC occasionally criticizes those who fail to adhere to its ideals of responsible business practice. In 2004, Philip Green launched a takeover bid of Marks and Spencer, a BITC member familiar from the discussion above and considered to be part of the inner circle of responsible business in Britain. In a Financial Times interview, BITC CEO Julia Cleverdon stated that "These aren't the values by which Philip Green runs the business … I think these values will go if he takes it over and takes it private" (Financial Times, July 7, 2004). Threatened with a lawsuit, Cleverdon was forced to retract these remarks and offer an apology stating that she had no grounds to doubt

Green's ethical credentials. This example suggests that, though BITC is not without levers with which to influence companies' actions, there are very real limits to the reach and influence of this 'soft' power. Indeed, it may be CR's inability to shape these conditions that most starkly differentiates it from the institutions of the post-war settlement.

IX The Role of State Support and Public Subsidies

One of the surprising empirical findings about Corporate Responsibility in the U.K. is the importance of state involvement in this area. The resources for CR are not necessarily corporate; many of them are public. Since the late 1970s, British governments have supported CR through direct transfers and subsidies, and indirectly, though tax credits and reforms to incentives for charitable giving, and through direct political support.

The precise amount of government support for CR associations in the UK is hard to quantify, but it is clear that it has been substantial (Moon, 2004). First, under the leadership of Ministers Michael Heseltine and Sir David Trippier, Conservative governments spearheaded the creation of several hundred Local Enterprise Agencies (LEAs) across the U.K. in the early 1980s. Michael Heseltine wanted there to be at least 300 LEAs, more than the private sector was able or willing to sustain. So government took the lead. LEAs were devised to facilitate the creation of small businesses through entrepreneurship, particularly in depressed areas affected by industrial restructuring. Although government support seems to have been less extensive for BITC than for the LEAs, if is not clear how much there would have been for BITC to oversee during the 1980s, had government not spearheaded the creation of the LEAs. According to Michael Heseltine, "Without Government intervention there is not the slightest doubt that things would have gone much more slowly" (quoted in Fazey, 1987: 82).

With regard to the Local Enterprise Agencies – the main delivery vehicles for CR beginning in the 1970s – the extent of direct state involvement is striking: "The most significant EAs are heavily dependent on public sector sponsorship …. [T]he more substantive EAs involve significant public investment either directly through core funding or indirectly through supporting projects" (Moore, 1988: 27, 28). Though "based on market assumptions and objectives," these initiatives "represent intervention in the market and rely extensively on public support" (Moore, 1988: 27). Funding which matched private sector funds with government support, such as the LEA Grant Scheme and LEA Projects Scheme, was critical to the rapid expansion of Local Enterprise Agencies.[152] Indirect support, for example through provisions in the tax code, was also important. Tom King persuaded John McGregor, then Chief Secretary (ie responsible for the public correspondence) at the Treasury,

> to make an important concession in the 1982 Budget. Section 48 of the 1982 Finance Act enabled companies to claim 100 per cent tax relief on contributions to Enterprise Agencies, whether these were in cash or in kind. When it came to secondment, it was a very good deal, since secondment was 'help in kind' just as much as passing on a used computer for an agency to use for financial modeling. It really did mean training and management development on the cheap (Fazey, 1987: 87)

Then, in the 1986 Budget, Nigel Lawson passed a Charities Package costing £70 million:

> partly on merit and partly to give it an added political dimension …. This had one principle running through it, which I frequently enunciated, and which informed my other concessions in this field in other Budgets: namely, that the best way to make such concessions is to assist, not the charities themselves, but the act of charitable giving. (Lawson, 1993: 380)

[152] I am grateful to David Grayson for this point.

David Trippier was elected as Minister of Parliament for Rossendale in 1979. Trippier became the Minister in Margaret Thatcher's administration in 1983, responsible for Small Firms. He describes the conditions in his constituency in the early 1980s:

> I was in terrible trouble in my constituency. Unemployment had rocketed. It was the worst example of the rise of unemployment in the UK. It went from 4.3 per cent to 19.1 per cent in just a few months and that was because 50 percent of the working population were employed in textiles and footwear. A textile mill was closing at the rate of one every other week and a footwear factory at the rate of one a month (quoted in Fazey, 1987: 78)

With Thatcher's support, Trippier became a major political advocate of Enterprise Agencies, disseminating them across the UK. This resulted in the creation of a large number of LEAs, more in fact than CR insiders such as Brian Wright thought would be reasonable and sustainable (Wright personal communication, July 2008).

Returning to literature on CR in the 1970s and 1980s is not only worthwhile out of historical interest; ironically, the secondary literature during these decades was more conscious of political questions – such as accountability and the distinction between public and private interests – than today's literature on CR, which oftentimes assumes or imputes a harmony between them.

David Smallbone (1991) poses the question of the accountability of Local Enterprise Agencies. David Smallbone cites sources according to which in 1988, 35% of LEA funding was from central government and another 24 percent from local public authorities (Smallbone, 1991: 91). Though ironic given the Thatcher government's stated desire to reduce state activities in the economy, according to Smallbone, "There is political capital to be gained from an alliance of a Conservative government and business emphasizing the minimal role of the state" (Smallbone, 1991: 91). From the point of view of the conservative government, "the lack of local accountability is not an issue," since the central government had an interest in a lack of accountability to local authorities that were often in the hands of radical Labour supporters. Though supportive of the combination of resources from public and private sectors, Smallbone faults LEAs on democratic grounds:

> The central issue … is the lack of accountability ….. Local enterprise agencies may be seen as partnerships in the sense that they operate with some combination of public and private sector resources, but if partnership implies a sharing of control and decision making then it is difficult to justify such a description (Smallbone, 1991: 97)

There are also consistent references to public sector involvement in BITC publications. In 1984, the Special Programmes Unit of the Confederation of British Industry – a division of the Confederation of British Industry which had been funded exclusively from government funds to promote business involvement in the MSC – was merged into BITC. Michael Heseltine noted in 1987 that

> [o]nly government can take the lead ....There can be no way of turning back urban decline that is not led by the taxpayer. The elimination of social stress and the eradication of urban dereliction are not the natural hunting grounds of the profit-seeking entrepreneur left to his own devices (Heseltine, 1990 [1987]: 156)

Heseltine's point was not only that government must take a lead in addressing problems of social deprivation. While business often "takes the lead," it is government that turns this "first spark" into a "flame of enthusiasm":

> Business often takes the lead; and when it does government, with incentive, encouragement and help, can turn a first spark into a flame of enthusiasm. It happened with the movement known as 'Business in the Community,' and the growth of enterprise agencies – a conspicuous example of caring capitalism (Heseltine, 1987: 164).

In a similar vein, Julia Cleverdon, BITC's CEO from 1992 to 2008, states: "in the absence of government support, BITC's activities in Northern Ireland would not have opened as fast, nor could BITC have obtained anywhere near the caliber of the Director" [Cleverdon, interview 2007]. Does partisan (party) politics have a role to play with regard to CR in general or BITC specifically? It seems not. The Callaghan, Thatcher, Major, Blair, and Brown governments have stepped up to the plate in support of CR, BITC and initiatives that were indispensable for the creation of these and related initiatives. No clear line can be drawn between Thatcher and Blair. Perhaps this is because "Thatcher moved the centre of political gravity firmly to the right," with Blair situated in that new center (Kavagnah, 1997: 230).

As we can see in the two charts below, BITC has grown remarkably since its founding nearly thirty years ago. Figure 2.3 shows that New Labour has funded BITC generously; public sector funds accounted for approximately £9.6 million or 40% of BITC's £24 million budget in 2005 before declining to approximately £6 million of a £20 million annual budget in 2007. Figure 2.4 provides an overview of BITC's organizational growth. Eleven regional offices and a total of over 350 staff – this is larger than any other Corporate Responsibility association in the OECD.[153]

[153] Not apparent in these charts is the fact that the growth of BITC's membership, staff, and budget is in part a result of it's having merged – or taken over – other organizations in the same area, namely the CBI Special Programmes Unit (discussed above), in 1984, as well as the Action Resource Centre (which was reincarnated as the BITC campaign vehicle Action: Employees in the Community).

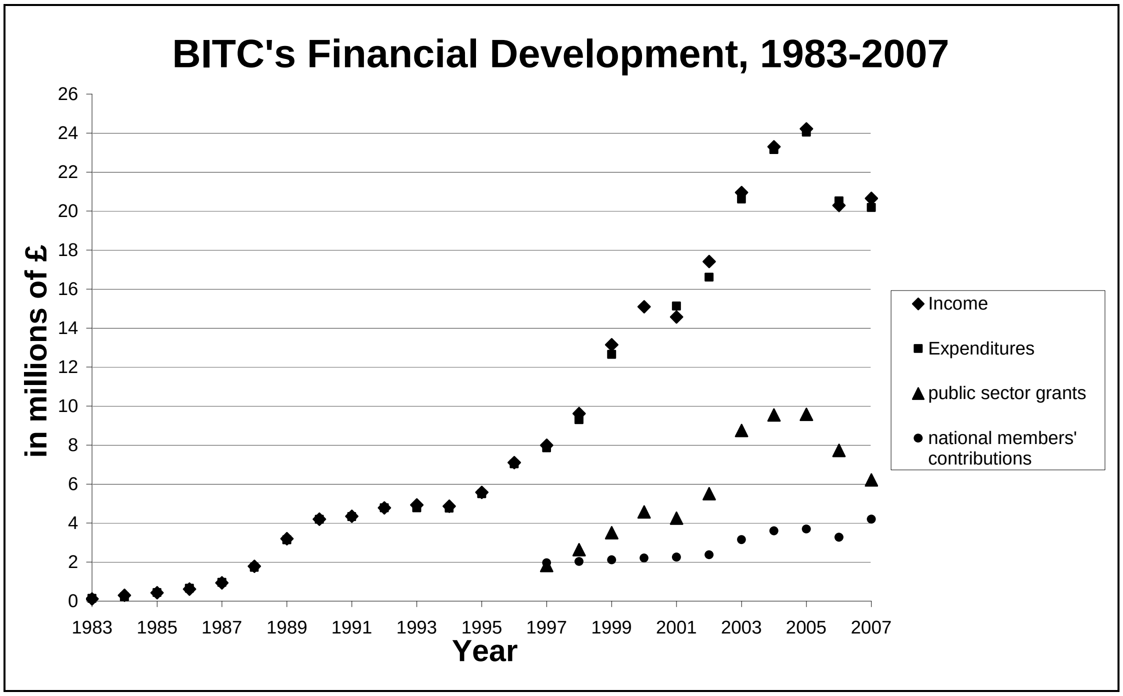

Figure 2.3: BITC's Finances

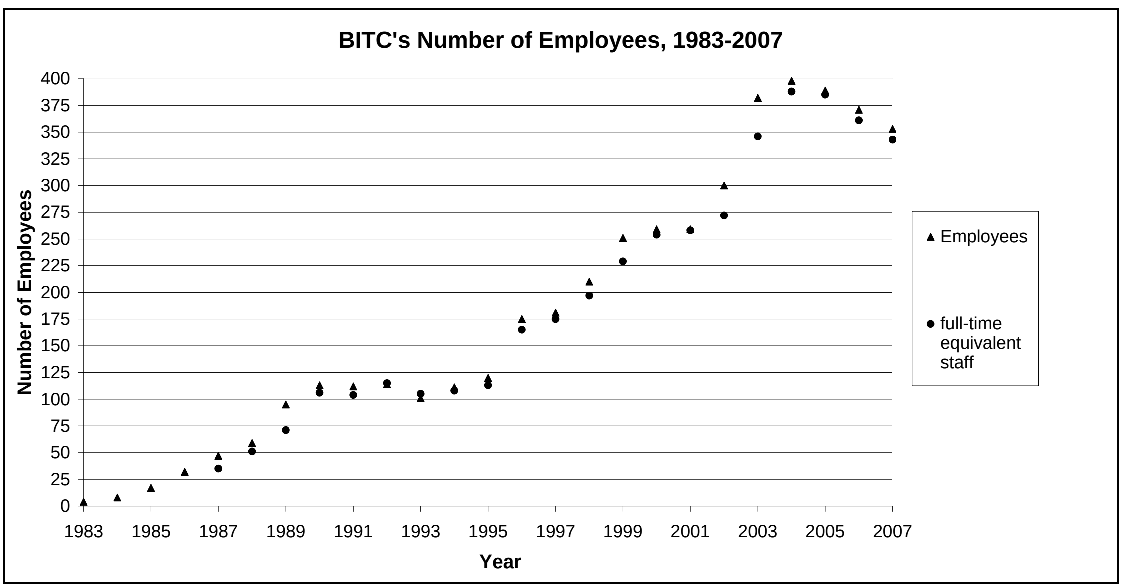

Figure 2.4: BITC's Growth in Staff

As we have seen, Conservative governments in the 1980s and 1990s supported Corporate Responsibility and Business in the Community in a variety of ways. New Labour, which came to power in 1997, did so no less vigorously. New Labour's support for CR has included funding from numerous government departments. But rather than a result of coordinated government action, "BITC is good at tapping into government and putting proposals for projects" (DTI, interview, 2007).

In March 2000, Prime Minister Blair created the first Minister, Margaret Hodge, with explicit responsibilities for CR in a national government in the OECD. Housed in the Department of Trade and Industry, the role of the Minister of CSR is to coordinate the government's overall CR strategy as well as the activities of many different Departments in this area. As Lozano, Albareda and Ysa et. al. (2008) point out, New Labour's CR strategy has been "basically one of voluntary compliance, although its proactive attitude has taken the issue somewhat further than this merely voluntary idea." According to Lozano, Albareda and Ysa et. al, thirteen government departments are involved addressing a wide variety of different issues through CR (Lozano, Albareda and Ysa et. al., 2008: 103; 105).[154] Social compensation is a clearly an important element of the UK Government's CR strategy, as is emphasized by Margaret Hodge, CSR minister in 2006: "I believe CSR brings together two themes – improving business performance and helping to combat social injustice" (Hodge, 2006: 112). On a voluntary basis – it is striking how little separates the New Labour and Conservative party agendas. As the then Conservative Candidate, now MP Robert Halfon put it to me: "I'm a passionate believer in Corporate Responsibility. But no company should be obligated. It should not be used for attacks on capitalism!" (Halfon, interview, 2007). I do not know whether New Labour MPs would disagree.

[154] These include, among others: "employment policy, gender equality policy in the workforce, cultural diversity policy in the workplace and equal opportunities, health and safety at work, environmental management policy, sustainable tourism, sustainable transport and mobility, corporate transparency and reporting, socially responsible investment and pension funds, employee education and training, social policy and the fight against social exclusion, regeneration of socially and economically less-favored or deprived areas, human rights and labor rights, social inclusion and community investment, socially responsible corporate behavior in developing countries, and the fight against corruption and bribery" (Lozano, Albareda and Ysa et. al., 2008: 105).

Why did New Labour come to embrace CR in such a wholehearted way, much more so than other centre-left parties across Europe? The answer likely relates in part to New Labour's ideological shift during the 1990s. Ruth Levitas avers that "Far from being a centre-left project, New Labour could more accurately be characterized as centre-right, combining a neo-liberal commitment to the market with notions of 'community' replacing the role of the state in Thatcherism" (Levitas, 2005: ii). Levitas's interpretation appears consistent with my interview with Labour MP Stephen Timms, Minister for CSR from 2004 to 2005 and 2006 to 2007. Timms notes that in contrast to countries in which the Corporate Responsibility portfolio is held by the labour or international development portfolios, it is in the business department in the UK where the voluntary, non-regulatory approach has borne fruit: The

> enthusiasm with which it has been pursued by business is its strength. A regulatory glove would stifle that innovation….I think my view would be that if you compare what's been achieved in the UK compared with other European countries on this agenda than we're in a pretty good position. I would argue that the progress has been made on the basis of the approach without regulation (Timms, interview, 2007)

Firms are not the only ones to legitimate themselves with CR; government officials do so as well. As one Department of Trade and Industry official put it to me, "there is lots of political mileage in doing CSR … Being associated with this area which is fashionable [makes it] an automatic political buy-in" (DTI, interview, 2007). Claims that Corporate Responsibility "is an attempt by businessmen to constrain the scope of government economic regulation" (Barnekov, Rich and Boyle, 1989: 22) seem odd in light of evidence that government is supporting a business-led organization that itself lobbies government against regulation. Government aids business in its attempts to diffuse the pressures that could lead to pressures for government regulation. In addition, government "routinely invite[s] business views on aspects of Government policy," which may decrease the need for unsolicited business lobbying, remarks

Department of Trade and Industry official Jane Leavens (Leavens, personal correspondence, 31 May 2007). While Corporate Responsibility prompts businesses to increase their contribution to underprovided public goods, the fact that for New Labour, such support includes little in the way of more stringent or binding regulation supports claims that “New Labour communitarianism … effectively excludes the sphere of economic activity from … ethical regulation” (Shaw, 2006: 178) and that New Labour has gone “beyond the rapprochement and co-operation with business interests which is essential to all social democratic parties to becoming simply a business party” (1999: 80). Like Margaret Thatcher six years before him, Tony Blair – then Leader of the opposition – addressed the Per Cent Club at its annual meeting in November 1994, praised the latter’s activities and explicated how they fit in with New Labour’s social and economic vision.

X Tensions Between Pragmatic and Moral Legitimacy

In chapter one I suggest that pragmatic and moral legitimacy are Corporate Responsibility’s motors and justification during the transition to market-liberalism. This does not imply a peaceful and happy co-existence between pragmatic and moral legitimation. Why should companies try to minimize their negative externalities and engage themselves in community issues and social problems beyond their core business activities? Because of a cost-benefit calculus or because it’s the right thing to do? Few questions are more enduring and central for the staffs of firms and CRAs engaged in Corporate Responsibility than this one.

In 1991, BITC was in the process of charting its future course. These preparations culminated in a seminal document by David Grayson, *Directions for the Nineties*. Three early, unpublished documents from BITC’s internal archives present differing views on the nature of BITC membership. I have organized them into a continuum, beginning with the most ‘moral’ or ‘purposive’ and proceeding to the increasingly ‘pragmatic’ or ‘business case’ oriented. In the first internal, “private and confidential” discussion paper titled “Membership Strategy” for the “Strategy Board” dated 6.9.91, the (unidentified) author writes:

> Membership is not ‘for sale.’ The litmus test for whether a company is eligible to be a member should be our mission.... to increase the Quality and Extent of business activity in the Community’ Thus a consultant who finds useful the contacts made at our events is not eligible; a company who likes the PR but has no involvement in our work does not qualify; the fundraiser who has his own agenda is ineligible. Clearly there are secondary benefits from membership. HRH [the Prince of Wales], personal networking, media profile etc are all part of the ‘club benefits’ but should not be seen as primary motives (unpublished internal memo, BITC archives [BITC, 1991])

The next draft is significantly more pragmatic and utilitarian, and stresses that regulation would be counterproductive:

> -Social problems will constrain long-term business growth
> -Business can help to overcome many of these problems
> -It is in business’s interest to do so
> -Therefore, it is in the interests of business and society generally for such business involvement in the community to be maximised.
> -Business involvement will be maximised when it meets business as well as community needs
> -External pressures on individual firms differ
> -Successful corporate community involvement, starts with the priorities of individual firms rather than imposing top-down instruction for all firms.
> (unpublished internal memo, BITC archives [BITC, 1991])

The third draft endorses the very ‘networking opportunities’ that were decried in the first draft, and describes BITC as an organization which is useful both as a PR tool and because of the improved image which it can offer its members. The resulting emphasis is an almost sinister emphasis on being *seen* to be good, rather than actually being good:

> Economies of Scale. More macro ‘changing the world’ can be achieved by joining with others
> BITC has a pool of skills and expertise, which members can access

> BITC is a centre of good practice and the leading authority on corporate community involvement
> BITC offers lots of networking opportunities
> Through BITC, companies can contribute to national policy development
> CCI is our core business. We never lack enthusiasm and can offer lots to others when they need a pick-up
> BITC is politically neutral
> We can offer companies and individuals profile and status. We are a useful PR tool.
> We are private sector led, not voluntary sector led. Therefore a company's business needs is our starting point.
> Being seen in the community can help the bottom line. Being seen as a good corporate citizen. (BITC, 1991)

As I have described elsewhere in this chapter, tension between moral legitimacy, the moral/ethical justifications for involvement in CR, and the ethically functionalist and instrumental pragmatic justifications, is alive and well in the political economy of Corporate Responsibility. The following section discusses the UK's pivotal role in disseminating CR practices internationally.

XI The UK's Role in Diffusing Corporate Responsibility Internationally

CR has co-evolved with market-liberalism not only within the UK, but in the international arena as well: the UK has played a pivotal role in diffusing and disseminating Corporate Responsibility across Eastern Europe and indeed the world. As above, CR has spread in tandem with market-liberal forms of governance. This section focuses primarily on the International Business Leaders Forum, an offshoot of BITC founded in the early 1990s and the foremost CRA for promoting CR in Eastern Europe and in the developing world.

The earliest mention of the role of the UK in the international dissemination of CR can be found in the Business in the Community Press Release (1987) titled "UK to Follow Reagan Initiative." In a meeting chaired by Mr John Raisman, former chairman of Shell UK, and attended by Mr. Hartley Booth, policy advisor to the Prime Minister, the Hon. David Sieff, director Marks & Spencer, Mrs. Anne Simor of the

America/European Community association and Mr. Michael Brophy, director, Charities Aid Foundation suggests that “the UK is more like the US than unlike, and could build a bridge between the US and Europe for private sector community initiatives.” An internal document two years later explicitly acknowledges the pioneering role that the US and UK perceived for themselves in the area of in CR: “Business leadership and corporate community involvement have largely evolved in the USA and the UK. Under the leadership of our President, BIC should seek to develop and export these concepts” (BITC, 1989: 3).[155] This view is confirmed by Peter Brew, who says that “I don’t think that there was any doubt that the whole Corporate Responsibility agenda was very much driven from the UK initially. There was still a very clear distinction in France and Germany between the responsibilities of business and the responsibilities of government. So it took longer to convince these companies that it was part of their core business agenda” (Brew, interview, 2007).

The UK’s role in the international promotion of Corporate Responsibility gained intensity and dynamism at the beginning of the 1990s. In his speech “New Directions for the New Decade,” the Secretary General of the Confederation of British Industry John Banham (1991: 3) stressed: “a major opportunity exists, in the European context, to introduce our philosophy not just to our partners within the European Community but to Eastern Europe as well. At present, voluntarism is not a concept widely recognized on the other side of the Channel.” As it turns out, Business in the Community founded another organization, initially known as Business in the

[155] A close examination of Business in the Community documents reveals that for them during the 1980s, the United States was an example to learn from and emulate. For example, the theme of Business in the Community Magazine No. 3 from Winter 1986-1987, is: “Bearing the American example in mind.” Ron Mayes, who was editor of the Business in the Community magazine at that time, wrote on May 15, 1986 that: “our quarterly Business in the Community … breaks new ground in that it is the first journal in this field to be published outside the USA.”

Community International,[156] which has become the leading business-led organization for disseminating CR into Eastern Europe and into the developing world. As Larry Ray notes surveying the situation in Eastern Europe post-1990, “it can hardly escape anyone’s attention that one strong contender in this reform process is the programme of radical marketization of social relations, which can appear similar to the enterprise culture in the UK” (Ray, 1991: 114). CR spread across Eastern Europe and into the developing world in tandem with market-liberal forms of governance, blatantly contradicting predictions in the early 1990s that the German model of industrial relations and social partnership would gain a foothold there.[157]

Following preparations in the late 1980s, the International Business Leaders Forum[158] was officially established as an independent company and registered charity on 1 January 1991. A conference held in Charleston, South Carolina, led to the founding of the IBLF; it was attended by approximately 120 business leaders, 60 were Americans and 30 British. Thus, approximately three quarters of the organization’s founders were Anglo-American (Sheppard, interview, 2006). The initial international sponsors of IBIC were two American and six British companies.[159] As David Halley made clear to me, the “parting of the ways [of IBLF and BITC] was more about a clash of egos than programmatic differences. The IBLF can be seen as an international extension of BITC” (Halley, interview, 2006). While containing a grain of truth, this portrayal may underestimate functional reasons for separating international and domestic activities. As David Grayson points out, there was concern on BITC’s board that international work might threaten the organization’s work in the UK: “We need

[156] later renamed the Prince of Wales International Business Leaders Forum and finally the International Business Leaders Forum
[157] Hodges and Woolcock (1993). I am grateful to Peter Katzenstein for this point.
[158] initially called International Business in the Community, Business in the Community International and Prince of Wales International Business Leaders Forum.
[159] American Express International, Atlantic Richfield Company, BP p.l.c., Cable & Wireless p.l.c., Grand Metropolitan p.l.c., Johnson Matthey p.l.c., SmithKline Beecham p.l.c., The Wharf Holdings Ltd.

Cleverdon and O'Brien and Grayson in Rotherham and Swindon – not spending all their time in Eastern Europe" (Grayson, 2007: 38).

An early publication describes the "key issues" on IBIC's 1991 agenda as "support for the resurgent enterprise culture in Eastern and Central Europe, sustainable development and the environment, and community involvement in the developing and newly industrializing worlds." This agenda, the report remarks, is falling on particularly receptive ears "in those countries implementing economic liberalisation such as Brazil and India, and those having undergone radical change such as in Eastern and Central Europe" (IBIC, 1991: 2).

The meeting that took place in Czechoslovakia in May 1991 "focused on the contribution of international business to recreating an enterprise culture and restoring the environment." This agenda of enterprise promotion, as an internal paper on the formation of BITC International reveals, "is intended to retain the 'power to make reasoned responses to proposed legislation" (BITC internal archives, B4/90/2). The main activity of the IBLF in Eastern Europe during the early 1990s was the founding of national Business Leaders' Forums in a number of different countries: Czechoslovakia and Hungary (in 1992); and Bulgaria (in 1994), among others. These business-led CR associations have served to promote the cause of Corporate Responsibility within their respective countries, much like BITC, in cooperation with their indigenous and international (predominantly Anglo-American) corporate membership. Unlike many other CRAs across Europe and the world, these organizations have retained a close connection to the head offices of the IBLF at St. Regent's Park, London.

Though Milford Bateman (2000) does not touch directly on CR and of institutions such as the IBLF, he describes how the Local Enterprise Agencies (LEAs), the central focus of CR in the 1970s and 1980s, were "the practical inspiration for the majority of Business Support Groups in Central and Eastern Europe" post-1990 (2000: 280). For Bateman, LEAs, along with Business Support Centres, played a key role facilitating the transition of Central and Eastern European Economies to market liberalism. As he remarks, "transition policy in Central and Eastern Europe was a textbook variant of the dominant radical free market discourse, neo-liberalism," with its prominent proponents Margaret Thatcher and Ronald Reagan. The international donors who spearheaded the creation of the Business Support Centres were "were keen to set up just such [CR] advocacy bodies to promote the US-Wall Street version of finance-based capitalism" (Bateman, personal communication, December 03, 2008).

There are similarities between the economic conditions in the UK during the early 1980s and those in Eastern Europe a decade later. The institutions and programs used to promote CR were similar, as were the conditions that prompted their use. In both cases, Enterprise Agencies served to compensate for the collapse of manufacturing and rising levels of unemployment: "the overriding mission of Hungarian and UK agencies is fundamentally the same," as Gibb and Haas (Gibb and Haas, 1996) note. There are also important differences. As we have seen from the 1980 Sunningdale Conference, British businessmen and policymakers looked to the US for lessons and guidance. The agency movement in the UK was nevertheless a "bottom up phenomenon." By contrast, in Hungary and elsewhere in Eastern Europe, "agency development was a top-down construct" driven by external donors (Gibb and Haas, 1996: 205).[160]

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[160] Allan Gibb and Zoltan Haas write that Local Enterprise Agencies in the UK were driven by "private sector resource" whereas in Hungary, agency development was "driven by public (particularly foreign) funding" (1996: 205). As I have argued above, this claim is questionable: Enterprise Agencies in the UK during the 1980s received substantial public funding.

Before concluding this section, it is worth noting that in addition to the IBLF, BITC has itself played an increasingly prominent international role during recent years. BITC had an international department in the early 1990s, but couldn't get it going because of a lack of member company interest. My argument implies that CR and market-liberalism had not yet become politically salient enough in countries outside of the UK where BITC members had other operations.[161] During the past decade, this has changed. Despite its apparent overlap with parts of the IBLF's mandate, BITC has developed a global network of firms and CR organizations of which it is the coordinator. In the words of David Halley, initiator and head of international partnerships and of BITC's Global Partner Network:

> 'We have a model which we think will work and we can export it' … Halley acknowledges that some Europeans may see the planned spread of BITC's message as 'an Anglo-Saxon plot' and stresses that the organisation has never opened offices in European cities. 'We want home-grown organisations, local camouflage,' he says (Financial Times, June 10, 2004)

Just as Thatcher is a source of inspiration for advocates of market liberalism across the world, BITC and the IBLF have been important promoters and facilitators of Corporate Responsibility in Eastern Europe and beyond.

XII. Scottish Business in the Community as Additional Variation

Readers may wonder whether the story of CR and BITC in the UK, told in the pages above, is a tale *sui generis*. What confidence do we have that the link between CR and market liberalism via pragmatic and moral legitimacy is not simply the result of a perfect storm, a coincidence of contingent and nationally idiosyncratic factors? Chapter five compares Liberal with Social/Coordinated Market Economies as a group and address the generalizability of my findings. But we needn't leave the United

[161] Except of course in Eastern Europe, but these countries were under the IBLF, not BITC's purview.

Kingdom to find additional sources of variation: Scottish Business in the Community, BITC's Scottish sister CRA was incorporated on 11 October 1982.

Scottish Business in the Community provides additional variation on the dependent variable. SBC shares with its BITC cousin many contextual factors, such as Whitehall's macroeconomic and fiscal policies,[162] and substantial public support for the organization's activities.[163] Scotland differs from the rest of the UK in other respects.[164] This section provides a cursory description of SBC and the challenges it has faced during its more than twenty-five years of existence. This is useful as a frame of reference for BITC. The story of SBC shows that the deconstruction of institutionalized social solidarity does not necessarily, automatically or functionally imply the extraordinary successes of BITC. In this section I show that SBC has faced many formidable challenges that BITC did not face. SBC has done as well as it has – and not worse – because of the structural and contextual factors it shares with its larger sister organization. After a thumbnail presentation of SBC, I discuss the challenges it has faced.

Two of SBC's major figures, Hector Laing and John Moorhouse, will be familiar from the aforementioned discussion, and I will not recount the development of SBC in detail. Needless to say, these two figures were not the only ones who used the lever of moral legitimacy to champion the cause of responsible business in Scotland. As Mark Laing, who runs Simmers of Edinburgh (a biscuit factory) puts it: "it is right that a business should do what it can to contribute to the well-being of society" (Laing, interview, 2007). Like BITC, SBC championed business support for Local Enterprise Agencies as a way of business helping to regenerate communities

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[162] At least until devolution established the Scottish Parliament in 1998.
[163] SBC benefited from government secondees as well as from direct funding from the Sxottish Development Agency.
[164] For example, the rate of collective bargaining coverage has been consistently higher in Scotland than in England throughout the past thirty years.

depressed by corporate closures during the 1980s; beginning in the early-mid 1990s, SBC gave up responsibility for LEAs and promoted a wider agenda of corporate community involvement, with a particular focus on depressed urban housing estates.

Like BITC, SBC grew rapidly during the 1980s. The number of Scottish local enterprise trusts increased to more than forty by 1988. During the 38th Executive Council of Scottish Business in the Community, an amendment was proposed to the Articles of the organization to increase the maximum size of the Governing Council from 100 to 200 – at that time, each member of the organization had a seat on ScotBIC's Governing Council. SBC was at the forefront of the Scottish Enterprise Trust movement until these responsibilities were transferred to Scottish Enterprise, a government authority, in 1993-1994. The transition to a new focus and organizational model did not prove easy. Figures 2.5 and 2.6 provide an overview of SBC's evolution over twenty-five years.

Figure 2.5: SBC's Membership

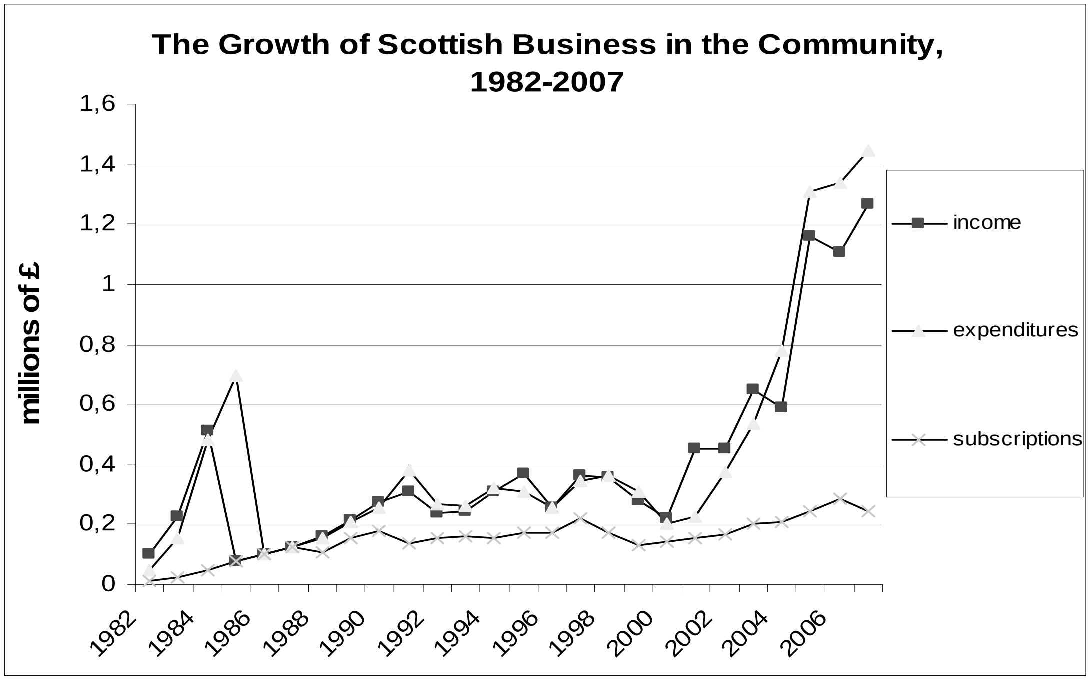


Figure 2.6: SBC's Ups and Downs

Unlike BITC's aggregates, which point steadily upwards, SBC ran into trouble during the 1990s, as declining membership levels and finances attest. What were SBC's challenges? Though SBC's "principal activity" was to "encourage and assist companies to adopt a philosophy of corporate social responsibility"[165], "working in the [housing] estates," areas with endemic high unemployment, "it was really hard to keep people's enthusiasm up because we didn't give people any easy successes that they could tell their mates about" (Moorhouse, interview, 2007). By 1997, Prince Charles, patron of SBC, the Chairman of SBC Sir Tom Farmer and the Board of Directors commissioned a strategic review of the organization which, according to its author, "was struggling to survive" (Pignatelli, personal communication, February 5 2008). In the mid-late 1990s, virtually all indicators – membership, income, expenditure, and number of employees – pointed downward, and some members of the organization, including Moorhouse, thought that perhaps the time had come for

[165] SBC (1995). Unpublished document, Scottish Business in the Community archive, Edinburgh.

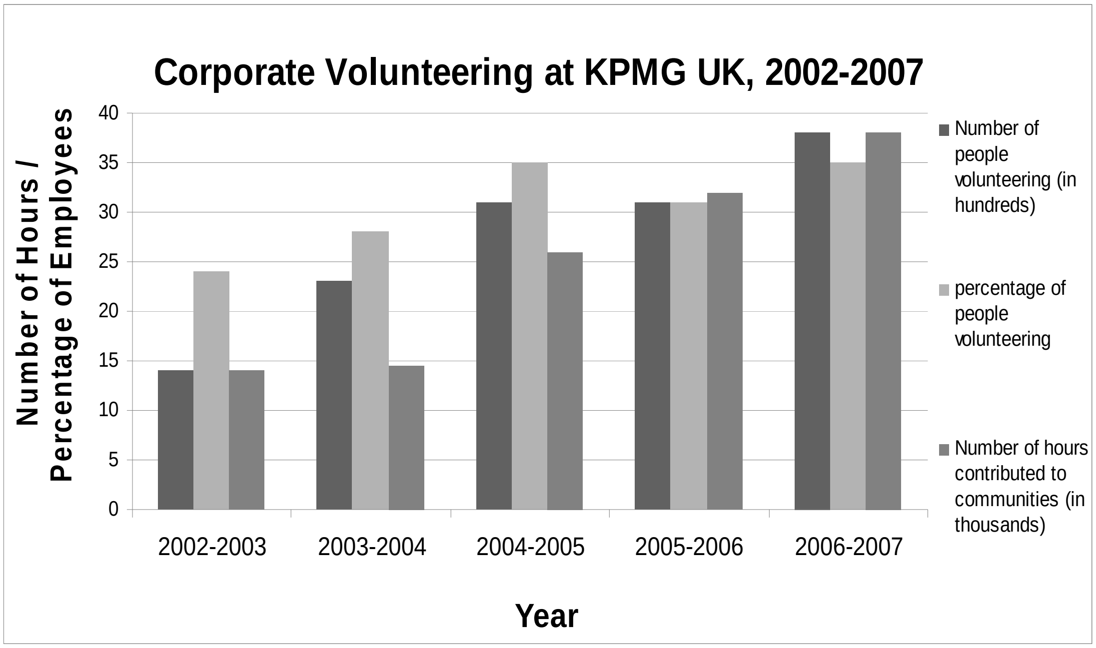
SBC to close up shop. Membership had dropped to 45 firms, roughly half its 2007 level. Janet Hamblin of Baker Tilly, who is also a Board Member of SBC, described this period as “a dodgey time” (interview, 2007). Pignatelli’s unpublished 1998 strategic review stressed that “mechanisms should be put in place as a matter of urgency to address the problems of declining membership” (Pignatelli, 1998: 2). While the report does not clearly lay out the causes of SBC’s tribulations, it does note that “over recent years difficulties have arisen as SBC’s membership has declined and as it has become increasingly difficult to secure business support for activities” (Pignatelli, 1998: 3).

Whether SBC’s problems were endogenous or exogenous to the organization is beyond the scope of this paper. Suffice to say, the problems were serious; two in particular proved thorny. First, the centralization of the UK business world on London, combined with the fact that many Scottish business executives would regularly spend time in London, led many firms to question the necessity of being a member of SBC in addition to the much larger (and better-resourced) BITC parent organization. Consequently, attempts were made to merge SBC with BITC. Secondly, SBC’s concentration on tackling tough social issues such as public housing estates proved a hard sell for some member companies. Since 1998, devolution has made it easier for SBC to tap public finding resources such as Scottish Parliament and Scottish Enterprise, leading again to upward slopes. The point remains, however, that despite overlapping mandates with BITC and a programmatic focus that was a difficult sell for member companies, SBC still had more member companies at the time of its existential crisis in the later 1990s than many CRAs from in Social Market Economies have at the time of their greatest successes.[166]

[166] A detailed presentation and comparison of membership figures can be found in chapter 5.

XIII Political-Economic Structure and the Self-Sustaining Dynamism of UK CR

Before concluding, I wish to address once more the relationship between structural and institutional conditions on one hand, and Corporate Responsibility on the other. It is well-known that CR has acquired considerable dynamism across the UK and in London, and many of my interviewees across Europe refer with amazement to developments across the English Channel. Thus, in multinational corporations with substantial UK operations, the UK operations almost invariably sported more dynamic or significant CR activities than elsewhere in Europe. This chapter is focused on the 1970s and 1980s because Britain's political-economic institutions changed most these years, and these developments are important for explaining UK CR's present-day dynamism. This does not mean that CR has stopped evolving or that CR's dynamism is attributable *solely* to its role of legitimating liberalization or compensating for declining ISS. Figure 2.7 shows the growth of corporate volunteering at the auditing-accounting firm KPMG's UK operations between 2002 and 2007:



source: my own compilations from KPMG London (2008, 2009)

Figure 2.7: Corporate Responsibility's Dynamism

The remarkable rise of corporate volunteering at KPMG during these five years is not a direct consequence of liberalization or the dismantling of Britain's post-war order during this period. Nor does the rise of corporate volunteering by a factor of more than two imply that social problems have risen by exactly that factor. The relationship between political-economic framework conditions and CR is more subtle and less mechanical than that. CR has in many areas acquired its own (self-sustaining) dynamic and dynamism. But this should not lead us to forget the crucial role of structural and institutional conditions to give the initial impetus as facilitators and enablers.

XIV Conclusions and Outlook

In this chapter, I have shown how the rise of Corporate Responsibility in the UK between 1977 to 2007 was connected with the structural erosion and the dismantling of the post-war compromise and institutionalized solidarity. These policies were a response to de-industrialization and rapidly growing unemployment levels; vertical disintegration, the dismembering of corporate conglomerates, the increased use of sub-contracting; the growing importance of the service sector, entrepreneurship and small businesses; the declining importance of collective bargaining and the diminished power of unions; and varying degrees of privatization, liberalization, deregulation, and rising inequality. The borrowing of ideas from the United States, though "piecemeal," was continuous (Bader, interview, 2007). Towards the end of this chapter we have seen how the UK has itself become a cause, an exporter of Corporate Responsibility across Eastern Europe and indeed the world. How should we interpret the rise of CR in the UK – as a response to the structurally inevitable diminution of institutionalized solidarity, or as an element in its willful and contingent dismantling? Is Corporate Responsibility itself responsible?

Those who stress the morally ambivalence of these developments include Desmond S. King: "the movement towards the voluntary sector through state divestment constitutes an initiative aimed at emulating the American tradition and breaking with the universal social rights trajectory" (King, 1989: 51). Simon Deakin and Richard Hobbs (2007) find that despite the UK's status as Corporate Responsibility leader, the latter's impact on domestic working conditions is small. More cynically, Peter Kellner remarks: "Active citizens are those who contribute to the success of the free market economy by picking up the pieces that the free market drops: helping charities, clearing litter, helping inner city reconstruction" (quoted in Ray, 1991: 129). And for Mike Geddes, "Partnership is the banner under which society is invited to join in the neo-liberal project, as 'stakeholders' in its outcomes. The concern must be, however, that this is not, when the chips are down, primarily a model in which business makes a substantive commitment to a more just society, but one in which society is a stakeholder in ‘UK plc’” (Geddes, 2001: 194). Those who take this view see Corporate Responsibility as hollow or craven.

By contrast, those who emphasize innovation, structure and systemic dynamics are less likely to reach these conclusions. For all of its virtues, CR in the UK is not just a substitute for the dismantling of institutionalized social solidarity. Some of the things currently done in the name of CR did not get done in that other world, the world of the post-war compromise.[167] Julia Cleverdon, who succeeded Stephen O’Brien as Chief Executive of Business in the Community, recounts how she was asked the following question: “Can you explain to me: BITC is concerned with improving its effects on society but trust has fallen so fast since you’ve been set up.” Cleverdon quips that “it might have fallen even faster if it hadn’t been for us” (Cleverdon, inteview, 2007). Indeed, the public’s loss in confidence in business may have much to do with the changes in the structure of the economy. While the systematic dismembering of social democracy in the UK was especially stark, abrupt, and dramatic, the UK is hardly a unique, isolated case. As I show in the chapters below, virtually all affluent countries have been undergoing these changes to varying degrees. Thus, the degree to which it can be construed merely as a project of Thatcherism or the New Right is open to question. Furthermore, the continuity from the Labour Government of James Callaghan to Thatcher’s Conservatives should caution us from interpreting the rise of Corporate Responsibility as a narrowly orchestrated partisan political project. Nor were the policies of institutional reform and restructuring specific to the UK: the economies of most if not all OECD countries have been undergoing similar structural transformations. None of this diminishes the tension between the aspirations of a Hector Laing, or a John Moorehouse, for “inclusive capitalism” (Davies, 2002: 650), and the structural changes in the economy, which one

[167] I am grateful for Michael Schwartz for making this point to me.

commentator describes as a "'Reverse Robin Hood program,' which transferred 'income from the poor, especially the poorest, to the rich, and especially the richest'" (Pollard 1992: 379, quoted in Rhodes 1999: 41). It is striking that it is possible to profess sincere and committed advocacy for CR on the one hand, and a Hayekian or Friedmanite view of society's political-economic institutions on the other. This appears to be true of Margaret Thatcher herself, as well as a number of leading figures in UK CR.[168] What unites CR and market-liberalism and separates both from the institutions of ISS is an emphasis on freedom and the absence of constraints on business activity.

With regard to the economy proper, as Daniel Cohen remarks, "[o]n all sides, contemporary capitalism is thoroughly dismembering the industrial firm" (Cohen, 2008: 33). Regarding small business growth, "What does seem beyond dispute is that small business growth since the early 1980s reflects a genuine and fundamental socio-economic shift not only in Britain but also elsewhere in the industrialized world" (Gray, 1998: 7). According to Peter Sedgwick: "It is often assumed that the 'enterprise culture' is a product of Mrs Thatcher's government …. However, as is often the case, the government was simply exploiting deep-rooted economic and social changes that were already in existence. The changes would have happened anyway, and have many years left to run" (Sedgwick, 1992: 8). Alan Harding writes that the trend toward public-private partnerships in urban governance, a central element of UK CR during

[168] Auerbach remarks that "Mrs Thatcher is a self-confessed 'great admirer' of Hayek, and Mr Nigel Lawson, the key architect of the economic policies of the 1980s, has endorsed the association with Hayek's name. He has also set out the key components of the economic policy which the government claimed to be pursuing from 1979, in impeccably New Right, and particularly Friedmanite, terms (Auerbach, 1990: 228). David Grayson is one of the masterminds of UK CR, and was formerly joint managing director of BITC. Grayson describes that "I personally come from a political tradition that is strongly pro-market, and I believe that responsible business is a crucial force for human progress and happiness" (Grayson, 2002: 15)

the 1980s, is neither “limited to the UK [n]or [to] a particular brand of ideological Conservatism” (Harding, 1998: 77).

The erosion of social citizenship rights has been an integral part of this transformation. Again, we may ask: to what extent is this story peculiar to the UK? There has been variation in the timing and extent of the erosion of social citizenship rights in different countries: the UK has proceeded farther and faster along this path than many other countries. But the common trends in this direction are unmistakable. For Bryan S. Turner, “[t]he Marshallian framework [of social citizenship] has been eroded because economic changes, technological innovation and globalization have transformed the nature of work, war and the social relations of production” (Turner, 2001: 203). Richard Marriott, who was chairman of the executive council of BITC and who had an overview of IBM’s international CR activities at the time, remarked that “in 1985-1988 no one was as advanced as the UK. No one had as much need as the UK” (Marriot, interview, 2007).

In sum, it is hard to know how to assess the activities of those like those like Prince Charles, president of Business in the Community, who strive for “Enlightened Capitalism” and for “mak[ing] everyone in Britain a ‘stakeholder’: People will be much more positive and responsive if they have a stake in the system” (Speech for HRH the Prince of Wales, BITC archives, 25.07.91: 1, 7). However, it is hard to escape the conclusion that, while the trajectory of Corporate Responsibility has been particularly impressive in the UK – indeed, few other countries have been able to match the UK’s activities in this area – they were no match for the transformation of British capitalism during this same period. If they are partners, market-liberalism and Corporate Responsibility are two very unequal partners. We will return to the question of the relationship between agency and structure/systemic dynamics in the chapters below. How CR fares in an institutional context very different from the British one is at issue in the next chapter.

CHAPTER 3

The Rise of Corporate Responsibility and the Decline of Organized Capitalism in Germany: 1995-2008

I. Introduction

If the U.K. is a ‘most likely’ case for Corporate Responsibility given its turn towards market-liberalism, Germany appears as a contrasting, perhaps even a ‘least-likely’ case. Germany is viewed as a paragon of institutional continuity and stability and as an exemplar, a poster-child for Coordinated or non-liberal capitalism.[169] Thus, a careful study of developments in Germany may yield lessons for other countries. If CR’s rise relates to the rising wave of liberalization during recent decades, and if Germany is coordinated, organized and otherwise non-liberal, then Germany should not be a propitious environment for Corporate Responsibility.

Kathleen Thelen remarks that “in the end, not institutional rigidity, but resiliency and flexibility, is what accounts for the continued stability of negotiated adjustment in Germany” (Thelen, 1991). In *Small States in World Markets*, Peter Katzenstein observes that Germany’s political economy “provides perhaps the closest approximation to the political practices characteristic of small states. West Germany’s corporatism, Katzenstein emphasizes, derives substantially from “openness, dependence, and a sense of vulnerability” (Katzenstein, 1985: 204). “[E]xperimentation and change within a stable institutional framework” captures the central dynamic of German industry and politics,” he argues (Katzenstein, 1989: 308).

Germany’s trajectory during the 1980s contrasts starkly with developments across the English Channel. Unlike the U.K. under Margaret Thatcher, West Germany was not subject to far-reaching economic reforms or attacks on organized labor. Thus,

> the policies of the Kohl government seem to differ much less from those of the previous social-democratic-liberal coalition than is suggested by the neo-

[169] Hall and Soskice (2001); Streeck and Yamamura (2003); Thelen (2004)

> liberal rhetoric. German neo-liberalism, when compared with the neo-liberal governments in the United States and in Great Britain, can be characterized as quite moderate (van der Wurff, 1993: 193)

Katheen Thelen finds that “[a]lthough West Germany took a marked rightward shift in the 1980s, neoliberalism has had a very different meaning there. Among other things, organized labor’s institutional anchoring helped shield unions from the full impact of political isolation and declining market strength” (Thelen, 1991: 12). And Peter A. Johnson recalls: “in the election of 1983, the coalition campaigned by mimicking some of the traditional monetarist and supply-side rhetoric of Reagan and Thatcher; but once in office, it left the German economy and social structure essentially as it found them” (Johnson, 1998: 104).

The institutions of the German economy have deep historical roots. In the Weimar Republic, Rudolf Hilferding remarked that as a consequence of the organization of the German economy, “the firm, the management of the individual company, has ceased to be a private matter” (Hilferding, 1927: 168, quoted in Streeck and Höpner, 2003: 17). In his classic *Capitalism vs. Capitalism*, Michel Albert uses Germany as an exemplar of the egalitarian ‘Rhine model’ of capitalism, characterized by a diminished role for the market and superior social outcomes compared with the “neo-American model” (Albert, 1993). As Streeck points out: “Germany has long been considered a ‘model’ for countries unwilling to subject themselves to the rule of the market in the same way and to the same extent as Anglo-American economies” (Streeck, 2009: 21).

As recently as the millennium, the continuity of German’s ‘non-liberal,’ ‘organized’ or ‘coordinated’ market institutions seemed so assured that Peter Hall and David Soskice (2001) used Germany as an ideal-type exemplar of a ‘Coordinated Market Economy,’ one that these authors expected would diverge from, and not converge with, Anglophone Liberal-Market norms of economic governance. Recall that for Hall and Soskice, “institutional complementarities generate disincentives to radical change” (Hall and Soskice, 2001: 64). As is often the case when scholars think they have figured out the world: it changes. While there is no consensus on how to interpret the changes in the German political economy during the past decade, proponents of the Hall/Soskice view are increasingly on the defensive. In this chapter, I challenge the claim that German employers have structurally conservative employer preferences, and assert that CR has co-evolved with the progressive liberalization and declining organization of German capitalism.

Far-reaching changes in corporate governance, industrial relations and wage bargaining, and the German welfare state have put analytic models stressing divergence and continuity under siege. While scholars continue to disagree on whether the changes that have taken amount to ‘convergence’ or ‘hybridization,’ there is increasing recognition that a great deal has changed in the German political economy during the past two decades. Wolfgang Streeck’s new monograph *Re-Forming Capitalism* (Streeck, 2009) is the most notable contribution of this vein of scholarship to date. Streeck’s critique of Varieties of Capitalism’s portrayal of the German political economy is hard-hitting. Streeck argues that VoC’s backwards projection of static institutional equilibria onto Germany’s post-war institutions misses a lot of what has been happening in the German political economy. The decay and transformation of Germany’s post-war institutions cannot be understood with reference to institutional equilibria, and has everything to do with the unleashing of capitalism from its institutional fetters.

Just as Germany’s move towards market-liberalism has been more recent than across the English Channel, Germany has acquired a reputation as a ‘laggard’ in

Corporate Responsibility.[170] The following statement by André Habisch and Martina Wegner exemplifies this view:

> For international firms with their headquarters in Germany we have a curious phenomenon: In the business ethics discussion of the 1990s, it was criticized that the standards in a company's home jurisdiction were higher than in the foreign subsidiaries. In a reversal of this line of argument one can see today that many German firms are more responsible abroad (especially in the Anglo-Saxon areas) than in their original national social environment (Habisch and Wegner, 2004: 9-10)

Elsewhere, Habisch and Wegner remark that "[m]any European neighbours perceive Germany as a 'white spot' in the European CSR landscape" (Habisch and Wegner, 2005: 111). A few examples illustrate what they are referring to. The German software giant SAP's month of service elicits a participation rate of 40% of employees in the United States. At the company's headquarters in Heidenheim, a participation rate of 1.6% is considered a "great success" (Raabe, interview, 2007). A comparison between the UK and German offices of the professional services consulting firm KPMG is equally revealing. In 2008 at KPMG in Germany, a single part-time position was allotted to CR. In London, twelve full-time staffs are devoted to this cause. The UK-based CR associations BITC and the IBLF had a smattering of German companies in their membership during the 1980s and 1990s – long before CRAs were set up in Germany. Thus,

> on the whole, the Corporate Citizenship discussion about the new role of firms in society is evolving relatively late and remarkably sluggishly, even though – or maybe because – companies in Germany can look back on a decades-long tradition of engagement in the tradition of the national welfare state (Backhaus-Maul, Biedermann, Nährlich and Polterauer, 2008: 33)

This view receives support from a comparative firm-level survey on CR in Germany and the US. The survey shows that far many more German than American firms are

[170] Chapter 5 provides a detailed overview of how German CR associations compare with their counterparts across Europe and the OECD.

sceptical of CR.[171] Political authorities too recognize Germany's laggard status in CR matters. In a declassified memo written by Dr. Linckelmann of the Federal Ministry for Women, Seniors, Family, and Youth (Linckelmann, 2000), the author concludes that

> the strengthening of civic engagement is not only the business of society and of the state, it can and should also be a thing of the economy as the British example, which has been copied by the Netherlands, France and Denmark, shows. In Germany the topic [of CR] is neither grounded in the public consciousness nor in management's (Linckelmann, 2000: 10)

The claim that Germany is a laggard in Corporate Responsibility may be puzzling at first sight. The German economy is known to combine competitiveness with high levels of equality and social cohesion.[172] This serves as a reminder that CR refers not to aggregate social outcomes, nor to business's contribution to public goods, nor to business's social or environmental performance, but only to businesses' voluntary engagement for social and environmental ends above the statutory minimum.

This chapter tells the story of Corporate Responsibility in Germany during recent decades. As in chapter 2, my focus is on the interrelationship between political-economic institutions and the rise of CR. The empirical states of affairs to be explained are threefold:

> 1. Temporality and novelty, or Germany's status as a CR 'laggard.' What explains CR's rise, and German managers' and entrepreneurs' reduced/delayed propensity to draw on CR for pragmatic and moral legitimation compared with their British and American counterparts? I trace the rise of CR in Germany to the progressive disorganization and liberalization of German capitalism since the 1990s.
>
> 2. Varieties of Capitalism and Complementarities. CR is complementary to the intensification of market relations and to the erosion of institutionalized social solidarity in Germany during the past fifteen years. CR has accompanied this shift, compensating for the market's deficiencies and deficits in the areas of

[171] See CCCD 2007.
[172] Although Germany has high rates of wage compression, its conservative, Bismarkian welfare state performs poorly when it comes to gender equality and women's labor market participation.

> legitimacy, and business and social needs. Bringing CR in to the analysis challenges Varieties of Capitalism's assertion that complementarity should be understood as institutional similarity.
>
> 3. Politics. CR in Germany is associated with a market-liberal if not libertarian agenda. Although pressures to compensate for the fallout of liberalization are less of a stick in Germany than in the UK, CR's voluntariness is a powerful carrot for German business. CR has not been a party-political issue, except perhaps on the far-left.

I argue that the delayed onset of CR in Germany, and German firms' ambivalence towards it, must be understood with reference to Germany's institutional framework, corporate governance and regulatory standards, which until recently left German firms with less 'need' (on the demand side) and less 'space' (on the supply side) to engage themselves in CR compared with their Anglo counterparts. These institutions were functionally equivalent, if not superior to the voluntaristic arrangements in LMEs. They satisfied business's needs for efficiency, competitiveness, pragmatic and moral legitimation; and society's needs for social integration, redistribution, and cohesion. But this is crucial: *from the point of view of business, these institutions also had downsides*: they constrain business's and circumscribe capital's class power. Although German businesses had difficulty recognizing this at first, CR is a ticket to (greater) freedom, one that German business has cashed in on as it has "broken out of its postwar social shell" (Streeck, 2009: 25).

I argue that liberalization and the changing institutional structure of the German economy are indispensable for explaining the rise of CR. There has been a growing need for business to legitimate itself in this changed context, and German businesses have done so in part through CR. I immediately concede that political-economic institutions are not the only plausible explanation for Germany's status as CR laggard. Cultural attitudes also play a role. Corporate Responsibility is not culturally neutral. It is recognizably Anglo-American and utilitarian if not Calvinist in its orientation and adage to "do good and benefit at the same time." It would not be surprising if these practices were less enthusiastically received in the land of Hegel and Kant, where managers and entrepreneurs are willing to defer to the state, or do good without publicizing or claiming credit for their good deeds.[173] However, cultural explanations have their limitations. Unless they invoke capitalism and political-economic institutions, cultural explanations have difficulty accounting for why Germany's *Wirtschaftskultur* [economic culture] has become increasingly open, liberal, and accepting of CR during recent years. Political-economic institutions are indispensable for explaining the delayed onset of CR in Germany, just as its recent rapid rise has much to do with capitalism's "re-emergence" (Streeck, 2009).

While there is a voluminous literature on the practice of Corporate Responsibility in Germany, very few studies place CR in the context of the changing German political economy. Stefanie Hiß (Hiß, 2009; 2006) is an exception. Hiß draws on Matten and Moon (2008) and on the new sociological institutionalism to theorize the change from the "implicit" CR of the post-war compromise to the voluntaristic "explicit" CR of today. She theorizes this change as a "fight for myths" (Hiß, 2009; 2006). There is much to commend in Hiß's focus on symbolic articulations. But there are also problems with her theorization that a more explicit political-economic focus can help to address. For example, Hiß notes that the German institutional environment "has eroded" and the myths sustaining it have been "de-legitimated" (Hiß, 2009: 434). But she does not identify the origins of these developments, their evolution over time and the ambivalence that has arisen during the transition from "implicit" to "explicit" CR. This ambivalence can be understood only by taking actors' interests in the context of political-economic institutions into account.

[173] Indeed, it appears that the very terminology of CSR may lead to misunderstandings due to the different meaning of *sozial* in German compared with the English social.

German businesspeople hold ‘opposing affective orientations’ toward Corporate Responsibility. These orientations are based on the perceived opportunities and risks of CR in the eyes of German businesses. On one hand, CR can enhance the legitimacy of business in the eyes of lawmakers and the public, which in turn can facilitate business-friendly political-economic reforms. On the other hand, CR can be wielded by those pursuing an anti-business agenda. CR as voluntary action presupposes also the ability to go above and beyond existing regulatory standards. Existing regulations can make it difficult to implement CR programs devised for LMEs, as Hans Daniel of the German chemical association VCI recognizes: “we have a high regulatory density; as a result, the classic program [the CR program ‘Responsible Care,’ originated in Canada in the mid-1980s] can’t be realized as it can elsewhere. We saw that we could only go beyond the legally mandated standards to a limited extent” (Daniel, interview 2006). Petra Schack of the VCI provides the following views on the use of Responsible Care at the EU level:

> As you know, Responsible Care came about during the mid-1980s in North America and came to Europe at the end of the 1980s. This is the background to our joining the initiative in 1991. The VCI’s Responsible Care program is based on the VCI’s environmental guidelines from 1986. The goal of these environmental guidelines was to pre-empt legal overregulation [*Überregulierung*]. Against this background we organized a European seminar on self-regulation to advertise for this instrument on the European level. During recent years, we had to conclude that the Director-General responsible for Environmental policy prefers legal regulation to voluntary initiatives (Schack, personal correspondence, 11 November 2005)

Functional equivalence is one reason for German businesses’ ambivalent stance on CR. Organized capitalism is another. In terms of social outcomes, Germany’s high regulatory density, works councils and co-determination are functionally equivalent if not superior to the voluntary arrangements in Liberal Market Economies such as the United States or the United Kingdom. But these institutions tend to ‘crowd out’ CR. Another factor relates to the organization of the business community itself. Organized capitalism results in the internalisation of societal expectations into German businesses' operations at the expense of profitability.[174] The erosion of organization of business and labour during recent years, and the shift from a "corporatist" to a "transparency" model of corporate governance[175] has redoubled incentives for firms to engage in CR.

What role does Corporate Responsibility play in the ongoing transformations of Social Market Economies such as Germany? This is a tricky juncture for German business: on the plus side, the institutions of the 'German model' have contributed to high social stability and strong economic performance. But despite the societal benefits generated by these institutions, and contrary to newer rationalist accounts that emphasize the benefits of the welfare state and co-determination for business,[176] many German businesspeople perceive these institutions as burdensome and constraining. Co-determination, labour-market regulation, trade unions and the welfare state are viewed as an attack on owners' and management's prerogatives and freedom of manoeuvre, rather than as means to a functional coordinated institutional equilibrium. Corporate Responsibility, with its appeal to liberalism and business self-regulation, appeals to these sentiments.

German companies' ambivalence towards CR is attributable in part to their dilemma at this juncture. What can business do with CR in such an environment? One option is to re-define CR to encompass businesses' active support of ISS or what Matten and Moon call "implicit CSR." This would create a complementarity between ISS and CR. These institutions, after all, have arguably helped German employers through their "beneficial constraints" (Streeck 1997). Another option is to try to loosen

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[174] The high levels of encompassment of Germany's corporatist institutions have traditionally led German business to internalize social externalities to a greater extent than their counterparts in Liberal Market Economies. See Scruggs (2003)
[175] Gourevitch and Shinn (2005)
[176] Hall and Soskice (2001); Mares (2003); Iversen and Soskice (2009)

the strictures of these institutions to expand businesses' room of manoeuvre, and space for voluntary engagement. German politicians, managers and entrepreneurs have opted for the latter, filling the wine of CR into libertarian flasks. Responsibility? Yes, but in exchange for (greater) freedom![177] To make a long story short: CR has co-evolved with market-liberalism.

The organization of this chapter is as follows. The following section provides some historical context and provides some clues why Germany became a CR laggard. The third and fourth sections discuss some key changes of the Rhine model of capitalism as well as the New Social Market Initiative, an employer-funded market-liberal reform initiative. These sections are essential to refute the claim that German employers are content with the institutional status quo. The fifth section links liberalization with the growth of CR, while the sixth section discusses German CR-activities at the association- and firm-level. The seventh section concludes the chapter.

II. 'Father State' and Institutionalized Social Solidarity: The Historical Context of Corporate Responsibility in Germany

There are at least two reasons why Germany has been considered a 'laggard' in CR matters: a comparatively long period of strong macroeconomic performance and an associated low incidence of social problems; and a crowding out of voluntary engagement through the functionally equivalent institutions of 'Rhine capitalism.' Social tensions and urban decay were (and are) serious problems in the U.S. and the U.K. during the 1970s and 1980s, and an impetus for CR there. Britain's de-industrialization and social and racial unrest that culminated in riots at the beginning of the 1980s contrasted with conditions in Germany, as Neal R. Peirce and Jerry Hagstrom write in the conclusion to the tri-nation study Advanced Industrialization

[177] To clarify: German employers' first-order preference is for freedom, and their second-order preference is for CR. They want to be free and then they want to be responsible. Freedom, in other words, is not merely a means to CR.

and the Inner Cities: “West Germany’s inner-city problems are substantially less severe than those in Britain or the United States. Indeed, the overall health of West German cities stands in dazzling contrast to the American and British conditions” (Peirce and Hagstrom, 1981: 142).

Some evidence suggests that the institutionalization of German entrepreneurs’ and businesspeople’s responsibilities provided them with a better reputation and higher legitimacy than their British counterparts. The topic of the legitimacy of the entrepreneur was discussed at a conference of the Mont-Pelerin Society in Munich in 1970. Referring to the results of a representative survey of the West German population, Gustav Schmölders states:

> only four percent of the respondents gave negative or explicitly anti-entrepreneurial comments with harken back to the old class-conflict terminology like ‘capitalist’ or ‘exploiter’ (lets others work for him etc…. in general the following can be said: the picture that the West German population makes of the entrepreneur is highly differentiated and – insofar as we have time-series data – has improved markedly over the past years (Schmölders, 1970: 2; 13-14)[178]

While anecdotal, this evidence suggests that whatever their costs, the institutions of Rhine capitalism also had advantages.[179] There has been less need for CR in Germany than in the U.K. or U.S.[180] But was this always the case? The recent flourish of CR discourse in Germany should not lead us to believe that CR is a new idea between the Rhine and Oder: “the idea that business bears social responsibilities

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[178] Schmölders’ qualifies this otherwise positive outlook by noting that 55% of respondents were of the opinion that entrepreneurs have to compelled by laws to fulfil the wishes of their employees, and they are only friendly towards their employees because these are in short supply and they need them urgently (52%); and they live from the work of others (55%), indeed at the expense of others (57%) and have too little social orientation (58%). (Liberaal Archiv, 1970: 8-9).

[179] Which is not to claim that these institutions, rather than “D-mark nationalism” or any number of other causes, were the cause of business’s legitimacy in this particular instance.

[180] The paper the “Image of Entrepreneur in Great Britain” by Ralph Horowitz has a very different tone. Horowitz sees the Britain of his time as ”engaged in a Social Welfare Crusade,” and as having “a Christian Socialist morality of the wickedness of profits and the sanctity of fair shares … with Labour in control as a permanent power-centre in Parliament or in Transport House” (1970: 3). Admittedly, it is unclear to what extent Schmölders and Horowitz’s papers are based on comparable questionnaires.

is a long-standing feature of German culture," note Ariane Antal, Maria Oppen and Andre Sobczak (Antal, Oppen and Sobczak, 2009: 288). The Fuggers, Krupps and Thyssens are only some well-known examples.[181] During the post-war period, the German welfare state expanded rapidly, depressing the perception – and reality – of acute social need which had previously led businesspeople to take voluntary action in social affairs.

The *Notgemeinschaft Lennep* provides a good example of social need as a driver for CR. The *Notgeimeinschaft* or emergency initiative Lennep was founded in the fall of 1947 near the city of Wuppertal in the west of Germany. In response to the question "What is the *Notgemeinschaft* for?" its initiator and director, Mr Hardt said:

> Departing from the hardships of the German people and the impending dangers for life and health in the coming winter, there is a need for a comprehensive relief program. In this capacity, the call for help goes out to large factories and companies, which thankfully initiated this endeavour in the first place (Hardt, 1947)

Hardt appeals to the humanistic and Christian motives of his audience in his appeal for food, clothing, heating materials, and places to live for needy persons. In addition to donating and distributing large quantities of goods, the *Notgemeinschaft* provided payments to individuals on the basis of their social need. In effect, the emergency initiative Lennep was a private voluntary social safety net. But its activities did not continue indefinitely. Twenty years later, protagonists noted: "with the improving economic conditions, the utilization of the *Notgemeinschaft* has declined more and more" (Hardt, 1969). Rising levels of material affluence and an expanding welfare state meant that the social needs which had been addressed by the *Notgemeinschaft* were satisfied by other means.

[181] According to Julia Streets and Thomas Weihe (2006), CR was promoted with special vigour under National Socialism to legitimate capitalists against challenges to their legitimacy by Communists.

Jumping to the contemporary period, the following example illustrates the importance of statist attitudes among citizens. Julia Adou of Ford Motor Company in Cologne describes how the American corporate headquarters' initial attempts to centrally organize and implement Corporate Citizenship and Volunteering in Germany "failed utterly": "it shocked the people [at Ford in Cologne]." At Ford, each employee is permitted to take two paid days off each year for community service projects. The up-take varies substantially in different countries: "the English colleagues need less [external] motivation than us. They do it by themselves…. And the Americans are very patriotic about their engagement … for Americans it's part of their self-understanding" (Adou, interview, 2006). At Ford Germany, "the internal legitimation [of CR practices vis-à-vis the company's employees] is much more difficult than the external [legitimation to society and outside stakeholders]." "The will to engage is greater with British managers." Environmental issues enjoy a high priority in Germany, but "[getting employees engaged in] the social aspect of CSR takes more convincing." According to Adou, Ford is more engaged in CR in the US and UK than in Germany. The explanation for Germany's underdeveloped CR is not hard to find: "in Germany there is father state [*Vater Staat*]" (Adou, interview, 2006). Oswald Menninger, Director of the welfare organization *Paritätischer Wohlfahrtsverband*, corroborates this view: "During the 1960s and 1970s, the focus was exclusively on professional social work because the state financed everything. Voluntary engagement [in this area] has gone down because there was no need – until things started to move again during the 1990s," remarks Oswald Menninger of the Paritätischer Wohlfahrtsverband (Menninger, interview, 2007).

These entrenched statist attitudes suggest that despite the fiscal crisis of the German welfare state, moving towards a higher level of voluntary engagement, CR or otherwise, may not be straightforward. Statist attitudes and expectations of entitlement are slow to change, conditioned as they are by Germany's post-war welfare regime. As Eckhard Priller and Jana Sommerfeld remark,

> [w]ith the social welfare laws initiated during the 1950s, the Federal Republic implemented not only a relatively comprehensive safety net for the greatest life-risks, but also changed the priority and modified the reasons for charitable giving. Social problems and dire situations were put under state responsibility and were seen as solvable by the state (Priller and Sommerfeld, 2004: 7)

The burdening of firms by taxation, social insurance contributions and other levies reduces their ability and willingness to contribute voluntarily. In the automobile manufacturing town of Wolfsburg, the Volkswagen Corporation contributed towards the costs of building and maintaining a theatre which was completed in the early 1970s. Not just out of altruism, but to promote good relations with its employees and the local populace: "the objective was also to make the city [an] attractive [place to live] for the workers it needed." Faced with tight budgets, the local city authorities decided to increase the rate of corporate taxation in 1975. VW warned that the company would review its contributions if faced with a tax increase. When the city increased taxes, VW reduced its subsidies for the theatre's operations – but it did not eliminate its support altogether. As one board member put it, "I am of the view that even in the current situation, we should not extricate ourselves from all of our obligations towards the city and its infrastructure. In that case, we would one day have to restore this loss of face with great effort (Volkswagen Archive, file 373/181/2, Board Meeting 24.06.1975).

The following statements provide some idea of the anti-business public opinion climate of the 1960s and 1970s, and of businesses' struggle to legitimate itself in that anti-business environment. Alwyn Münchmeyer writes: "The entrepreneur differs from the profiteer in that he puts on hold his by all means legitimate profit seeking when macroeconomic and socio-political damage is created" (Münchmeyer, 1964:

78). A decade later – this was the time that saw the passing of some of the most employee-friendly corporate governance legislation in the entire OECD – the Christian Democratic politician Kurt H. Biedenkopf implores businesses to take an enlightened view of their interests:

> Businesspeople [should] revisit their existing conception of business and ask themselves which attacks against their activity may be partially justified. One of the tasks which businesspeople will have to solve in this context is taking greater account of the *social costs*, which, when ignored in economic processes have been a wellspring of critique of entrepreneurs' activities (Biedenkopf, 1973: 156)

German business responded to these pressures with non-financial social and environmental reports. Meinolf Dierkes, one of the leading figures for non-financial reporting during the 1970s, entitled an article "Waiting for Legislation" (Dierkes, 1975). Dierkes expectecd that companies' voluntary practices would become legally mandated. An advertisement by the chemicals manufacturer Henkel in 1974 reads: "Companies that only think about profits will have a lot to lose." Meanwhile, German trade unions went from strength to strength. A 1974 publication by the German employers' federation is titled *Auf dem Weg in den Gewerkschaftsstaat?* (*On the Way to the Trade-Union State?*). It reads: "no question: unions and employers federations are important elements of social organization and power distribution. But there is also no question that this system threatens to collapse when one side becomes overwhelmingly powerful" (1974: 11). Employers fearful of unions' overwhelming power – how the tables have turned in thirty years!

The co-determination laws of 1976 politicised the Boards of large German corporations, symbolically if not actually expropriating capital. Management of large companies now became certainly not less responsible, but less corporate; and owners' and manager's ability to take unilateral credit for their activities was compromised. Such arrangements may provide competitive advantages compared with more classic liberal forms of economic organization, but they also constrain employers' freedom of manoeuvre in general, as well as leaving less space for the managers or owners of firms to promote their reputations through CR. Retrenching or dismantling these institutions may not make sense from the standpoint of economic efficiency, but as Streeck reminds us, efficiency is only one of several motives – next to unruliness and subversiveness – that marks the behaviour of capitalists vis-à-vis societal institutions.

Compared to the UK, where CR rose from the ashes of industrial restructuring during the 1970s and 1980s, CR was late to arrive in Germany because of the legitimacy and social cohesion that were provided by the its political-economic institutions. The very strength of these legally and collectively binding institutions proved to be a liability once voluntary CR engagement came to be expected of firms everywhere, irrespective of their institutional environment. As recently as the turn of the millennium, some large publicly listed German companies reported "confusion, a lack of clarity" with regard to their handling of CR. Marita Hilgenstock of the energy giant RWE remarks that the situation "is different than in Anglo-Saxon countries where there is pressure from deficits in social provision" (Hingenstock, interview 2006). By 1990, firms across the English Channel had been championing CR collectively for almost a decade. But as Karl Heinrich Wilke's 1990 discussion of the "US prototype" shows, German business was still ambivalent about CR at this time:

> The new business ethics create an ideal frame for the picture of the entrepreneur in public opinion. Since it supplements the evident usefulness [of the entrepreneur in the provision of goods and services] with a second characteristic which promises great popularity: an increase of voluntarily assumed social responsibility. As compellingly successful as such initiatives may appear: to date, there is no convincing empirical or scientific proof of their effectiveness. On the other hand, it is indisputable that there are deficits in this area (Wilke, 1990: 489)

The first book on CR in Germany was published in 1995.[182] Only about 30% of the initial print run of 1000 were sold.[183] Achim Westebbe, one of the book's co-authors, says that CR only really arrived in Germany five years later.

Antal, Oppen and Sobczak emphasize the functional equivalency of the German institutions to the voluntary CR arrangements in other countries:

> The social responsibilities of business was not subject to explicit discussion for many years because the relations between business and its employees and business and society were covered by legal requirements, societal norms, and tripartite conflict procedures.... for a long time there was little need nor space for other forms of social regulation ... such as the ones based on voluntary commitments by owners or on stakeholder pressure that characterize the CSR concept in Anglo-Saxon cultures. Numerous aspects of the CSR discourse that are considered discretionary in the United States or the UK are mandated by law in Germany, and many fall under the auspices of co-determination (Antal, Oppen and Sobczak, 2009: 286, 289)

This message is echoed by a sizable literature. For example, in their contribution to the 2003 study "Corporate Responsibility and Working Conditions," Wieland, Büchner, Eberbach and Winckler write that "at first sight, there does not appear to be any important CSR practice that was not already enabled by the German model of co-determination" (2003: 44). Scholars who argue for continuity and path-dependency rather than change – such as Frank Heuberger, Maria Oppen and Sabine Reimer (2004) – argue that many German firms are looking for their own route for social engagement, one that takes account of the path-dependent nature of the German welfare state as well as the corporatist nature of the social sector.

The issue of culture is a weighty one. Germany's economic culture differs from that of the Anglo-American countries where CR originated. According to Bettina Palazzo, its characteristics include

[182] Westebbe and Logan (1995)
[183] Westebbe, personal communication, November 15, 2010

> a basically antagonistic relationship of business and morality, the stricter separation of public and private spheres, the relational understanding of norms and values, the more pessimistic assessment of the human potential for moral improvement, and the idealistic intellectual style (Palazzo, 2002: 210)

In line with Palazzo's characterization, some German managers and entrepreneurs insist that 'doing good and *not* talking about it' is their self-understanding. Stefanie Wismeth is in charge of CR in Germany at KPMG, a leading professional services firm with extensive CR activities across the OECD. Wismeth says:

> Germans don't talk with pride about this ["it makes me proud that my company is offering this, is doing this"], it just sounds kitschy in German ears. There are always those who say if I engage myself then KPMG should have nothing to do with it (Wismeth, interview, 2008)

This culture can help to explain the delayed onset, reduced quantity and ambivalent attitude towards CR in Germany. But CR *is* taking hold in Germany. The rise of Corporate Responsibility in Germany is proof that economic culture is dynamic and changing rather than static; and the concurrence of cultural change with recent institutional change suggests that the dynamism of the former may have something to do with changes in the latter. As Reinhard Lang of the CR Association UPJ put it, "the fact that we [the CRA UPJ] exist – *even in Germany* – shows something" (Lang, interview, 2006; my emphasis).

Dieter Schöffmann is one of the pioneers of Corporate Volunteering in Germany. In 2001 Schöffmann was awarded the main prize of the transatlantic idea competition Usable, "American ideas in Germany," funded by the Hamburg-based Körber Foundation. Schöffmann's project examines Corporate Volunteering in the US and its applicability to Germany. He openly concedes that he picked up his ideas during travels in the United States: they are an example of "constructive theft" (Schöffmann, interview, 2006). Indeed, it worth noting the importance of Anglo-American ideas for the development of CR in Germany. The first German-language book on contemporary CR, *Corporate Citizenship. Unternehmen im gesellschaftlichen Dialog* is a German translation of an English original written by David Logan (Westebbe and Logan, 1995). Just as British corporate and state officials have borrowed ideas from Americans, German state officials from North-Rhine Westphalia, Rheinland-Pfalz and Hessen have travelled to the US and UK to learn about CR.

Like Schöffmann, these officials might want to adopt some of the instruments and practices of CR without embracing the whole gamut of LME institutions in which they developed and from which they derive. As Schöffmann puts it,

> it is rightly pointed out that the American economic culture differs from ours and that taking over the former is not always desirable. Experience so far shows however that not the context and circumstances, but certainly the instruments of firm-level engagement can be taken over (Schöffmann, 2001b: 18)

What prevents state officials and firms in Coordinated- or Social-Market economies from doing this: using the tools of CR, for example corporate volunteering, while leaving the remainder of their own political-economic institutions intact? As plausible as this seems in theory, it doesn't work out this way in practice. A significant number of businesspeople propagate CR while demanding economic liberalization as a quid-pro-quo. This linkage speaks to the elective affinities of CR and liberalization. Below, I survey some of the changes that the German political-economy has undergone during recent decades before introducing these people and their views.

III. The Transformation of German Capitalism, 1995-2007

Germany's move towards market-liberalism differs from the UK's in several respects. Margaret Thatcher's impact on the British economy and society is not only far-reaching, it is also "high salience." The transformation of German capitalism, by contrast, is more subtle, proceeding insidiously within existing institutions, leaving many of them formally intact.[184] Since the mid-1990s, signs of institutional change are accumulating; but many of these occur through layering, displacement, drift, and conversion,[185] rather than by dispensing with non-liberal institutions altogether. Market liberalism in Germany has had some unexpected / counterintuitive political proponents: the Social Democrats (SPD) and the German labour movement took the initiative to dissolve 'Germany Inc.,' the network of cross-shareholdings among banks and large firms that was a cornerstone of Germany's organized capitalism.

Scholars increasingly recognize that a notable transformation of German capitalism has taken place during the past decade.[186] A non-exhaustive list of changes includes: the large-scale privatisation of state enterprises beginning in the 1990s, substantial changes in labour market regulation through the 'Hartz' reforms; the disintegration of 'Germany Inc,' of the structures of organized capitalism and interlocking board directorates; the drying up of bank loans and the rise of shareholder-value orientation in corporate governance; and the weakening of the corporatist institutions of sectoral collective bargaining, including the conversion of institutions such as co-determination for managerialist uses.

It is not clear to what degree these changes are a result of exogenous shocks or of self-undermining institutions.[187] Nor is it clear whether the transformation of the German model can be traced to the 1990s or whether the seeds of destruction were sown earlier.[188] Regardless, this transformation has gained speed during the 1990s, when the German model entered a "severe performance crisis" (Streeck and

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[184] Kinderman (2005); Streeck (2009)
[185] Streeck and Thelen (2005)
[186] Höpner (2003); Höpner, (2007); Jürgens, Krzywdzinski and Teipen (2006); Kinderman, (2005); Paster (2009); Streeck and Thelen, (2005); Streeck, (2009).
[187] The most forceful proponent of the latter is Wolfgang Streeck in his Re-Forming Capitalism: Institutional Change in the German Political Economy. Oxford: Oxford University Press, 2009.
[188] According to Wolfgang Streeck, "Pressures for change emanating especially from employers had started long before the 1990s" (Streeck, 2009: 112)

Yamamura, 2003: 12). Jürgen Beyer and Martin Höpner argue that "the German variant of capitalism changed towards greater market orientation because of simultaneous and reciprocally reinforcing, complementary developments" (Beyer and Höpner, 2003: 180). These changes are especially important in the arena of industrial relations.

A growing number of firms are members of employers associations without being bound to collectively binding wage agreements (*Ohne Tarifbindung* or OT). By selling services to firms without negotiating collective agreements for them, employers associations can expand their membership base, or at least appeal to companies that would otherwise cancel their memberships, while increasing pressure on trade unions (since high wage settlements will exacerbate companies' exodus into OT membership). The services provided by employers' associations to their OT members are selective goods, not the collective goods of a collective wage agreement (Haipeter, 2010: 209). In 2004, the ratio was 5000 firms bound by wage agreements and roughly 2000 OT members (Schnabel 2005). In late 2008, the ratio was 4000 firms bound by wage agreements to 2300 OT members (Gesamtmetall, 2008). In just four years, the percentage of Gesamtmetall's OT members, those not party to collectively binding agreements jumped from 28.5% in (2004) to 36.5% (in 2008). Thus, the rise of OT-membership is contributing to the erosion of the German system of industrial relations (Haipeter, 2010: 217). In addition, since the Pforzheim agreement of 2003, the collectively binding (non-OT) agreements have become less binding (for employees) as wages and working hours can be adjusted downwards if economic circumstances necessitate. The trade union research institute WSI found that in 1999, 22 percent of firms made use of opening clauses in sectoral collective agreements. By 2004, this had increased to 75 percent (Streeck, 2009: 41).

On the side of organized labour, there has been a gradual and continuous decline in the coverage of industry-wide collective bargaining, from 72% to 53% of workplaces and 57% to 37% of employees between 1995 and 2006 (Streeck, 2009: 39). Union membership has declined from 31% in 1992 to less than 20% in 2003 (Streeck, 2009: 47). According to Streeck, "the German wage structure remained largely unchanged until the early or mid-1990s," after which inequality increased markedly, especially below the median (Streeck, 2009: 41). Income inequality increased markedly between 2000 and 2007, and with it, the risk of falling into poverty.[189]

Levels of product market, administrative and economic regulation have fallen substantially during recent years (Conway, Janod and Nicoletti, 2005). Martin Höpner distinguishes organization from coordination from and suggests that while German firms may remain co-ordinated, their organization, a "function [which] transcends maximization strategies and adjusts them to collective interests beyond maximization" has been compromised (Höpner, 2007: 3). In the words of Georg Menz:

> While the institutions of economic governance in Germany continue to diverge from the liberal Anglo-Saxon model, the policy output produced by these institutions varies dramatically from earlier decades. While traditional Rhineland institutions may survive, they serve fundamentally new goals. While no neoliberal 'revolution' has occurred as in Britain and New Zealand, actual policy output has assumed a distinctly neo-liberal direction (2007: 17)

Similarly, Anke Hassel stresses:

> what seems to become increasingly clear is that the link between distributive outcomes and coordinating institutions is not a direct one. In other words, while coordinating institutions help the German manufacturing sector to remain competitive, they do little to preserve the previously egalitarian nature of the German model (Hassel, 2007: 276)

[189] Goebel and Krause (2007).

The fact that some German institutions look different than the market liberal ideal type does not mean that they continue to deliver different outcomes:

> deregulation is spreading from the periphery to the middle of the labour market, and the unions have little power to change this. The German labor market is undergoing a process which has taken place in the 1980s on the labor markets of Britain and the United States and which has contributed to the insecurity of employees there: a trend to flexible and insecure employment relations. In the Anglo-Saxon countries this was achieved through an active political contestation of trade unions. In German capitalism it occurs subtly within existing institutions (Hassel, 2006: 207)

These findings – the weakening, hollowing out, mutation and transformation of Germany's political economic institutions – are hard to reconcile with Hall and Soskice's frozen pictures of equilibrium and institutional order.

Streeck pinpoints the problems with the Varieties of Capitalism view: "the domestic institutions of the postwar political economy were not just useful Williamsonian instruments for the competitive pursuit of shared economic interest, but also sources of social constraints that firms would not have subjected themselves to voluntarily" (Streeck, 2009: 190). Streeck challenges a vitally important assumption underlying the Varieties of Capitalism literature: that German employers support the distinctive non-liberal political-economic institutions of German capitalism because they support their comparative institutional advantage. Contrary to VoC pronouncements that these institutions were supported by employers, Streeck argues that "the model had if at all been imposed on rather than created by capital" (Streeck, 2009: 112). "[T]emptations to defect from national risk pools have never been alien to capitalist firms, including German ones," and the circumstances from the 1990s onward offered welcome opportunities (Streeck, 2009: 197)

The same processes of liberalization which are hollowing out the traditional institutions of the German model are re-enforcing the adoption of CR. *Germany's institutions of ISS were imposed on rather than created by capital. Corporate*

Responsibility, by contrast, is by definition corporate-led. The fact that the latter could itself facilitate defection from the former added to its appeal. At the same time, the internationalisation and financialization of the German economy has brought more and more managers from other countries into Germany.[190]

Not everyone agrees with the diagnoses of Höpner, Streeck and others that Germany is converging with Anglo-American liberal market economies. Alexander Börsch finds that:

> piecemeal institutional change is possible without jeopardizing the whole institutional configuration at the firm level … Institutional change in German corporate governance has been happening, but it has been limited to certain aspects that have left the fundamental structures of corporate governance intact (Börsch, 2007: 164; 177)

Even so, Börsch notes that "the changes observed … are far-reaching enough to post a problem for the varieties of capitalism approach" (Börsch, 2007: 175). The aforementioned changes do not imply that the German political economy has become an LME through and through. But it has become more liberal and voluntaristic. Moreover, these changes are not restricted to the economy and its institutions proper; they also apply to the sphere of normative orientations about the economy. The following section discusses the New Social Market Initiative, a Public-Relations initiative founded by German employers to expand their room of manoeuvre.[191] It serves to underline the attractiveness of liberal and voluntaristic ideals for German employers, and will serve as a comparison to statements by German CRA officials in the remainder of this chapter. Both the NSMI and the CRA initiatives described below in this chapter are characterized by a liberal and voluntarist, in other words a market-

[190] Simon, Kucher & Partners report that the proportion of foreign executives has nearly doubled from 13.3% in 2000 to 24.7% 2007 (Simon, Kucher and Partners, press release, 31 July 2007).
[191] This section derives in part from Kinderman (2005).

liberal orientation, which sets them apart from stylized accounts of the institutions, though not necessarily of the ideational origins, of post-war Rhine capitalism.[192]

IV. The New Social Market Initiative

According to Hans Tietmeyer, former president of the Bundesbank and representative of the New Social Market Initiative,

> We can't simply adopt the American mentality, the American model, we need to find out own way. Bismarkian social security system, co-determination, wage-bargaining system … that can't be given up from today to tomorrow but it must be loosened, lightened, [geleichtert, erleichtert] and reformed. Elements have to be built in everywhere. I think we can say that in Germany today, all important topics are on the table. For a long time, they were under the table. They were swept under the table (Tietmeyer, interview, 2006)

The New Social Market Initiative was founded after a public opinion survey in the summer of 1999 showed evidence of substantial mistrust of business and the market on the part of the general German population. Two-thirds of citizens surveyed in Germany viewed the prospect of upcoming economic reforms with attitude ranging from "skepticism" to "fear" and supported a generous welfare-state (Gesellschaft im Zwiespalt, 2000: 16), and forty-two percent favored a third way between capitalism and socialism (Speth, 2004b: 7). The NSMI was founded in order to help bring about a *Klimawechsel* – a change in the public opinion climate – to facilitate the implementation of the reforms employers desire and advocate.

The campaign is titled the "neue soziale Marktwirtschaft" – the '*New* Social Market Economy' – although according to its managing director, its goal is to restore the 'old' social market economy (Rath, interview, 2002).[193] The social market model is the founding myth of the Federal Republic of Germany, as Haselbach remarks:

[192] Ptak (2009)
[193] Which 'old' social market economy? The one that existed before it was 'hijacked' by special interest groups and distorted by excessive welfare-state interventionism. When exactly this occurred is not clear. Already in 1958, when German social policy was in its infancy, the Ordoliberal theorist Wilhelm Röpke thought that West German economic policy had taken a turn towards excessive interventionism.

> [t]he social market economy' constitutes in part West Germany's self-consciousness; it forms the specific 'identity' of the West German people. In other words, the 'economic miracle' and the 'social market economy' constitute the founding myth of West Germany (1997: 158)

The prominence and currency of 'social market economy' discourse in Germany is astounding; it would be no exaggeration to say that it is hegemonic as far as economic and social policy is concerned. One recent commentator declared the 'social market economy' to be in all honesty "[u]p to now, *the most successful conception of economic policy in the history of [hu]mankind*" (Haselbach, 1997: 160). More even – as Haselbach emphasizes, "[t]he tale of the 'social market economy'...is referred to almost every day, somewhere in a German newspaper or political statement; it has become part of the national memory" (1997: 161). The genius of the 'social market economy' lies in its versatility: it is both 'social' (fair/just) and a '[capitalist] market.' By emphasizing different aspects of this totality, Left and Right can endorse the 'social market economy' from within their own normative vocabularies. – much like an 'overlapping consensus' (Rawls, 1993). How does the NSMI seek to alter the balance between 'market' and 'social' in the 'social market economy'?

The NSMI is non-partisan: it has ambassadors from each of the major political parties, in addition to celebrities and public icons, academics, businesspeople and workers. These figures appear on brochures, billboards, television and newspaper ads, online advertisements, television documentaries and opinion pieces, public events, press releases, publications, and at conferences, and are supported by a budget of 100 million Euros over ten years. The campaign focuses on 'multipliers,' persons who are in a position to affect public opinion and who can further disseminate the message. Articles appear almost daily in all major German newspapers and newsmagazines

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He declared that the state should place itself as a 'guardian of the market' above societal interest groups (Haselbach, 1991: 172).

(Speth, 2004).[194] The campaign centers on the disjuncture between the historically evolved social market economy and its ideational origins. In addition to the political recognition of core sections of the labor movement and their integration into mechanisms of corporate governance, the post-war German political economy evolved an extensive welfare state with a dense network of regulations, extensive corporate-governance powers for labor, and generous income-replacement levels. This is the historically evolved social market economy. The ideational origins are more complicated.[195] As Gerhard Schwarz points out: “For him [Ludwig Erhard] the social market economy [...] was a sales formula, that should make clear that the *market economy is itself social* [that is, egalitarian or just]” (Plehwe and Walpen: 224).[196]

Two points illustrate how the NSMI aims to engage with and transform prevailing societal norms of social justice. Firstly, it argues that a *social* market is a *free* one, not one burdened by regulation and welfare-state interventionism. As Tietmeyer puts it, “the ‘market economy’ and ‘the social’ are erroneously seen by many as separate or opposed.” The campaign aims to “free up Erhard’s original system from the shackles placed on it down the years” (Tietmeyer, 2001: 29). Secondly, the NSMI advocates replacing distribution of resources with equality of opportunity: “Today it is no longer appropriate to promise *Wohlstand* [material

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[194] The message presented tends to be remarkably uniform across different new social market contributors. See for instance Hans Tietmeyer, “Ein Blick zu unseren Nachbarn,” Handelsblatt 12/13. April 2002, and Roland Berger, “Von anderen Ländern lernen,” Handelsblatt 19/20 April 2002. It is striking that these two articles by different authors, appearing in the same newspaper within a week of each other, are almost identical.

[195] Although one should emphasize that the traditions of Ordoliberalismus and Anglo-American free market liberalism are dissimilar in many respects.

[196] I will leave open the extent to which the redistribution of wealth was integral to the ideational concept of the social market economy, or an element necessitated by cold-war regime competition. Alfred Müller-Armack, one of the ‘founders’ of the *soziale Markwirtschaft* in Germany, describes the class compromise as “reconciling the principle of market freedom with that of social equalization.” See his “Soziale Marktwirtschaft,” Handwörterbuch der Sozialwissenschaften, Vol. 9, Stuttgart, p. 390. Other members of the Ordoliberal school, such as Alfred Müller-Armack and Alexander Rüstow, emphasized the need for state intervention and social policies. Alfred Müller-Armack believed that the “point of the social market economy is to connect the principle of free market relations with that of social compensation” [Röller and Wey, 2001: 11).

affluence] to everyone. The point is that everyone get a chance" (Tietmeyer, 2001: 22).

The NSMI emphasizes the need for flexiblization and deregulation in general, and of labor markets in particular; and the creation of jobs as both the overriding goal of social policy and indeed, the principal requirement of social justice. "Badly paid jobs are better than none at all. [...] A guiding principal of the new social market economy is the motto: Just is whatever creates employment." (Rodenstock, 2001: 54-55). This motto has come to dominate German public debate. As these examples and Tietmeyer's quote above ("the new social market economy is equivalent to the American principle") indicate, the NSMI advocates a move towards the liberal market model. "Unions say that the [NSM] initiative is dangerous," remarks a director of the NSMI (Rath, interview, 2003). Norbert Reuter states that "a change of the German economic order according to the plans of the NSMI can not be seen as a further development of the social market economy, but would mean a fundamental break with 'Rhenish capitalism'" (Reuter, 2002: 687).

The NSMI has supported economic regime change in myriad ways. If it is true, as one commentator has suggested, that "2003 [and 2004] will go into the records as a year of political climate change," then to a substantial part because of the activities of the NSMI (Metzger, 2003). As Rudolph Speth concludes his study, "one can reasonably assume that the activities of the NSMI have contributed massively towards changing the orientations of the population and bring into discussion topics such as retrenchment of the welfare state, [lengthening] working times, increased self-reliance, and a reduction of state intervention and expenditure during the past few years" (Speth, 2004: 41). Regarding employer preferences, it is interesting to note that the member associations Gesamtmetall have criticized the initiative for being *too slow* – far from wanting to conserve existing structures, they were impatient with the progress in the direction of liberalization and market reforms in 2003 (Rath, interview, 2003).

In 2007, the Initiative published an initiative titled *Deutschland zum Selbermachen* – do-it yourself Germany. The book presents and celebrates twenty-two examples of civic-mindedness across Germany. The examples show citizens pulling together to sustain or expand public infrastructure threatened by closure due to a shortage of state funding including libraries, parks, swimming pools, museums, pedestrian bridges and street lighting. On the back of the book is a quote by Peter Hahne. Hahne, who works for one of the major national public television stations, is "complaining doesn't help, pull up your sleeves! Because good examples are better than regulations!" This publication underlines the liberal visions which underlie and justify much CR. Much like Nancy Fraser's point about the alliance of emancipatory movements with the market, grass-roots and civil society are presented as integral to the new, market-liberal order.

In 2009, Gesamtmetall renewed the New Social Market Initiative's mandate for another five years. Nico Fickinger of Gesamtmetall justifies this decision:

> In recent years Germany has indeed evolved – in the area of politics (keyword Agenda 2010) as well as the social partners (in the metal and electrical industry especially through the agreement of Pforzheim), have set important switches. Nonetheless the tasks of the NSMI remain unchanged, and are perhaps more urgent than before

Fickinger mentions the challenge of financing pensions and health care, pressures which had gone down because of higher tax receipts during of late, before stressing:

> Perhaps even more urgent is the general acceptance of our society towards the economic order. The reaction to the current economic crisis leads to fears of a return of the belief in the state [Staatsgläubigkeit] – the belief in the necessity and the success of state-led and dirigist economic policy is growing. Here and especially here, the INSM has the task of explaining the origins of current problems, of explaining which regulatory framework the state is responsible

> for – and where its limits lie. It is also important to warn of a turn to the [political] left, which would destroy the gains made during recent dates
> After all, the view that ‘politics creates jobs’ is still a frighteningly widespread view. Our society engages intensively in questions of how wealth is and should be distributed, but not at all with questions of how it comes about and is created in the first place
> The diverse stimulus packages and ‚safety umbrellas’ that result from real needs but also from electioneering and demands for intervention in the economy lead to more regulation, less self-reliance and less self-responsibility. At the end of the day we have the danger that we have more state regulation and less freedom....
> (Fickinger, personal communication, March 31, 2009)

The New Social Market Initiative has in fact taken up the cause of Corporate Responsibility. In 2005, debates over the social/societal responsibilities of business were heated following the Deutsche Bank’s announcement that it would lay off nearly two-thousand employees despite profits of €2.5 billion. According to a survey conducted by forsa, a public opinion sampling company, on February 8 and 9 2005, 88 percent of the German public disapproved of this decision. The NSMI then commissioned and publicized another survey highlighting the contribution of corporate citizens to the common good (Entzweiler, 2005), and issued press releases publicizing German firms’ contributions to the community – reportedly ten billion Euros each year.

V. Liberalization, Disorganization and Corporate Responsibility

This section argues that there is a coincidence between the political-economic changes and the rise of Corporate Responsibility in Germany. They can be seen as complementary and mutually reinforcing. The less and less the traditional institutions of the German model can ‘deliver the goods,’ both materially and symbolically, for capital and for ‘the rest of us,’ the greater the space and necessity for CR to fill this functional and ‘legitimation deficit.’ At the same time, as long as these institutions persist, CR takes on a libertarian meaning: from the point of view of business representatives and organizations, CR in Germany fulfils not only ‘defensive’ roles, serving legitimate business and pre-empt new, burdensome legislation, but ‘offensive’ ones as well, serving to facilitate reforms which promote a more business-friendly environment.[197]

In the 1990s, the German political economy was destabilized by several exogenous ‘shocks’: reunification, the severe post-reunification recession, and harsh competitive winds from the East. It is unclear to what degree these shocks are responsible for undermining the German model – but they undoubtedly increased the pressure on these institutions. Whether the resulting changes amount to convergence or mere hybridization, Germany’s movement towards LMEness since the 1990s has increased the appeal of CR – which should not lead us to neglect the fact that Corporate Responsibility was initially perceived as a threat by business and politicians alike, according to Peter Wilke and Axel Hauser-Ditz:

> in Germany … the issue of CSR has been taken up with hesitation by politicians. After the employers- and industry associations had made it clear in their response to the EU Commission’s Greenbook that in light of the high level of social and environmental regulation in Germany, they saw no room for upward harmonization, there was an informal consensus with the German federal government to not pursue any CSR initiatives that would be legally binding (Wilke and Hauser-Ditz, 2004: 24)

Given their continued overlap and functional equivalence in a number of areas, the balance between the old institutions and CR is oftentimes unresolved. It would be a distortion to claim that there has been no support among the business community for the institutional and regulatory status quo. Viewed somewhat differently, a number of

[197] Jürgen Beyer and Martin Höpner write that “in the past, managers of large companies often emphasized their responsibility for their employees, their region and society as a whole. Even if this was lip service in some cases, in others there are indications that companies did act with a degree of social or national responsibility. For good or bad, shareholder value-oriented companies no longer have any need or legitimacy to do this…” (Beyer and Höpner, 2003: 195). I do not disagree with these authors in terms of substance, but they miss the irony that formally institutionalized Corporate Responsibility has arrived in Germany along with shareholder value.

German business representatives can't understand the fuss about Anglo-American companies' voluntary activities in areas which for them have long been areas of common business practice. Jochen Rudoph at the specialist chemicals manufacturer Evonik Degussa remarks:

> The American manages without problems to put the topic of workplace safety under 'social responsibility.' We would never come up with the idea of using the term ,social responsibility'.... It cannot be that only voluntary engagement counts, because then the same outcome is evaluated differently depending on whether I am in the USA or in Germany. Then all of the countries that have a high level of regulation are at a disadvantage because I can't add much 'on top' (Rudolph, interview 2007)

Some CR activities, Ursula Mathar of Bayer AG noted, are "personnel costs in one system and voluntary [CR] engagement in the other" (Mathar, interview 2007). Renate Hornung-Draus of the employers' association BDA sees German companies as bad at CR "as a formalized concept and as communication. But that has nothing to do with substance!" (Hornung-Draus, interview, 2008).

Despite the existence of statist and regulatory patriotism in some parts of business community as well as within the population as a whole,[198] I argue that CR in Germany has assumed a libertarian meaning during the past decade. An elective affinity has evolved between CR and the agenda of economic liberalization. As in the UK, CR and national-level institutional frameworks are complementary in Germany in Colin Crouch's sense of the term (Crouch, 2005: 359). This process of co-evolution (Boyer 2005)[199] is described below.

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[198] Renate Koehler of the Allensbacher Institut für Demoskopie, a large public opinion research institute, summarizes the German public's preference for an expansive welfare state as expressed in her institutes surveys: „for the majority, a state that intervenes massively in the economy and at the same time insures citizens against risks is preferable to the liberal state which intervenes as little as possible – in terms of humaneness, justice and surprisingly also in terms of the expected level of affluence" (2002: 78).

[199] As Robert Boyer remarks, "all institutional forms result from social compromises ….. At the level of the economy, there is no automatic mechanism that would ensure their compatibility. Instead, institutional forms continuously adjust and thus co-evolve. Co-evolution is the process of trial and error through which a series of institutional forms that are initially disconnected and formally independent

During the severe post-reunification economic crisis of the mid-1990s, Rupert Graf Strachwitz made the linkage between corporate community involvement and a reduction in corporate taxation:

> In many cases such an analysis is deemed unnecessary on the grounds that the firm is paying taxes, and not too little, and beyond that also gives charitable donations and therefore more than fulfils its obligation. But this overlooks that the paying of taxes has no future-oriented component and because of the anonymization inherent in the system can hardly or not at all contribute towards positioning a firm in its societal context. In addition, no firm should miss the opportunity to try to radically reverse the long-term trend of increasing taxes. Because after all taxes reduce profits (Rupert Graf Strachwitz, 1995: 10-11)

This does not imply that social actors in Germany, including business, immediately recognized the potential of CR to facilitate political-economic reforms. The 1997 report of the *Kommission für Zukunftsfragen* of Bavaria and Saxonia is one of Germany's more prominent market-liberal manifestoes of the later 1990s. The report prescribes far-reaching economic reforms including, but not limited to, the deregulation of labour markets, the retrenchment of the state and increased civic engagement. But the report does not mention Corporate Responsibility. Meinhard Miegel, who headed this commission, looks back and reflects:

> The topic of Corporate Responsibility came up again and again in the work of the Commission, but for whatever reason, the commission did not focus on it. So it ended up on the periphery of the inquiry. In retrospect I wish that this topic had received greater treatment. But this did not happen. I suspect that the topic had not yet matured in the heads of the commission members (Miegel, personal communication, 2008)

Gerhard Schröder's Agenda 2010 makes no explicit references to Corporate Responsibility – though integrating CR into the Agenda 2010 would have made a great deal of sense, according to CR management consultant Arved Lüth (Lüth, personal communication, July 8, 2008). Despite this lack of an explicit reference, CR

(since they result from institutionalized compromises among diverse agents in different fields) adjust to one another until a viable institutional configuration emerges" (2005: 367).

has became increasingly popular among Germany's political class during the Schröder governments.

In 2001, Hans-Martin Bury, Minister of State in the Bundeskanzler's office under Gerhard Schröder, explicitly connected the agenda of welfare-state reforms to granting increased freedoms to citizens and businesses to take up some of the slack (Bury, 2001). Michael Bürsch, a SPD member of parliament and a chairman of the Bundestag's Enquette Commission into civil-society engagement, espouses a view similar to that of New Labour in the UK: binding, command-and-control regulations are futile, and will only prompt attempts by firms and citizens to evade them or comply at the minimum required level. Greater market freedom will lead to a new social contract and new forms of solidarity between the state, business, and citizens (Bürsch, interview, 2008).

Corporate Responsibility is political. But political differences between the main German political parties, FDP, SPD and CDU/CSU and Greens, are hard to make out. UPJ, one of Germany's two main CRAs, has received support from CDU as well as PD/Green governments. In 2003, Gerhard Schröder's SPD/Green coalition stressed the importance of "transparency, [minority] investor protection, and Corporate Responsibility," underlining the attractiveness of CR for New Labour-inspired policy and politics (BMJ press release, 2003). *Die Linke*, the left-wing party which resulted from merging of the post-communist PDS and the WASG, seems to be alone in insisting on the implementation of hard law in the place of CR.[200] State politics provide evidence of the non-existence of major policy differences among political parties. Two German states, North-Rhine Westphalia and Hessen, have promoted CR in a variety of ways, including by organizing competitions and prizes for

[200] In November 2006, Die Linke questioned the CDU/SPD government about its CR policies. The government's response in July 2007 underlined its commitment to a voluntary, non hard-law approach and against CR.

the most socially engaged enterprises. The CR policies that were initiated by the NRW SPD government in 2004 were continued by Jürgen Rüttgers' CDU government without any (noticeable) changes.

Following SPD politician Franz Müntefering's polemical characterization of private equity firms as 'locusts,' the *Initiative Neue Soziale Marktwirtschaft* or New Social Market Initiative commissioned a survey on firms' CR engagement to counter the negative public opinion swell against business. Other business associations, such as the Federal chambers of commerce, publish studies showing how businesses can improve their public image by engaging in CR (DIHK, 2008).

When we think of CR, we often think of businesses legitimating themselves vis-à-vis society and (potential) regulators. But it is important to keep in mind that this is not the only game in town. Corporate Responsibility also helps to legitimate politics vis-à-vis business. In the small German town of Herford, a modern art museum designed by the American star architect Frank Gehry, dubbed MARTa, was completed in 2005. As in so many areas, MARTa involved an exchange of pragmatic legitimacy through Corporate Responsibility.[201] First, the regional electricity company Elektrizitätswerk Minden-Ravensberg (EMR) managed to get planning consent for new electrivity infrastructure in exchange for generous support of MARTa. Interestingly, MARTa not only received sponsorship from large companies, but from numerous small private companies in the city and region. The CR contributions from these companies did not make a noticeable dent into the costs (which were very substantial for a city of 60 000), but it was nonetheless indispensable in securing the political legitimacy without which the museum could not have been built.

[201] CR and not sponsorship, since the companies receive do not receive anything explicit in return for their support.

More recently, making the link between CR and economic reforms has become commonplace. Andre Habisch and Martina Wegner's (2005) contribution on Corporate Responsibility in Germany is titled "Overcoming the Heritage of Corporatism," thus implying that the heritage of corporatism is an obstacle to the rise of CR. For Max Zeidler, the state must be rolled back if CR is to become dynamic in Germany: "due to high tax rates and an excessive state apparatus, the potential of innovative CR is limited, because there little space remains to engage oneself" (2003: 142). In his comparison of the state of corporate citizenship in the United States and Germany, Bernd Maier stressed the burdens faced by German firms through mandatory social security contributions, compared with their American counterparts, and the obstacle which this constitutes in the area of corporate volunteering:

> the American volunteering-initiatives of firms are not directly applicable to German circumstances. Due to the current institutional arrangements in the social safety-net and its extent in Germany, firms are already seriously burdened: 1998 the employers' proportion of social security contributions was 7,3% of GDP in Germany, compared with 3,5% in the US, not even half of the contributions of German firms. This leaves US companies with much more freedom for voluntary activities.... The aspirations of the German economy for more voluntary engagement thus face financial limitations.... the culture of social security in Europe and in Germany is very statist, so that citizens and firms are practically forced / compelled to contribute to the common good – there can be no talk of a depoliticization (2003: 227-229).

Gunnar Still is in charge of CR at Thyssen Krupp, a manufacturer of premium steel. Still makes the case for deregulation:

> As a company we must have room to manoeuvre, that is a very important point for us. Our orientation is always to have as few laws as possible because they constrain the freedom action of the firm more and more. .... I am of the opinion, one should make as few laws as possible because the more one passes the worse it is .... I think that the move from state-determined parameters to voluntary regulation is very important. It is fundamental (Still, interview, 2007)

Government regulation may constrain businesses' and entrepreneurs' freedom of action as well as imposing costs on them. In addition, it may stifle innovation, prevent the externalisation of costs onto others, or make it difficult to reap the reputational gains they could derive if CR was voluntary or ‘on top’ of less stringent minimum standards. Markets and regulation are not antithetical to one another; on the contrary, markets depend on regulation, freer markets especially so.[202] But an excess of regulation perceived as onerous or burdensome by employers might tie down resources which could otherwise flow into other activities, including voluntary engagement. The case that German employers dislike the current level of regulation is supported by a 2006 index of the German employers’ research institute. This study places Germany in seventh-to-last place among twenty-two OECD countries ranked according to their regulatory density.[203]

That the liberationist or libertarian interpretation of CR is alive and well in German business can be seen in *Corporate Citizenship in Deutschland*[204] which is the most comprehensive volume on CR in Germany published to date. It provides an overview of state of Corporate Citizenship in Germany from a wide variety of perspectives. One of the most interesting themes running through the volume concerns the relationship between Corporate Citizenship and the transformations of German capitalism. In their introduction, Holger Backhaus-Maul, Christiane Biedermann, Stefan Nährlich and Judith Polterauer observe that social partnership and some of the egalitarian and redistributive functions of the German social market economy model are eroding, and that the state is offloading social responsibilities onto society.

This, they point out, is the context in which CR has risen to prominence in Germany. What role does CR fulfil in this context? The answers to this question vary. Many contributors see CR as a positive-sum cooperative enterprise between business and civil society that addresses social needs while benefiting business – without

[202] Vogel (1996)
[203] Dominik H. Enste / Stefan Hardege (2006)
[204] Backhaus-Maul et. al (2008, revised edition 2009)

affecting the balance between business, the state, and civil society. By contrast, other contributors endorse CR while stressing the necessity of unburdening business from institutionalized social responsibilities, such as taxation and social insurance contributions, as a quid-pro-quo for their increased engagement. They clearly imply that the state should do less as responsible corporate citizens do more. Businesses should be unburdened from institutionalized social responsibilities such as taxation and social insurance contributions as a quid-pro-quo for their increased engagement. Responsibility? Yes, but in exchange for greater freedom. Stefan Nährlich, for example, writes:

> the citizen's society [*Bürgergesellschaft*] is a conceptual alternative to the regulating and intervening welfare state …. Lowering the financial burdens for citizens and companies will increase the number of those who want to engage themselves … This requires a concentration of state activities on the essentials" (2008: 176)

These themes are widespread. Reinhard Mohn's book *The social responsibility of the Entrepreneur* is almost a classical liberal treatise, as it prescribes "as little state as possible – but more civil society engagement" (Mohn, 2003: 9). Paul Nolte claims that Germany must overcome its scepticism towards markets and commodification, while making up a deficit in Corporate Responsibility (Nolte, 2006: 253). The recent book *The Future of Civil Society*,[205] which prescribes CR, also has a libertarian, anti-statist tone. Wolfgang Streeck (2009) mentions several examples of German capitalists liberating themselves from "uncomfortable social obligations." Jürgen Schrempp, CEO of Daimler boasted publicly in the 1990s that Daimler Chrysler would pay no taxes in Germany for the remainder of the century. While the merger with Chrysler ultimately failed, Schrempp adopted a number of American practices, putting Daimler's suppliers under severe cost pressures and raising the remuneration of

[205] Dettling (2008)

management to American levels (Streeck, 2009: 81, 200). In sum, Streeck suggests that "there is strong anecdotal evidence that as German private firms are becoming more private, their perception of the social responsibility is changing in the direction indicated by Milton Friedman in his famous essay" (Streeck, 2009: 80).

Yet CR *is* on the rise in Germany. Whether in part to assuage insecurities and material dislocations, or because of the soullessness and meaninglessness of the pursuit of profits for profits sake, Anglo-American CR practices such as corporate volunteering are booming. Thomas Baumeister is Director of Corporate Volunteering at Deutsche Bank in Germany. Baumeister describes that the question of Corporate Volunteering arose following Deutsche Bank's entry into international investment banking following take-overs of Banker's Trust (in the US) and Morgan Grenfell (in the UK) during the 1990s. He stresses that the struggle for acceptance is waged on two levels: the blue frequency of professionalism and the red frequency of authenticity. As a global investment bank, Deutsche scores highly on the blue frequency but seems deficient in authenticity, for societal observers and employees alike. Baumeister describes how Corporate Volunteering can help to address this need for meaning, which has grown in the economic environment of the past decade:

> There I don't talk about numbers, data or facts but about stories, pictures, experiences, emotions. The dimension of meaning can be addressed most effectively with Corporate Volunteering. There is a great need in this area. Because the world of work doesn't offer this emotional home any more. The Deutsche Bank was an emotional haven [*emotionaler Hafen*]... You came to the Deutsche Bank and you stayed there your whole life. This changed in 1997, when we reorganized for the first time and took out an entire level of management (interview, 2006)

Baumeister's description is not easily categorized as pragmatic or moral legitimation. The importance of emotions and of meaning and the lack of an apparent rational or strategic calculus suggests that this may be an instance of moral legitimacy. What is lacking, however, is an an alter- or other-orientedness. Baumeister's reference to meaning appears to refer to employees' own striving for meaning, as well as Deutsche Bank's interest in legitimating itself as an employer – rather than others' needs. This suggests that this is an instance of dispositional legitimacy (Suchman, 1995: 578-579), a subset of pragmatic legitimacy.

Hans Daniel of the Association of Chemical Industries VCI notes that the sense of meaning and identity generated through such activities can have a high utility for employees in the workplace, particularly during times of restructuring (Daniel, interview, 2006). The following section surveys German CRAs and a few initiatives at the firm-level, and links these with employers' perception of their interests in the context of Germany's institutional framework.

VI. German CR at the Network, Association and Firm-Level

This section provides a gloss of German CR platforms, networks, and associations – principally *Econsense*, the *Initiative Freiheit und Verantwortung* (or 'Initiative for Freedom and Responsibility'), and *CSR Germany* (an internet platform) as well as *Unternehmen: Partner der Jugend*. As noted in chapter 1, CR associations can be seen as catalysts, facilitators or motors of responsible business practice. CR associations typically provide a platform for the exchange of 'best practice' among their corporate membership as 'think tanks' for the CR and community involvement of their members. In this sense, they may be seen as "regulating the self-regulation" of their members (Gupta and Lad, 1983: 416). To varying degrees, they challenge their members to attain ever-higher levels of 'responsibility' and social engagement, and to minimize negative and maximize positive externalities.

The *Initiative Freiheit und Verantwortung*, or Freedom and Responsibility, was founded in 2000 by the economic newsweekly *Wirtschaftswoche* together with the four major German business associations (though interestingly, the *Initiative* is financed largely if not exclusively by the *Wirtschaftswoche*). It aims to persuade businesses to take on responsibility and engage themselves for collective benefit, and awards prizes for the most engaged/responsible enterprise in three categories each year.

What is distinctive about the *Initiative Freiheit und Verantwortung* is its emphasis on freedom. *Wirtschaftswoche* issue 39 (2000), which announces the founding of the organization, is full of references to the bloated state and the burdens it imposes on companies as well as citizens. "We want to push back the regulating welfare state," the author Christian Ramthun quotes Harald Wiedmann, then head of accounting and auditing firm KPMG in Germany (Ramthun, 2000: 26). Otto Graf Lambsdorff of the Liberal Democrats (FDP) remarks that "With an end to the collectivisation of responsibility in the welfare state, Germany can become number one again in regulatory policy [*Ordnungspolitik*]" (Lambsdorff, 2000: 42). In his contribution, Friedrich Merz, a leading apostle of the market-liberal wing of the CDU until his departure from national politics, refers to CR as an integral element of a new social contract (Merz, 2000).

As Christian Ramthun, the founder of the *Initiative*, explained to me: "one has to be able to voluntarily choose to accept responsibility. In Germany there is too much compulsion ... We want no legal regulation (of responsibility), no compulsion" (Ramthun, interview, March 13, 2006). Freer markets, Ramthun seems to imply, will lead business to take on more responsibilities.[206] The initiative freedom and responsibility serves to facilitate this paradigm change. For "he who (with good reasons) wants to push back the welfare state," so Wirtschaftswoche-Chief-Editor Baron, "must also be willing to fill the (morally intolerable) gaps which arise as a consequence." Citizens that get more freedom must also take over more responsibilities. The same is true of companies. For them, President of the Federation of German Industries BDI Rogowski provides the motto: "We want more freedom. We are willing to assume more responsibility" (Ramthun, 2003: 95). The above quotations imply that businesses are willing to shoulder a greater share of social responsibilities in return for the increased freedom they are getting. However, this relationship may be more complicated, as the following excerpt from a speech given by Dieter Philipp, President of German Trade Confederation, at the 2004 *Initiative* prize-giving Convention, shows:

> Of course it is right that citizens and companies assume more tasks, assume greater self-responsibility as the state pulls back from areas. There is no question about this.

[206] By contrast, the mission of the UK's leading organization for CR, Business in the Community, was simply "to create a public benefit by inspiring companies to improve the positive impact of business in society" in 2006.

> But: companies are not gap-fillers for misguided state developments. The topic of Corporate Citizenship should not be misused to burden firms with tasks that the state can no longer fulfil.
>
> It is no coincidence that our initiative is called 'freedom and responsibility.' Responsibility yes, but also the corresponding freedom connected with fewer burdens, out of which social engagement can arise on a voluntary basis (Philipp, 2004: 4-5)

Business must be freed not only be freed from (institutional) constraints, it must be unburdened (financially) as well. It is striking how entrenched economic liberalism is among representatives of German peak interest associations, including CR interest associations. As president of the BDI from 2000-2004, Michael Rogowski was involved in both *Econsense* and the *Initiative Freiheit und Verantwortung*. Rogowski is also Chairman of Voith, a specialized family-owned machine-tool manufacturer in Heidenheim, the south-west of Germany. Rogowski's orientation is unmistakably market liberal:

> A regulatory renaissance on the basis of competition, freedom and responsibility is the imperative of the hour. More market and less state, more freedom and less egalitarianism, more individual responsibility and less patronizing [welfare] provision, more competition and less regulation are the ways into the future … This is the axiom of liberalism, for all I care also of neo-liberalism, to which I am fully and wholly committed (Rogowski, 2004: 37-38)

In my interview with Rogowski, two things became clear. On one hand, Voith practices an awful lot of CR: voluntary engagement for employees, the city and the region. Voith goes far beyond the already stringent statutory requirements. And in fact, Voith's CR enagement is more extensive in Heidenheim than in any other of the firms' plants worldwide: "the engagement is many times greater here than elsewhere," he states.

On the other hand, Rogowski is adamant in his admiration for Anglo-American style state-society and state-economy relations: "I think that we still have much too much state and state influence. The state should restrict itself to inner and external security and should not involve itself [unnecessarily] in the economy" (Rogowski, interview, 2007). More even: "I would defend the claim that the greater the freedom entrepreneurs have, the greater their moral obligation and their willingness to engage themselves as Corporate Citizens" (Rogowski, interview, 2007). Despite the fact that for Voith, competitiveness, economic success and CR are all compatible with the prevailing institutional framework, Rogowski insists on the need for far-reaching reforms.[207] As we will see, these views are typical of German corporate officials and CRA representatives.

CSR Germany is an internet platform financed and established jointly by the Federation of German Employers' Associations (BDA) and the Federation of German Industry (BDI) in 2004. Günther Shall, an official at the Federation of German industry (BDI), explains: "The core idea is to pose the question 'what does responsibility mean?' In requesting responsibility from firms, we are also demanding freedom for them. 'Responsibility' [in Germany] is usually brought into connection with compulsion rather than with freedom." CSR Germany aims to change this, he remarks. In order to provide more credibility for these demands for increased freedom and competition, "it is important to show that businesses are responsible players, not bad guys." Vis-à-vis politics, it is important to show that "you can't only demand from us, you also have to give us the freedom to fulfil our responsibilities" (Shall, interview, 2006).

This emphasis on freedom is typical of German industry associations. In an unpublished paper, Volker Leinweber, chief economist for the federation of Bavarian employers VBW summarizes the preferences of the association as: "more market,

[207] In his interview with me, he insisted that while rhetorical surplus is necessary "to get noticed in this media-driven society," his views on institutional reforms were not an instance of rhetorical exaggeration (Rogowski, interview, 2007).

more competition, more freedom, more openness – that is the way to more growth, employment and prosperity (VBW, 2005). Politicians also associate unburdening business with increased CR engagement. Hans-Martin Bury, Minister of State in the Bundeskanzler's office under Gerhard Schröder, says that his government has

> undertaken reforms to adjust the balance of public and political responsibility. Citizens and businesses are also freed from taxes and non-wage labor costs to free resources for more engagement. Because only s/he who gets more freedom can also assume more responsibility (Bury, 2001: 6)

CRAs were late to arrive in Social Market Economies such as Germany, and they are less well-developed there than in LMEs. But they have sprouted and they are growing. *Econsense*, an acronym which stands for 'economic and ecological in consensus' is the leading CRA in Germany. It is unusual for national-level CRAs to have an explicitly environmental/sustainability focus; in fact, Econsense is one of only a small handful of such organizations across Europe. The environmental / sustainability orientation of this association is a reflection of the prominence of ecological issues in Germany during recent decades. This network or think-tank for sustainable development was founded by nineteen of the largest Germany-based companies on July 19th, 2000. As Reinhold Kopp, formerly the chair of Econsense's supervisory board, writes:

> One of the main motives of the founders was to no longer leave the topic of sustainability to politics and NGOs but to reclaim it for business...In addition, the superseded equation of sustainability and environmental protection should be replaced with a triple bottom line (economy – environment – social [engagement])" (Kopp, 2008c: 433-434).

Through 2008 (when Vodafone joined the network), membership in Econsense was reserved for nominally German firms and associations. Anglo-American firms were not welcome! This is unusual if not singular in the European context: all other CRAs have a high proportion of foreign and Anglo-American firms in their membership. Econsense's erstwhile stance against these Anglo-American firms underlines the peculiarities of CR in Germany. But even in Germany, this front could only hold for so long. In 2009, it crumbled. That year, Deloitte and PriceWaterHouseCoopers joined, and DuPont and Ernst and Young followed in 2010.[208]

Econsense's staff is housed in the same building as the BDI or Confederation of German Industry, rather than in the association of German employers federations (BDA), the chambers of commerce (DIHK), or the crafts association (ZDH). Econsense's connection with the BDI rather than the BDA[209] can be taken as evidence that CR in Germany is associated not with the old German model of social partnership, but with the new liberal-voluntarist market-liberal order. Econsense understands itself as a network or think-tank which enjoys financial and operational autonomy from the BDI's day-to-day lobbying activities, allowing it to concentrate on longer-term objectives. As an Econsense *Grundlagenpapier,* a paper laying out the foundational orientation of the organization, remarks:

> The forum has the objective of establishing itself as a think tank of business that bundles competence and can recognize, analyse and influence trends in the sustainability debate. The forum will also provide a platform in order to develop new ideas in discourse and evaluate their chances of realization in practice. As a dialog platform, the forum will discuss the demands that will be made on business and politics, in a national, European and global context.
>
> The main goal of the initiative is to create a climate which enables and facilitates innovation. The basis for this is a balanced evaluation of economic, ecological and socio-political questions (Econsense, 2002: 2)

Econsense has twenty-eight of the largest publicly traded companies in Germany in membership. What Econsense lacks in terms of membership numbers, it compensates in economic weight. These firms comprise the vast majority of companies which

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[208] This is interesting in that unlike many of their nominally German counterparts, these companies have comparatively few employees in Germany. In 2009, Ernst and Young had just 9,000 employees in Germany. Siemens had 128,000.

[209] The BDA is in charge of social partnership and collective bargaining relations with unions. During recent decades, the BDI has been a much more outspoken advocate of market-liberal reform than the BDA.

constituted the now defunct 'Deutschland AG,' the dense network of banks and companies bound together through cross-shareholding and overlapping supervisory boards. Since the 1990s, these companies have become increasingly shareholder-value oriented. In fact, Econsense was founded at one of the key periods in the decline and dissolution of the Deutschland AG.[210] Many of the key firms in the now-largely-dissolved "Germany Inc" networks of cross-shareholding and interlocking directorates are members in the new CRA, which suggests that the personnel networks of "Germany Inc" may be more durable than the more formal institutional linkages.

Paul Windolf provides a useful characterization of the corporate networks of organized capitalism. According to Windolf, "compared with the anarchy of the market," the corporate networks of organized capitalism "represent a 'higher' form of organization, which enables the business world to impose collective self-regulation" (Windolf, 2002: 7). Jürgen Beyer and Martin Höpner emphasize the non-liberal, market-correcting nature of these institutions:

> Corporate governance in the 'organized' German economy was characterized by structures of company control that limited the influence of shareholders and distributed power among managers, employees, investors, regional authorities, suppliers, customers, creditors and cooperating companies; deep linkages between industrial and financial companies that could be used as a mechanism to achieve common goals; sheltered infrastructural sectors such as telecommunications, energy and transport, in which competition was limited to a minimum and state ownership and influence were high; and political regulation that promoted a dispersion of power among shareholders and other interests and protected the company from invasion from outside (Beyer and Höpner, 2003: 179)

Since the mid-1990s, Germany has liberalized, and its networks of board interlocks and capital ties (cross-shareholding) eroded and dissolved. Both the quantity and the

[210] For information on the disintegration of Germany, Inc, see Streeck (2009: 79) and Höpner and Krempel (2004).

strength of links diminished.[211] Beyer and Höpner trace the "break with organized capitalism" and rise of shareholder-value orientation to the mid-1990s:

> The cohesion and density of the German network of interlocking directorates and ownership ties decreased significantly in the late 1990s, which has drastically undermined opportunities for coordinating economic interests. In the past it was said that managers acting in the centre of this network were capable of controlling economic and political processes far beyond the borders of their own companies. The term Deutschland AG (Germany Inc.) was often used as a label for this special feature of the German economy. It implied that the managers involved pursued not only the economic interest of their own companies but also considered general interests of the national economy (Beyer and Höpner, 2003: 183)

The authors of this passage run the risk of idealizing Germany Inc[212]: managers in Germany Inc. may not have been more beneficent than their counterparts elsewhere and their successors; they were simply more constrained. Over time, Germany's network of interlocking directorates[213] and the capital ties between financial and industrial companies dissolved and gave way to an increasingly shareholder-value oriented economy.[214]

Interestingly, Econsense's composition overlaps significantly with the core of Germany Inc., which was in advanced state of dissolution in the year 2000. Many firms that played important roles in Germany Inc. are also found in Econsense, including: Allianz, Deutsche Bank, DaimlerChrysler, ThyssenKrupp, Siemens, RAG, RWE, BMW, Preussag, Gerling, Ruhrgas, or most of the publicly traded DAX heavyweights found in the German Inc. company network. Perhaps Germany Inc. is

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[211] Socio-grams of the dissolution of the German company network in two-year increments from 1996 until 2006 can be found in the Appendix.
[212] I am grateful to Arndt Sorge for this point.
[213] Windolf (2002)
[214] Beyer and Höpner (2003). Heemskerk and Schnyder (2008) come to similar conclusions for the disintegration of Swiss and Dutch board interlocks.

more resilient than conventionally thought: capital ties have disappeared but the personnel networks remain.[215]

What are the political implications of the decline of the old institutions (in this case, Germany Inc.), and the rise of CR networks? The erosion of the old institutions – or more to the point, the distributional consequences of their erosion – has led to a crisis of legitimacy in public perception. Corporate Responsibility networks have arisen along with a wide array of innovative and dynamic practices. The problem is that these networks and practices – quasi institutions – are not functionally equivalent to the institutions which preceded them. Responsibility can entail shouldering uncomfortable burdens. Yet as we have seen able, German CRA representatives are pushing to unburden themselves. CRAs cannot fill the legitimacy deficit which their principals, many of the leading firms of global capitalism, have wittingly or unwittingly helped to engender.

Figure 3.1 (derived from Höpner, 2003: 62) lists the forty German firms with the highest shareholder-value orientation in the late 1990s from greatest to least. I have shaded the companies which became members of Econsense in grey.[216] A high proportion of the firms with the highest shareholder-value orientation become members.

[215] Further research will be necessary to determine whether CRAs in other countries encompass the “inner circle” of the national corporate elite like Econsense; and if they do, what advantages these personnel networks provide for CRAs.

[216] For companies which later merged or changed their name, I have included their new name/identity in square brackets.

Firm	Index
Bayer AG	1.61
VEBA AG [E.ON]	1.48
SAP AG	1.33
Hoechst AG [Sanofi-Aventis]	1.20
BASF AG	1.14
Mannesmann AG [Vodafone plc]	1.11
Henkel KgaA	1.09
Daimler-Benz AG	1.02
RWE AG	0.90
Siemens AG	0.86
Schering Ag [Bayer AG]	0.74
Metallgesellschaft AG	0.72
Degussa AG	0.55
Viag AG	0.55
Preussag AG [TUI AG]	0.45
MAN AG	0.36
Deutsche Lufthansa AG	0.28
Linde AG	0.22
Continental AG	0.21
Thyssen AG [ThyssenKrupp AG]*	0.17
Deutsche Telekom AG	0.16
Krupp AG [ThyssenKrupp AG]	0.16
Buderus AG	0.04
Agiv AG	0.00
Beiersdorf AG	-0.17
Volkswagen AG	-0.26
Rheinmetall AG	-0.31
BMW AG	-0.43
VEW AG	-0.46
Metro AG	-0.70
AVA AG	-0.81
Deutsche Babcock AG	-1.08
Deutz AG	-1.18
Karstadt AG	-1.23
Bilfinger + Berger AG	-1.25
Spar AG	-1.28
Südzucker AG	-1.30
Axel Springer Verlag AG	-1.70
Holzmann AG	-1.90
Strabag AG	-2.29

Figure 3.1: Shareholder-Value and CR Among German Firms in the Late-1990s
(Firms that went on to become members of the CRA *Econsense* are shaded in grey)Chart source: Höpner (2003: 62)

As we know, a significant proportion of Econsense's membership derives from the DAX 30, the blue chip market index for the Frankfurt Stock Exchange, composed of the exchange's 30 most valuable publicly listed corporations. A high proportion of Econsense's membership derives from this group, which suggests that for these large publicly-listed companies, shareholder-value-orientation and CR go hand. The argument could go as follows: a large size and high shareholder-value orientation increases the pressure on firms to legitimate themselves and engage in compensatory activities including, but not necessarily restricted to, CR.

One of the peculiarities of the German system of corporate governance is that co-determination gives employees a powerful stake, a voice in management. This raises the question of co-determination vis-à-vis shareholder value and CR. Martin Höpner (2003) finds that co-determination has not in fact stood in the way of shareholder value orientation, and Sigurt Vitols (2004) coins the term "negotiated shareholder value" to characterize this co-existence of co-determination and a managerial orientation towards shareholder-value. Is the relationship between co-determination and CR similar to the one between co-determination and shareholder value?

Figure 3.2 shows the results of a logistic regression with membership in Econsense as a dependent variable, and shareholder value and co-determination as independent variables.[217] The data-set is small, containing only twenty-three firms: sixteen Econsense members and seven non-members. This is due to the small size of Econsense's membership and to limited data availability.[218]

[217] I am grateful to Martin Höpner for this hypothesis.

[218] The data for this regression derives from Höpner (2001), for the shareholder value index, and from Höpner and Müllenborn (2010), for the co-determination index.

The Relationship Between Corporate Responsibility Association Membership in Econsense, Shareholder-Value Orientation, and Co-Determination

Variable	CRA (Econsense) Membership
Co-Determination	.50 (-.70, 1.70)
Shareholder Value	2.55 (.22, 4.87)
Constant	-.25 (-3.14, 2.65)
Observations	23

Note: 95% confidence intervals in parentheses

Figure 3.2: CR, Shareholder-Value, and Co-Determination

Although these results are not statistically significant, they suggest a strong positive relationship between shareholder-value and Econsense and – this is the surprise – a weaker positive relationship between co-determination and CR (using the proxy of Econsense membership). Co-determination has not stood in the way of CR. Is this disconfirming evidence for my hypothesis H2? Maybe, but it is hard to say on the basis of the positive association of these variables alone. My claim that CR and ISS are inversely related *on the whole* certainly does not imply that they are inversely related *in every specific instance*. Without this information, it is only possible to speculate. Are worker representatives using co-determination to shape, influence, and instrumentalize CR in these profitable companies? Or are workers' representatives merely tolerating management's CR policies? If they do play an active role, how widespread and representative is this? Further research will be necessary to determine the relationship between CR, shareholder-value, and co-determination.

What were the motivations behind the founding of Econsense? As Joachim Ganse, who spearheaded the creation of the organization, recalls, the background was that firms "felt cornered, under pressure from politics as well as from the public" (Ganse, interview, 2006). In response to these legitimacy pressures, the intention was to build up a think tank to advise policymaker with the considerable expertise which the private sector, and perhaps to create a business counter-weight to the Council for Sustainable Development (*Rat für Nachhaltige Entwicklung*) created by the Federal government. Because of its autonomy from the BDI, Econsense could develop and cultivate more progressive and long-term views within business. This path was not an easy one. "At the beginning," Ganse remarks, "everyone wanted to leave [Econsense]," and the organization faced opposition from BDI members. Ganse stresses the challenge of getting large companies to change their course, describing them as "tankers" rather than "speedboats" (Ganse, interview, 2007).

Some firms did leave. Two of the founding companies, the chemicals manufacturer Henkel and Münchener Rück, one of the worlds' largest reinsurers, left the association at the end of 2003 (Gerling, the third member, left because of financial trouble). Apparently these firms, widely considered 'leaders' in various aspects of CR at the time, felt that the association was moving too slowly; that it would not allow them to profile themselves as they desired; and that they could use their resources elsewhere. In addition, Kai von Bargen of Henkel reports that "there were specific incidents ... which suggested that Econsense was not behaving very responsibly in certain areas" (von Bargen, interview 2006). This cryptic formulation does not allow us to draw any conclusions except that CR in Germany is contested.

Among Econsense's numerous activities is a Laboratory of Demographic Change. This initiative, part of the European Alliance for CSR, is being conducted in cooperation with the Max-Planck-Institute for Demography in Rostock. Econsense has been touring across Europe to provide information about Europeans' mounting demographic challenges, as well as to discuss possible solutions with businesses, policymakers and other stakeholders. In terms of political objectives, Econsense's mandate is to facilitate as much as possible the development and exchange of 'best practice' solutions among its members and other stakeholders, while at the same time fending off attempts to introduce burdensome legislation. In addition, Econsense tries to contribute towards the public's understanding of what globalization means (Boßmeyer, interview, 2006).

Germany's regulatory density is a recurrent issue for Econsense and its members. Wolf Michael Iwand, a member of Econsense's steering committee, proclaims: "we're defending ourselves against regulation!" (Iwand, interview, 2007). Former executive director Reinhold Kopp and managing director Thomas Koenen writes: "Particularly in Germany, where despite attempts at deregulation, there is a high regulatory density, the framework and the understanding of CSR differ from other countries (Kopp and Koenen, 2007: 214). Reinhold Kopp, who served as chairman of the board of Econsense for a number of years, makes it unmistakably clear that deregulation is among Econsense's foremost priorities: "The integration of CSR also aims to push back [reduce] the level of regulation" (Kopp, 2008a: 46). "A good CSR performance is a prerequisite for successful socio-political lobbying against overly demanding/stringent regulation and bureaucratic constriction of efficient entrepreneurial solutions" (Kopp, 2008b: 110)

Ganse concurs, noting that German firms implemented the practices that count as CR elsewhere twenty years ago, but because these are legally mandated, they receive no praise or recognition (Ganse, interview, 2006). At the 5th anniversary ceremony of Econsense in Berlin on October 18th, 2005, the president of the BDI Jürgen Thumann, who was also President of Econsense, repeatedly emphasized the theme of voluntariness and self-regulation: ‘we want to be responsible, but in order for this to be possible, the conditions have to be right.’ In other words, German firms have to be at least partially freed from their institutionalized responsibilities (co-determination, taxation, burdensome regulation) in order to engage voluntarily in corporate responsibility like their colleagues and competitors in Britain and the United States. The same theme was pressed by then-president of the BDI, Michael Rogowski, in 2004: “for more responsibility there has to be the freedom and the financial room to manoeuvre. To wage freedom, to break through constraints is the challenge …. If one is tied down like Gulliver, one can’t spit in one’s hands and get to work” (Rogowski, 2004: 10-11). Similarly Klaus Mittelbach, the then-managing director of Econsense: “Free competition on corporate responsibility is an important guarantor of sustainable development; it deserves to be supported in every way possible: through deregulation and flexibilization, wherever this is possible” (Mittelbach, 2004: 31).

According to Kopp and Koenen, Econsense understands itself as a “catalyst, communications platform and consultant” (Kopp and Koenen, 2007: 215). Stakeholder dialogues, which bring together business representatives, politicians, and civil society to discuss specific topics, are one way in which Econsense promotes CR. Political lobbying, though not one of Econsense’s central activities is another. In declassified lobbying correspondence dated 3 November, 2004, addressed to the then-Minister for the Economy and Work, Wolfgang Clement, the Director of the Executive Board of Econsense Reinhold Kopp writes:

> We observe at Econsense – Forum Sustainable Development of the German Economy, that in Germany the Ministry for the Environment has appropriated the topic of Corporate Social Responsibility ... At the same time we have the impression that the ministry for Commerce and Work is too restrained and passive in this area, leaving it too be defined by others. With this letter I would like to sensibilize you for this topic …. As businesses we are concerned that in the medium- to long-run, at the EU-level as well as in some member states, [CSR] regulations will be initiated that are not in our interests (Kopp, 2004)

A letter on BDA and BDI letterhead dated 23 January 2007 and addressed to Michael Hofmann of the Ministry for Economic Cooperation and Development [*Wirtschaftliche Zusammenarbeit und Entwicklung*] reads as follows:

> Dear Dr. Hofmann,
>
> At its annual conference, the Council for Sustainable Development presented the paper ‘Corporate Responsibility in a globalized world – a German Profile for Corporate Social Responsibility.’ We have attached the position of the BDA and BDI to the recommendations of the council.
>
> BDA and BDI welcome the attention given by the Council for Sustainable Development to this important topic. Businesses’ responsibility (*unternehmerische Eigenverantwortung*) is an important building block for sustainable development. The good examples of German businesses are obvious and are explicitly acknowledged by the council.
>
> In the view of BDA and BDI, responsibility and freedom are inseparable. A strengthening of corporate self-responsibility presupposes commensurate corporate liberties. Some of the Council’s recommendations are not conducive to the voluntary engagement of companies (anonymous, 2007)

Before proceeding, I will reflect on Econsense’s activities within the broader context of the German political economy. Representing some of the largest publicly traded companies in Europe, Econsense’s members must remain at the forefront of innovation to remain competitive. Seen from this perspective, these companies’ push for self-regulation and flexibilization, and to acquire legitimacy to pursue new product development in hitherto uncharted areas (such as nanotechnology) makes perfect sense. But at the same time, there appears to be an asymmetry between these activities and the institutional reforms which Econsense and segments of German industry (the New Social Market Initiative, the BDI) push for. If Econsense member companies are re-embedding themselves in certain areas – for example, through innovations in environmental technologies – they are at the same time dis-embedding themselves in other areas (especially social relations), which may be at least as salient for these companies’ public legitimacy.

Given that Econsense is housed in the BDI, the industry lobby association that is not tied to unions through collective bargaining, one may wonder to what extent Econsense's market liberal stance is representative of the member companies' views. I asked Renate Hornung-Draus, who is Director of EU and international social policy in the BDA, the association of German employers' federations, about the BDA's relationship to Econsense:

> the BDA has a good and collegial relationship to the BDI and to Econsense. In terms of content and substance, the BDA and Econsense stand on the same feet. Differences in terms of nuance can arise out of the fact that Econsense collects a limited number of multinational 'CSR front-runners,' while the BDA represents the whole German economy. But to focus on these differences would not do justice to the good cooperation and the broad cooperation between the two organizations in terms of substance" (Hornung-Draus, interview, 2008)

Econsense is typical of business-led CR initiatives in seeking to pre-empt new regulations through lobbying and self-regulation. In the case of Econsense, this stance appears to be particularly pronounced, which may be attributable to the organization's close connections with the BDI and its lack of direct state support. Thus, business-led CR initiatives add an additional level to the anti-regulatory arsenal of business and employers' associations which – as one of its representatives has said – are "instinctively – one could say genetically – against everything that looks like regulation" (Ottenheinrich Freiherr von Weitershausen, BDA, interview, 2008). Sabine Baun, who is responsible for CSR in the Ministry for Employment and Social affairs under the SPD-CDU coalition government, confirms that "there is an incredible fear [among businesses] of any kind of regulation" (Baun, interview, January 22, 2008). The notion that CR is a defensive mechanism presupposes a stable or constant baseline standard of regulation over time. Is this a reasonable assumption?

German unions have used CR to address labour standards in developing countries, but fear that employers could use voluntaristic CR arrangements to further undermine the institutionalized industrial- and labour-relations framework, exacerbating the existing trend towards decentralization. Christoph Ehlscheid of the metalworkers union *IG Metall* remarks that Corporate Responsibility “is not charity or hand-outs, but an obligation. More and more firms want to abscond from these obligations” (Ehlscheid, personal communication, June 3, 2005). Tomas Nieber of the union IGBCE: “For us as German unions this [Corporate Responsibility] has a certain ambivalence … in Germany many aspects of CSR were and are covered by the traditional industrial relations between employers and unions.” Management, he reflects, has changed, both in terms of the people and their self-understanding: “there are more and more managers who lack an understanding for the social market economy with all of its institutions – or who want to want to cancel or exit from those arrangements. When I talk about co-determination, that is not at all understood [anymore]” (interview, July 3, 2007). German unions fear that German employers could CR as a tool to criticize co-determination and recommend that it be replaced with more flexible arrangements. Apparently, ‘CSR Germany’ went online only a few days after a BDI/BDA commission had recommended the retrenchment of co-determination (Seyboth, 2005: 4).

However, Reinhard Thannish of the German trade union federation DGB notes that these fears are unfounded: Corporate Responsibility has not become a tool of the *Mitbestimmungskritiker* (co-determination critics) (interview, July 17, 2008). Despite these fears, and in spite of the erosion of trade-union power and the institutions upon which it is grounded, the idea of CR retains a certain seductiveness. Thus, one monograph sponsored by the Hans-Böckler-Stiftung, the research institute of the German trade union confederation, praises the potential of firm-level sustainability initiatives in the context of the weakening of the associations of German collective bargaining (Brandl, 2006). Unions are not entirely sceptical of CR. For that matter, who could be entirely dismissive of such noble ideals?

One might surmise that works councils, another central institution of the German model of industrial relations, are less at odds with CR because of their increasing co-management orientation during the past decade. Available evidence suggests a lack of engagement between CR initiatives and works councils. Julia Egbringhoff and Gerd Mutz find that works councils and CR are often like ships passing in the night: CC is often conducted without the knowledge or involvement of works councils. Given this lack of engagement, they conclude that CC has an ambivalent, if not contradictory, quality from the perspective of employees' representatives. The works council of the tire manufacturer Continental in Hannover has no involvement with Continental's CR practices (interview, 2007). In the eyes of works councils, CR does not seem important or relevant.

Econsense's, CSR Germany's, and the *Initiative für Freiheit und Verantwortung*'s liberationist orientations are not the only parallel to UK's CR associations discussed above in Chapter 2. There are also German CRAs that promote entrepreneurship in theory and practice. BMW's Eberhard von Kuenheim foundation, founded in 2000 and named after Eberhard von Kuenheim, chair of BMW's board of directors from 1970 to 1993, does precisely this. According to Kuenheim, "many entrepreneurs have stopped contributing to the solution of society's problems. That has to change."[219] Von Kuenheim describes Germany's challenge as follows:

> Our country is [fesselt sich selbst]. Germany is affording itself walls, ditches and Huerden, entrepreneurship is an obstacle course in this country. But there are enough people who – once freed – would be willing to start. They are trained and Tuechtig hard-working, ausdauernd and foll of motivation. I'm talking about our elites. If we hinder them more, they will work elsewhere – and we are loosing them more and more in Germany. We must also realize that

[219] This is the quotation from the inside cover of Glaser and Wessely (2006).

> not only entreprenurs want to leistung erbringen – scientists, students and artists do too. It isn't about protection [Schutz]. Protection leads to weakness; and in a globalized world it isn't possible. It is about enabling; it is about the freedom to play the game – and to win. That is the state's responsibility in our democracy. For global competition, deregulation on the surface is not enough. It has to follow the worldwide tact, or rather, be the trend-setter. In the end, it will be punished if we do not acknowledge this reality (Kuenheim, 2001: 24)

The Kuenheim foundation has sought to promote an 'enterprise culture' – not altogether unlike efforts in the United Kingdom to do so with Enterprise Agencies twenty years earlier. The Kuenheim foundation has supported a number of projects designed to (re-) kindle the German entrepreneurial spirit and serve as examples for others. One example is an old bankrupt glasswares plant, which was re-opened with a new business model (Glaser and Wessely 2006). Another of the foundation's goals is *Elitenförderung* or the promotion and support of elites and leaders. Here, too, there are parallels to the U.K. case. As Kuenheim's managing director Mirijam Storim explains, the foundation's activities don't fir easily into the order of things:

> it's difficult because supporting entrepreneurs brings us into an area that isn't necessarily associated with non-profits and the common good. According to German statutory law, model airplane construction, dog sports fall under these categories but promoting entrepreurship does not. What is the common good? It promotes the common good if people find employment. We try to create free spaces so that people can act entrepreneurially (Storim, interview, 2007)

An overview of the German CR organizational landscape would not be complete without mentioning *Unternehmen: Partner der Jugend*, which was founded in 1995 in Dresden. Against a background of tight state finances and growing social problems, this organization was founded to activate the resources of companies for the non-profit sector. UPJ works predominantly with small and medium-sized enterprises. Diethelm Damm and Bernhard von Mutius, the two founders of UPJ, founded the organization against the background of right-wing extremist violence, unprecedented levels of youth unemployment in post-reunification Germany, and dismal prognoses for social cohesion in the twenty-first century.[220] Might it be possible, they thought, to address some of these problems by involving the private sector?

Armed with the idea of advancing this cause by building bridges between firms and the non-profit sector, von Mutius sought support from the corporate sector for some initial outreach and publicity work – and found none. Eventually, the International Partnership Initiative provided nine pages of its journal space (in May 1994) to publicize the initiative – still, with no resonance. In fact, of the 170 people who attended UPJ's inaugural meeting in Dresden, only twelve people represented the corporate sector. In its initial phases at least, UPJ's bridge was uneven, tilted towards the non-profit side (Damm and Lang, 2002: 15-16).

Diethelm Damm, whose background includes working with social movements and organizations aiming to help disadvantaged youth get vocational training and start up their own businesses, asks: "who is the problem-solving-oriented, well resourced and motivated coalition partner? If you actually want to get something done in the world then there's no way around companies" (interview, 2007)[221]. Bernard von Mutius, a consultant and management strategist, had reflected on the dynamic potential which could arise from new forms of social cooperation between the business and non-profit sectors – two social sub-systems which had been relatively autonomous from one another under the German corporatist system: "In the long run man, one could deregulate, lower taxes etc., everything that the neoliberals want, *if*

[220] The report in question was an UN prognosis that by 2030, only 25 percent of Europe's population will have a secure and qualified job; another 25 percent will have low-skilled and poorly remunerated work; and the other 50 percent will experience periodic unemployment.

[221] The following excerpt expresses the spirit of pragmatism which is the motor of many people's engagement in CR. During previous decades, Damm reflects, unions had been critical of his unemployed-youth-training activities, telling him that "you're saying that they [the unemployed youth] should open up their own companies? In other words you're training them to become an entrepreneur, the class-enemy? You shouldn't train unemployed youth to become the class enemy, you should protest against business with the unemployed youth!" In Damm's view, "that won't help them though!" (interview, 2007)

genuinely functioning social cooperation structures could be constructed" (interview, 2007).

During the past decade, UPJ has worked with companies to conceptualize and execute a wide range of CR activities in cooperation with the public and voluntary sectors. In Germany as in other countries, the power of business vis-à-vis other societal sub-systems has increased during recent years. UPJ strives to engage business in positive-sum cooperative endeavors with other societal groups, rather than univocally or unilaterally defining the agenda. While other CRAs push for the retreat of the state, "this has never been an UPJ position. We want to gain companies as an additional partner for the state" (Damm, interview, 2007). Of UPJ's objectives since 1996, one of the most interesting and noteworthy has been the attempt to convince corporations of the importance of investing in the social infrastructure to promote Corporate Responsibility. Reinhard Lang, one of UPJ's Directors, reflects that member firms, and companies in general, are willing to invest in individual projects in which they are involved, but the infrastructure upon which these projects depend is another matter. Lang remarks that over time, he and his colleagues have succeeded in convincing several entrepreneurs that the state, non-profit organizations and intermediaries such as UPJ are structures worth investing in. The hesitance of German businesses to invest in this infrastructure may be attributable to their continued investment in other institutional structures.

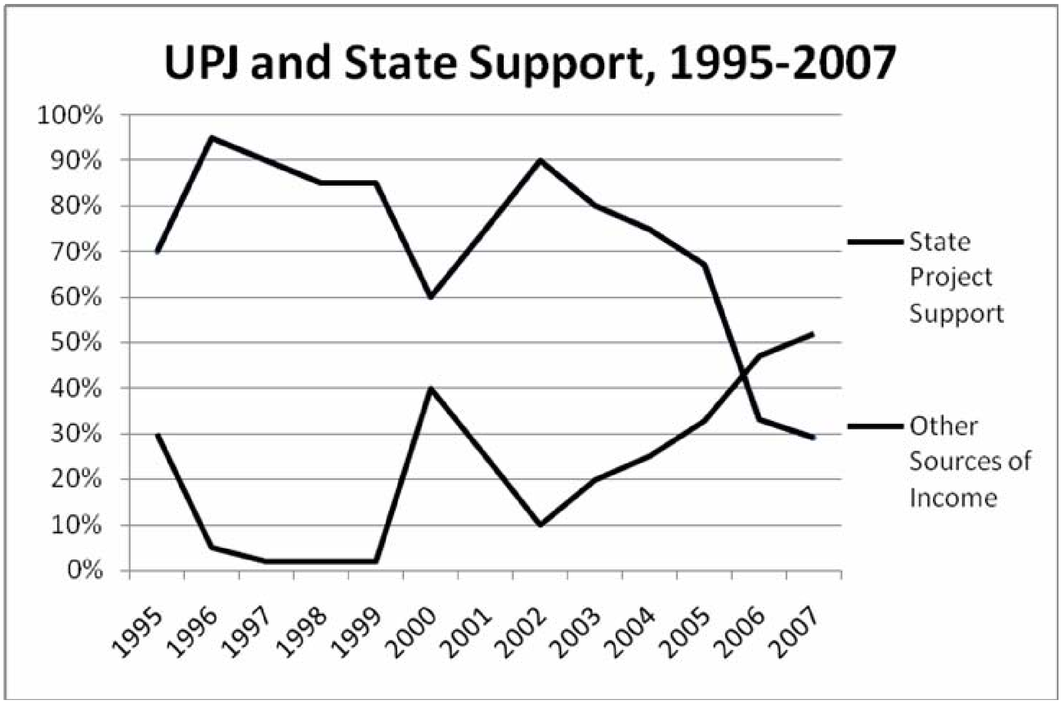


Figure 3.3: UPJ and the Public Purse
Source: UPJ

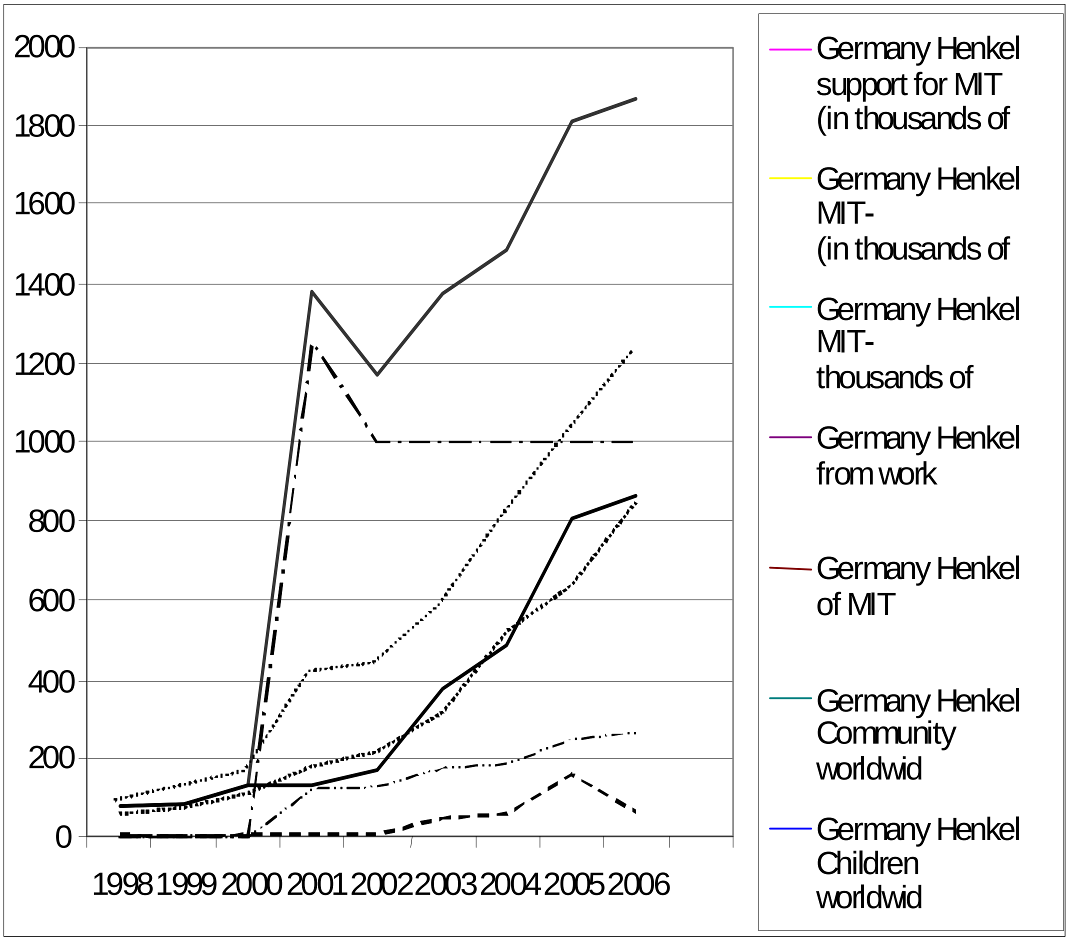
It is worth mentioning that UPJ's activities would have been impossible without state monies. As can be seen in the figure 3.3, the public purse contributed over ninety percent of UPJ's operating expenses in the mid-1990s, but this has declined to 30% by 2007. This is attributable to the founding of UPJ's subscription-based corporate membership network, *Unternehmen: Aktiv im Gemeinwesen*, in 2003. Thus, according to the criteria used in this thesis, UPJ became a CRA that year. Martin Schenkel, of the Federal Ministry for Family, Youth, Seniors, explains that state support for UPJ was initially project-based, to bring Germany, the developing country in Corporate Cititzenship, up to speed in CC matters. But more recently, Schenkel has become convinced:

> One cannot steer directly anymore, one has to establish an infrastructure, opportunity structures for evolution. UPJ is a virus that I send into the economy to instrumentalize it … The state cannot do everything alone [anymore] so we need networked political structures. We are witnessing the collapse and transformation of the traditional nation state (Schenkel, interview, 2007)

Next, I discuss two firms' CR activities. These examples exemplify the dynamism and ambivalences of CR in contemporary Germany.

According to Christina Büchler, the history of Henkel's MIT initiative – which stands for 'Miteinander im Team,' or 'with each other in a team' – reaches back to the early 1990s. Büchler recalls that in the aftermath of the collapse of the eastern bloc, German reunification, and the carnage in ex-Jugoslavia, requests for help from civil society organizations increased from 4-5000 per year to 10-15000 per year. Over the next few years, the Board considered various ways to allocate the firm's limited resources, and decided that supporting employees' domestic and international social engagement would be the way to go. Every Henkel employee across the world has the opportunity to request support for his or her cause in the form of money, materials, and (paid) time off work.

As can be seen in figure 3.4 below, the MIT-Initiative has grown rapidly since 1998. One of the things which is especially notable about this example of 'Corporate Citizenship' is that it appears to solve a problem which bedevils many Corporate Citizenship initiatives by large firms: although corporations have varying degrees of legal personhood, Corporate Citizenship should nonetheless be understood as a metaphor: corporations are not real citizens but profit-maximizing entities. By supporting the civic engagement of individual employees who are in fact citizens, Henkel's MIT Initiative exemplifies the growing number of innovative and dynamic CR initiatives in Germany.



C

Figure 3.4: Henkel's MIT Initiative, 1998-2006

CR encompasses many aspects of corporate activity; in theory, it is all-encompassing. However, not all aspects of corporate activity are weighed equally: activities which were central to Rhenish capitalism are oftentimes peripheral to CR, which is not so surprising given CR's Anglo-American provenance. The following example illustrates this gap. Germany's system of vocational training has been praised as one of the pillars of German industry's success in international markets. If a firm provides vocational training for more employees than it needs, it is providing a positive externality – a classic case of responsible corporate conduct. The system of course vulnerable to short-termism and poaching: businesses that are unwilling to incur the expense of training and who instead hire staff trained by other employers.

Figure 3.5 shows the percentage of trainees as a proportion of the total workforce of Mannesmann AG from 1980-2000 and of Vodafone Germany since 2000. It is impossible to overlook the downward trend over time. While the proportion of trainees has hovered around 3% since the take-over of Mannesmann by Vodafone in 2000, the steepest decline took place not under Vodafone but under Mannesmann beginning in the mid-1990s, which according to Jürgen Bayer and Martin Höpner was when "[t]he break with organized capitalism" took place (Bayer and Höpner, 2003: 180). In addition, the high shareholder-value orientation of Mannesmann during this period may have played a role (Höpner, 2003: 62). Lest this give a misleading impression, I should emphasize that Mannesmann was very engaged in CR matters. In fact, Bernhard Lorentz, responsible for CR at Vodafone, states that while the nature of CR engagement has changed (comparing Vodafone with Mannesmann), the budgets have remained constant, not increased, since Vodafone's takeover (Lorentz, interview, 2006).

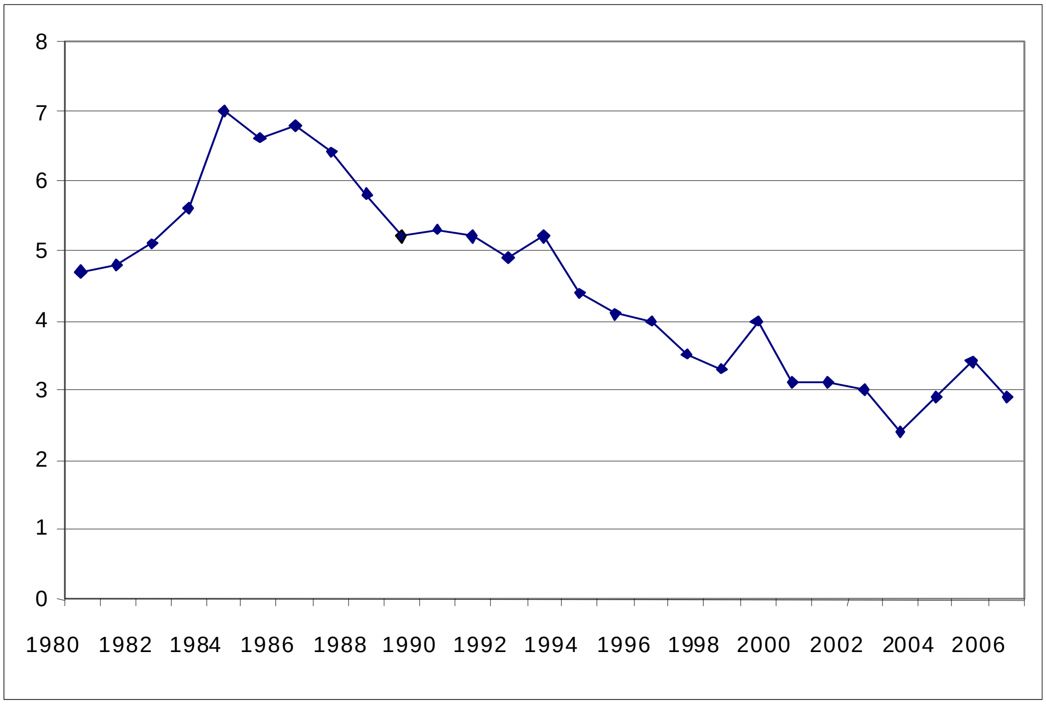


Figure 3.5: Percentage of Employees in Vocational Training at Mannesmann / Vodafone in Germany, 1980-2006

Source: Mannesmann *Personal- und Sozialberichte* dating back to 1980 (Mannesmann Archiv). I am grateful to Manfred Humpert, director of Vocational Training at Vodafone Germany, for the data for 2000-2002.

One must be cautious about generalizing from this one single case. After all, it is far from clear that the German system of vocational training as a whole is in terminal decline. It may be more instructive to look elsewhere, at indicators people aren't talking about. Figure 3.6 shows the wage ratio, profit ratio, and membership growth of Econsense since 2000.

Figure 3.6: Econsense and the Growing Profit Ratio

It is striking that the share of national product going to employees declines just as the profit ratio increases and Econsense is founded. Again, it would be unwise to interpret too much into these findings, except that there appears to be a gap between the gap left by liberalization and the gap filled by CR.

VII. Conclusion and Outlook

In this chapter, I have described the rise of Corporate Responsibility in Germany since the mid-1990s and have sought to explain its retarded development on one hand, and rapid rise on the other. Since the mid-1990s and increasingly since 2000, CR has risen to prominence in Germany. CR's rise thus coincides temporally with the erosion of the 'German' or 'Rhine' model of capitalism through institutional layering, drift, conversion, displacement and exhaustion (Streeck, 2009; Streeck and Thelen, 2005). The orientation of German businesses towards Corporate

Responsibility was initially characterized by high levels of ambivalence, both within Germany and in the European / international arena, and I have attributed this to the perception that CR would entail burdens for business on top of the weight of Germany's Durkheimian post-war institutions.

As employers sought to free themselves from these shackles, as the process of liberalization has gained momentum, this ambivalence has declined. I have tried to show that many business representatives see economic liberalization and the growth of CR as interconnected, as going hand-in-hand. In the German context of stringent standards of binding regulation and corporate governance arrangements which empower unions and employees, the appeal of CR is obvious. Indeed, there is a striking affinity between the market-liberal and voluntaristic orientation of many CR associations and the New Social Market initiative, which aims to pave the way for the acceptance of market-liberal reforms in the population. It follows from this framework that as liberalization proceeds apace and social disparities increase, the distinctively libertarian meaning which German CR took on during its initial phases – responsibility yes, but in exchange for greater freedom – will give way to an emphasis on social compensation as the erstwhile Durkheimian institutions diminish in significance or are converted for the purposes of management or shareholder-value, leading to increasing social disparities.

By placing the rise of Corporate Responsibility squarely in the context of economic liberalization, my accords greater prominence to conflict than is found in the CR literature. In a statement that is representative of the latter, André Habisch writes: "as part of civil society, socially engaged firms neither can nor want to replace state activities" (Habisch, 2008: 110).[222] If one restricts one's analysis of analysis to

[222] Habisch notes that "the societal engagement of companies cannot replace state activities across the board. A leader of a food bank that distributes food to needy people free of charge, said the following in a hearing of the Enquette Commission of the German Parliament: ‚we can't replace the state's social

activities that are nominally in the realm of CR – for example, the activities of Econsense – without recognizing that Econsense's members are doing in the BDI, then one is missing a very important part of the picture, one that can also help to explain the public's ambivalence about CR. This has arisen because whatever the appearances, German managers and entrepreneurs have been freeing themselves from "uncomfortable social obligations" (Streeck, 2009) at the same time as they endorse and practice Corporate Social Responsibility.

As noted in chapter 2, much of the literature treats CR in its various incarnations (CSR, Corporate Citizenship etc.) as synonymous with responsible corporate behaviour (see for example Campbell 2007, Campbell 2006). This leads to a paradox: in Germany, at the same time as we have seen an increase in CR at the firm level, institutionalized forms of solidarity have eroded. On the basis of process-tracing, we can posit that the 'old embeddedness' of welfare stateness and social partnership, and the 'new embeddedness' of CR are substitutes rather than complements. Nonetheless, I must caution readers about the limitations of my argument in this chapter. CR has many different faces. The line of argument developed in this chapter applies very well to social affairs, but has its limitations when it comes to the environment. German firms are leaders in environmental technologies precisely because of, and not despite, stringent regulation.

The fact that Corporate Responsibility has arrived late and has been taken on with initial hesitation by German employers can be taken to support the 'common stimulus, mediated response' model that has become orthodox in political analysis: domestic structures and "national ideologies" guide corporations, even in today's

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assistance because we are notoriously unreliable. That means: as voluntary organizations, food banks cannot ensure that needy people receive adequate support!' What then is the special element that characterizes firms' engagement in contrast to state engagement? Here, in the limited area of one project, innovative solutions for well-known or new social challenges are charted out ..... In contast to the state, [Corporate Responsibility] has an innovation and pathfinder function" (Habisch, 2005: 43) globalized world (Doremus, Keller, Pauly and Reich, 1998). While one might view this as a matter of economic culture, I argue that in the last instance, such cultures have their basis in social institutions, and in the case of the economy, in economic interests. In this respect, I agree with Hans-Olaf Henkel, who became president of the BDI in the mid-late 1990s after serving as a long-time manager for IBM. When asked how to explain the different levels of voluntary engagement in the UK/USA versus Germany, Henkel remarked: “I think that those are purely institutional framework conditions [*Rahmenbedingungen*]. Of course it takes a while until it changes” (Henkel, interview, 2008).

How much of Germany’s distinctive political-economic institutions and economic culture will persist given the developments outlined in this chapter is open to question. It appears that Germany will become increasingly liberal, both in terms of its institutional framework and in terms of its embrace of Corporate Responsibility. If that is the case, CR may open up new arenas of cooperation, negotiation and contestation that were foreclosed by the institutions of the Rhine model of capitalism. While CR in Germany has yet to reach the levels in the UK, the supply of and demand for firms’ legitimacy, and of Corporate Responsibility, one of firms’ means for attaining this end in market liberalism, will likely continue to increase. Even so, it is hard to avoid comparing the new era of market-liberalism plus CR to the system which preceded it. At this point, it seems like idle speculation to wonder to what extent the market-constraining institutions of Rhine capitalism were seen as merely constraining, or also as constitutive of employers’ identities.

CHAPTER 4

Conversion, Contestation, Ambivalence: The Rise of Market Liberalism and Corporate Responsibility at the EU-Level, 1995-2007

I. Introduction

Corporate Responsibility arrived on the "EU" agenda in the mid-1990s. Before then, not a whisper about firms' voluntary engagement for social and environmental ends could be heard in the halls of the European Commission, the hemicycle of the European Parliament, and in the meeting rooms of European business lobbies, trade unions, and NGOs. That has changed. Corporate Responsibility has come of age in Brussels: later than in some, but earlier than in many EU member states.[223] More than a dozen EU Council Presidencies have taken up this new cause, and significant resources have been devoted towards it. But how and why did Corporate Responsibility become a salient issue in Brussels? Who are the players in EU-level CR politics, and what's at stake in these contests? This chapter seeks to answer these questions by telling the story of the rise of Corporate Responsibility at the EU level.

In this thesis I argue that that liberalization and CR are complements, and that institutionalized social solidarity and CR are substitutes. This chapter applies this argument to the EU-level. My findings are four-fold. First, there is a temporal coincidence of Corporate Responsibility and market-liberal policies at the EU-level. The European Commission has simultaneously advanced agendas of market-liberalization and Corporate Responsibility. Thus, EU CR substitutes for the erosion of institutionalized social solidarity within EU member states, itself an effect of European institutions. Second, stakeholders and interest groups have contested the

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[223] How early depends on whether one considers EU CR to have started in the mid-1990s or in 2001, a point I discuss below. Among EU members, the UK (1981), Scotland (1982), France (1986) and possibly Sweden (1987) got CR before the EU. In addition, a number of countries in Central and Eastern Europe (including Poland and the Czech Republic) followed in the early 1990s.

meaning of CR at the EU-level: voluntary or legally binding, market-liberal or social liberal? Initially, EU CR was social-liberal; over time, it has been converted to market-liberal. This political contestation is an important corrective to functionalist interpretations of my argument.

Third, I argue that firms' propensity to engage in EU-level CR is determined not only by a company's size, sector, and market niche, but also by its national origins. Thus, I underscore the focus on nation-states and countries-of-origin as relevant units of analysis in the study of CR. Fourth, I argue that in its meaning and normative evaluation, EU CR is ambiguous and ambivalent. Ambiguous because different stakeholders have different interpretations and understandings of CR. There are also discrepancies between the understandings of CR by national business constituencies and the enactment of CR at the EU-level. EU CR is ambivalent because of its association with market liberalism: it appears to be both part of the solution to pressing problems in the European Union, and part of the problem itself.

This chapter begins with an overview of the Europeanization of CR across Europe. Sections follow on Managed Globalization and Social Europe; Institutionalized Social Solidarity at the EU-level; the Genesis of EU CR; and on the Conversion of European CR. A discussion of EU CR association membership is followed by a section on the Political Economy of the EU, and a Conclusion.

II. Background: The Europeanization of Corporate Responsibility across Europe

The importance of Europeanization for EU member states should be obvious.[224] According to various estimates, between 10-20 and 80 percent of the

[224] According to Claudio Radaelli, "the concept of Europeanization refers to: Processes of (a) construction, (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things,' and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures, and public policies (Radaelli, 2003: 30).

national legislation in member states has its origins in EU-level institutions.[225] Even in areas governed by 'soft' rather than by 'hard' law, the European Union is having "an increasing impact on the allocation of values and norms in Europe" (Hix, 1999: 70). The European Union has transformed the politics of European policymaking. Consequently, it is inadvisable to study politics in EU member states without taking Brussels into account. This is especially true when it comes to political-economic affairs including Corporate Responsibility.

There are only a handful of accounts of EU Corporate Responsibility politics to date, almost all of them by scholars of law or management.[226] Political science can learn valuable lessons from Corporate Responsibility at the EU-level. Tanja Börzel, for example, claims that "network governance, which systematically involves private actors, is hard to find. EU policies are largely formulated and implemented by public actors" (Börzel, 2010: 191). Exceptional they may be – but EU CR is an example of network or private governance. Moreover, some aspects of EU CR seem akin to what Charles Sabel and Jonathan Zeitlin desribe as "experimentalist governance" and "deliberative polyarchy": decentralized collaboration and learning

> framework goals and measures for gauging their achievement are established by joint action … Lower-level units … are given the freedom to advance these ends as they see fit. Subsidiarity in this architecture implies that in writing framework rules the lower-level units should be given sufficient autonomy in implementing the rules to be able to propose changes to them. But in return for this autonomy, they must report regularly on their performance, especially as measured by the agreed indicators, and participate in a peer review in which their results are compared with those pursuing other

[225] Estimates range as high as 80% according to Simon Hix (2005: 4), and as low as 10-20% according to Andrew Moravcsik (2005: 17). Annette Elisabeth Töller (2010) criticizes these studies and argues that we need – and do not yet have – "an instrument to measure and compare the Europeanization of public policy, defined as the scope and extent to which European law and policies shape national decisions on public policies, across policy fields, across time and across countries (Töller, 2010: 421).
[226] De Schutter (2008); MacLeod (2005, 2007); Wouters and Chanet (2008).

> means to the same general ends. Finally, the framework goals, metrics, and procedures themselves are periodically revised by the actors who initially established them, augmented by such new participants whose views come to be seen as indispensable to full and fair deliberation (Sabel and Zeitlin, 2008: 273-274)

The point of this chapter is not to assess the scope or extent of the Europeanization of Corporate Responsibility across Europe. Rather, I am interested in the origins and changing content of EU CR policy. I take it as given that the EU is a significant actor in this arena. I refer to the charts below to establish the plausibility of this claim. These charts illustrate two dimensions of the spread of CR across Europe. Figure 4.1 shows the number of Corporate Responsibility associations – national non-profit organizations with a voluntary corporate membership and a mandate to advance the cause of CR in their respective jurisdictions and beyond – across Europe between 1980 and 2007.[227] Figure 4.2 shows the total number of firms in the membership of nineteen Corporate Responsibility associations across Europe.[228]

[227] This chart excludes the UK CR association Business in the Community because BITC's large membership would make it difficult to see the trends in other European countries. In 1990, BITC had approximately 400 members, and in 2008, it had over eight-hundred – nearly as much as all other firms combined.
[228] For reasons of data availability, the data in the two graphs is not entirely congruent: the membership data in chart 2 is derived from a subset of associations in chart 1.

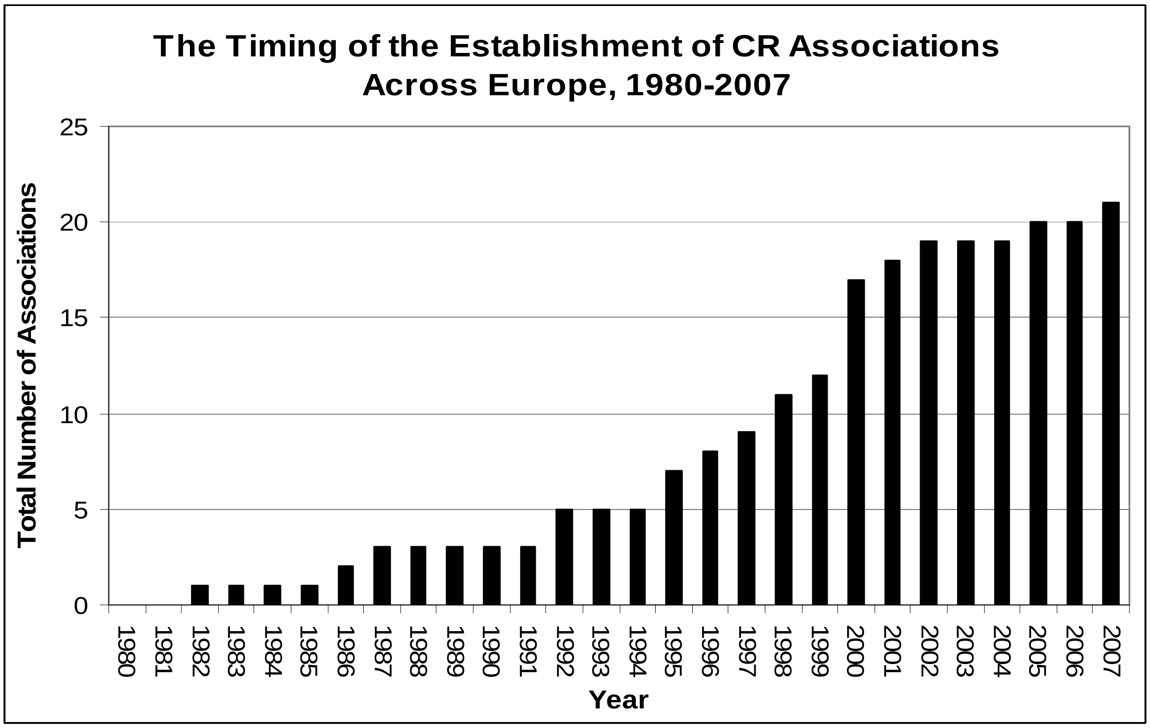

Figure 4.1: The Spread of CRAs across Europe
Source: author's own compilations

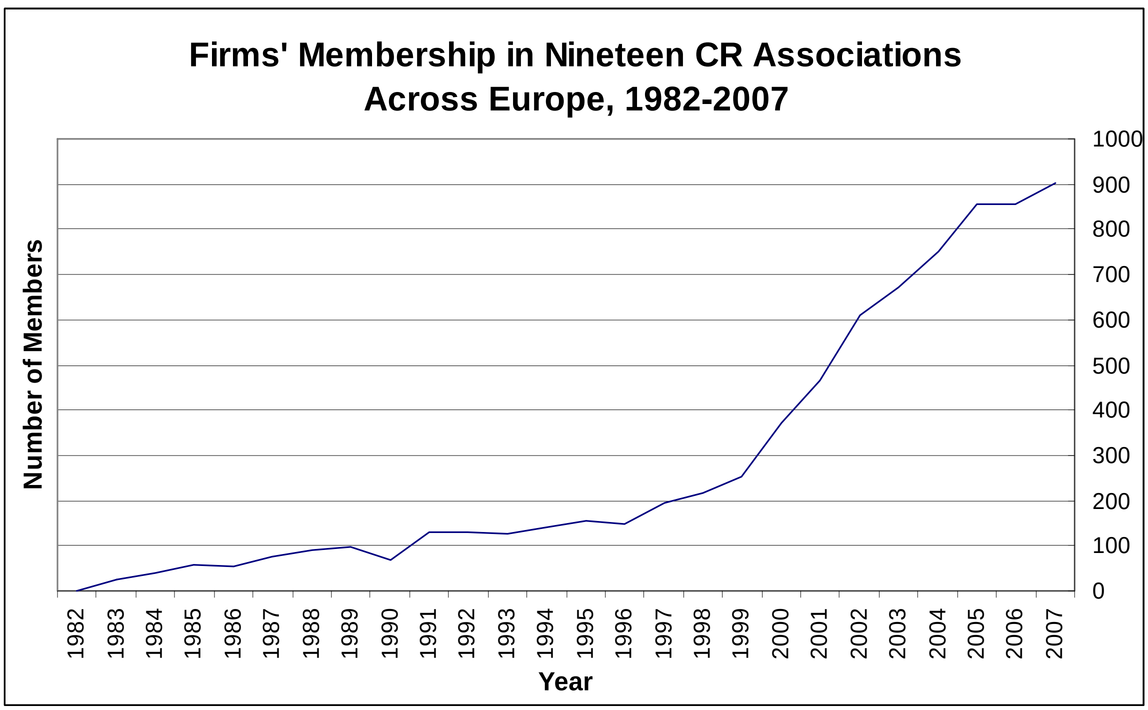

Figure 4.2: The Growth of CRA Membership across Europe
Source: author's own compilations

Both slopes have the shape of an S- curve typical of diffusion processes. What role has the EU played in this diffusion? For our present purposes, we will restrict our attention to the relationship between the timing of EU CR initiatives and the outcomes in figures 4.1 and 4.2. EU-level CR engagement began in earnest in 1995/1996. In 2001 and 2002, the Commission issued influential Green and White Papers on CR. The EU thus began its activities before the diffusion of CR had really gained speed, and provided important impulses at the curve's inflection point. Admittedly, correlation is not causation. While it would be wrong to impute the growth of CR association membership to EU activities alone, these charts provide prima facie evidence of their impact. If we follow Simmons, Dobbin and Garrett (2008) in distinguishing between coercion, competition, learning and emulation, the diffusion of EU-level CR would seem to be an effect of the latter three processes and not of coercion. There have been no EU regulations or directives on CR.

III. Corporate Responsibility, Managed Globalization and Social Europe

The rise of Corporate Responsibility at the EU-level is interesting in and of itself. It is also relevant to broader debates in the political economy of Europe relating to the balance between the expansion and deepening of markets on one hand, and social protection and compensation on the other. What is the relationship between the rise of market liberalism – the expansion, deepening and freeing of markets – and Corporate Responsibility at the EU level? Are they complements or substitutes? The evidence in this chapter, I argue, supports the claim that liberalization and CR are complements, and that institutionalized social solidarity and CR are substitutes.

CR in Brussels thus speaks to debates about the status of "managed globalization" and its unmanaged opposite, market liberalism. Corporate Responsibility's position in this conjuncture is ambiguous. Corporate Responsibility and market liberalism have arisen concurrently and co-evolved at the European level. In its early phases, CR was integral to the EU's program of "managed globalization." Over a period of over a decade beginning at the turn of the millennium, employers have converted EU CR, transforming its meaning and content. My argument contrasts with views according to which CR is a genuine alternative or countervailing force to market liberalism. Instead, it is an integral part of it. Beginning with Jacques Delors, the Commission has been a vigorous proponent of both Corporate Responsibility and of market liberalism. Recent EU-level CR initiatives, such as the European Alliance for CSR, complement a far-reaching push for liberalization and a re-structuring of domestic political institutions by the European Commission. Rather than a genuine alternative that reveals the power of political agency vis-à-vis market based alternatives, Corporate Responsibility is part and parcel of the market liberal economic trend in Europe.

By emphasizing this point, political scientists can make a distinctive contribution to the study of Corporate Responsibility at the EU-level. Legal scholars lament the market-conforming – as opposed to market-correcting – character of European CR. By and large, management scholars do not remark on these dynamics at all, taking them as given in order to focus on firm-level variables. Critique has its place, yet analysis should be based on a sober assessment of political-economic realities. Legal scholars fail to realize that rather than a genuinely countervailing force, the liberalization of European economies and social protection measures including CR have been tightly connected from the very start. Market-conforming policies are the equilibrium. This does not mean that EU CR is devoid of experimentation and contestation. In fact, there has been considerable contestation over European CR politics since the 1990s not only from civil society, but within the European Commission, between the European Commission and the business community, and within the business community itself. Both business and the European Commission attempted to construct integrative, institutionalized or coordinated frameworks for CR at the pan-European level that differ significantly from the current market-liberal norm. Over time, these attempts failed, as business converted these social-liberal and institutional initiatives to market liberal ends: they became less social and institutional and more and more corporate.

The fact that EU CR politics have been the object of contestation suggests two things. First, EU-level CR politics is nothing to scoff at. Actors would not devote time and resources to contest things that they thought were trivial or meaningless. Second, this process of searching and contestation – which takes place within and between the European Commission, the EBNSC/CSR Europe, the European Parliament, business-, trade-union, civil-society organizations, is a useful corrective to overly functionalist interpretations of the relationship between liberalization and CR.[229] In the end, employer-favored market liberal interpretations of CR carried the day. But this outcome was the result of political struggle, not a straightforward outcome of functional necessity.[230]

[229] George Ross acknowledges the sway of economic interests in EU-policymaking. But he rejects the notion that policy can be *reduced* to these interests: "The needs of capital, whether systematically or organizationally constructed, do not automatically or obviously translate into political strategies. Beyond this, government bodies must simultaneously seek answers to other kinds of questions. The answers which are ultimately found usually transcend and feed back on economic matters in crucial ways. The success or failure of capital may be as contingent upon the problem-solving skills of politicians as the decisional autonomy of politicians is constrained by economics" (Ross, 1995: 8)

[230] My stance is similar to Lisbet Hooghe's. Hooghe "does not deny a role for functional imperatives – the weight of neoliberal ideas and institutions, an economic logic having to do with reaping joint gains and reducing transaction costs, or a policy logic of efficiency and effectiveness." But she "emphasizes that the link between them and policy outcomes is political" (Hooghe, 1998: 474).

IV. Institutionalized Social Solidarity, Liberalization, and Corporate Responsibility at the EU-Level

In preceding chapters I argued that declining institutionalized social solidarity and CR co-evolve: CR both paves the way and compensates for declining institutionalized social solidarity. This framework works for CR at the level of nation-states, but it must be modified for application to the EU's system of multi-level governance. Whether the EU has something akin to institutionalized social solidarity at the national level is debatable. The candidates are the Common Agricultural Policy and the Structural Funds and Cohesion funds. I will begin with the agricultural subsidies. There are unquestionably needy farmers in Europe – but it is not apparent that the CAP is particularly well targeted to help them: the agricultural subsidies of the CAP go largely to privileged farmers. Structural Funds and Cohesion Funds, on the other hand, provide support for infrastructure development in the poorer regions of Europe. They therefore qualify as social solidarity and are seen as such, according to Lisbet Hooghe: "cohesion policy has been the flagship of proponents of regulated capitalism" (Hooghe, 1998: 474).

With regard to expenditure levels, neither the CAP nor the Structural Funds and Cohesion Funds have seen much in the way of retrenchment. While the CAP budget is slated to decrease over the coming years, the funding for Structural and Cohesion Funds is slated to increase.[231] Since the Structural Funds and Cohesion funds are more plausible candidates for institutionalized social solidarity than the Common Agricultural Policy, it does not appear that the EU's institutionalized social solidarity has eroded. However, it is essential to point out that even if EU's

[231] The infrastructural deficiencies of the new Eastern European EU member states were a powerful motivator for this policy.

institutionalized social solidarity has weathered the storm or expanded somewhat, its level is very modest.[232]

Most of Europe's institutionalized social solidarity is located in individual member states, rather than at the EU level. It is here that institutionalized social solidarity has eroded. This erosion has resulted from endogenous processes of liberalization at the national level;[233] from international competitive pressures; from the asymmetry of market liberalization and social compensation in European institutions; and from the EU's push to restructure non-liberal institutions.[234] CR has (primarily) served to legitimate EU actors and institutions, and (to a lesser extent) to compensate for the fallout of liberalization within EU member states. Though Brussels is well connected with EU-member states and with corporate management, policies decided in Europe's capital are not put into practice there; they are delegated to other actors and institutions who put them into practice. The section below discusses the origins of CR at the EU-level.

V. Liberalization and Social Compensation: The Genesis of CR at the EU-Level

Liberalization and social compensation have been inscribed at the core of European CR politics from its beginnings in the 1990s. Many scholars trace the rise of EU CR to 2001, when the Commission issued its Green Paper on CSR. In fact, European Corporate Responsibility originated almost a decade earlier, in the context of the economic slump, industrial restructuring and impasse in European integration in the mid-1990s. It did not originate as an automatic or functional response to the 1992

[232] From 2004-2006, 15.9 billion € in Cohesion funds were available. The total size of the EU economy was
approximately 11 trillion € in these years.
[233] Streeck and Thelen (2005); Streeck (2009)
[234] Höpner and Schäfer (2010)

single market.[235] A legitimacy crisis of European integration ensued following the Maastricht treaty.[236] Danish voters rejected the Treaty and French voters approved it with only a razor-thin majority. Europe's economies entered an economic slump with unemployment rising above 10%. Armin Schäfer describes the situation:

> There was a widespread notion that integration was too exclusively focused on market integration, disregarding unemployment as the most pressing problem (cf. Deppe/Felder 1993). The permissive consensus supporting integration was at risk. In this moment of crisis action had to be taken to prove that governments cared for unemployment without, however, granting more power to 'Brussels bureaucrats' (Schäfer, 2004: 8)

Although the words "Corporate Responsibility" and "CSR" only entered EU-level discourse at the turn of the millennium, labels must not be confused with content. The European Business Network for Social Cohesion was established in 1995. Together with its member companies and its network of national partner organizations, this organization has been instrumental, perhaps even indispensable for advancing the cause of CR in Europe.[237] EU-Commission President Jacques Delors appealed to business to help overcome Europe's structural problems of unemployment and social exclusion. Delors' years as Minister of Finance under President François Mitterand "represented a continuation of his activity and reputation as a 'modernizer' of the French left, acting within liberal capitalism, and standing aside from the class struggle of the traditional left" (Drake, 2000: 44). As President of the European Commission from 1985 until 1995, Delors sought to simultaneously promote social protection and market liberalization at the EU-level. Social-dolorisme, a term coined by a French

[235] In his pioneering study on CR by MNCs in Europe in the early 1990s, David Logan establishes "that the emergence of the Single Market has not led to a surge in transnational giving projects in Europe" (Logan, 1993: 5).
[236] Schäfer (2004): 8
[237] Indeed, the EBNSC and CSR Europe have played an important role in the creation of a number of National
Partner Organizations, national catalysts for CR, across Europe.

newspaper, was “characterized from the beginning by a basic reformist attitude and its affirmation of the market mechanism in combination with social responsibility” (Ziltener: 56). Delors was convinced that the market had to be tamed because this was the right thing to do. According to Delors, justice, participation and the dignity of every person are values that the market as such can neither create nor preserve (Delors, 2000: 103, quoted in Aust, Leitner and Lessenich, 2002: 286). If moral legitimacy was one important motivator, the project of social Europe was also expedient to secure political support for the integration process. Delors is famous for his quip that: “On ne tombe pas amoureux d’un grand marché” – “One does not fall in love with a big market.” Hence the need for social Europe. In an early article, Juliet Lodge describes “Social Europe” as a complement to liberalization:

> The realization of the Single European Market (SEM) is supposed to be complemented by the creation of a Social Europe. This is part of a program designed to give the EC a credible ‘human face’ This aim is a central element of the People’s Europe program launched in 1985 whose goals interface and overlap with the commitment to realizing the EC’s ‘social dimension’” (Lodge, 1990: 135)

For Delors, European integration and the EU’s social dimension are not antitheses. They are integral to each other: “The EU’s social dimension is often discussed as a corrective to market-building, but it has proceeded instead as a part of the market building process itself” (Leibfried and Pierson, 1995: 51). As Delors liberalized markets through key contributions such as the Single European Act and the Maastricht Treaty, he took aim at social exclusion. Jacques Delors’ aim has been

> To consolidate integration in order to save the European model of society, a political economy in which competitive firms in a mixed economy thrive in a broader social setting characterized by negotiation and a willingness to assume the burdens of solidarity through a humane system of social services (Ross, 1995: 15)

Liberalization was integral to this project from the very beginning: “Successful state building required regenerating European economic activity; it was necessary to 'bring capital on board' before taking on the job of consolidating the European model of society" (Ross, 1995: 15). The political-economic challenges of the past twenty years provide ample evidence that this is not a cakewalk. If bringing capital on board is necessary to sustain the European social model, doing so could compromise or undermine that very model. According to George Ross, this is precisely what happened with Delors' "Russian dolls" strategy: "If market building succeeded but state building faltered, Community Europe could end up an even less 'organized space' than it had been prior to the Delors presidency […]. This, in fact, is close to what happened" (Ross, 1995: 287). If this assessment is correct, it leaves open the question of whether this outcome could have been anticipated, given Delorism's spirit of "creative new action":

> The heart of Delorism is the defensive belief that what is genuinely distinctive in modern European society can only be saved by creative new action at European regional level. Secondly, Delorism, unlike nostalgic, strongly corporatist social democracy, recognizes the need for genuine economic liberalization. The sine qua non of confronting globalization is a large and dynamic European market, open to the world. Delorism's third fundamental principle is that this market must be 'organized.' It needs regulation and public goods, unified economic and monetary policies, regional redistribution, innovative industrial and educational programs, and a coherent European international political position to create maximum prospects for economic success and preserve Europe's social uniqueness …. Finally, a liberalized but organized market society is the way to consecrate Europe's unique systems of social solidarity, the 'European model of society." On these issues Delorism's Left Catholicism parts company with social democracy. Solidarities are to be negotiated among social partners, but not by giant lumbering organizations. Bargained exchanges between groups with different interests, reached in constant "social dialogue," have to take place in the decentralized way appropriate to the new economic situation. The "passive solidarities" of the postwar boom have to give way to "active" ones, rigid bargains to "rolling" ones (Ross, 1995: 243)

CR was part of this fresh new wind, this departure from the well-trodden paths of the post-war order. Inventiveness and ingenuity were paired with political expediency. Unemployment had risen to worrying heights by the mid-1990s. In January 1995, Delors and Commissioner Padraig Flynn invited a group of managers to sign a "European Declaration of Businesses against Social Exclusion." It draws attention to the "17 million unemployed, 53 million living below the poverty line and between 3 and 5 million in inadequate housing" in the EU-15 (1). This exclusion is a "major challenge" which will "not disappear automatically" with renewed economic growth. The "signatory businesses and business organizations wish to express their willingness to take part in the joint efforts to prevent and combat social exclusion" (2). The report outlines three areas of action by business: "promoting integration on the labour market"; "helping to improve vocational training"; "avoiding exclusion within the business and minimizing redundancies or providing for appropriate measures where they are inevitable"; "promoting the creation of new jobs and businesses"; and "contributing to social integration in particularly deprived areas and of particularly marginalized groups" (3-4).

The Declaration led to the creation of the European Business Network for Social Cohesion – the EU-level CR association, renamed CSR Europe in 2000.[238] Thus, EU-level CR was initiated not by business, but by government, as Alan Christie, one of the key figures in the EBNSC, remarks (interview, 2006).[239] Indeed, the EU Commission played an indispensable role in the creation of the EBNSC. It provided not only "the spark" but also most of the money to fund the European Business Network for Social Cohesion. By funding the network's entire budget for its initial five years (membership fees were not instituted until the network as re-named CSR

[238] The re-naming of the network in positive ("cohesion") rather than negative ("exclusion") terms is typical of CSRspeak.
[239] Christie "was there before it [the EBNSC] was created and chaired the executive committee until 2004 I left when I left Levi's" (Christie, interview, 2006).

Europe in 2000), the Commission greased the wheels of collective action. In turn, the Commission's support for the cause of CR helped legitimate the Commission. "The Commission is a strong advocate of finding the right balance between economic advance and social progress," as Commissioner Padraig Flynn for DG Employment and Social Affairs put it in an EBNSC conference address in 1997.

The European Business Network for Social Cohesion was created only after attempts to advance the Commission's agenda with UNICE, the European Federation of Employers Associations, proved unsuccessful. This indicates an interesting parallel with the CBI and BITC, discussed above in chapter 3. UNICE was perceived to be against Commission initiatives; there was suspicion in business quarters that the Commission was aiming to impose hard law in the area. These suspicions were heightened by the leadership of the Corporate Responsibility file by DG Employment and Social Affairs.[240] Renate Hornung-Draus, who was director of Social Affairs at UNICE at the time, recalls that Delors had strived for a binding regulation / agreement between the Commission and UNICE. Hornung-Draus recalls that "we did not find that [suggestion] very sensible at the European level." How could binding legislation do justice to Europe's diversity, not only at the national level but at the regional level as well? UNICE "had no mandate to sign such an agreement." In the opinion of UNICE and its member firms, Delors' initiative was "misguided," whereupon Delors sought to advance its cause through the EBNSC and its member companies (Hornung-Draus, interview 2007). The network's initial emphasis was heavily influenced by the agenda of social exclusion, as Christie recalls:

> social exclusion was the #1 political item on the European agenda. The idea of a growing European underclass was scaring politicians. What Delors said to the business community is: where the hell are you guys? You are the economy? Where's your contribution? A few companies jumped up and down

[240] Murray (2003)

> saying we are good guys but in fact it was very patchy and it was very individualistic; it was all about individual companies pursing an agenda. There was certainly no coherent thought on a pan-European basis (Christie, interview, 2006)

The European Declaration of Business against Exclusion changed this. The Declaration laments the "extent of exclusion and poverty within the European Union" (European Declaration, 1995: 1), explaining that

> Exclusion can be found in the fields of employment, housing, health care and education and also in access to certain services and the law. It takes on many different forms: the districts and urban areas in crisis; marginalization of the long- term unemployed; the helplessness of young people with few qualifications; the persistence of barriers to the integration of migrants and minorities; the slide into poverty of over indebted households; the rise in the number of homeless people. All of these situations are structural in essence; they result neither solely nor primarily from an individual's disabilities or failings, but from the economic, social and technological changes occurring throughout European societies (European Declaration, 1995: 1).

The report's outlook and diagnosis differs from market liberal orthodoxy. Not lazy or unemployable individuals are to blame, but socio-economic structures. Structures and institutions are also part of the solution. The report identifies five "areas for action by businesses": labor market integration; improving vocational training; minimizing redundancies; helping to create new jobs and businesses; targeting deprived areas and marginalized groups (European Declaration, 1995: 3-4). While emphasizing the importance of company discretion – "it is up to each business, depending on its particular characteristics and its resources, to identify the most suitable ways of applying its sense of responsibility to the fight against exclusion and its prevention" – the goal was not a patchwork of initiatives, but a movement: "The signatories therefore invite all businesses … and all business organizations to take this Declaration into account." The signatories also call for the development of "a network for the exchange of information and experience" – CR associations, in essence. The report concludes with a vade mecum, a how-to-guide for implementing these objectives in practice. This was essential in an economic environment characterized by mass-layoffs, of which the French auto manufacturer Renault's "shock announcement" of its decision to close plant in Vilvoorde, Belgium (Voiculescu, 2007: 266).

In its initial phases, CR at the EU-level can be likened to what Abdelal (2007) and Abdelal and Meunier (2010) call "managed globalization." These authors argue that Europeans were in fact champions of liberalization. But unlike the preferred route of their American counterparts – ad hoc globalization – Europeans preferred multilateral, rule-based, "managed" globalization. For Delors, according to Nicholas Jabko, market integration was "not an end in itself, but a means to a higher yet more remote goal" (Jabko, 2006: 50). Managed globalization "made great progress toward combining market freedom with bureaucratic capability and responsibility" (Abdelal and Meunier, 2010: 351). Most of these authors' attention is devoted to the international realm. But managed globalization cannot be meaningful or politically effective without being perceived as legitimate within Europe. Corporate Responsibility is one such underpinning, an integral, core element of the EU's social dimension. Just as

Jacques Delors was the central figure in the rise of the Single Market, he initiated Corporate Responsibility at the EU level – and he was a central figure in the evolution of managed globalization (Abdelal, 2007; Abdelal and Meunier, 2010; Hooghe and Marks, 1999[241]). Before the term "managed globalization" came into widespread use, scholars used the term "regulated capitalism" to refer to this project. In the words of Lisbet Hooghe and Gary Marks, the project of regulated capitalism "has laid the foundation for an alternative to market liberalism based on positive

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[241] Lisbet Hooghe and Gary Marks (1999) distinguish between the neoliberal and regulated capitalist projects of European Integration, and view Jacques Delors as "the most influential advocate" of the project of European regulated capitalism (Hooghe and Marks, 1999: 86).

regulation of market activity, economic redistribution, the extension of liberal democracy to the European level, and collaboration among public and private actors" (Hooghe and Marks, 1999: 96). The structures which have been erected on this foundation have not been particularly significant. Hooghe and Marks's statement in the late 1990s that "the achievements of the coalition for regulated capitalism seem unimpressive by comparison with the current social regulation in central and northern European states" (Hooghe and Marks, 1999: 91) rings true more than a decade later. Some scholars attribute the EU's lackluster public legitimacy to a perceived or real imbalance between the EU's market promotion and social compensation activities.

In its initial stages, EU-level CR was like many initiatives in their founding phases – plenty of lofty ideals, but weak in terms of pragmatic enactment. Christie recalls that how the European Declaration "was one of these wonderful statements we're in favor of good and against evil. It was no more than a declaration of good faith," without a pragmatic base. "At the risk of being too cynical there wasn't too much substance there" (Christie, interview, 2006). "The ideal was to create some kind of learning organization … [it] was always a bit haphazard. The members decide how much effort to put in that was hugely varied. The idea that there was a single movement or a single voice was fantasy." Only one of the founding companies was American – Levi Strauss, represented by Alan Christie. Christie recalls that the initially low membership levels of American companies "may be a reflection of the inherent European bias against all things American. Because it was Delors there was a slight French bias; there was a manifesto that had been circulated signed by dozens, a classic Gallic socio-political exercise" (Christie, interview, 2006). The EBNSC eventually took the form of a CR association with a voluntary corporate membership – but not after alternatives had been considered. Christie recalls:

> Our initial thinking was that we shouldn't base this on corporations rather we should base it on national business platforms really acknowledging that in different countries there are different traditions. What [we thought] we needed to do is to acknowledge and strengthen that and look for any synergies at the pan-European level to further develop our thinking. What we need to do is encourage and strengthen that and look for synergies at the European level (Christie, interview 2006)

This alternative model resembles Jacques Delors' attempts to advance his objectives through binding agreements with UNICE. Presumably, it would have been organized around national business associations, not-for-profit intermediary organizations, and institutional frameworks: core elements of the European social model. A 1997 publication "Partners in Corporate Initiatives: stimulating job growth, improving employability and tackling social exclusion" illustrates a few elements of this model. The core elements are "organizations which work with private enterprise on tackling social exclusion." The brochure pays tribute to "the social security and welfare systems" which "provide the context within which these initiatives are taking place" (Griffiths, 1997: 12). The acknowledgement of different historical traditions, national level institutions, non-profit intermediary organizations and a framework at the pan-European level with which to integrate and synergize these institutions contrasts with the current understandings of CR which privilege individual, firm level activities and discretion. One might characterize this alternative as a Coordinated or Integrative version of Corporate Responsibility. This path was not taken:

> …what we discovered is that there were practical almost systemic glitches … partly because I suppose we were talking about national organizations that were very jealous of their own thing and wanted to be very careful about whatever European level and were cautious about the involvement of the corporations in their separate identities. The corporations were their national members. A company like ours [Levi Strauss] might be a member of 3 national platforms around Europe. How would an EU-level organization fit in to this configuration? Would it upset the formal equality between them? That was messy it was difficult to find common ground … and what we also came to realize was that the real opportunity to change lay in the practice of the

> individual corporations so we set up a network for the exchange of good practice among companies

Christie suggests that organizational egoism torpedoed these attempts in three ways. First, Europe was perceived as a threat to national business organizations' interests. Second, Europe was perceived as a threat to the formal equality between different national subsidiaries of multinational enterprises; and third, individual firms were perceived as a threat to corporatist institutions. Maybe Europe's institutional diversity made finding a common denominator difficult if not impossible. In retrospect, the second fear appears ill-founded. As the chapter on Europe's transnational CR networks will show, there does not seem to be a tension between firms' membership in the EU-level and in national CR associations. While limited budgets may force some firms to choose between membership in one or the other, many companies are members in both. Whatever the cause, Coordinated or Integrative CR died a stillborn death, and gave way to today's market-liberal variant. Market-liberal or not, the EBNSC has evolved from an effect of Commission agency to its own autonomous cause, advancing CR through its own initiatives and riding the rising tide of CR across Europe:

> In 2000 we said we would have a 5th anniversary event that would demonstrate the strength of the CSR movement in Europe we hired a theatre in Brussels it seats 400 people we'll have this over 2 days and a plenary and exhibition people. Are you mad? Where on earth will we find 400 delegates? In the end we had over 600 registrations it demonstrated to the business community maybe there's an idea here it also impressed the commission. The fact that we had this level of interest clearly got their attention (Christie, interview, 2006)

Later that same year at Lisbon, the Council of Ministers adopted the Lisbon Agenda. For the first time, it included a statement on the role of Corporate Responsibility in achieving the Lisbon goals: "39. The European Council makes a special appeal to companies' corporate sense of social responsibility regarding best practices on lifelong learning, work organization, equal opportunities, social inclusion and sustainable development." "CSR Europe drafted the paragraph. That was a big damn deal," Christie recalls. Since that time,

> CSR Europe has been very closely aligned with the Commission in the development of its policies in this whole area we've been at the table we've had the opportunity to engage. How much impact we've had how often they've listened and ignored us [is another issue] … the important thing is that they've heard us we were very much a part of the round table (Christie, interview, 2006)

Without the Commission, which provided approximately 250,000 € per year to CSR Europe between 1996 and 2006 (Anonymous EU Commission official, personal communication, October 2, 2006), CSR Europe could not have succeeded: "without the money and the [Commission's] willingness to engage, the organization would have died a very rapid death." But CSR Europe itself exerted an influence on the entity that had created it, helping to "instill a sense of realism in the commission" on matters of CR:

> There's been a huge development in business practice and in government understanding of business practice and the role that it can and cannot play. It was not so long ago that 'we thought well we have a problem we'll get the private sector to solve it' (Christie, interview, 2006)

In sum, Christie concludes:

> I'm terribly proud of CSR Europe simply because this whole thing has been evolutionary we've gone from unreconstructed philanthropy through to something that is much more about shaping government and company policy. That's been hugely important. CSR Europe has played a central role in making that happen (Christie, interview, 2006)

How did different interest groups react to this new entity? EU-level social partners, i.e. employers and union representatives, were apprehensive that CR could threaten their entrenched interests and positions. NGOs and unions were fearful that CR could be used to bolster the power of business and substitute traditional institutions of social embeddedness such as collective bargaining with CR. Business groups perceived CR as a potential threat, potentially furthering bureaucratization and costly red-tape. To cite one example, the paper “Social Labels: Tools for Ethical Trade” was commissioned by the European Commission and written by Simon Zadek, Sanjiv Lingayah, and Maya forstater of the New Economics Foundation in 1998. Although this study was far from an EU Directive, employers’ representatives at UNICE and ERT perceived it as such, and panicked. Despite its corporate membership, CSR Europe steered a middle course between these extreme positions, thus helping to advance the cause of CR in Europe. British socialist MEP Richard Howitt echoes this view. Howitt is the European Parliament’s champion for CR, and no apologist for market-liberal solutions, as we will see below. Howitt describes CSR Europe as “The best show in town in Brussels in terms of having a business-led organization that is interested in CSR policy initiatives … they are attempting to make a difference” (Howitt, interview, Strasbourg, 2007).

The path that CSR Europe embarked has embarked on since the late 1990s is market-liberal: enterprises adopt responsible practices through ‘soft law,’ learning and the benchmarking of best practice, not through binding ‘hard’ regulations. Though not without resistance, EU institutions, and the vast majority of those involved in CR have adopted this market liberal view. The next section tells how this came to be.

VI. The Conversion of European CR

The evolution of the EU CR policy from the EBNSC to the European Alliance can be seen as a process of ‘conversion.’ Through their structural, lobbying and rhetorical power, European employers have given European CR an indelible market-liberal imprint and orientation. Conversion stresses actors’ strategic activism to "interpret [an institution's] rules in their own interest (or circumvent or subvert rules that clash with their interests)" (Streeck and Thelen, 2005: 27). James Mahoney and Kathleen Thelen note: "lacking the capacity to destroy an institution, institutional challengers may be able to exploit its inherent ambiguities in ways that allow them to redirect it towards more favorable functions and effects" (Mahoney and Thelen: 2010: 18). The systematic ambiguity of CR was instrumental, if not invaluable for this conversion. As De Schutter puts it:

> The polysemy of the concept of CSR has facilitated its instrumentalisation in the course of the European-wide debate on its significance, and that the end result has been the diversion of CSR from its original ambition …. While CSR may have been initially an idea about the scope of the responsibility of business towards its environment, it ended up becoming a process in which the representatives of the business community have come to occupy the central role, and from which politics essentially retreated (De Schutter, 2008: 205)

The shift in the meaning of European CR did not begin with the Commission's 2001 Green Paper or with the Multistakeholder Forum of 2002. It took place earlier. With the renaming of the European Business Network for Social Cohesion as CSR Europe in 2000, the European CR agenda was simultaneously broadened and narrowed. Broadened because CSR Europe embraced the whole gamut of issues relating to Corporate Responsibility. These reach far beyond social cohesion and are reflected in the organization's new name. Narrowed because the organization's new service-oriented corporate agenda reflected the diminished prominence of previously championed social goals. The EBNSC's initial orientation towards "social cohesion" receded into the background as CSR Europe became increasingly business-driven and reliant on its members rather than on the European Commission for financial support. As it did so, it changed from an advocacy and awareness-raising to a service-delivery organization. According to Pierre Echard, then at CSR Europe, "We came to reflect whether raising awareness is our role. We decided it had been our role but [that] it was time to move on and close the doors a bit. Companies need a comfort zone to say these are our weaknesses. CSR Europe focuses on internal CSR processes" (Echard, interview, 2006). In part, this change reflects the maturation of CR: there is no need to advocate for what is accepted and taken-for-granted. But the change in emphasis is important. Whereas European CR had begun as a "Declaration of Business against Exclusion," five years later, the organization's publications were titled "For an Entrepreneurial and Inclusive Europe." Whereas a 1997 ENBSC Publication "Partners in Corporate Initiatives: Stimulating Job Growth, Improving Employability and Tackling Social Exclusion" lists 75 partner organizations in 8 member states, including ones such as the Dutch Labor Foundation (Stichting van de Arbeid) and the Danish Federation of Trade Unions (LO). Ten years later, CSR Europe had approximately seventy-five corporate members, and trade unions were not among them. CSR Europe did not abandon goals of inclusiveness; they were supplemented by business objectives. As time has progressed, the latter have become increasingly prominent relative to the former.

Amidst CSR Europe's turn towards the market, the Commission was not yet willing to give up the cause of labels and binding transparency standards for CR. In July 2001, the European Commission issued a "Green Paper on Promoting a European Framework for Corporate Social Responsibility" to "launch a wide debate and seek views on corporate social responsibility at a national, European and international level." The paper defines CSR as "a concept whereby corporations integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."[242] While broadly conforming to the business case for CR, the Green Paper envisions an important role for public authorities:

[242] COM (2001) 366 final (July 18, 2001), p. 7, p. 8.

> The main contribution of a European approach will be to complement and add value to existing activities by:
> – providing an overall European framework, aiming at promoting quality and coherence of corporate social responsibility practices, through developing broad principles, approaches and tools, and promoting best practice and innovative ideas,
> – supporting best practice approaches to cost-effective evaluation and independent verification of corporate social responsibility practices, ensuring thereby their effectiveness and credibility[243]

Sorcha MacLeod charges that "from the outset, the Green Paper constricted any debate by relying on a very limited, and business-oriented, definition of CSR … The Commission has continued to maintain this approach" (MacLeod, 2007: 680). This paints a crude and a potentially misleading picture: the role the Green Paper envisions for public authorities in verifying and certifying CR differs from the market-liberal solution of letting the market decide. While "business-oriented," the Commission's Green Paper also specifies that CR should "not be seen as a substitute to regulation or legislation concerning social rights or environmental standards, including the development of new appropriate legislation."[244]

One of the virtues of Olivier De Schutter's discussion is that he clearly pinpoints the different emphasis of the Commission's work under the Directorate-General for Employment and Social Affairs and the market-liberal position of employers associations such as UNICE. "[W]hile CSR, bring voluntary in nature, was conceived as something distinct from, and not a substitute for, the adoption where necessary of appropriate legislation, an active role was envisaged for the public authorities in the promotion of CR" (De Schutter, 2008: 207). Rather than simply leaving CR to the marketplace – the market-liberal stance – public authorities would construct an "overall European framework," provide "independent verification" thereby assuring CR's "credibility." MacLeod is not the only commentator who

[243] COM (2001) 366 final (July 18, 2001), p. 6.
[244] COM (2001) 366 final (July 18, 2001), p. 10..

overlooks the difference between the EU's CR policies under the leadership of Dominique Bé in DG Employment and Social Affairs and employers associations' positions on CR. De Schutter's account provides a corrective. De Schutter points out that the European Commission's 2002 communication on "Corporate Social Responsibility: A Business Contribution to Sustainable Development" stressed the need to go beyond purely market-based approaches:

> the proliferation of different CSR instruments (such as management standards, labeling and certification schemes, reporting, etc) that are difficult to compare, is confusing for business, consumers, investors, other stakeholders and the public and this, in turn, could be a source of market distortion. Therefore, there is a role for Community action to facilitate convergence on the instruments used in the light of the need to ensure a proper functioning of the internal market and the preservation of a level playing field[245]

Or as an anonymous Commission official put it:

> We accept it is based on voluntary commitments but we don't want this to be a blank cheque we want accountability about the outcomes of what they do …. If you don't have standards you also have free-riders you have false advertising. The logical step for the commission would have been to establish transparency rules. We need to have proper information, transparency and accountability; that's where companies said no (Commission official, interview, 2006)

From the 2001 Green Paper until the establishment of the European Alliance for CSR in 2006, DG Employment drove the CR file in terms of initiatives, spending approximately 3 million € per year on it. "The money is part of the visibility of the file," remarked an anonymous EU official (interview, 2006). As De Schutter points out,

> by confirming its view that CSR tools would only function effectively if they are transparent and based on clear and verifiable criteria and benchmarks, implying that a public policy was required to lend credibility to such voluntary initiatives, the Commission was in fact stating its disagreement with the position of employers' organizations (De Schutter, 2008: 208)

[245] COM (2002) 347 final (July 2 2002): 8

Employer's organizations, such as the British Chambers of Commerce, the employer'sassociation UNICE (now: businesseurope) and the European Roundtable of Industrialists, made their preference for voluntary and market-driven approaches unmistakably clear. De Schutter quotes Philippe de Buck, then Secretary General of UNICE, as stating that challenges to business including as "calls for convergence, transparency and accountability" "will and have to be addressed through market-driven responses. There is no room at this stage for prescriptive responses." Wim Philippa, Secretary General of the ERT, stresses that European standardized approaches would endanger both the innovation and dynamism of CR and the competitiveness of European firms (De Schutter, 2008: 213).

The position of CSR Europe is ambiguous. CSR Europe is a business network or platform for exchange and learning that lies in-between the market-liberal stance of business lobby groups and the pro-active stance of the European Commission. CSR Europe has sought to simultaneously serve two masters: the Commission and its own corporate membership. As Pierre Echard, formerly with CSR Europe, remarks, "We are very influenced by the European agenda on CSR." On the other hand, "We make sure that the practices of companies are taken into consideration make sure that these are taken into consideration by the key policymakers in the commission" (Pierre Echard, interview 2006). CSR Europe "warmly welcomed" the Commission's Green Paper, while urging the EU

> to adopt a flexible approach in promoting CSR, to accommodate local requirements and encourage proactive voluntary contributions. Force-fitting a prescriptive or mandatory framework is liable to inhibit the creativity and wide stakeholder dialogues which have been at the heart of CSR's success to date" (CSR Europe, 2001: 3)

Regulation comes at the expense of flexibility and innovation. By definition, CR cannot be regulated:

> It is illogical to speak of regulating CSR activities, if they are simultaneously to be encouraged as activities that lie beyond regulation. It may also not be practical. A CSR practice that lies beyond compliance in one country may be a legal requirement in another. This is bound to arise in a community that has a principle of subsidiarity (CSR Europe, 2001: 7).

The fear by parts of the European business community during the 1990s that the EBNSC was pursuing Commission interests at the expense of business seems hard to sustain in light of these statements. Nonetheless, while defending business interests, CSR Europe has pursued a line that is not simply market-liberal: "legislation has a wholly valid role to define minimum standards on specific matters of widespread social concern…. Companies should fully meet all their legal obligations." Legislation enabling or facilitating transparency, as for example in the UK case where pension funds disclose whether they take non-financial criteria into account, is looked on favorably (CSR Europe, 2001: 7).

After receiving the responses to the Green Paper, the Commission convened the European Multistakeholder Forum from 2002 until 2004. Employers, unions, and civil society representatives from across Europe took part in this attempt to get stakeholders' views closer together through deliberation. This attempt failed. And in the end, employers' voice proved decisive. De Schutter states that, owing to pressures from European business, who may have made this a condition of their participation, a regulatory approach was practically ruled out from the start: "the objective of 'identifying and exploring areas where additional action is needed at the European level' was abandoned" (De Schutter, 2008: 213). Employers did not budge on their position. Neither did NGOs, who continued to insist on a regulatory approach. As a result, "no consensus was reached" at the end of the EMS Forum (De Schutter, 2008: 214).

Although the presentation of the Commission’s next communication on Corporate Social Responsibility had originally been announced for the spring of 2005, it did not come until the establishment of the European Alliance for CSR on 22 March 2006. With the establishment of the European Alliance for CSR, a loose alliance of UNICE / business europe, ERT and UEAPME, the chief responsibility for the Commission’s CSR file moved from DG for Employment and Social Affairs to DG Enterprise. This shift is significant. Since the 1990s if not earlier, segments of European business have been wary that the Directorate-General for Employment and Social Affairs was pursuing an anti-business regulatory agenda. By contrast, DG Enterprise is the Directorate-General for business. Thus, DG Enterprise tends to view policy from the perspective of business, rather than from the perspective of other social constituencies. That is the structural affinity of DG Enterprise towards employer-friendly policies. There is also a behavioral dimension. Pieter Boewen recognizes that “interest group activity is clearly not evenly distributed across the different DGs” (Boewen, 2009: 24). According to a study by Broschield and Coen, the level of interest group activity is much higher in DG Enterprise than for any other DG, and approximately 50% higher than in Health and Consumer affairs, the DG with the second highest level of interest group activity (Broschield and Coen, 2007, quoted in Boewen, 2009: 24). EU CR has a different quality under the leadership of DG Enterprise than it did under the leadership of DG Employment and Social Affairs.

In his “Report on corporate social responsibility: a new partnership,” Labour MEP Richard Howitt describes the lead-up to the European Alliance. While the Green and White Papers and the European Multistakeholder Forum “succeeded in fostering an EU-wide debate on CSR,” they

> largely failed to address what the EU could itself do to 'add value' to the debate, or to take concrete actions to promote responsible business …. There followed successive delays by the Commission in publishing its response over

> two years, caused by an unwillingness to confront the fundamental polarization between those amongst business and other stakeholders who want to see CSR subject to transparency requirements laid down through external verification and/or legislation with an explicit role for stakeholders, and those who want to see CSR as a business-only led exercise which should evolve without public policy input beyond speeches, press conferences and awards ceremonies.
>
> The Commission ultimately decided to opt-out from the debate, producing a Communication firmly backing an anti-regulation approach. Commissioners held a series of private meetings with selected company representatives to negotiate on the text of the Communication, then described it as "agreed" by business, and only met personally with interested NGOs to discuss its contents following on from publication. The key Commission official responsible for CSR appears to have been moved from his job, perhaps to make way for this new 'consensus'. A leaked memo from the European employers organisation UNICE described the Communication as a "true success" because "concessions to other stakeholders... will have no real impact". This has cast doubt on the sincerity of a last-minute change to reconvene the CSR Multistakeholder Forum, and suggests the Commission may have allowed excessive corporate lobbying in contradiction to its own Transparency Initiative of November 2005 (Howitt, 2006: 17-18)

If the Commission's CR initiatives had previously been anything but unfriendly to business, the European Alliance aligned them much more closely with the positions of business interest organizations such as UNICE / businesseurope, the European Chambers of Commerce and the European Roundtable of Industrialists. In its 2006 Communication, the Commission explicitly "acknowledged" that "enterprises are the primary actors in CSR" and that therefore "the Commission has decided that it can best achieve its objectives by working more closely with European business." The Alliance, the report explains, "is a political umbrella for new or existing CSR initiatives by large companies, SMEs and their stakeholders. It is not a legal instrument and is not to be signed by enterprises … It is a political process to increase the uptake of CSR" (COM (2006) 136 final: 2). As Thomas Conzelmann remarks, "The earlier ambitions of the Commission (expressed in the 2002 Communication discussed above) to 'facilitate convergence of the internal market and preservation of a level playing field" vanished completely but for a short reference to "examine, in consultation with all relevant stakeholders, the need for further voluntary actions to achieve the objectives of transparency and information for consumers" (Conzelmann, 2008: 137-138). DG Enterprise has "a considered policy line designed to let business to do more" (Dodd, interview, 2007) – but on the whole, the Alliance's position seems akin to that of Lisbet Hooghe and Gary Marks' neoliberals: the institutional "status quo" (Hooghe and Marks, 1999: 85).

An official from the European Commission remarks that "From 2000-2005 [the view was that] sustainability [is] very important [and] competitiveness will follow." By contrast, the Commission that came in in 2005 had a new approach: "competitiveness at any cost hopefully it will not hurt sustainability" (interview, 2006). Rather than an independent objective with justification in its own right, the new agenda sees CR is a means to the end of liberalization and competitiveness. Although the Commission's communication announcing the creation of the European Alliance for CSR concludes with an appeal to the European social model: "The Commission strongly believes that CSR matters to each and every European, since it represents an aspect of the European social model" (2006: 9), the credibility and seriousness of that appeal are questionable for some observers, though not in the eyes of most firms and business associations. Indeed, representatives of DG Enterprise have no qualms about distancing themselves from UNICE. Thomas Dodd, in charge of CSR in DG Enterprise, states that Commission policy is "heavily influenced" by "hard lobbying at a high level" by UNICE. This has resulted from the Commission's desire to "build a reputation of being business friendly." As a result, the Commission went "even further [in the direction of business] than we would have had to have gone." Both the Commission's stance and UNICE's political activism "made the Commission seem more business friendly than it is" (Dodd, interview, 2007).

The position of business lobbying groups on CSR is easily summarized: companies' CR is companies' business. Binding regulation in the area of CR would be counter-productive or contradictory. Business interest organizations in general, and UNICE[246] in particular, has played a weighty and, from the point of view of NGOs, obstructionist role in the politics of EU-level CR. Weighty because business Europe represents forty employers' and industry associations across Europe. Obstructionist because finding a common position among these diverse constituencies is difficult, as Justin Greenwood tells us: "the size of the constituency [business-wide organizations] makes coming to common positions difficult, and there may be a natural tendency toward 'lowest-common-denominator' positions" (Greenwood, 2002: 116). This is especially true of business Europe, which represents the interests of the whole of European industry "vis-à-vis the institutions of the EU" (Greenwood, 2002: 120). Whereas the failure to come to a common position weakens trade union representatives, employers' failure to come to a common position on CR (other than market-liberal voluntarism) does not necessarily weaken European employers. If anything, it strengthens them.[247] Moreover, powerful theoretical arguments are available to support the market-liberal position: since CR is voluntary, it by definition cannot be regulated. Natscha Waltke, responsible for CR in the employers' association UNICE, remarks that "With regard to the positions there is no evolution in our views. The debates about more social and environmental legislation are absolutely valid debates but they are not debates about CSR. CSR is about what companies do beyond legislation. By definition it is voluntary" (interview, 2006). Thus, regulation is counter-productive: "it doesn't make sense to put it in a regulatory structure if you

[246] the Union of Industrial and Employers Confederations of Europe, renamed business Europe in 2007
[247] Offe and Wiesenthal (1980)

want to do CSR do it this way otherwise it's not CSR. You'll kill CSR. The company will have no interest in it at all" (Waltke, interview, 2006).

Businesseurope / UNICE are not the only major business interest group in Brussels. Others include the ERT (European Roundtable of Industrialists), Eurochambres (chambers of commerce), and UEAPME (the association of small, medium-sized, and craft enterprises). I will focus here on the positions of ERT and UEAPME. The European Roundtable of Industralists is a very different organization than businesseurope / UNICE. Whereas businesseurope has an extremely heterogeneous membership, the ERT's membership consists of just forty corporate executives from Europe's most valuable companies and brands. If the ERT is more of a think-tank than a narrow lobbying organization,[248] this has not diminished its influence. Delors credited the ERT with providing decisive support for the project of European integration, and other studies attribute major influence on EU policy to the ERT.[249] Membership is by invitation only. According to club theory,[250] a small group of leading companies should have different institutional and regulatory preferences than a large, heterogeneous and diverse membership: "this lean, flexible, membership-driven structure, together with its cohesiveness and ability to come to rich common positions, is much admired elsewhere" (Greenwood, 2002: 134). Does the ERT have a different stance on European CR than businesseurope / UNICE? Apparently not. I have copied an excerpt of the ERT's response to the Commission's Green Paper below:

> The Green Paper suggests that it would be beneficial to standardise reporting of social performance. ERT strongly rejects this suggestion: it is not logical on the one hand to acknowledge the benefits of individually tailored voluntary approaches, and then to try to fit these to an externally imposed reporting

[248] Greenwood (2002: 130)
[249] Greenwood (2002): 132; Cowles (1995)
[250] Potoski and Prakash (2009)

> standard. Companies need the freedom to focus on the issues and areas of most relevance to their operations, and to determine an appropriate approach according to their circumstances (including culture, stakeholder relations, etc.). A voluntary, company-developed approach is more likely to engender management support and motivation, and to become an intrinsic part of corporate behaviour throughout the organization ….. The ERT strongly rejects the proposal in the Green Paper to standardise verification of performance and reports (ERT 2001: 2, 5)

ERT members may be world-leaders of CR at the level of their own companies. But their stance on the question of CR's institutional framework is no different than UNICE's.

Small- and medium sized businesses comprise the majority of firms and employment across Europe. UEAPME, the European association for small and medium sized enterprises, claims to represent more than twelve million enterprises, employing over fifty-five million people across Europe.[251] Luc Hendrixx is responsible for CR at Ueapme. Hendrixx confirms the large-firm bias of Corporate Responsibility politics. CR is not especially salient to small-and medium-sized enterprises, and these companies are not at the forefront of European CR policy. Hendrixx remarks:

> The concept CSR comes from Anglo-Saxon countries. There the definition is everything that goes beyond legal obligations. One of our main remarks is that obeying the law is responsible. Especially for SMEs there are so many obligations try to stick to the legislation is hard. In the US there is less social protection there is more room for maneuver to show socially responsible things (interview, 2007)

Notwithstanding UEAPME members in certain EU member states who favor CR certification schemes, small and medium-sized enterprises are averse to the hard- or binding regulation of CR. Regulatory standards are hard to conform to as it is; CR would only add to this burden. Interestingly, according to unconfirmed reports, the

[251] www.ueapme.com, accessed in march 2010.

European Commission took the initiative to have UEAPME join the European Alliance for CSR, presumably to increase this initiative's legitimacy.

CSR Europe's role in recent European CR politics has been ambivalent. On one hand, CSR Europe has been in the thick of European interest group politics. Many of the association's member companies are weighty actors in EU-level lobbying initiatives and in industry lobby organizations including the European Roundtable and UNICE. Their lobbying is shrewd and strategic. Like other membership based CR associations, CSR Europe is structurally dependent on its membership. Thus, one would think that pragmatic legitimacy or strategic bargaining would be an important element of CSR Europe's activities – and it is. The market liberal European Alliance for CSR was not issued against the protests of CSR Europe. It was jointly issued by CSR Europe, the European Commission and other business associations; and apparently, representatives from CSR Europe were party to the negotiations leading up to the Alliance. CR is a quid-pro-quo for business-friendly policy, as Pierre Echard of CSR Europe put it to me: "The European Commission is committed to creating a more business friendly environment for companies as long as these companies demonstrate CSR" (Echard, interview, 2006). Resistance to market liberalism looks different.

While this may seem to leave precious little space for 'ideal interests' and moral legitimacy, it is almost certain that the cause of responsible business in Europe would be less advanced if it wasn't for the actions of CSR Europe. Thus, although norm-driven action or moral legitimacy is diminished at the EU-level because of the distance between representatives and pragmatic service delivery on the ground, CSR Europe is replete with idealists. This became clear in my discussion with staff. At one point, the question arose of the role of CSR Europe in the sharing and dissemination of best-practice examples of responsible business conduct. As a service provider, as the node through which firms learn the state of the art in CR, CSR Europe would seem to

have an interest in amplifying and strengthening its role and payoffs in this process. Yet Ben Davies of CSR Europe stated that "The organization [CSR Europe] exists to put itself out of business" through a wide, if not universal dissemination of CR (Davies, interview, 2007). Members of CSR Europe's senior management do not shy away from veiled criticism of the European Alliance. When queried about the role of CSR Europe in advancing CR advocacy, Ann Vandenhende, who has been with the organization since the start, reflects on the issue of CR advocacy. Since the launch of the Lisbon Agenda, the organization has turned towards service delivery and away from advocacy. If CSR Europe is to engage in advocacy again, Vandenhende remarks that "it would have to be a multi-stakeholder model" that explicitly incorporates stakeholders other than business (Vandenhende, interview, 2007). This contradicts the primacy of firms over other actors enshrined in the European Alliance for CSR.
My discussion would be incomplete without a brief discussion of the relationship between CSR Europe's governance structures and "experimentalist gocernance."

The Open Method of Coordination and other newfangled modes of EU governance rely on 'soft law,' "benchmarking, peer pressure and emulation of 'best practices'" (Idema and Keleman, 2006: 109). And so does CR. Furthermore, the internal structures of the EU-level CRA CSR Europe resemble what Chuck Sabel and Jonathan Zeitlin call "experimentalist governance," a decentralized, reflexive mode of governance:

> The possibility or scope for the emergence of experimentalist governance appear to be twofold. The first is strategic uncertainty. Under strategic uncertainty actors by definition have to learn what their goals should be, and while learning how to achieve them. This learning necessarily involves cooperation, since any actor able to fix a strategy independently would do so, and not be in a state of strategic uncertainty. The second and closely related condition is a multipolar or polyarchic distribution of power, in which no single actor has the capacity to impose her own preferred solution without taking into account the views of others. If any actor could impose the full costs of her mistakes on the others, ignorance would be costless, and there would be

> no need to learn, or indeed to fret about strategy at all (Sabel and Zeitlin, 2010: 9)

Lucio Baccaro and Konstantinos Papadakis summarize experimentalist governance as entailing:

> the devolution of decision-making prerogatives to lower-level units, recursive framework goalsetting by upper-level units, lower-level engagement in decentralized problem solving and public justification of discretionary choices in light of the experience of similarly situated peers (Baccaro and Konstantinos, 2009: 249)

In addition to its own corporate membership, CSR Europe maintains a network of National Partner Organizations (NPOs) – nationally based CRAs with their own national membership including Business in the Community, Econsense, and over twenty others. In addition to CSR Europe's annual general assembly, CSR Europe has a Board of Directors, composed of member companies and NPOs. Like the member companies, NPOs pay annual membership fees, and three of them are elected to sit on the Board at any given time, along with nine companies. Composed of two different types of organizations – firms and associations – from across Europe, CSR Europe's Board is diverse and heterogeneous. Consequently, the organization's governance is less straightforward than it is for nationally-based elites and CRAs. Innovative CSR Europe's governance undoubtedly is, this chapter seeks to show that this experimentalist governance has definite limitations. In short, as I will discuss in greater detail below, for all the innovativeness of the experimentalist trees, we should not lose sight of the market-liberal forest.[252]

When it comes to EU-level CR politics, the European demos has to be reckoned with. The European Parliament – and one European Parliamentarian in particular, UK MEP Richard Howitt – have given an important impetus to European

[252] Lucio Baccaro and Konstantinos Papadakis similarly point out that "coordination through deliberation is unlikely to occur in formal settings, where discourses are mostly about the accommodation of existing interests" (Lucio Baccaro and Konstantinos Papadakis, 2009: 245).

CR politics. More recently, EU-level civil society organizations have joined the debate. But contrary to popular perceptions, neither democratic nor social movement pressure were the proximate causes of the establishment and initiation of CR at the European level. No elected politician has had a greater influence on EU-level politics than Howitt, British Labor MEP for the East of England since 1994. Howitt was the European Parliament's rapporteur on corporate responsibility in 1999, 2002, and 2007. On the question of business's aversion to regulation, Howitt stresses that some firms are sympathetic to regulating CR: "In my experience many people in the business community share that view and are relaxed about appropriate regulation and even people who feel that it is in their interest." The French retailer Carrefour is one of those "who feel it's [regulation's] preventing other companies from saving costs by acting irresponsibly." However, Howitt views business organizations as "obstructionist":

> However those two examples are very few examples of corporations that are willing to go on the record saying this publicly. Companies are extremely concerned about inappropriate regulation (so they're willing to say it privately) so we spend most time talking about what we don't want to do rather than what we do want to do … Trade associations and employers associations are excessively obstructive of this agenda. There is a law: the further from the company you go the more negative the company representation goes (Howitt, interview, 2007)

As noted above, the European Alliance appears to have been the outcome of heavy lobbying by business interest organizations: "the commission has been so pressed by the associations business Europe being a key one." Howitt has sought to de-polarize the debate between constituents favoring and opposing regulation on CR, as well as trying "to get companies to call their associations to account" (Howitt, interview, 2007). Strictly speaking, Howitt is right: the outcome is what matters, not whether it was attained through hard or soft law. Yet if employer representatives are dogmatically opposed to regulation, such a balanced, mixed approach will not be possible. So far, Howitt's attempts have been unsuccessful. The Commission's position is summarized by the following quote by Commissioners Günter Verheugen and Vladimir Spidla: "The Commission's basic position has been and remains that CR per se should not be regulated at the EU level" (JP/ls – A-2308/D(2007)948: 2). Underlying this policy are not only strategic and instrumental interests but normative beliefs: when I queried about the regulation of Corporate Responsibility, he responded, asking "how it is possible to regulate something that is voluntary? How should this be possible?" (Verheugen, personal communication, June 17, 2010).

The EU-level NGO organization European Coalition for Corporate Justice (or ECCJ) was formed in the aftermath of the EU Multistakeholder Forum, in 2005. The Dutch coalition MVO platform played a leading role in its establishment. The DG Employment and Social Affairs approved an application for funding made by the NGO coalition following an earlier, unsuccessful application for Commission funding. While the success of the ECCJ's application surely bears some relationship to the merits of its application, other considerations may be involved. NGOs and civil society organizations may be necessary to legitimate the European CR process. A contrasting perspective views DG V's funding for the ECCJ as a form of protest, a way for DG V and Dominique Bé to counterbalance the European Alliance for CSR – it was clear from the outset that that ECCJ's push for a regulatory framework on CR would not fit well with the Commission's new agenda.

European Trade Unions have had their difficulties with CR.[253] They approached the topic wearily, fearing hat it could be used to weaken or undermine workers' rights and social protections. As one anomymous EU official put it,

[253] Nordestgaard and Kirton-Darling (2004)

> In the early days trade unions said what you are doing is dangerous. We are opening pandora's boxes. They wanted to keep legislation and social dialogue. This alternative road would weaken those instruments …. Up to the year 2000 the stakeholders of companies were trade unions trade unions were afraid they would lose their exclusivity with companies that's why first they did not want to hear about CSR quickly they realized they could not deny it they started to participate

The ETUC's position can be situated in between the Commission and the NGOs. The Commission insists that CR must be voluntary; NGOs insist that CR must be mandated. In this respect, the ECCJ sides with the Commission. However, this voluntary activity must take place against the background of inviolable collective bargaining and workers' rights. The European Alliance for CSR precipitated conflict. In the view of Rainer Hoffmann, then Deputy General Secretary of the ETUC, the Commission was endorsing firms' unilateral leadership over CR. Rather than legitimating companies in this manner, the Commission should "stay away" from the issue and relinquish its competence over this area. In the leadership up to the Alliance, Hoffmann recalls that the Commission had intended to make an announcement in support of the Alliance that included some firms with explicitly anti-union orientations. After Hoffmann threatening that he would publicize that the Commission is making CR policy against unions, they backed down (Hoffmann, interview, 2007).

The European Alliance suggests that the EU's claims to advance an agenda of managed globalization must be interpreted with caution. Over time, Corporate Responsibility has been subject to declining, rather than constant or increasing levels of management. EU CR has been successively liberalized or de-managed. In the eyes of some NGO activists, the European Alliance does not seem far from Europe's neoliberal project's attempt "to insulate markets from political interference by combining European-wide market integration with minimal [political] integration" (Lisbet Hooghe and Gary Marks, 1999: 75). The European Alliance leads many authors to pessimistic conclusions. For Jaan Wouters and his co-authors, "few of the

European Commission's and Parliament's early ambitions remain, and no progress has been achieved in the establishment of a regulatory framework" (Wouters and Chanet, 2008: 278). "The EU CSR policy seems conditioned by a concern not to alienate business, member states or developing countries, and this has debilitating consequences on its effectiveness …. CSR is regarded by the Commission as a fundamentally business-driven voluntary movement, enforced by the market in certain circumstances" (Wouters and Hachez, 2009: 113). Richard Hyman critically remarks that "what Soros (1998) has called 'market fundamentalism' and Dore (2003) the 'market mindset' has become part of a growing
consensus at the heart of EU governance (Hyman, 2006: 244). Hyman draws attention to a "familiar" discrepancy, if not an inverse relationship, between the popular legitimacy of EU institutions supporting a re-embedding of the economy, and the political power of these institutions. The European Parliament, "the most reliable supporter of an effective social dimension to European integration, is also the most limited in its powers." The Commission "is at best an ambiguous supporter of the European social model(s)." And within the Commission itself, the DG Employment and Social Affairs "is subordinate to that of the many Directorates-General with a primarily market-making mission" (Hyman, 2006: 246).

VII. The Politics of CR Association Membership at the EU-Level

What companies join the EU-level CR association EBNSC / CSR Europe, a membership that comes with a 17,500€ annual price tag, and why do they do so? This section disaggregates the membership of the EBNSC / CSR Europe and explains its composition. Are country-of-origin effects of any relevance in international CR initiatives? Do firms from certain countries join more than others? If so, why? It is not obvious that nationality should matter when it comes to political activity at the EU-level. In their investigation of EU-level corporate lobbying, Patrick Bernhagen and Neil J. Mitchell find that "a modified profit-seeking model of corporate political behaviour is generalizable to corporate lobbying in Brussels … theories emphasizing nationally distinct types of interest intermediation find little support in the data" (Bernhagen and Mitchell, 2009: 155).

I argue that firms' propensity to engage in CR at the European level is determined not only by a company's size, sector, and market niche, but also by its national origins. While I do not challenge the "profit-seeking model," I do seek to establish that national origin does matter for participation in EU-level CR. I first discuss the relationship between lobbying and CR before proceeding to a breakdown of CSR Europe's membership.

Some motivations for joining apply equally for all members, and other reasons apply selectively to some members and not others. I will begin with those that apply to all. It is well established that CR involves reputation risk management. CR is thought to help protect corporate reputations. Since CSR Europe is one of the leading CR associations, companies with valuable brands, reputations and large consumer markets may be inclined to join CSR Europe in order to improve their own practice and benefit from the association with a well-regarded institution. This is commonly known as the "business case" for CR. Another dimension of pragmatic legitimacy is also relevant. Because of its closeness to the European Commission, the EBNSC / CSR Europe is useful for firms with particular lobbying objectives, and for those seeking favours from the Commission. This raises the question of the relationship between firms' lobbying and CR activities. Are firms with a significant EU lobbying presence active in EU-level CR? Figure 4.3 derived from Daniel Cohen (2009), shows the breakdown of public affairs offices in Brussels in 2003.

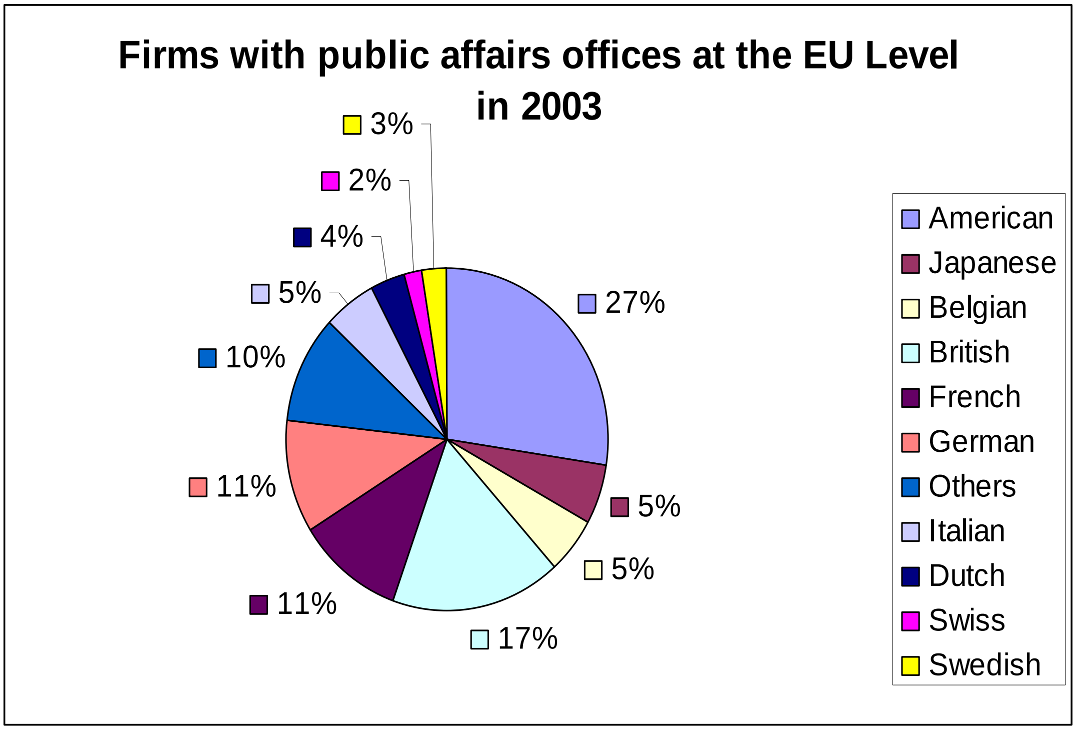

Figure 4.3: The National Origins of Corporate Lobbyists in Brussels

Source: Coen, 2009: 155

It turns out that there is a high correlation (0.78) between countries' contingent of members in CSR Europe and their proportion of public affairs offices at the EU-level in 2003. American, French, and British firms have the highest proportion of public affairs offices, and they also have large membership contingents in CSR Europe. This correlation suggests that CR is part of the corporate lobbying arsenal not only at the associational level (of businesseurope, for instance), but at the level of individual firms as well. CR's contribution to firms' lobbying is an indispensable part of 'pragmatic legitimacy.' Firms with significant EU-level activities at the EU have an interest in engaging in CR because of the reputational benefits it provides. Given that "a firm's effectiveness in influencing policy directly continues to be determined by its ability to establish a positive reputation in the European political process" (Coen, 1997: 100), and CR's positive reputational benefits, the relevance of the EBNSC / CSR Europe is obvious. Even if CR itself, being 'soft' and voluntary, differs from 'hard' lobbying over EU Directives, it can be a means to these ends. The above quote, which suggests that CR is a quid-pro-quo for a business-friendly institutional environment, speaks to this point.

Figures 4.4 and 4.5 show the membership composition of the EBNSC / CSR Europe from 1996 until 2007, with companies coded according to their home country / country of origin.[254] Figure 4.4 shows the membership breakdown according to percentage of the total. The EBNSC / CSR Europe has members from over sixteen countries. Figure 4.4 shows absolute membership numbers of firms from five large countries. In order from greatest to least, these countries are: the United States, France, Italy, the UK, and Germany.

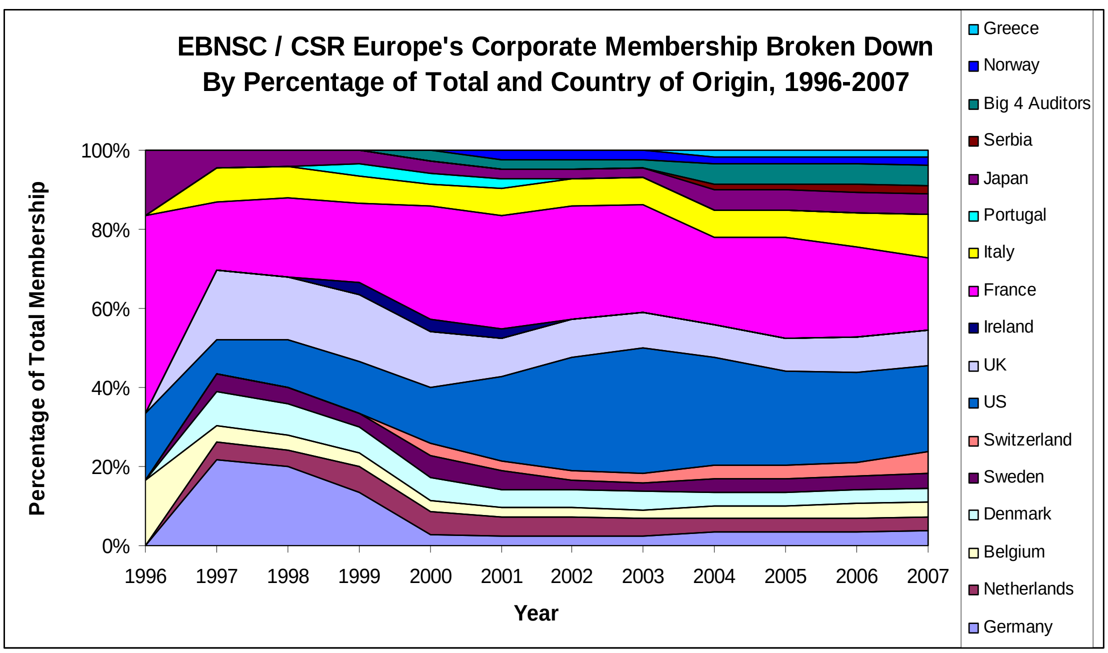

Figure 4.4: CSR Europe's Membership By Country of Origin

[254] Establishing a company's home country is easier in some cases than in others. It is easiest for companies with clear national headquarters. It is difficult for companies with dual nationality, such as Shell or Unilever; and it is nearly impossible for limited liability partnerships and consultancies, such as KPMG, PriceWaterHouseCoopers, and Deloitte. For this reason, I have created a separate, non-national category for the big four auditors.

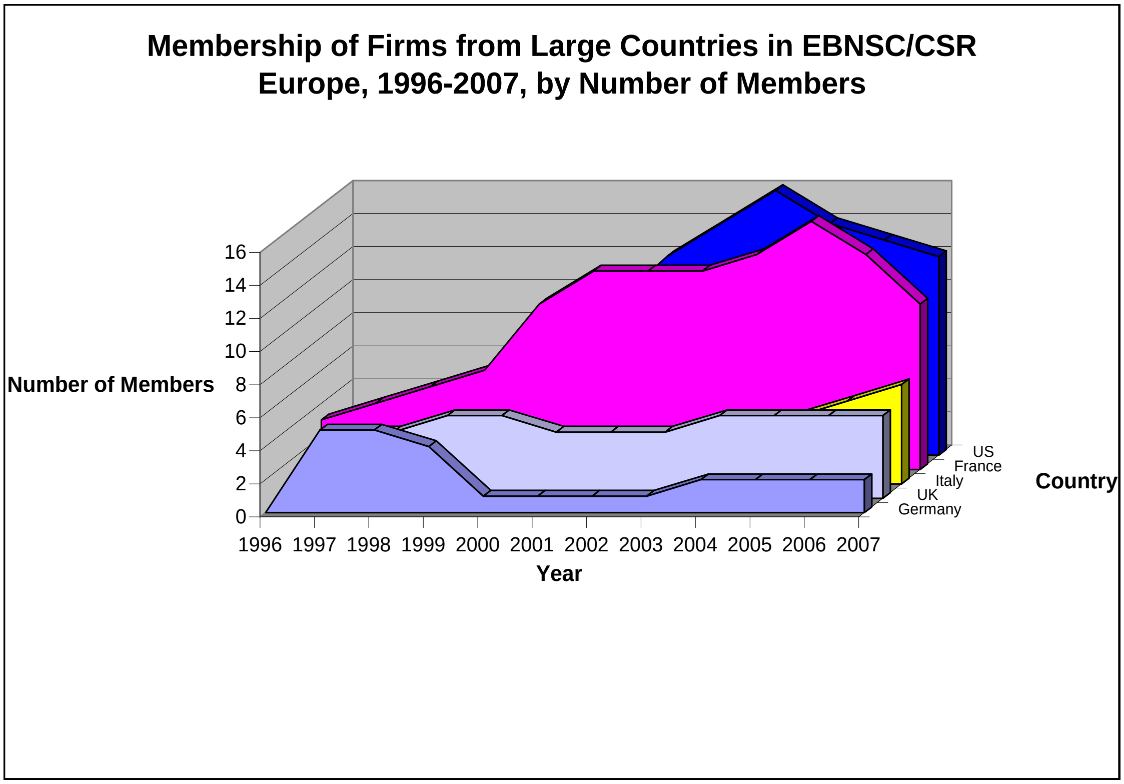

Figure 4.5: Membership of Firms from Large Countries in CSR Europe

When it comes to the membership of specific national contingents in the organization, no shortage of idiosyncratic, nationally specific explanations suggest themselves. In the case of France, the fact that the initial impetus came from a 1991 Manifeste Français des Entreprises contre l'Exclusion, which preceded the European Declaration of Business Against Social Exclusion, as well as from a French president of the Commission (Jacques Delors), is surely significant. CR in general, and the EBNSC specifically, was seen as a French project. In the case of American companies, other factors spring to mind (these are discussed in detail in chapter 7). The United States has a large number of large MNCs; engagement in CR is positively associated with firm size. The liability of foreignness is an identity variable that may be especially relevant for American corporations, given the widespread negative sentiment towards the United States and American capitalism in Europe.[255] Corporate Responsibility in general, and CSR Europe specifically, can help these firms to overcome the liability of foreignness by legitimating them in the public eye and vis-à-vis EU policymakers. Engagement in the EBNSC/CSR Europe is one way for American companies to show that they are European. An American MNC that joins CSR Europe is less likely to be perceived as foreign, and subjected to negative stereotyping, than one that doesn't.

The above points suggest (partial) explanations for firms' engagement in EU-level CR, but they are not very useful when it comes to firms' lack of engagement. German companies' initially large, then rapidly decreasing membership in charts 4.4 and 4.5 is conspicuous. German firms' membership in 1997 was five firms or approximately 22% of the total – more than any other country at the time. By the year 2000, Germany only had one firm in membership, less than 3% of that year's total. In the pages below, I tell how this came to be. CR is ambiguous, amorphous and plastic; firms' perception of their interests within their national institutional environment has shaped how they understand and approach CR in the European arena.

German firms and business associations have been consistent and unwavering supporters of the European Union and of European economic integration. When one comes to Corporate Responsibility at the EU level, however, the picture changes. According to some scholars (Antal, Oppen and Sobczak, 2007: 6) and according to measurable indicators, the level of engagement is low; as in the domestic realm, the orientation of German firms towards CR has been ambivalent, puzzling even some observers in Germany.[256] This section discusses German firms' stance in the EBNSC and briefly touches on the consultation process for the international responsibility standard ISO 26 000. The argument is that the stance of German

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[255] Katzenstein and Keohane (2007)
[256] see for example Aktion Gemeinsinn (2001: 16)

business in the European and international realm “can be understood only if domestic factors are systematically included in the analysis,” as Peter Katzenstein has argued (Katzenstein, 1976: 1).

My focus is on the relations between EBNSC and German business representatives as well as on the German membership in the EBNSC over time. I maintain that this indicator is a useful proxy for companies’ engagement in CR at the European level. When surveying German involvement in CSR Europe and the EBNSC since the mid-1990s, one confronts a puzzle. German companies initially joined in substantial numbers in the mid-1990s, before leaving just as suddenly a few years later. The number of German companies as a proportion of total membership has been low over the years, at the level of small European countries and far below the level of the US, France, and the UK. However, this was not always the case: the proportion of German companies increased to 22% of total membership in 1997 when it included Siemens, Daimler-Benz, VW, Bayer, RWE. The very fact that German firms joined the EBNSC in large numbers is interesting. While the EBNSC’s focus included vocational training, on the whole, its focus on social compensation seems at odds with traditional elements of the German model, such as social partnership and the welfare state. Germany’s share of membership declined to 2-3% after all firms except VW left membership by the end of 1999. This is the most precipitous decline of any national contingent of firms since the establishment of the EBNSC. What led the German companies to withdraw en masse from the network?

German firms’ disengagement from the EBNSC during the 1990s contrasts with the proactive engagement of LME firms at the EU level and of firms more generally in LME environments. German firms disengaged from the EBNSC because the organization’s activities did not make sense to them from the perspective of Germany’s domestic political-economic institutions. Renate Hornung-Draus, who was director of social affairs at UNICE (now: Business Europe) at the time, remarks that "German firms felt very uncomfortable" in the network (Hornung-Draus, interview, 2008). Regine Mathijesen, who represented Philips in the organization and was one of the key actors on the industry side during the 1990s, recalls that the departure of the German firms from the network "was a political decision" (interview, June 23, 2008).

The German firms had endorsed the 1995 European Declaration of Business against Exclusion and its agenda to promote employment-related social cohesion. However, differences between the German and Anglo-American firms soon became apparent in the network's meetings. Meinhard Stindt, who represented Bayer and played an important role among the German members, recalls: "when collecting and comparing examples [of responsible corporate conduct] we had an uneasy feeling." The increasing commercialization and marketization of CR-related activities led Stindt to believe they were "a show with little substance" (Stindt, interview, April 28, 2008). Mathijesen shares this perception of the perils of "commercial opportunism" (Mathijesen, interview, 2008).

From the perspective of German business representatives, the expansion and broadening of EBNSC's agenda during the 1990s was perceived to be a problem. The organization was seen as going too far. Unlike French companies, which increased their membership in the EBNSC over these years, German companies suspected that the EBNSC might have a hidden regulatory agenda – after all, they were being funded by DG Employment and Social Affairs. According to Mathijesen, "DG Employment and Social Affairs wanted to be in charge." Yet "companies have to have their freedom" to determine their engagement according to their own needs and capabilities (Mathijesen, interview, 2008).

Join they did, but German firms' ambivalence became unmistakable. A member of the staff of the EU Commission recalls: "the most negative companies vis-à-vis CSR have been in Germany." What explains this disposition? The same official continues: "'we already have so much, we do not want another layer,' whereas UK companies did not think that they would loose in the process" (interview, 2006). Alan Christie had the sense that "German companies were puzzled" by the organization's activities (Christie, interview, 2006). By the end of the 1990s, the EBNSC was felt to be impinging on the jurisdiction and authority of powerful European industry organizations such as UNICE, in which German business associations were weighty players. For Ann Vandenhende, senior director of CSR Europe,

> Their [German companies'] role in the EBNSC was not compatible with the role they were playing in these organizations …. When it came to expanding the agenda [to CSR] there was a perception that this is not something that companies should be dealing with. It wasn't perceived from a German perspective that this is something business should deal with (Vandenhende, interview, 2007)

These tensions erupted in an open clash between Etienne Davignon, who was chairing the EBNSC, and the chairman of UNICE. It culminated in the withdrawal of the German companies (except Volkswagen) from the network. It is not clear to what extent this withdrawal was the result of indifference, the failure to sustain interest, or of programmatic differences. Mathijesen gives the following justification for the German firms' departure:

> what is coming on the table now is an American hype which we don't wish to follow because in Europe we have social legislation which regulates these questions to the great satisfaction of our employees. This is not the case in the United States. We tried to make it clear that here in Europe, we have the welfare state (interview, June 23, 2008)[257]

[257] Given that different actors stress different reasons for German firms' leaving this network, an additional factor should not be left out: from its founding until the end of the 1990s, no membership fees were charged by the European Business Network for Social Cohesion. This changed when the organization was re-named CSR Europe in 2000, and the membership fees may have been an additional impetus for the German companies to leave the network, though it is hard to imagine that they were the primary motivation.

Similarly, in the the mid-1990s, the chairman of Siemens Heinrich von Pierer remarked that: “We can't deny that we have a different culture, a different history, a very different social environment. We have co-determination and, of course, we have a social market economy' Von Pierer” (FT. i6. 2.1996:16) (Coen, 1998: 92). Business as patriots of the welfare state and the European social model? This view is in tension with market-liberal CR, or so it would seem. At the same time as German companies were adopting market-liberal positions on corporate governance (such as shareholder value orientation), they viewed CR not as a correlate and complement to market-liberalism, but rather as a burdensome package of expansive social obligations. The departure of Bayer, RWE, Siemens and Daimler-Benz from the network was followed by attempts to recruit others, which failed until BASF came on board in 2004 (SAP joined in 2008). The logo of one German company, Deutsche Telekom, was printed on the back of the May and September 2001 editions of *CSR Europe Magazine* which lists the network’s supporters. Evidently, the company had expressed interest in joining. But Deutsche Telekom did not in fact become a member of the network and the company’s logo disappeared from subsequent editions of the magazine. Ann Vandenhende, a senior manager of CSR Europe, remarks that this example of a company nearly joining and then withdrawing is singular in the history of the organization (personal communication, June 18, 2007). And what are we to make of Volkswagen, the one German company that remained in membership from 1997 onwards? Unlike the other German joiners, Volkswagen is not a member of the BDA, the Federation of German Employers’ Associations. This suggests that the employers’ association may have played a role in these companies’ decision to leave.

Lest one thinks that above example of the EBNSC / CSR Europe is unrepresentative of German firms’ stance regarding Corporate Responsibility in the international arena, one can look to other membership-driven Corporate Responsibility organizations – such as Business in the Community and the International Business Leaders Forum, discussed in the previous chapter – for data. It is no secret that large German firms had offices and representations in many countries, including in the UK, during the 1980s and 1990s. And in fact, looking at membership lists of BITC and the IBLF over these years, one can find the odd German company in membership – there was evidently interest in what these organizations were doing. The striking thing, however, is that these firms vanished from the lists soon after joining. My sense from interviewing some relevant representatives is that they the managers / entrepreneurs in question either could not figure out what these organizations were about, or decided that they weren't for them.

German businesses' ambivalent relationship to CR is not restricted to the IBLF, BITC, or CSR Europe. It can also be seen in the negotiations over the new global standard for responsibility in organizations devised by the International Standards Organization: ISO 26 000. According to Udo Pretschker, who directs CR activities in the German Ministry for Employment and Social Affairs, German industrialists and employers had threatened to boycott the ongoing ISO 26 000 negotiations in their early stages: "in other countries it [employers stance] is not so drastic and dramatic. German employers federations had considered leaving the process altogether. Fears that are seen as grave by the Germans are not seen to be as serious by other participants" (interview, 2007). Sebastiano Toffaletti, Standardization product manager at NORMAPME, explains that the German system is "traditionally and culturally" against certification:

> The Anglo-Saxon idea of certification *ex post* is not very accepted in the Germanic world. ISO certification is an Anglo-System: you certify *ex post* that a company is capable of doing something whereas they have a system which is *ex ante*. Germany and Germanic countries are typically against these things (interview, July 7, 2008)

Bernard Schwager, Responsible for Corporate Responsibility at Bosch, remarks on ISO 26000 from a German perspective: “Now a different language area has moved itself forward and is starting to make comparisons … This set of problems is hitting us like a train because we have a different framework paradigm” (interview, 2007). While a majority of participants voted in favour of ISO 26 000 in 2009/2010, the German industry delegation abstained.

What explains German businesses’ reticence to engage in the European and international CR arenas? In this section I have argued that this behaviour relates to German businesses’ perception of their interests in their domestic regulatory environment. Germany’s domestic institutional framework appears to have a systematic impact on German companies’ CR stance in the international arena. This implies that changes in Germany’s political-economic framework and in particular trends towards the liberal market will have an impact on Germany’s stance in the European and international CR arenas. If this account is correct, it is ironic that German companies have now come to clothe themselves in the mantle of CR. As Richard Marriott, non-executive director of Siemens UK remarked, “They’ve only just joined Business in the Community it wasn’t a German thing to do. Putting it right up there as a stakeholder approach is very new I don’t think it was there before but I could be doing them a disservice” (Marriott, interview, 2007). Stakeholderism has arrived in Germany, in the aftermath of organized capitalism and the emasculation of its traditional stakeholders!

Although political-economic or institutional explanations work well in the German case, a glance at the UK data in figures 4.4 and 4.5 exposes their limitations. The radically liberalized and dynamic CR environment would lead us to suppose that UK firms would be among the best-represented contingents in CSR Europe’s membership. But in fact, the UK is only in third place, far behind the US and France, and roughly on par with Italy. This suggests that political-economic and institutional explanations, though necessary, are not sufficient. Without further data, it is impossible to know whether British Euro-sceptic attitudes[258] is at play, whether UK firms believe that their reputation among EU authorities is strong enough without membership in CSR Europe.

VII. The Political Economy of the EU

The rise of Corporate Responsibility in Brussels relates to broader trends and debates in the political economy of the EU. Thus, it is fruitful to place CR in the broader context of EU political economy scholarship and policymaking. A vigorous debate has developed over the relationship between market-making and social-embedding at the EU-level. This section situates my argument within these debates. The claim advanced is that there are some strong parallels between certain trends in EU social policy and the aforementioned rise of EU CR.

Is Polanyi in Brussels – or Hayek? In what guise do they appear?[259] Is European law being Americanized, or not? EU political economy debates are divided between those who see Polanyi in Brussels, and those who think that he is a mere specter among Brussels elites; between those who see evidence of the Americanization of European law, and those who think this evidence is over-rated. With reference to Karl Polanyi and John Gerard Ruggie, James Caporaso and Sidney Tarrow claim that through its recent rulings, the European Court of Justice has contributed towards "building a tissue of embedded liberalism" (Caporaso and Tarrow, 2009: 615) and extending social rights at the EU-level by giving non-nationals access to national social transfers. Martin Höpner and Armin Schäfer charge that Caporaso and Tarrow's

[258] See Foster (2002) and Foster (2007)
[259] See Caporaso and Tarrow (2009), whose article bears this title; and Höpner and Schäfer's forceful and impassioned rebuttal.

empirical evidence is "selective, and the main effect of European integration is still overwhelmingly to set markets free rather than to constrain them. Caporaso and Tarrow are waiting for Polanyi while the setting is Hayekian"[260] A similar debate has arisen between R. Daniel Kelemen and Eric C. Sibbitt on one hand, and Robert Kagen on the other over the Americanization of European law.

Kelemen and Sibbitt argue that "economic liberalization and political fragmentation have undermined traditional approaches to regulation and have generated functional pressures and political initiatives toward American legal style" (Kelemen and Sibbitt, 2004: 103). Robert Kagan thinks this claim is over-stated. According to Kagan,

> Law and legal practice in Europe may well come closer to resembling American styles of contracting, corporate financial regulation, and controls on private pension funds – partly because they are well adapted to a competitive, privatised economy. Yet due to national traditions of 'bureaucratic legalism' and parliamentary government, increases in law, litigation, and judicialisation in Western Europe do not imply comparable increases in American-style adversatial legalism. In substantive law, any drift towards American-style neo-liberal labour, social welfare law, and tax law traditions is likely to be limited by the broad political interests entrenched by years of solid welfare state and worker protective policies (Kagan, 2008: 28-29).

While I lack the expertise to comment on the nuances of European jurisprudence, I believe that there is much evidence to support the claim that there is a fundamental asymmetry between market-making and social compensation in Brussels and, by

[260] Höpner and Schäfer's more elaborated argument is that Caporaso and Tarrow's "empirical focus is extremely narrow, as they exclusively focus on individual social rights that the ECJ grants to labor migrants and their families. Investigation of other lines of ECJ case law, such as the one on tax competition, on the right to strike, or on the member states' right to impose labor standards on posted workers would have led to quite different conclusions about the very same research question. Therefore, a well-balanced evaluation of the market-embedding or disembedding effects of European integration has to rely on a much broader empirical base" (Höpner and Schäfer, 2010: 24).

extension, across Europe. Moreover, the rise of CR itself parallels the rise of the market across the EU.

Armin Schäfer and Simone Leiber observe that during "the period from Maastricht to the end of the 1990s, we observe a heyday of social dialogue and social policy directives." Since the end of the 1990s, by contrast, we have seen "the turn to non-binding coordination in employment and social policy." The most recent period has been characterized by "the turn to non-binding coordination also in the realm of social dialogue" that the authors term "double voluntarism" (Schäfer and Leiber, 2009: 4). The initial, social-liberal phase of EU CR corresponds to the "heyday of social dialogue and social policy directives." The turn to non-binding coordination and double voluntarism coincide with the rise of market-liberal CR. The purpose of this section is to shed some light on this political-economic context. I begin by describing this dynamic and conclude by discussing how these developments relate to the rise of EU-level CR.

For our purposes, the most important dynamic of the European political economy takes place between the EU – in particular, the European Commission and the European Court of Justice (ECJ) – and its member states. Many scholars have identified a fundamental asymmetry in European integration between market-making and social protection/compensation: the former agenda is promoted aggressively by EU institutions, and it is much stronger and more dynamic than the latter agenda, which remains under the purview of EU member states. Georg Menz observes that "market liberalization proceeds in great strides and at a jet-like pace" whereas "social and labor market policy follows at a horse-and-buggy pace" (Menz, 2005: 198). For Maurizio Bach, European integration has entailed "market integration without social integration," a universalization of market relations, competition, and rights of free movement – which leads to the erosion of existing levels of social integration within

European states (Bach, 2008: 19). Analysts agree that this asymmetry is embedded in the political economy of the EU.[261] They disagree over its institutional locus, and over whether it is structural or political.

Wolfgang Streeck and Fritz Scharpf have forcefully articulated the structural view. In 1995, Wolfgang Streeck argued that EU social policy was characterized by "neo-voluntarism." The EU is fundamentally unlike national welfare states, as it is "confined by its dependence on the voluntarism of both sovereignty-conscious Member States and interest-conscious private market participants." However, the absence of a supranational welfare state "does not, however, mean that integration leaves the latter unaffected" (Streeck, 1995: 58). Competitive pressures exert downward pressures on national social policy regimes, leading them to be "fundamentally transformed" by the pressures unleashed by European integration (Streeck, 1995: 58). The following excerpt by Claus Offe nicely captures the transition from "markets in states" to "states in markets":

> what used to be, within the framework of welfare states as relatively self-contained nation-states, *exogenously* established and enforced social policy institutions is now *endogenized* into the game itself: status, security, and solidarity does itself become contingent upon contractual voluntarism. Accordingly, the game is no longer a game *under* rules, but increasingly one *about* rules. The national welfare state can no longer constrain the market and impose a regime of decommodification upon the market. To the contrary, now it is being left to the market to decide which arrangements are in fact affordable and employment- enhancing, and which ones must be dropped as a competitive liability (Offe, 2003: 463)

The competitive dynamic unleashed by European integration have "substantially contributed to the dissolution of class-corporatist structures" as well as the weakening of unions in member-states, according to Armin Schäfer and Wolfgang Streeck (Schäfer and Streeck, 2008: 204).

[261] Holman (2004)

While the structures of institutionalized social solidarity are weakened or dismantled at the national level, this does not mean that they are constructed or uploaded to the European level (Schäfer and Streeck, 2008: 233). As Giandomenico Majone remarks, “the available evidence … in no way suggests widespread support for delegating to Brussels relevant competencies in the social field” (Majone, 2009: 1290. Compared with the dynamism and vigor of market integration via the Single Market and EMU, “efforts to promote employment and social policy at the level of the European Community have come . . . late and seem feeble” (Scharpf 1999: 2). European politics is most effective when it comes to negative integration, and is “weakest in areas where existing market-correcting regulations at the national level have come under pressure through competition.” European integration has thus reduced the options of politics at the national level without uploading them to the European level (Scharpf, 2008: 82). Scharpf stresses the “asymmetric” relationship that has resulted

> as economic policies have become progressively Europeanized, while social-protection policies remained at the national level. As a consequence, national welfare states are constitutionally constrained by the ‘supremacy’ of all European rules of Economic liberalization and competition law. At the same time they must operate under the fiscal rules of monetary union while their revenue base is eroding as a consequence of tax competition and the need to reduce non-wage labour costs (Scharpf, 2002: 665-666).

In Scharpf’s view, attempts to Europeanize social policy “are politically constrained by the diversity of national welfare states, differing not only in levels of economic development and hence in their ability to pay for social transfers and services but, even more significantly, in their normative aspirations and institutional structures” (Scharpf, 2002: 666). EU consensus building has never been easy, and despite the rise of Qualified Majority voting, it is especially difficult in areas relating to member states’ national social policies.

The aforementioned accounts can be summed up as follows: the primacy of negative integration corrodes EU member states' institutionalized social solidarity. But these competitive, market-induced dynamics are not the end of the story. According to Martin Höpner and Armin Schäfer, European integration has recently moved into a 'post-Ricardian' phase. The above accounts cast doubt on whether comparative institutional advantage has ever sufficed to shore up institutionalized social solidarity. But even if it did in the past, it has recently come under threat due to the political activism of the European Commission and the European Court of Justice for market liberal ends:

> In this third, 'post-Ricardian' phase, Commission initiatives no longer create a level playing field among EU countries or simply strive for unhindered competition between national welfare and production models ….. in order to deepen European integration, the Court and the Commission apply the principles of mutual recognition and of non-restriction to services, capital markets and free establishment. They thereby directly affect member states' institutions and push them towards the Anglo-Saxon model of capitalism (Höpner and Schäfer, 2010: 350, 362)

Fritz W. Scharpf's newest work supports Höpner and Schäfer's findings. Scharpf finds that "A European SME [Social Market Economy] cannot come about, and SMEs at the national level will be destroyed, unless the politically uncontrolled dynamics of (negative) 'integration through law' can be contained" (Scharpf, 2010: 244). Given these gloomy assessments of the effect of European integration on institutionalized social solidarity, one can't help but wonder what Abdelal and Meunier mean when they refer to the EU as advocating a course of "managed globalization."

Höpner and Schäfer's case material – the Services Directive, the Takeover Directive, and Company Law and the European Court of Justice – derive from recent years, and none from before 2002. Core elements of EU economic integration, such as the Single European Act and the Maastricht convergence criteria for EMU, came into effect in the 1990s. There is thus a temporal coincidence between the EU's intensification of liberalization and the rise of EU-level CR from the mid-1990s onward: the intensification of European integration coincides with the rise of CR, and the post-Ricardian phase of European integration coincides with the European Alliance for CSR.

As I have alluded to above, the rise of CR coincides temporally and substantively i.e. in terms of content with the EU's turn towards soft modes of governance, such as the 'Open Method of Coordination' (OMC). As EU CR rose, the OMC came into being. The Open Method of Coordination is "an attempt to reach common European goals, without uniform, legally binding rules or targets, through cross-national benchmarking and exchange of experiences" (Heidenreich, 2009: 10). OMC instruments "do not use formal, typically legal, sanctions (that is, they are 'soft' rather than 'hard') – but involve codes of conduct, benchmarking and inter-state 'co-operation' or 'open co-ordination' rather than the construction and enforcement of formally binding laws" (Wincott, 2003: 535). In the place of hard law, the OMC prizes "deliberation and power sharing with stakeholders," coordination "while permitting diversity, and increased reliance on informal, flexible guidelines" (Scott and Trubek 2001, cited in Idema and Keleman 2006). The affinities of CR and the OMC are as clear as can be. CR is *by definition* voluntary.[262] Both the OMC and Corporate Responsibility are 'soft.' Both rely on peer-pressure, the exchange of best-practice, and naming and shaming, rather than on 'hard law.' Both are prototypical forms of market-liberal governance. Thus, the deficiencies Timo Idema and Daniel Kelemen

[262] The relationship between voluntary ends and involuntary means is more complicated than it may appear at first sight. Indeed, there is no logical reason why involuntary means short of absolute coercion cannot be used to promote the uptake of voluntary practices. Transparency or disclosure requirements are a good example. These would not stipulate that firms engage in CR. Instead, they would require that firms disclose their engagement in CR.

attribute to the OMC are equally applicable to EU CR.[263] The glass on EU CR is not empty, but it is also far from full.

VIII. Conclusion: The Political Economy of CR at the EU-level

EU Corporate Responsibility is unmistakably political. While it is commonplace to associate CR with firm-level objectives such as reputation or risk management, EU-level Corporate Responsibility has been associated with legitimating economic liberalization from its beginnings. Not unlike the co-evolution of CR and declining instututionalized social solidarity in Britain and Germany, there has been a co-evolution of liberalization and CR at the EU level. Both the European Commission and European business have used CR in their attempts to legitimate political projects. Under Jacques Delors, EU-level business was enlisted to tackle social exclusion, which was thought to constitute a political liability for economic integration. In this phase, EU CR had a social liberal coloration. Over time, this changed as EU CR has been converted from its initial social-liberal to an increasingly market-liberal orientation. CR has been wielded as a quid-pro-quo for market liberal policies: the Commission will ensure a more business-friendly economic environment provided that European businesses practice CR. This market-liberal conversion of EU CR is a reflection of the power and political potency of European business. Of course, the association of CR and market-liberalism does not imply an absence of interpretation, experimentation or contestation: the evolution of EU CR policy has seen plenty of this. These processes take place not only between business and or vis-à-vis other stakeholders (the conventional view), but within business itself. Thus, while this

[263] According to Idema and Keleman, “the OMC and other flexible, informal ‘new’ modes of governance are unlikely to enhance the legitimacy of EU governance” (Idema and Kelemen, 2006: 118).

chapter has used Germany as an example to underscore nationally and institutionally specific CR trajectories, none of this implies an absence of political contestation.

In conclusion, one is apt to speculate about the normative status of EU CR, as well as about paths not taken. The normative status of EU CR is ambiguous if not ambivalent. Taking account of externalities and taking action to constructively address social problems beyond the purview of innermost core business activities seems eminently preferable to not doing so. This chapter contains little evidence to support the claim that CR was indispensable for the Commission's market-liberal aims. Interpretations according to which EU CR is a subtle and sinister attempt to undermine positive integration are problematic, as there is little evidence that EU CR has been decisive in undermining attempts at positive integration. If anything, the failure of positive integration is over-determined. Even though CR is far cry from a European welfare state, it is better than nothing.

Nonetheless, EU CR is linked to a market-liberal agenda that corrodes or dissolves institutionalized social solidarity, institutions that one says are dear to many Europeans. In the words of Wade Jacoby and Sophie Meunier, "In the eyes of most European citizens, the EU owes its legitimacy partly to being able to protect them from the negative side-effects of globalization while shaping aggressively a globalization in Europe's image" (Jacoby and Meunier, 2010: 367). According to this yardstick, the trajectory not only of EU CR, but of European integration more generally can be questioned. The challenge is significant:

> in order to maintain popular support for both the deepening of ("ever closer") European integration and the widening of its scope ("Eastern Enlargement"), Europe must present itself to its citizens as a credible project of social security and protection, and certainly not as a threat to established social status rights. At the very least, and after the EU is still evidently deficient (relative to the member state polities) in terms of its democratic legitimacy, pro-European consensus and identification among nonelites is likely to dwindle, strengthening the forces of populist re-nationalization, in case a loss is

> perceived to take place not just in terms of democratic legitimation, but also of social protection and security (Offe 2003: 457)

In the aftermath of the failure of multiple referenda relating to the European Constitution, European integration and the EU itself faces an open legitimacy crisis.[264] Corporate Responsibility, as hitherto conceptualized and practiced at the EU-level, seems inadequate for restoring and re-instating the legitimacy of this process and of the EU itself. Though arguably inadequate to address the functional and legitimacy deficit resulting from the asymmetry between the EU and national social policy, let alone creating a welfare state at the EU-level, one wonders whether integrative, institutionalized or coordinated Corporate Responsibility could go part way towards addressing this it. Moreover, institutionalized, integrative or coordinated CR would not necessarily constitute a genuine threat to employer interests. In order to secure the political legitimacy that is indispensable for the political viability of European integration, employers may once again have to make notable concessions, as they did in the post-war system of “embedded liberalism.”

[264] Van Apeldoorn (2009)

CHAPTER 5

Varieties of Capitalism, Institutionalized Solidarity, and the Spread of Corporate Responsibility across the OECD: 1982-2007

I. Introduction

Chapters 3 and 4 make the case that there is a parallelism or co-evolution of Corporate Responsibility and market liberalism in the U.K. and Germany. Chapter 5 argues that this argument extends to the EU-level. But how far does it reach, how generalizable is it? This chapter sets out to assess whether the tensional or inverse relationship between institutionalized social solidarity and CR holds across Europe and the OECD. I measure two principal dimensions of CR: timing and quantity. My explanatory variables are twofold: Varieties of Capitalism and Institutionalized Social Solidarity (ISS). Applied to Varieties of Capitalism, I hypothesise that market-liberal Varieties of Capitalism tend to get CR earlier, and get more of it, than Social Market / Coordinated Varieties. Applied to institutionalized social solidarity, I hypothesise that lower (absolute) levels as well as (relative) decreases of ISS will be related to increases of CR.

This chapter is based on a new data set, compiled by the author, comprising twenty-five OECD countries from 1982-2007. Virtually all of the existing comparative CR literature is cross-sectional.[265] Comparing the performance of different countries on particular CR measures is a plausible research strategy; but it is biased in its neglect of temporality and history. To get at this dimension of the institutionalization of CR over time in a number of countries, I use a novel proxy: business-led Corporate Responsibility Associations (CRAs). As noted in chapter 1, I argue that CRAs are barometers for the state of CR in the country in which they are located. The existence of a CRA, and the fact that firms are willing to join it, is evidence that the idea of CR

[265] Apostolakou and Jackson (2009); Gjølberg (2009).

has 'come of age' in a given jurisdiction.[266] I will be paying close attention to the varying establishment dates and membership levels of these associations.

The explanatory variables encompass Varieties of Capitalism and various dimensions of institutionalized solidarity. We can make a first cut by using typologies from the comparative capitalism literature. LMEs will tend to have lower levels of institutionalized social solidarity than Coordinated- or Social-Market economies. As useful as these nominal categories are, they are static. Gradations of membership are not possible. A country is *either* an LME *or* a CME. These simple categorizations do not allow us to get at processes of liberalization or at the co-evolution of CR and ISS over time. Therefore, in a second step, I expand the explanatory variables to comprise other dimensions of institutionalized social solidarity, such as corporatism/the centralization of wage bargaining and statutory tax rates on capital. The results suggest a negative or inverse relationship between selected aspects of institutional 'embeddedness' and the incidence of CR, measured both in terms of the presence of a CRA and its membership levels over time. Having charted the co-evolution of economic liberalization and market liberalism in chapters three and four, I test the following three hypotheses here:

H2. Institutionalized social solidarity will be inversely related to CR: the higher the level of institutionalized social solidarity, the later the onset, and the lower the quantity of CR. The lower the level of institutionalized social solidarity, the earlier the onset of CR, and the greater its quantity.

H3. Liberal Market Varieties of Capitalism develop Corporate Responsibility earlier than Coordinated/Social-Market Varieties of Capitalism

H4. Liberal Market Varieties of Capitalism have more Corporate Responsibility than Coordinated/Social-Market Varieties of Capitalism

[266] Since CRAs are membership-led, an association will not be viable without a minimum or critical mass of firms.

Before proceeding to the empirics I discuss some relevant literature. Then I proceed to the operationalization of my dependent variable.

Scholars have only recently begun to theorize the relationship between CR and different Varieties of Capitalism.[267] Is CR a complement or a substitute for institutionalized solidarity, Coordinated/Social Market Economies, and "embedded liberalism"? Very few articles to date address this question. Alte Midttun, Kristian Gautesen and Maria Gjølberg (2006), Gjølberg (2009) and Androniki Apostolakou and Gregory Jackson (2009) are exceptions.

For Alte Midttun and Maria Gjølberg (2006), CR is a complement to institutionalized solidarity.[268] "The increasing engagement in corporate social responsibility (CSR) potentially indicates an attempt to "re-embed" the economy in a wider societal context, following a period of neoliberal market exposure, deregulation, and separation of commercial and societal concerns." Midttun, Gautesen and Gjølberg's findings "support the idea of a symmetric relationship between the 'old,' politically driven embeddedness and the 'new,' industry-driven embeddedness" of CR (Midttun, Gautesen and Gjølberg, 2006: 369). The underlying assumption here is a positive-sum world, a variable if not expanding "market for virtue" in which Corporate Responsibility is a 'mirror' or reflection of the prevailing institutional framework (Apostolaku and Jackson, 2009).

Maria Gjølberg (2009) argues that countries' CR performance can be explained by "globalist" and "institutionalist" hypotheses. According to the "globalist hypothesis," "CSR emerges as a functional response to anti-globalization and anti-corporate sentiments …. the proportion of 'CSR companies' in a country is predicted

[267] Apostolakou and Jackson, 2009; Chapple, Gond, Louche and Orlitzky, 2008; Gond, Ergi, Bowen, Ralston, Maignan and Griffith, 2008; Gjølberg, 2008, 2009; Matten and Moon, 2008; Midttun, Gautesen and Gjølberg, 2006

[268] See also Gjølberg, 2009a, Gjølberg, 2009b

to coincide with the proportion of global companies in the country's economy" (Gjølberg, 2009: 608; 609). According to Gjølberg's "institutionalist hypothesis," "stronger institutions for the social embedding of the economy … result in stronger CSR performance" (Gjølberg, 2009: 609). By contrast, Androniki Apostolakou and Gregory Jackson (2009) investigate whether CR is mirror or substitute for institutionalized forms of stakeholder participation. Using firm-level data from the Sustainable Asset Management group, Apostolakou and Jackson find that CR "may be associated with the attempts to firms to compensate for institutional voids or substitute for formal institutions" (Apostolakou and Jackson, 2009: 387).

This chapter contributes to the debate between these scholars using a novel dependent variable, CRAs, to track the timing and quantity of the institutionalization of CR in different countries. While Midttun and Gjølberg's work supports the "symmetric embeddedness hypothesis," my findings support the opposite claim, the "business-driven detachment hypothesis": "stronger social embedding of the economy ... results in a reduced need and role for business-driven CSR.... CSR and more traditional socio-political initiatives to embed the economy socially are completely decoupled or even inversely related" (Midttun, Gautesen and Gjølberg, 2006: 370). Maria Gjølberg (2009) argues that firms located in Coordinated Market Economies have a comparative advantage in CSR, which I also challenge in this chapter.[269]

[269] The differences in our findings are attributable in part to the fact that Gjølberg and I understand CR differently. Gjølberg focuses on Global CSR initiatives with a predominantly North-South orientation, whereas CRAs are more focused on patriotic concerns or firms' responsibilities towards domestic stakeholders (though these initiatives hardly exclude global CR initiatives). When these differences are taken in to account, Gjølberg's and my findings are compatible. Indeed, in a recent article on CR in Nordic countries, Gjølberg states that "all interviewees perceive CSR as largely irrelevant and superfluous in a domestic context. Interviewees from government, business confederations, and trade unions describe their countries as well-regulated with high levels of social and environmental protection. CSR is perceived as relevant only when domestic countries operate abroad" (Gjølberg, 2010: 221).

II. Corporate Responsibility Associations

CRAs are my proxy of CR at the national level. Virtually every OECD country has such an organization; some countries have more than one. I argue that CRAs are indeed a proxy – *an imperfect indicator, by no means the only indicator, but a plausible indicator nevertheless* – for the state of CR in a given country at a certain time.[270] Much attention has been paid to CR at the sub-national (firm) level and the supranational level (of global initiatives such as the UN Global Compact), but the national level encompassed by CRAs has been ignored. As collective entities, CRAs are intermediaries and brokers between business, civil society, the state and the broader public; they serve their members' interests as well as those of wider society.[271] CRAs may thus be understood as an element of the (hitherto understudied) 'social case' for CR. CRAs can be seen as catalysts, facilitators and motors of responsible business practice.

To recall our discussion in chapter 1, CRAs provide a platform for the exchange of 'best practice' and function as 'think tanks' for the CR activities of their members. To varying degrees, they challenge their members to attain ever-higher levels of 'responsibility,' social engagement, and minimization of negative and maximization of positive externalities. The staffs of such associations are typically composed of institutional entrepreneurs who see it as their duty to make the world a better place. The fact that association members support the associational infrastructure for Corporate Responsibility in general, including the CR activities of their

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[270] This indicator is obviously inadequate to account for local, regional, and supranational developments. Its usefulness is obviously premised on the assumption that states remain important loci for determining the institutional environment of business. As Colin Crouch (forthcoming, quoted in Amaeshi 2008) observes: "Local specialisms that depart from the logic of a national system … suggest that the nation state is not necessarily the most important level for determining the institutional environment of business."

[271] William J. Baumol argues that "for business firms [the provision of public goods] is often a matter which can only be dealt with collectively, by volunteer groupings of firms rather than by the individual enterprises. For it is only such groupings of firms that can provide resources sufficient to make the difference" (1970: 19).

competitors, strengthens the case for viewing associational membership as one element (among many) of responsible corporate conduct. The overwhelming majority of companies that score highly in the CR league tables are members of CRAs, and CRA's membership often comprises the "inner circle" of national and international business elites.

In sum, CRAs are barometers for the state of CR in the country in which they are located. Such associations depend on firms being willing to join them and pay membership dues. Thus, the existence of such an association provides some indication that that the idea of CR has 'come of age' and acquired legitimacy in a given country. Readers may query whether cross-national comparisons on a single variable or indicator – CRAs – bias the findings. To the extent that no single indicator can be equally salient across a wide diversity of contexts and capture the entirety of CR, perhaps.[272] Yet CRAs are uniquely embedded in their national contexts. If institutional entrepreneurs do not frame their association's mission so that it resonates with businesses and government, their association will not come into being, let alone survive or grow. In this sense, CRAs acquire a specific national, cultural, contextual coloration. When it comes to measuring CR's national embeddedness or currency in a particular country, CRAs are superior to other indicators such as firms' membership in global CR initiatives including the UN Global Compact, the Global Reporting Initiative, or the World Business Council for Sustainable Development.[273]

The founding dates of CRAs vary considerably across Europe and the OECD – from the trailblazer UK at the beginning of the 1980s to Germany at the turn of the

[272] Indeed, as an indicator CRAs may contain an inherent bias toward central and away from federal states.

[273] The UN Global Compact does not specify in any detail what members must do, other than report on their progress on a variety of dimensions. How any company reports, and the initiatives these reports describe, is left open-ended. However, the reference frame is global, rather than national, as it is in the case of CRAs. In practice, CR is almost invariably a mixture of local, national and global, hence these differences may not be of much consequence.

millennium and Luxembourg in 2007. To provide one illustration of the use of associations as proxies, a comparison of U.K. and German CR associations reveals the following differences: the U.K. CRA 'Business in the Community' was founded in 1981/1982, whereas the corresponding German CRA 'Econsense' was founded nearly two decades later, in 2000. The founding dates of these CRAs confirms pronouncements made in above chapters, and in assorted the secondary literature, about the U.K.'s status as a European if not global CR 'leader,' and of Germany's status as a CR 'laggard.'

We will begin with CRAs's founding dates. The founding dates of CRAs vary considerably across Europe and the OECD – from the beginning of the 1980s in the UK to 2007 in Luxembourg. When there is more than one CRA in a given country, I use the founding date of the earliest association. Figure 5.1 shows a list of countries' CRA establishment dates, along with Varieties of Capitalism categorizations, which will be relevant for our subsequent discussion.

COUNTRY	YEARS TO FOUNDING (1980=0)	YEAR	WHICH VARIETY OF CAPITALISM?
UK	2	1982[274]	LME
France	6	1986	MME
Sweden	7	1987[275]	CME
USA	12	1992	LME
Hungary	12	1992	MME
Czech Republic	12	1992	MME
Canada	15	1995	LME
Italy	15	1995	MME
Norway	16	1996	CME
Slovakia	17	1997	MME
New Zealand	18	1998	LME
Bulgaria	18	1998	MME
Spain	19	1999	MME
Ireland	20	2000	LME
Germany	20	2000	CME
Netherlands	20	2000	CME
Switzerland	20	2000	CME
Finland	20	2000	CME
Greece	20	2000	MME
Poland	20	2000	MME
Belgium	21	2001	CME
Portugal	22	2002	MME
Austria	25	2005	CME
Australia	25	2005	LME
Luxembourg	27	2007	CME
Denmark	31	2011[276]	CME

Figure 5.1: CR's Timing by Country / Variety of Capitalism

[274] Business in the Community, the UK's leading business-led Corporate Responsibility coalition, was incorporated on 01 June 1981 and fully registered as a company limited by guarantee on 2 March 1982.
[275] Sweden can be coded as either 1987 or 2004, as I discuss below.
[276] Denmark does not yet have a CRA. The Copenhagen Center, a CSR-oriented think tank established in 1998, does not qualify since it was entirely government-funded and did not have any corporate members. Thus, I have coded Denmark as 2011, the earliest year that this country could get a CRA. In all further calculations, I code Denmark as 2011.

Not every OECD country has a CRA.[277] Glancing at the timing of the establishment of CR in table 5.1, there is a great deal of diversity, even within the categories of Varieties of Capitalism. For example, within the category of LMEs, the UK's main CRA Business in the Community was founded at the beginning of the 1980s, while the Australian CRA Australian Business and Community Network was founded in 2005. There is also a great deal of diversity within CMEs: dates range from 1987 (if Sweden is coded as 1987),[278] to 2005 for Austria and 2007 for Luxembourg, and 2011 in Denmark (since there is no Danish CRA to date).

Figure 5.2 below shows the number of OECD countries with a CRA established between 1980 and 2007 to give us a sense of the distribution over time.[279]

[277] A very small number of countries lack CRAs. Denmark, for example, is missing from chart 7.1 because my dependent variable does not work there. There is no CRA which meets the criteria of the above definition. The Copenhagen Center, a CR think tank and policy institute established by the Danish government in 1997 (and disbanded/reconfigured in 2007/2008), fulfills some of the criteria of a CR association, but it had no corporate membership. This, I wish to emphasize, is a peculiarity of using national CRAs as an indicator. It is not to be confused with the claim that Denmark has no Corporate Responsibility.

[278] Sweden is a difficult case to code. Swedish Jobs and Society began operating with a corporate membership (principally Volvo) in 1987, and CR Sweden was founded in 2004 as an initiative of Swedish Jobs and Society. Like Business in the Community in the UK, after which it was modeled, Swedish Jobs and Society promotes entrepreneurship and job creation in economically depressed areas. From its earliest years, Business in the Community had a broader focus. BITC became involved with a myriad of Corporately-Responsible activities, whereas Swedish Jobs and Society remained exclusively committed to job creation, a narrower mandate than is customary for other CRAs and indeed CR more generally. Nonetheless, because Swedish Jobs and Society qualifies as a CRA according to my definition, I code Sweden as both 1987 and 2004 in the following figures.

[279] This figure is identical to figure 1.1 in chapter 1.

Figure 5.2: CR's Spread across the OECD
Data source: author's coding, see table 5.1 above.

The clustering of different countries on the year 2000 suggests strong *prima facie* support for the salience of isomorphism and diffusion. While figures 5.1 and 5.2 present a view of the timing of the institutionalization of CRAs across the OECD, data on multiple CRAs per country is lost in them. But a number of countries including the UK, France, Italy, Spain, and Hungary have two CRAs each.[280] Figure 5.3 shows the total number of associations founded per year between 1981 and 2007, which includes multiple associations per country. Clearly visible are the forerunners in the early 1980s, mid-1980s and early 1990s. However, the bulk of CRAs were founded between 1995 and 2005. The distribution, while not entirely normal, is symmetrically centered on the year 2000.

[280] This brings the total number of CRAs in the data set to thirty.

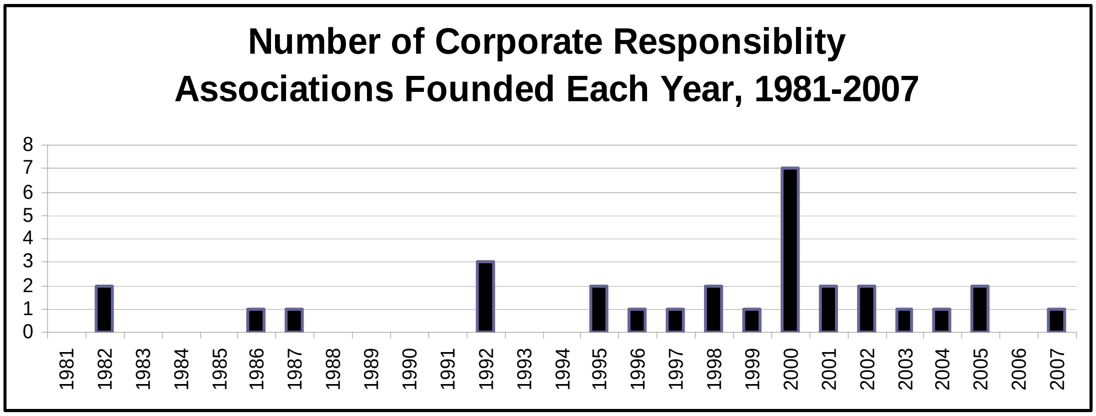

Figure 5.3: CRAs over Time, Including Multiple CRAs per Country

In the year 2000 a total of seven national CRAs were founded – seven countries ‘got’ CR this year. What makes this year so important for CR? Several important events took place.[281] The clustering of CRAs established in the year 2000 confirms the established wisdom on the growth and spread of CR since the mid-1990s.[282] What this literature misses – and this thesis contributes – is the insight that CR was already underway in the 1980s and early 1990s. Nearly one-quarter of the total distribution of CR, as measured by CRAs in figure 5.3, is ignored by existing scholarship. With this overview of the timing of CRAs, the section below considers the timing of Corporate Responsibility in different Varieties of Capitalism.

III. The Timing of CR in Different Varieties of Capitalism

Does the timing of CRA establishment vary in different varieties of capitalism? Existing literature is cross-sectional, and neglects the dimension of ‘time.’ The present chapter is the first empirical treatment of this question. I hypothesize that liberal-

[281] The EU Commission became increasingly active in the area of CR, both directly (in its preparations for the Green Book, which first outlined the Commission’s CR agenda in 2001), and indirectly, through the European Business Network for Social Cohesion, which got a fresh breath of life and programmatic energy when it was renamed CSR Europe in 2000. The UN Global Compact was established this year. In addition, preparations for the UN’s international year of volunteers (in 2001) in were underway. It is possible that the Battle of Seattle in late 1999 provided an additional impetus.

[282] For example Vogel (2005); Ruggie (2003, 2004, 2007)

market or market-based economies are more likely to have CR, and to have more of it, than Social Market or Coordinated Market Economies; as the latter liberalize, they are increasingly likely to 'get' Corporate Responsibility. This implies that LMEs get CR sooner than CMEs. Figure 5.4 below shows the time to CR in Liberal and Coordinated Market Economies as defined by Peter Hall and David Soskice (Hall and Soskice, 2001). Following Hall and Soskice, I have included Mixed Market Economies, a residual category composed of countries in Mediterranean and Eastern Europe and in Asia which do not clearly fit into Hall and Soskice's binary categorization of CMEs and LMEs.

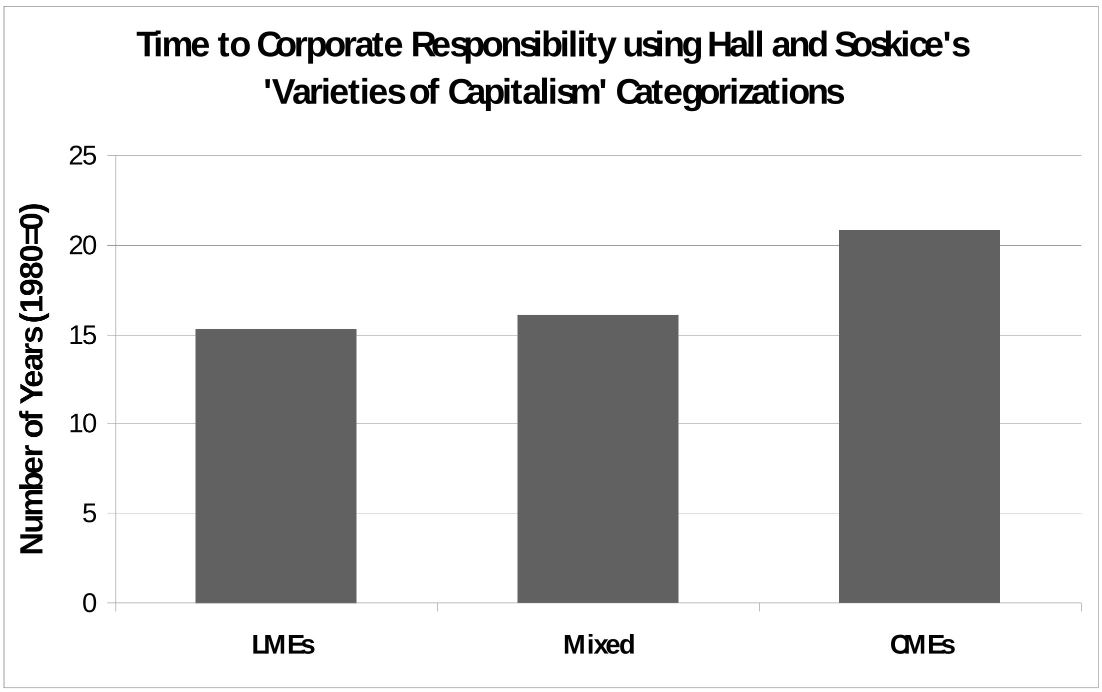

Figure 5.4: Varieties of Capitalism and CR

A divide is apparent between LMEs and Mixed Market Economies on one hand and CMEs on the other. With 1980 as year 0, Liberal Market Economies get CR after 15.3 years. Mixed Market Economies get CR after 16.1 years.[283] And Coordinated Market

[283] The category of Mixed Market Economies is very heterogeneous, as it is composed of many countries that do not straightforwardly fit in Hall and Soskice's LME and CME categories. My

Economies get CR after 20.8 years. On average, CR is institutionalized more than four years earlier in LMEs and MMEs than in CMEs – in the mid-1990s rather than at the turn of the millennium. This evidence appears to support hypothesis H3, the claim that Corporate Responsibility arises earlier in LMEs than in SMEs/CMEs.

Though widely discussed, Hall and Soskice's categorization of advanced capitalist countries into Liberal and Coordinated Market Economies has been criticized on a number of different grounds. One critique is that the LME/CME dichotomy is insufficiently nuanced to account for the diversity of modern capitalism. The category of Mixed Market Economy is particularly problematic, as it seems to consist of no more than countries that do not fit in to the pure categories of CME or LME.[284] Scholars have therefore sought to come up with alternative and more inclusive categorizations.

I assess the robustness of the above relationship using two alternative typologies. The findings should not be sensitive to legitimate differences in scholarly opinion. And they aren't: categorizations by Pontusson (2005)[285] and Amable (2003)[286] suggest a persistent and significant difference in the timing of the

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explanation for this category's quickness to get CR is as follows. First, Eastern Europe (comprising a significant proportion of MMEs) experienced a significant erosion of ISS following the collapse of bureaucratic collectivism. Second, France, a unitary and centralized state (discussed below), lowers the MME average. Third, Mediterranean countries including Italy and Spain have an affinity for CR: both of them get CR during the 1990s and have two CRAs each. Some MME have experienced significant deregulation (see figure 5.6 below), which is compatible with the argument of this thesis. On the other hand, the quickness of France and Italy is puzzling, given the higher level of ISS in these countries compared with LMEs.

[284] Amable (2003)

[285] Jonas Pontusson's (2005) typology is more fine-grained than Hall and Soskice's. Pontusson distinguishes between Nordic Social Market Economies, Continental Social Market Economies, and Liberal Market Economies with no residual category. In Liberal Market Economies, Corporate Responsibility is institutionalized after 15.3 years. Continental Market Economies come in at 20.2 years, nearly five years later. Again, the evidence supports H3. The timing of Nordic SMEs varies between 19.33 and 25 years depending on the coding of Sweden, discussed below. (If Denmark is omitted, Nordic SMEs jump to an early 14.6 years and a late 20.3 years).

[286] Amable divides advanced capitalist countries into Market-based, Asian, Mediterranean, Continental European and Social Democratic capitalism. Using Amable's fine-grained five-fold categorization, market-based capitalism is once again the forerunner. With 1980 as year 0, CR is institutionalized in Market-based economies after an average of 13.5 years, followed by Mediterranean capitalism with 19

institutionalization of Corporate Responsibility between Liberal- and Coordinated, Liberal- and Social Market, and Market-Based and Continental European capitalist economies. In fact, these categorizations provide stronger support for H3 than Hall and Soskice's categorization. If Midttun, Gautesen and Gjølberg (2006), as well as Gjølberg (2009a, 2009b) are interpreted as implying that a comparative advantage in Corporate Responsibility means that these same countries get it earlier than others, this provides disconfirming evidence.

Before proceeding, it is necessary to ensure that the results are robust to outliers in the CRA data set. More specifically, we will probe the following possibility: how sensitive are the results to the UK as a first mover?[287] Is the temporal gap between Liberal and Coordinated/Social-Market/Continental European economies driven disproportionately by one observation – the UK?[288] My response to this challenge involves both concessions and defences. I summarize the four possible codings in figure 5.5:

LMEs without UK	*LMEs with UK*
18	15.33
CMEs with Sweden as 1987	*CMEs with Sweden as 2004*
20.8	22.5

Figure 5.5: The Effect of Different Codings on the Timing of CR

The difference between LMEs and CMEs is sensitive to coding. When it comes to the timing of CR, it is unclear whether LMEs as a whole have a significant lead over CMEs as a whole. If we take the UK out, LMEs come in at 18 years. The difference between LMEs and CMEs then hinges on the coding of Sweden, discussed above in

years and Continental European Capitalism at 19.33 years (if Sweden is coded as 1987) or 25 years (if Sweden is coded as 2004). Thus, in Amable's schema, the gap between the onset of CR in Market-based economies and their Continental European counterparts grows to 6 years, proving even stronger support for H3 than Pontusson's or Hall and Soskice's categorization.

[287] Compare Robert W. Jackman's (1987) claim that Lange and Garrett's (1985) results are driven by the outlier Norway.

[288] I am grateful to Christopher Way for bringing my attention to this issue.

footnote 15. The most unfavorable coding leaves out the UK and codes Sweden as 1987. In this case, LMEs lead over CMEs shrinks to just 2.8 years. The evidence clearly refutes the claim that CMEs get CR faster than LMEs. But it provides at best qualified support for H3.

In my view, eliminating the UK from the analysis while coding Sweden as 1987 stretches the limitations of plausibility. Simultaneously omitting one observation while unfavorably coding another changes the results of a small-n analysis. All other codings, for example omitting the UK and coding Sweden as 2004, are more favourable to my argument. In this case, the gap between LMEs and CMEs is 4.5 (18 vs. 22.5) years. If the UK had not embarked on the path of CR as it did, the Swedish CRA would almost certainly not have been founded in 1987. Harry Goldman, who founder of the Swedish CRA Jobs and Society, says that his CRA was an attempt to copy the UK CRA BITC's job creation initiatives in Sweden (Goldman, interview, 2006). This is equally true of the French CRA founded by Claude Bébéar, the CEO of AXA in 1986. Thus, if the UK CRA had not existed, it seems unlikely that these countries would have gotten CR when they did. If eliminating the UK from the analysis is questionable, eliminating the UK while coding Sweden as 1987 is even more implausible.[289] And as can be seen from the table above, only this coding reduces the differences between LMEs and CMEs to insignificance. Yet I cannot deny this troubling fact: once the innovation of CR had has been invented, it spreads only marginally faster to LMEs than to CMEs. The sensitivity of my results to alternative coding does not invalidate my findings, but it suggests qualified rather than strong support for hypothesis H3.

[289] Positing that Sweden had CR in the mid-1980s while the UK did is implausible for anyone with a cursory knowledge of these cases. It is hard to imagine a world – even a hypothetical one – in which Swedish firms are able to overcome the obstacles of powerful and militant trade unions, an expansive welfare state and a dense regulatory environment to overtake their British counterparts when it comes to voluntary engagement for domestic social and environmental ends.

My rebuttal is that my argument is really about the *co-evolution* of Corporate Responsibility and the *erosion* of Institutionalized Social Solidarity. Non-liberal Varieties of Capitalism can be taken as proxies for Institutionalized Social Solidarity, but these static categorizations do they permit degrees of membership, nor do they get at change over time. Yet countries and their institutions aren't static, they are in constant motion. For Hall and Soskice, the UK is a paradigmatic LME. Yet chapter 2 makes clear that the UK's LMEness was politically constructed. Only the radical changes of the 1980s made the UK a clear LME. In the remainder of this chapter, I incorporate the temporal dimension in two ways. First, I use a more nuanced measure of my dependent variable – the number of firms in a country's CRA over time. Second, I also use continuous and fine-grained measures of ISS as my explanatory variables. In my discussion below, I will explore the implications of alternate codings of the UK and Sweden for my findings. Before I do so, figure 5.6 provides a glimpse of countries' movement on the independent variable. Based on product-regulation density data compiled by the OECD, it ranks countries' product market regulation from the least-regulated to the most-regulated for three years: 1998, 2003, and 2008.

Timing to CR	1998 PMR density	2003 PMR density	2008 PMR density
UK	UK	UK	UK
France	USA	USA	USA
Sweden	Canada	New Zealand	Canada
USA	New Zealand	Canada	Netherlands
Hungary	Australia	Australia	Spain
Czech Repub.	Ireland	Denmark	Norway
Canada	Netherlands	Finland	Finland
Italy	Norway	Ireland	Australia
Norway	Sweden	Netherlands	New Zealand
Slovakia	Germany	Japan	Switzerland
New Zealand	Finland	Norway	Hungary
Netherlands	Belgium	Sweden	Sweden
Finland	Japan	Luxembourg	Germany
Poland	Austria	Belgium	Austria
Spain	Hungary	Germany	Italy
Greece	Switzerland	Slovak Repub.	Portugal
Switzerland	France	Austria	Belgium
Germany	Spain	Spain	France
Ireland	Italy	Switzerland	Luxembourg
Belgium	Greece	France	Czech Repub.
Australia	Czech Repub.	Greece	Poland
Austria	Poland	Poland	
Luxembourg			

Source: OECD PMR indices (2009)

Light Grey = LME Dark Grey = CME White / Unshaded = MME

Figure 5.6: Timing to CR and Product Market Regulation in LMEs, CMEs and MMEs

LMEs remain the least regulated group over the ten year period between 1998 and 2008, clinching the three least-regulated spots throughout. However, the distribution becomes increasingly dispersed over time. Although CMEs as a group do not overtake

LMEs, selected CMEs do so. Interestingly, this time period is precisely many of these countries 'got' CR. The next section adjudicates H2, the quantity of CR in different varieties of capitalism.

IV. The Quantity of CR in Different Varieties of Capitalism

From the preceding section, we have seen that Corporate Responsibility tends to arise earlier in LMEs than in CMEs/SMEs. But given that all of the 25 countries in my analysis have now gotten CR, quantity may be more relevant. Is CR more widespread in LMEs than in SMEs/CMEs, as I suggest in hypothesis H2? Before proceeding to the data, a few remarks about its interpretation are necessary.

The membership levels of national CRAs are one barometer for the level of interest in CR in a given country at a given time. The criteria for membership in these associations vary significantly, both over time and across the countries included in this study. Annual membership dues, for example, range from a few hundred dollars to tens of thousands of Euros annually. At some level, it seems reasonable to expect the cost of membership to have an adverse effect on membership levels. Moreover, it is obviously problematic to attribute an association's membership level exclusively to external societal or institutional factors. The quality of a CRA's leadership and services will affect firms' propensity to join it; and they too vary across time and across CRAs. Thus, strictly speaking, one cannot make the assumption of unit homogeneity,[290] the assumption that a CRA member in one jurisdiction has the same weight as an association member somewhere else, or the assumption that membership at time *t1* is the same as it is at time *t2*.

To illustrate this point: the German CR association Econsense had only twenty-four corporate members in 2007, but many of these are among the weightiest

[290] Hall (2003)

publicly traded companies in Germany, including Deutsche Bank, BASF, Siemens, DaimlerBenz, and Volkswagen. Despite their small number, Econsense members have more combined economic muscle than the collected membership of some other CRAs with higher levels of aggregate membership. Furthermore, declining membership levels do not necessarily indicate a declining interest in, or societal legitimacy of CR. The US CRA Business for Social Responsibility's membership declined from approximately five-hundred a decade ago to three-hundred in 2007, due to an increase of membership fees and a shift of focus from small and medium sized firms to large publicly traded multinationals. The membership data should therefore be interpreted with caution. Notwithstanding the aforementioned qualifications, my claim is that the level of firms in the membership of national CR associations *does say something* about the state of CR in a country. In general, the higher the membership in a given jurisdiction, the greater the currency of CR in that jurisdiction.[291] While all other things are rarely equal in practice, they are equal enough, and our state of knowledge on CR's trans-national variation is so poor that this data can be insightful. Figure 5.7 displays the aggregate membership data for twenty-three CRAs across the OECD from the early 1980s until 2007.[292] (Readers seeking a graphical representation of this data organized by country are advised to the Appendix).

[291] Do CRA membership levels bear any relationship to other CR indices? Do countries with high membership levels tend to score higher in CR ratings than countries with few members? To assess this relationship, I correlate the CR index from Androniki Apostolakou and Gregory Jackson (2009: 382-383) with the raw membership of thirteen CRAs (excluding the US and UK) for 2007. The covariance is 0.52.

[292] Including CRAs from the following jurisdictions: Australia, Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Scotland, Spain, Sweden, Switzerland, United Kingdom, United States

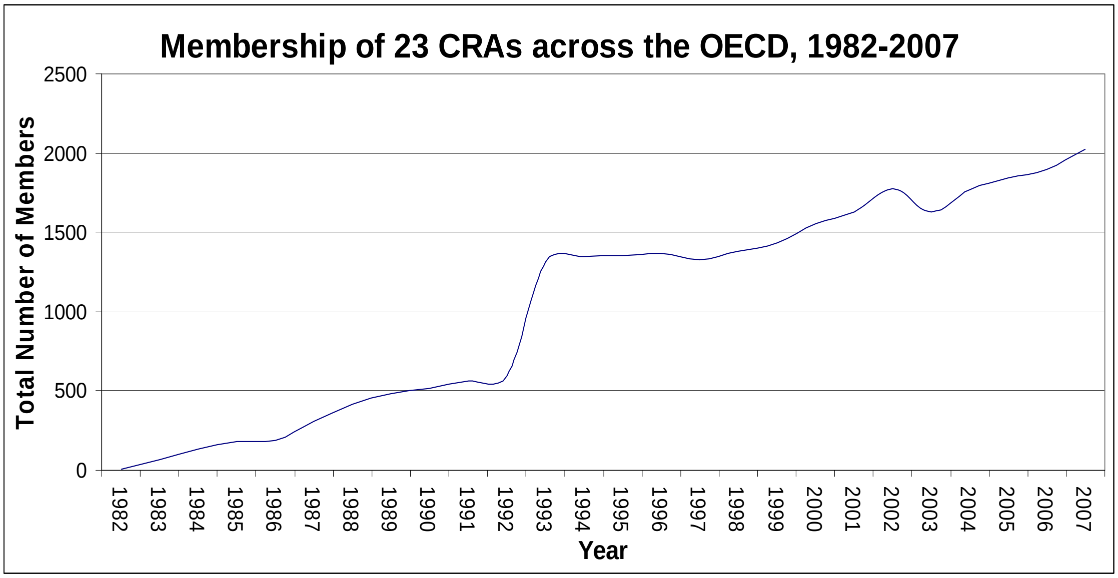

Figure 5.7: CRA Membership across the OECD

The data resemble a distorted S-curve, the shape typical of diffusion processes.[293]

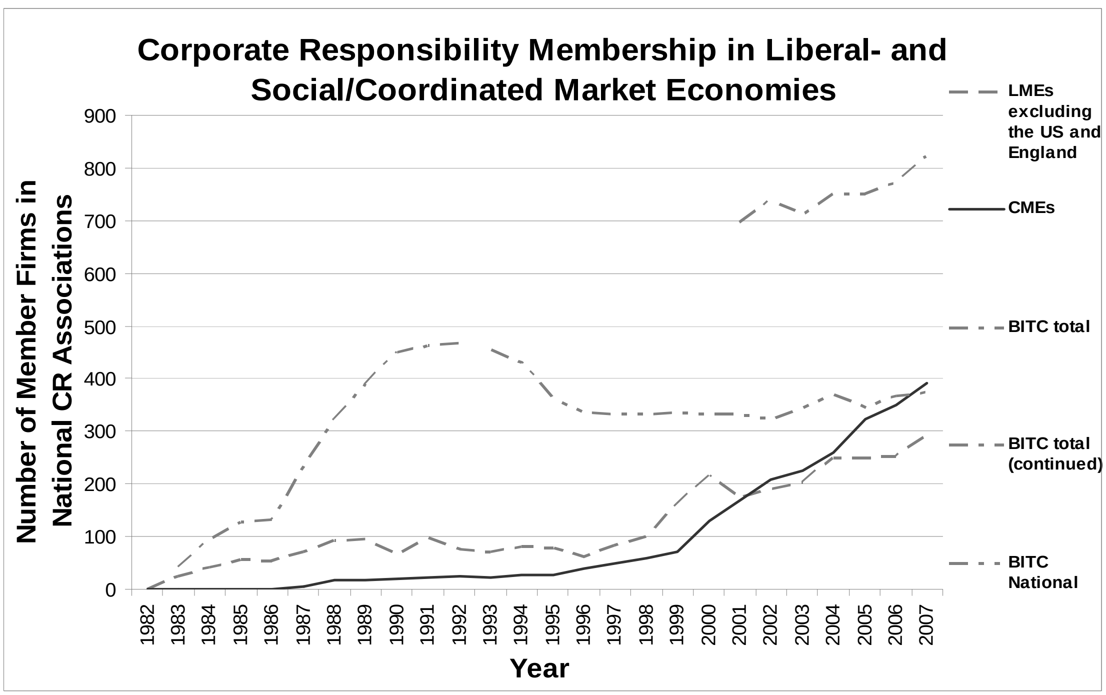

FIGURE 5.8: Corporate Responsibility: LMEs versus CMEs

293 These aberrations from an S-curve are due to the dramatic membership fluctuations (rapid increase and decrease) of the US CRA BSR during the first decade of its existence (1992-2002). As noted elsewhere, BSR initially had very high membership levels and negligible membership fees. As BSR's membership moved away from small- and medium-sized companies and towards business consulting with large MNCs, BSR

Figure 5.8 distinguishes between three groups of firms: LMEs excluding the US and England; CMEs; and national and total membership levels in the UK CRA BITC. BITC's membership levels are extraordinary, and exceed those of all CMEs by a factor of two. CMEs' aggregate membership seems to exceed LMEs excluding the US and England. But does it really? Figure 5.8 contains the membership data of only five CRAs in five LMEs: Ireland, New Zealand, Scotland, Australia and Canada. By contrast, the CME data derives from eleven CRAs in nine CMEs: Luxembourg, Norway, Finland, Switzerland, Austria, Sweden, Belgium, the Netherlands, and Germany. These CME countries have roughly twice the population of these LME jurisdictions. With twice the population and more than twice the number of CRAs, we would expect this group of CMEs to have significantly higher membership levels than this group of LMEs. This is clearly not the case. Instead, we find that the membership level of these groups is roughly the same. Whether per capita or per CRA, LMEs have a higher level of CRA membership than their CME/SME counterparts. The data support hypothesis H4, the claim that LMEs have more CR than CMEs.

Figure 5.9 compares the membership of LMEs, including the UK but excluding the US, with all CMEs/SMEs (the same as above) over time. The US is excluded on the grounds that the two groups of countries should be roughly equal in size for the purposes of comparison: in general, the greater the population, the larger the greater the number of firms and CRAs. Although the CME group contains significantly more CRAs than the LME group, the two groups are now much closer in terms of population.[294] Yet CMEs have no where near the depth of LMEs.

[294] According to 2009 estimates, the CMEs have a population of roughly 144 million, the LMEs of roughly 122 million.

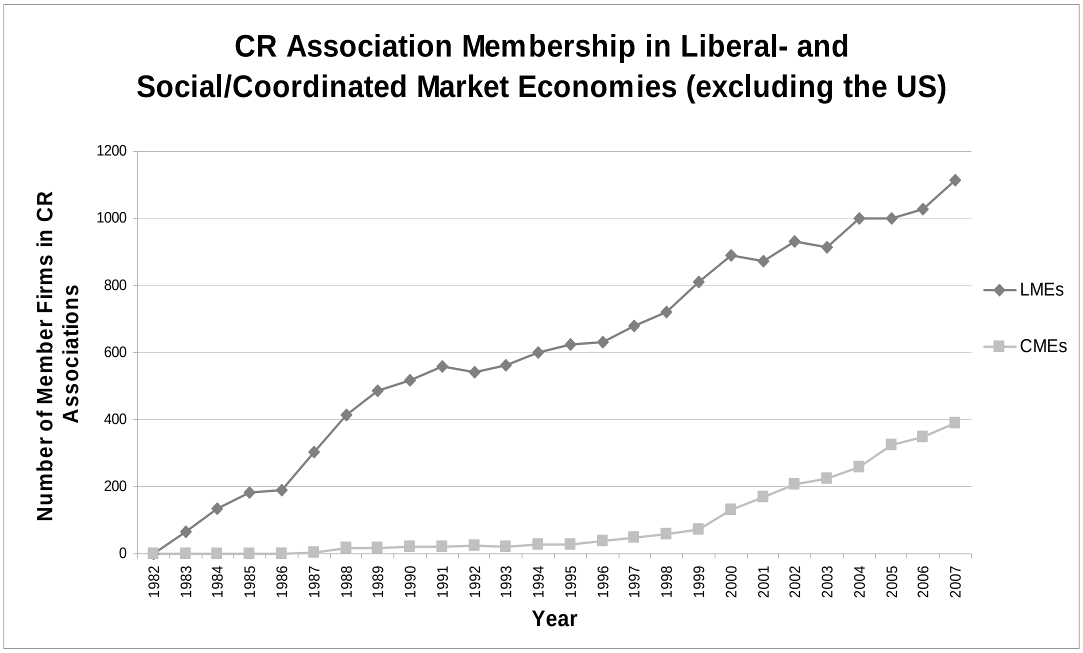

Figure 5.9: CRA Membership in LMEs and CMEs

Given the UK's extraordinary high membership levels, readers may wonder whether there is omitted variable bias. Are UK firms joiners in general, and not necessarily in CR? If this is the case, UK firms should exhibit unusually high membership levels in other, non-CR initiatives. To examine this possibility, let us examine two indicators, the management standards ISO 9000 (for quality) and 14000 (for the environment). ISO 9000 and 14000 are the international if not global standards in their respective areas. According to Isin Guler, Mauro F. Guillén, and John Muir Macpherson (2002), the UK had an extraordinarily high number of ISO 9000 certifications during the 1990s – over 58 000 in 1998. Germany, by comparison, had only 24 000 (Guler, Guillén, and Macpherson, 2002: 219), less than one-half the UK level. According to Charles J.Corbett and David A. Kirsch (2001), the ratio for ISO 14000 is similar, with the UK having approximately twice as many certifications as Germany (Corbett and David A. Kirsch, 2001: 330). According to a more recent paper by Martí Casadesús, Frederic Marimon, and Iñaki Heras (2008), however, the number of ISO 9000 and 14 000 certifications in the UK, though high (and higher than Germany), is lower than the number of certifications in countries such as Italy, Spain, and Switzerland. According to these authors, the UK's involvement in these management standards is not on a different order of magnitude from other countries, as it is for CR using the metrics in this chapter. From this brief survey, it is unclear to what extent British firms are joiners in general, rather than for CR for the reasons explicated in this thesis. And even if they are, it could be that this propensity is endogenous, integral to financialized, liberalized, deregulated and internationalized market-liberalism. Future research is needed to resolve these questions.

Before proceeding, it may be worth putting the above membership in a broader context. I have not standardized the number of member firms in CR associations as a proportion of total employees or firms in the country for two reasons. First, given the quantity of data, doing this would be very time-consuming. Second, and more importantly, it would not show much. While there is considerable variation in different countries numerator (membership), the magnitude of this variation diminishes considerably when placed in relation to the denominator, the economy as a whole. To illustrate: Business in the Community, the leading CRA based in the UK, has a membership of over eight-hundred, including 80% of the FTSE 100 (100 largest publicly listed companies in the UK), in 2007. Yet according to BITC's own admission, the association and its membership represent just "one in five" workers in the UK's private sector workforce. BITC is a ceiling, an upper limit for CR in this study. All other national CRAs represent a smaller proportion of their country's total number of firms and employees.

Following David Vogel, there is indeed a "market for virtue," but it is clearly a niche market (Vogel, 2005). What Vogel fails to acknowledge is that not just activist pressure and consumer demand, political-economic and structural-institutional variables have a systematic effect on firms' propensity for voluntary engagement.

Figure 5.10 draws together some of the above strands by exposing the relationship between product market regulation density as measured by the OECD on one hand, and CRA membership levels on the other. Low levels of product market regulation density are a necessary, though insufficient condition for high levels of CRA membership.[295]

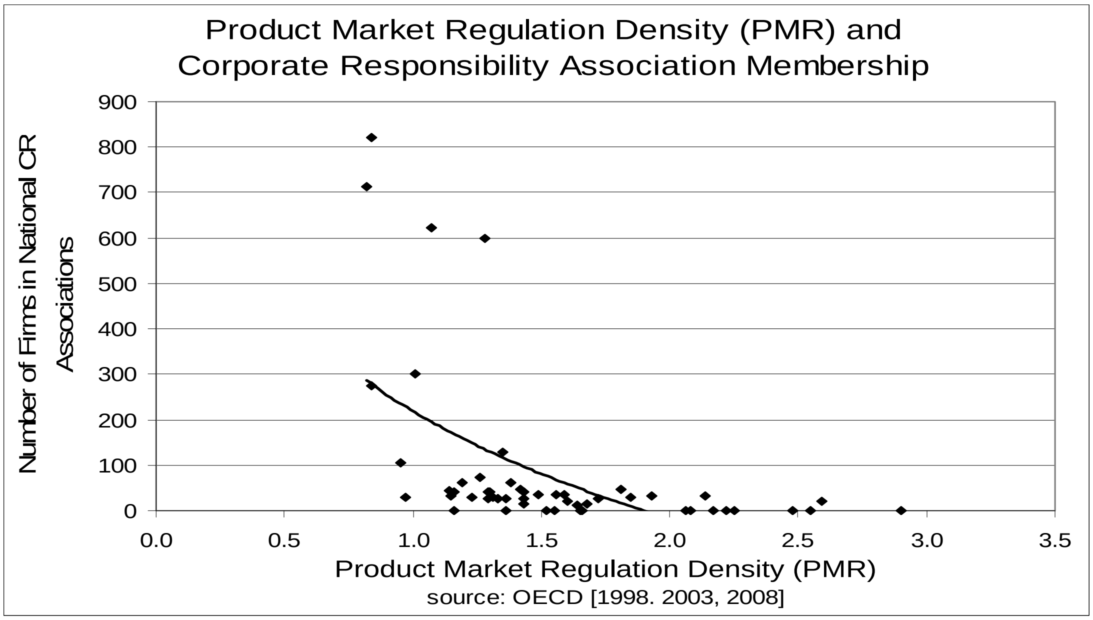

Figure 5.10: CRA Membership and PMR Density

I will now summarize and connect this discussion with the above debate between Midttun, Gautesen and Gjølberg (2006), as well as Gjølberg (2009a, 2009b) on one side, and Apostolakou and Jackson (2009) on the other. The above evidence regarding the timing and quantity of CR in CR associations across Europe shows that LMEs get more CR earlier than SMEs/CMEs. This evidence provides disconfirming evidence for Midttun, Gautesen and Gjølberg, and support for Apostolakou and Jackson. CR appears to be a substitute rather than a complement for institutionalized solidarity. There is, however, a point of agreement between my findings and Gjølberg's. One of Gjølberg's central findings is that the Nordic countries are high

[295] A brief explication of the country distribution is in order. The data points in the upper-left are the UK and the USA; data points between the regression line and the x-axis include Italy and Germany, as well as small European countries.

Corporate Responsibility performers; in fact, they occupy the top rankings in Midttun, Gautesen and Gjølberg (2006), and in Gjølberg (2009a, 2009b). These assertions can be reconciled with my data if Sweden is coded as 1987. In that case, Sweden is among the front-runners when it comes to the timing of CR. In terms of quantity, although I have not included a summary measure for the Nordic countries, they appear to fare relatively well given their small size, at least in comparison with the continental Europeans. The next section examines the relationship between CR and two measures of institutionalized social solidarity.

V. Institutionalized Social Solidarity and Corporate Responsibility

Varieties of Capitalism are plausible but imperfect proxies for institutionalized social solidarity. CMEs tend to have more highly developed solidaristic institutions than LMEs, but these categories do not account well for the institutional diversity within each category. The LME Canada, for example, has significantly higher rates of unionization and lower levels of income inequality than its southern neighbor. Both CMEs and LMEs contain solidaristic institutions, to varying degrees. They are mixed, not pure categories.[296] To determine whether the posited relationship really holds, it is necessary to supplement these macro-typologies with more fine-grained indicators. Labor power and the top statutory taxation rates on capital are two such proxies of institutionalized social solidarity. I will begin my discussion with wage bargaining centralization.

In the preceding chapters, I have suggested that labor power and Corporate Responsibility are material and symbolic substitutes. The centralization of wage bargaining is an imperfect but acceptable proxy for the power of organized labor and related social outcomes. According to Andrew Glyn, "there is a robust correlation

[296] Crouch (2005); Becker (2009)

between earnings inequality and the decentralization of wage bargaining" (Glyn, 2006: 169). Organized labor has historically pushed for wage bargaining centralization as it has gained strength and influence. On the other hand, a completely decentralized wage bargaining system is one in which labor has no collective interest representation, in which each worker is competing with every other worker to sell her labor.

In terms of the timing of CR's institutionalization, our expectations are as follows. If Corporate Responsibility is complementary to wage bargaining centralization, CR will arise earlier at higher levels of wage bargaining centralization. If CR is a substitute for centralized wage bargaining, it will arise earlier in decentralized wage bargaining systems than in centralized ones. Hypothesis H2 implies an inverse relationship between institutionalized social solidarity and wage bargaining centralization: If CR is a substitute for wage bargaining centralization, it should arise earlier in countries with decentralized wage bargaining systems than in countries with centralized ones.

Figure 5.11 shows the relationship between the centralization of wage bargaining and the founding dates of Corporate Responsibility associations in 25 OECD countries between 1980 and 2007. It provides a snap-shot of the degree of wage bargaining centralization at the time of the establishment of CRAs. For each country, wage-bargaining centralization is measured for the year when that country's CRA was founded. Following our discussion above, the results may be sensitive to the coding of Sweden and the inclusion/exclusion of the UK. Figure 5.11 includes the UK and codes Sweden as 1987.

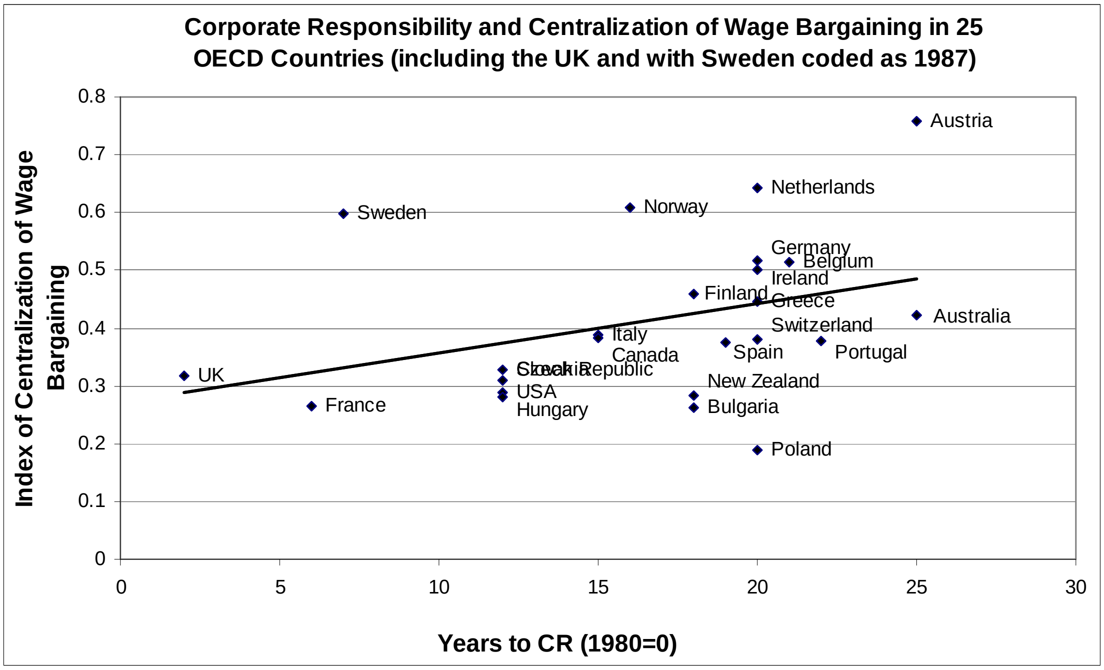

Figure 5.11: Wage Bargaining Centralization and CR

The data for the centralization of wage bargaining are from the Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 26 countries between1960 and 2006 (ICTWSS) by Jelle Visser, Amsterdam Institute for Advanced Labour Studies AIAS, August 2007.

While it is clear that the centralization of wage bargaining is not the only influence on the institutionalization of CR, there does appear to be a relationship. Corporate Responsibility tends to be institutionalized earlier in countries with decentralized wage bargaining systems than it is in countries with centralized wage bargaining systems. With the possible exception of Sweden, all countries with centralized wage bargaining systems are slow to get CR.

We will briefly examine the impact of alternate coding on the above results. Figure 5.12 shows the slope, intercept, and percentage of variance accounted for by including/excluding the UK and coding Sweden as 1987 and as 2004.

CENT		
	Sweden as 1987	**Sweden as 2004**
with UK	y = 0.0081x - 15.793 R2 = 0.1101	y = 0.0126x - 24.703 R2 = 0.2581
without UK	y = 0.0088x - 17.161 R2 = 0.093	y = 0.0161x - 31.757 R2 = 0.2811

Figure 5.12: The Effect of Different Codings on Wage Barganing Centralization

As we can see from figure 5.12, the steepness of the slope – the sharpness of the trade-off between wage bargaining centralization and CRA establishment – varies significantly depending on the coding of Sweden. The relationship is notably stronger with Sweden coded as 2004 than it is with Sweden coded as 1987. The steepness of the slope increases by one-half with a 2004 coding for Sweden; and it doubles if Sweden is coded as 2004 and the UK is excluded. These results suggest that if anything, scatter-plot in figure 5.12 underestimates the trade-off between ISS and CR.

Next, we will examine the relationship between statutory tax rates on capital and the timing of CR association establishment in 21 OECD countries. One can plausibly argue that taxing capital for the provision of collective goods and redistributive goals is integral to ISS. It is well-known that the top statutory tax rate on internationally mobile capital has declined as capital's power and exit options have increased over the past decades.[297] But is there a systematic relationship between statutory tax rates and the institutionalization of Corporate Responsibility? Figure 5.13 shows the top statutory tax rates on capital in twenty-one OECD countries for the year in which that country's CRA was founded.

[297] There is some disagreement over the extent to which this has lowered aggregate revenues from capital taxation.

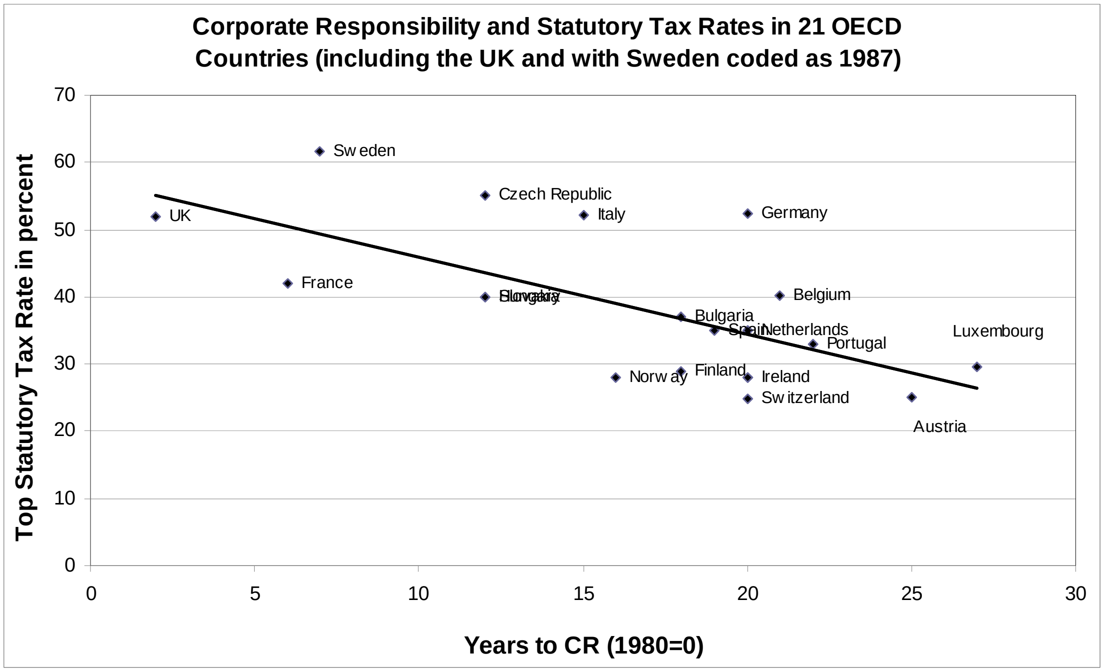

Figure 5.13: The Taxation of Capital and the Timing of CR across the OECD

These STR data are from Michael Overesch and Johannes Rincke (2008)," The Dynamics of Corporate Tax Setting in Europe, 1984-2006", paper presented at the CESifo Venice Summer Institute - Workshop Taxation of Multinational Firms', 17th July 2008, Venice. The smaller number of countries as compared with the wage bargaining figures above is due to STR data availability.

High statutory tax rates do not prevent countries from getting CR. Indeed, five countries (including the UK) had top rates in excess of 50 percent at the time of CRA establishment. Nonetheless, declining statutory tax rates are correlated with the institutionalization of CR: as CR has been institutionalized in more and more countries, STR rates have declined. 5.14 shows the impact of different coding on the results. Coding Sweden as 2004 flattens the slope and leaving out the UK sharpens it.

STR		
	Sweden as 1987	**Sweden as 2004**
with UK	y = -1.1719x + 2378.6 R2 = 0.4527	y = -1.0103x + 2055 R2 = 0.3914
Without UK	y = -1.2853x + 2605.2 R2 = 0.4119	y = -1.0332x + 2100.9 R2 = 0.2963

Figure 5.14: The Impact of Different Codings on STR

The above scatter-plots provide support for hypothesis H2, the claim that ISS and CR are inversely related. They also underline the limitations and shortcomings of relying exclusively on VoC categories. Thus, excluding the UK case, a textbook case for H1, the co-evolution of market-liberalism and CR, does not necessarily lessen the trade-off between ISS and CR. This underlines the complexity of the underlying relationships. Before examining some regression output, we'll consider the case of the United States.

Although the United States is widely acknowledged as the 'pioneer' of CR,[298] the American CRA Business for Social Responsibility (BSR) was founded only in 1992, a decade after the U.K.'s Business in the Community. This may be surprising, since according to statistics from the Luxembourg Income Survey, the United States has the most unequal income distribution and the highest levels of child poverty in the entire OECD.[299] Moreover, there is widespread agreement that rates of income inequality and associated social pathologies increased dramatically in the decades following 1979.[300] BSR's founding date seems late in light of these institutional deficiencies; but it is important to remember that CR arises and thrives when ISS is being eroded. CR is not simply a correlate of the absence or dearth of ISS.

There are multiple candidate explanations for the US's laggard status. First, CRAs are national-level associations, giving centralized unitary states an advantage over decentralized, federal states. In fact, comparing the founding dates of CRAs from unitary and federal states in figure 5.1 yields a startling contrast. On average, unitary states[301] get CR after 16.94 years, whereas the average for federal states is 19.71, almost three years later. All three first-movers – the UK, France, and Sweden[302] -- are unitary, not federal states. Thus, the US's lateness to get CR in part reflects America's decentralized federal structure. National-level CRAs by definition cannot account for

[298] See Bowen (1953)
[299] Glyn (2006: 168-169); Pontusson (2005: 160-161).
[300] Pontusson (2005: 6)
[301] Including Denmark.
[302] If Sweden is coded as 1987.

the plentiful regional and state-level CR initiatives in the US.[303] Additional considerations include the following: levels of ISS have always been comparatively low in the United States. Thus, in the US, there was less institutionalized social solidarity to attack and dismantle than in the other countries in this study. Following Werner Sombart's influential treatise *Why is There No Socialism in the United States?*,[304] the country's historical evolution, identity and ideological self-understanding[305] undoubtedly also play a role. In spite of the social problems which plague the United States, this country's steadfast and deeply-entrenched capitalist mentality diminishes the need to legitimate the system, whether through CR or by other means, compared with less pro-business countries.

VI. Regressions as Robustness Checks

To assess the relationships between the presence / absence of a CRA, the membership levels of CRAs and wage bargaining centralization, as well as between CRA membership levels and product market regulation, I ran three regressions: multilevel random effects models with country and year dummies. In each of these cases, I coded Sweden as 1987 to provide a more rigorous test of the relationships in question. The results are summarized in figure 5.15.

[303] In Minnesota, clubs of firms that commit themselves to give 5% and 2%, respectively, of their pre-tax profits to charitable causes served as examples for BITC's PerCent Club founded by Hector Laing and discussed in chapter 2.
[304] Sombart (1979 [1906]).
[305] Including the frontier (Sombart's thesis); a variety of ideological tropes including the country's tradition of rugged individualism; and the character of political competition. I would like to thank my special committee members for clarifying these points for me.

The Relationship Between Corporate Responsibility, Wage Bargaining Centralization, and Product Market Regulation

	Issue Area		
Variables	Wage Bargaining Centralization	Wage Bargaining Centralization	Product Market Regulation
The Presence / Absence of a CRA	-28.11 (-58.75, 2.53)		
CRA Membership		-3.73 (-5.42,-2.04)	-118.63 (-213.43, -23.83)
Constant	-.34 (-14.02, 13.35)	5.76 (4.89, 6.63)	300.09 (104.34, 495.84)
Observations	486	175	53
Number of Countries	19	18	20
Rho	.98	.25	.84

Note: 95% confidence intervals in parentheses.

Figure 5.15: CR, Wage Bargaining and PMR

Our first regression is logistic, since the dependent variable – the presence or absence of a CRA – is dichotomous. Wage bargaining centralization has the expected negative sign: it is negatively associated with the presence of a CRA (csr1). As expected in H2, wage bargaining centralization and CR association establishment move in opposite directions, and this relationship is statistically significant at the p<.10 level. Next, I assess the relationship between CRA membership and the centralization of wage bargaining. As hypothesized in H2, the relationship is negative and statistically significant at the p<.001 level. Finally, we regress product market regulation on CRA membership. Because the OECD has only calculated the product market regulation index for three years (1998, 2003, 2008), it does not seem reasonable to assume a linear decline of this index to compute the values for the intervening years, the data set is small in size. As a result, statistical significance does not reach the p<.10 percentile confidence interval.[306] However, the sign and size of the coefficient suggest that the relationship is significant.

VII. Conclusion

This chapter moves beyond country case-studies to capture the contours of the distribution of Corporate Responsibility across the OECD during the past thirty years. It is the first empirical analysis for this subject matter using a novel dependent variable, business-led Corporate Responsibility Associations (CRAs). The evidence provides qualified support for hypothesis H3, the claim that Liberal Market Economies get CR earlier than Social- or Coordinated Market Economies. The evidence provides strong support for H4, the hypothesis that LMEs have more CR than CMEs. Indeed, according to the metric of CRA membership, Anglophone countries have vastly more depth in CR than their continental European counterparts. Looking at measures of Institutionalized Social Solidarity, countries with centralized wage bargaining regimes tend to get CR considerably later than decentralized wage bargaining systems. In addition, the international spread of CR is correlated with a decline in the top statutory tax rates on capital. Both of these findings support H2, the hypothesis that there is an inverse relationship between ISS and CR.

These findings provide suggestive support for my argument that Corporate Responsibility co-evolves with economic liberalization and market liberalism, and functions as a substitute for institutionalized forms of social solidarity. With the exception of Apostolakou and Jackson (2009), this claim goes straightforwardly

[306] See Stephen Ziliak and Deidre McCloskey (2008) for an impassioned and powerful warning against "The Cult of Statistical Significance."

against the received orthodoxy of the field. We should, however, be cautious about being too strident about this claim or too categorical about the imputed trade-off. The trade-off between institutionalized social solidarity and CR which I have inferred from this data seems to be especially acute when it comes to the continental Europeans versus Anglophone comparison. Nordic countries may fare better; and Hall and Soskice's residual category of Mixed Market Economies does surprisingly well, despite higher levels of ISS than LMEs. The greatest shortcoming with the analysis in this chapter is that the static nature of the data. My argument is really about liberalization episodes, about *responses to changes*. Further research is necessary to find indicators of liberalization episodes that will allow us to assess the effect of market-liberal reforms and declining institutionalized social solidarity on countries' propensity to get Corporate Responsibility.

Chapter 6: Conclusion
Whither Capitalism and Corporate Responsibility?

I. Introduction

When Mike Pocock delivered his Ashridge Lecture in 1977, market-liberalism was heretical. By 2007, it had become the dominant orthodoxy. But market liberalism did not rise unaided. Rather, as Pocock himself prescribed, it was accompanied and facilitated by Corporate Responsibility. CR and market-liberalism co-evolve. That is the core argument of this thesis, and it gives CR a paradoxical if not ambivalent quality: "responsible" business dismantles institutionally mandated responsibility.[307] My argument implies that the public's lack of confidence and trust in CR is not because CR initiatives at the firm and association level are cynical public-relations facades devoid of substance.[308] Instead, the problem is that they are no match for the wave of economic liberalization that has swept across the world, with profound impacts on many spheres of life. Although Corporate Responsibility is an expansive business agenda, CR is not a genuinely countervailing force against the unfolding of economic liberalism. CR is no comparison for the structures of institutionalized social solidarity which it in effect substitutes for; and CR appears deficient and inadequate to confront the challenges that confront societies in contemporary capitalism. If "Corporate" and "Responsibility" are partners, they are very unequal partners. Rather than simply summarizing my findings, this conclusion reflects on the limitations and generalizability of my argument; on agendas for future research; and on the implications of the financial crisis for CR.

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[307] As Donald Levine points out, the classics including Marx, Durkheim, Simmel, Weber and Mannheim were deeply attentive to these issues: "progress begets misery, crime promotes morality, intimate acts are socially induced, conflict enhances cohesion, cultural growth creates culturally impoverished persons, and rationality both derives from and stimulates irrationality" (Levine, 1978: 1278-1279).

[308] Although I do not deny that there are such cases, exceptions prove the rule: there are many examples of progressive and visionary Corporate Responsibility programs and initiatives at the firm- and association level.

It is essential to be clear about of the limitations of my argument. CR's rise is due to the rise of market liberalism and assaults on ISS; but CR's rise is not attributable exclusively to these factors. As with any complex macro-social phenomenon, a lot of causal factors are at work, many of them embedded in the narratives of chapters 2-5. Many of these complement and supplement the argument of this thesis; some of them mitigate it. Figure 6.1 summarizes these factors:

Shoring Up Legitimacy of Capitalism in the Context of the Assault on / Decline of ISS	Civil Society Activists and Social Movements[309]
Reputation and Risk Insurance and other Selective Private Benefits[310]	Norm Entrepreneurship / Pure Moral, Ethical and Religious Motivation
The Ideological Climate towards Business[311]	Federalism[312]
Diffusion, Emulation and Mimicry[313]	The Intensity of Market Competition[314]

Figure 6.1: The Argument of this Thesis and Alternative Explanations

Readers may also wonder about the scope conditions of my argument. The macro-level indicators in chapter 5 associate CR, market-liberal Varieties of Capitalism and lower levels of Institutionalized Social Solidarity. But such abstract indicators cannot capture the complex co-evolution of CR and market-liberalism on the ground. The following section looks briefly at six shadow cases: France, Sweden, Belgium,

[309] Civil society activism and social movements may become active in opposition to market-liberalism and assaults on ISS. Rather than an alternative, this explanation complements the argument of this thesis.
[310] For example advantages in the recruitment and retention of staff.
[311] A very business-hostile ideological climate may engender CR even in the absence of institutional reforms. On the other extreme, CR is redundant in a free-market utopia without externalities.
[312] As noted in chapter 5, countries with unitary states tend to get CRAs earlier than federal ones.
[313] The policies of market-liberalism and assaults on ISS (connected with CR) are subject to emulation; but CR may also be subject to pure mimicry, unrelated to market-liberalism and erosions of ISS.
[314] The argument here is that competitive markets force firms to find new ways to differentiate themselves from their competitors. One way to do so is through CR. In practice, competitive and deregulated markets and market liberalism are closely related. But as Jonas Pontusson (2009) has argued, deregulated and competitive product markets needn't be incompatible with ISS. For a more cautionary skeptical interpretation of the compatibility of deregulation and ISS, see Amable (2009)

Austria, the United States and New Zealand. The first four support my argument, New Zealand points beyond it.

In chapter 5, France looks strange. Why is France among the first countries to get a CRA (in 1987)?[315] Claude Bébéar, one of France's foremost business patricians, has been central to both CR and the liberalization of the French economy. Founder and long-time CEO of AXA,[316] Bébéar has been called the "Godfather of French capitalism." But Bébéar is not just a central figure in French business. He is equally central for the development of CR in France. In 1986, just after François Mitterrand abandoned his left-wing economic policies and engaged in a "strong Thatcherite program,"[317] Bébéar founded France's first CRA. Modelled on BITC, the fondation pour le mécénat humanitaire[318] now has nearly two-hundred French and multinational companies in its membership. In taking the initiative to advance CR not only within his company but more broadly within French business and society, Bébéar has assumed an important role in the promotion and advancement of CR in France.[319] Yet Bébéar and AXA have also been at the forefront of the push to liberalize French capitalism, as François Morin has shown.[320] Bébéar's repeated statement that he saw no value in long-term strategic shareholding is "widely regarded (retrospectively) as

[315] As mentioned in chapter 5, France has a unitary and centralized state structure – as do the UK and Sweden, the other two early movers.
[316] France's largest insurer and one of the world's largest companies
[317] This remark was made by Bruno Amable at a workshop at the Harnack-Haus of the Max-Planck Institute for the Study of Societies in Berlin, Germany, on June 4 2010.
[318] The organization is currently known as IMS Entreprendre pour la cite. It was initially called "fondation pour le mécénat humanitaire," then "institut du mécénat de solidarité (IMS)" and then "IMS-entreprendre pour la cite." This non-profit organization is committed to improving its member companies' social policies, their relations with their stakeholders, and helping the disadvantaged and socially excluded. Bébéar and IMS have launched initiatives for diversity and against the discrimination of "visible minorities" in the workplace. CVs should be anonymized to counter discrimination in hiring.
319 Patrick d' Humières, Alain Chauveau and Claude Bébéar (2001); Sylvère Piquet et Jean-michel Tobelem (2006)
[320] In 2000, Morin remarked that AXA, the "key actor and central fulcrum in the French financial network … is deliberately neglecting its power of coordinating and regulating economic activities … Only some investments will still be regarded as truly strategic. The remaining shareholdings will from now go into the portfolio of group activities to be managed financially according to Anglo-Saxon profitability norms" (Morin, 2000: 41)

the moment the system broke down" (Culpepper, 2005: 196).[321] Further research will be required to determine whether Bébéar has articulated an explicit connection between liberalization and CR like his counterparts in the preceding chapters.

Sweden, a country with powerful trade unions and comparatively high levels of ISS, should be an unlikely case for CR. And it is, according to this representative of the Confederation of Swedish Enterprise:

> We are fighting extremely hard to keep CSR corporate and not make certain CSR concepts compulsory for companies. We are extremely militant on keeping CSR voluntary. In another regulatory environment than the Swedish one the companies' attitudes and our attitudes may be quite different…. [but in Sweden] the room and need for voluntary commitments in the area of social affairs is very small (anonymous, interview, April 03, 2007)

According to my argument, CR's limited development within Sweden[322] is attributable to Sweden's comparatively high levels of ISS.

The Belgian Employer's Federation FEB has integrated CR into its lobbying agenda. According to the FEB's Geert Vancronenburg, "the link with CSR is mainly in terms of lobbying." While membership in CRAs is normally reserved for firms, the FEB has itself taken out a membership in the Belgian CRA Belgian Business and Society. While the latter helps "to sensiblize companies to focus attention on CSR, to share information, to exchange good practices," the FEB's task is "to monitor that the actions the government is taking are corporate friendly. That's not the task of business and society, that's our task" (Vancronenburg, interview, 01 February 2007). In this instance, corporate do-gooders and corporate lobbyists/strategists are different people. In this division of labour, the CRA pushes CR while the industry association uses CR to facilitate and legitimate its lobbying efforts.

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[321] See also Schmidt (2002)

[322] I am thinking here especially of the narrow focus of Sweden's first CR, Swedish Jobs and Society (founded in 1987), on job creation, to the neglect of other CR issues. Only Sweden's second CRA, CSR Sweden (founded in 2004), took on the whole CR agenda. But CSR Sweden's focus is primarily, though not exclusively, on the activity of Swedish firms in the developing world.

The connection between CR and industry lobbying is also apparent in Austria. "CSR Austria" was founded in 2003 by the Industriellenvereinigung (IV), Austria's large and powerful industry lobby organization,[323] and the Austian Chamber of Commerce. As Wilhelm Autischer (the first director of CSR Austria) explains, the organization's purpose was to capture and shape the ecological agenda before NGOs and trade unions could do so, thereby threatening business interests (Autischer, interview, 2007). Even after CSR Austria's restructuring into RespACT (a CRA in which individual companies have membership) in 2005, the IV remains a member, contributing (with the Chamber of Commerce) two-thirds of RespACT's operating budget (Mesicek, interview, June 14 2007). When I asked for the IV's membership's position on CR I was referred to RespACT.[324] While this CRA lobbies its members to be responsible and sustainable corporate citizens, the IV and Chamber of Commerce lobby hard and deep for market-liberal policies.

The American CRA Business for Social Responsibility (BSR) illustrates the impotence of CR in the public policy arena. BSR was founded in 1992 in response to progressives' perception of a "roadblock by the organized business community in Washington" against "progressive legislation." As Bob Dunn, formerly president, chairman, and CEO of BSR recalls, the idea was "to galvanize business to influence public policy."[325] BSR's legislative agenda put it in opposition to the U.S. Chamber of Commerce and the White House Council on Competitiveness: BSR's top priorities included "equitable tax laws and stiffer environmental legislation," "jobs in the inner city" and "the 38 million Americans living below the poverty line" (Strauss, 1992:

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[323] Similar to the Confederation of German Industry or BDI (Bundesverband der Deutschen Industrie), discussed in chapter 3,

[324] Industriellenvereinigung, personal communication, June 14 2007.

[325] As David C.D. Jacobs remarks, "many of the founders of BSR hoped that it would become an alternative to the Chamber of Commerce, lobbying on business issues from a more progressive perspective" (Jacobs, 1999: 92).

1B).[326] BSR testified to secure the passage of the Family and Medical Leave Act of 1993 (FMLA). But then it ran into problems.

BSR's finances were shaky and membership dues were generating little if any revenue. In Bob Dunn's view, these organizational challenges necessitated a more fundamental change of course: "in some sense it was more important to influence the decisions that were made every day inside of companies and through their networks than it was to worry about providing a counter voice on a handful of public policy issues" (Dunn, interview, March 10 2010). BSR changed course to focus on the CR activities of large companies. Public policy washed out of the system. Not unlike the aforementioned Belgian case, Dunn recalls that this new agenda is compatible with and complementary to business's existing public policy objectives:

> As we worked with more and more large companies they said they have lawyers we're members of trade associations if you want to be useful don't tell us what you're doing on public policy we're covered there if you want to do something on CR if that's a niche you want to fill we're willing to pay and join (Dunn, interview, March 10 2010)

Dunn's description summarizes BSR's transition from an activist CRA composed of small owner-operated firms to a cutting-edge professional consultancy focusing on designing CR strategies for large, publicly traded firms. The case of BSR can be read in different ways. It shows the indeterminacy of structure and the importance of agency. In the early 1990s, BSR's activists saw CR and ISS as complements and lobbied for more stringent regulatory standards for all market participants. But it also exposes the limitations of agency. It turns out that one can't get institutionally mandated Corporate Responsibility. BSR failed to establish itself as a progressive alternative to established business lobbying organizations and raise the level of ISS.

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[326] "'We're tired of hearing the same litany from the old traditional business organizations living with antiquated agendas, like the Chamber of Commerce,'" says Arnold Hiatt, one of BSR's outspoken proponents: "We feel using lobbyists just to get special tax breaks, or to defer safety standards and pollution control, is the narrow and parochial approach" (Reynolds, 1993: 41-42).

These activists were no match for the powerful vested interests and the unruliness, restlessness and subversiveness that characterize market liberalism. After this episode, BSR changed course. Membership shifted from small, activist, privately-owned firms to large, publicly traded ones. With a membership of approximately three-hundred such behemoths, BSR has established itself as one of the leading think-tanks and professional consultancies on CR in the US and beyond. But it has done so on the coattails of market-liberalism, rather than by reigning in the market.

Even so, is it not true that market liberalism with CR is better than market liberalism without CR? This question arises throughout the thesis, and the answer seems clear. If it were not for the actions of Hector Laing and his fellow campaigners in Business in the Community, the impact of market liberalism on workers and communities would be much worse.[327] Of course one must remain cognizant of CR's limitations. For example, BITC's latest efforts may well make a difference in the struggle against the obesity epidemic in the UK. But in comparison with the influence of economic insecurity and liberal welfare regimes, two legacies of Thatcherism, hallmarks of the market-liberal model and structural/institutional determinants of obesity,[328] the impact of BITC's initiatives will be modest. But even if Corporate Responsibility is inadequate to fill the gaps left by the erosion and dismantling of Institutionalized Social Solidarity, it is better than nothing. But is it really? The following section examines the case of New Zealand, which suggests otherwise.

II. The Lessons of New Zealand

The case of New Zealand challenges the claim that economic liberalization necessarily entails CR. It is the empirical justification for formulating my argument in terms of elective affinities rather than in straightforward causal terms. Beginning with trade and

[327] The same can be plausibly argued for each of the Corporate Responsibility Associations that are the primary focus of this thesis.
[328] Offer, Pechey and Ulijaszek (2010)

capital account liberalization in 1984 and accelerating with labor market reform and welfare state retrenchment beginning in 1991, New Zealand underwent an economic transformation that was, according to John Huber and Evelyn Stephens, "the most radical implemented in any industrial democracy" (Huber and Stephens, 2001: 300). John Reardon and Tim Gray state that NZ's market-liberal turn involved "a programme of privatization that was faster, deeper, and broader than either Reaganism in the USA or Thatcherism in the UK" (Reardon and Grey, 2007: 447).[329] For Georg Menz, "New Zealand is a paradigmatic or 'textbook' example of adopting the policies of the New Right, restructuring and fundamentally reshaping the structure, function, and aims of the state" (Menz, 2005: 66, 58). As Jack H. Nagel remarks:

> Between 1984 and 1993, New Zealand underwent radical economic reform, moving from what had probably been the most protected, regulated, and state-dominated system of any capitalist democracy to an extreme position at the open, competitive, free-market end of the spectrum …. The pace and extent of systemic economic change in New Zealand during the reform years was breathtaking (Nagel, 1998: 223; 229)

The reforms resulted in "a clear upward trend of absolute poverty rates during the late 1980s and early 1990s" and an increase in inequality of 6.1 percent as measured by the Gini Index, as compared with the OECD average of 1.4 percent between the mid-1980s and mid-1990s (Starke, 2008: 149, 150). Ian Grant notes that during the period of market-liberal reforms, "the business community revelled, uninhibitedly, in a climate of economic freedom never experienced in New Zealand before" (Grant, personal communication, November 21, 2008). These radical reforms were facilitated by one of the most concentrated systems of political authority and representation in the liberal democratic world.

[329] The intellectual inspiration for New Zealand's economic reforms came from thinkers including Mancur Olson, Ronald Coase, and James Buchanon, and from theories including public choice theory, agency theory, and transaction cost economics (Darwall, 2003: 63).

The implications of my argument for the New Zealand case are clear: such an extreme example of market-liberal reform should be accompanied by the rise of CR, as happened in so many other countries with less radical reforms. However, "the most thoroughgoing economic reform in the OECD" (Kelsey, 1995: 8) was accompanied by hostility rather than endorsement of CR by the New Zealand business community until the late-1990s – a substantial time lag.[330] Ian F Grant, who has covered CR in NZ extensively over the past twenty years, reports that he

> was surprised …how little had been written about business ethics and corporate responsibility until the late 1990s. In fact, I found no articles – a good sign of both any initiatives and levels of consciousness in any major business publications until the first series I wrote in 1990-1991, a good half decade after the 'freeing up' of the NZ economy under 'Rogernomics' (Grant, personal communication, November 21, 2008)

During the harshest years of economic adjustment, there was no CRA in New Zealand.[331] Only in 1998 did CR arrive, at last. Dick Hubbard, an Auckland-based breakfast cereal manufacturer, committed £22,000 of his personal funds to launch New Zealand Business for Social Responsibility, New Zealand's first CRA. Hubbard's justification for CR reads like countless others in preceding chapters: Hubbard "said that economic power has been transferred to the private sector. With power, comes a moral obligation to be socially responsible."[332]

New Zealand shows that CR does not *necessarily* accompany liberalization. While this thesis shows that the rise of CR tends to accompany the erosion of ISS in *most OECD* countries, even in very different institutional environments during the

[330] According to Juliet Roper, "the terms 'social responsibility' or 'business responsibility' were not even publicly considered prior to 1998, although the general public wanted changes in policy that would restore a balance of social and economic perspectives. The fact that business fought moves to bring about those changes was a reflection of the almost complete dominance of neoliberal free-market ideology at that time" (2004: 22)
[331] According to Mike O'Massey, "there were no significant business groupings looking at [CR] during the 1980s" (Mike O'Massey, personal communication, June 30, 2008).
[332] "Soul Business" NZ Business 30 September 1998, p. 7

past decades, New Zealand powerfully shows that it does not invariably do so, even in the most extreme case. In the UK, Germany, and elsewhere, Corporate Responsibility was embraced by the business community to provide credibility for the corporate takeover bid of utility and social service provision, and to legitimate and secure business against unfavorable sentiments from the general population. And crucial for the argument of this thesis, CR was not only embraced for these instrumental reasons, it also provided a strong normative foundation for the reformers. Why did this not take place in NZ? New Zealand attests to the contingent and ideationally-mediated[333] relationship between businesses' institutional and regulatory environment on one hand, and the rise of CR on the other.

There are at least three explanations for CR's late arrival in New Zealand. Firm-size may play a role: New Zealand's economy is composed of small, privately owned firms.[334] Economic circumstances are relevant. Severe recessions can deprive companies of the resources they need to practice CR; and the recession of the early 1990s was especially severe. But most interesting for our present purposes is the dogmatic ideological fervor of the market-liberal reformers, which made CR redundant (in their eyes) for the purposes of pragmatic legitimation.[335] As Ian Grant remarks, "the new right politicians and business 'leaders' of the 1980s-90s were quite fanatical in their pursuit of the Chicago School of Economics agenda" (Grant, personal communication, November 24, 2008).

[333] See Abdelal, Blyth and Parsons (2010)

[334] as opposed to large and publicly traded firms. Small, privately owned firms are less likely to communicate their CR activities than their large publicly traded counterparts. As Gordan Duncan remarks, "Over 90% of NZ business are small in scale - with under 20 employees. Generally these are privately owned and connected to their local communities. Typically they are called on to donate products or services for raffle prizes etc for schools, churches etc and often respond generously. Farmers for example will often drop around a bit of meat or produce to help a person in need. These gifts are often deliberately not acknowledged, partly due to an innate reserve or modesty on the part of many such operators but also because if acknowledged their worry was they would be inundated with other requests from worthy causes" (Dunan, personal communication, February 11, 2009).

[335] On the other hand, New Zealand's openness to foreign capital and dependence on foreign markets should have fostered the adoption of CR by NZ business.

The New Zealand Business Roundtable (NZBR) was at the forefront of the market-liberal revolution in New Zealand from 1984 until the mid-1990s.[336] The NZBR has spoken out against CR on numerous occasions. For example, NZBR co-organized, with the Institute of Economic Affairs, the UK's pre-eminent market-liberal think-tank, and published a much-cited denunciation of CR by David Henderson titled *Misguided Virtue: False Notions of Corporate Social Responsibility*.[337] Roger Kerr, Executive Director of the NZBR, has publicly denounced CR on several occasions.[338]

This dismissal is puzzling in light of the fallout precipitated by NZ's market-liberal reforms. In a 1993 referendum, following the harshest dose of shock therapy and welfare retrenchment in the OECD, NZ voters voted to replace the simple plurality / first-past-the-post with a Mixed-Member Proportional Representation (MMP) electoral system.[339] This shift has ushered in an era of moderate, centrist political-economic and social policy in NZ. The MMP system has been criticized by Kerr for leading to "paralysis" rather than market-liberal policy (Kerr, 2005). My argument implies that if NZ business hadn't chosen this rocky path – if they had mitigated some of the fallout from liberalization with CR, as did their counterparts in Thatcher's Britain – then the backlash may not have been as great. Whether CR's impact would have been sufficient to take the wind out of the sails of initiatives for

[336] Ian Grant, Personal Communication, November 24, 2008.
[337] Henderson (2001)
[338] Kerr states, for example, that CR "in the form criticized by David Henderson seems to have been a passing fad in New Zealand" (Kerr, personal correspondence, September 16 2008). See also Kerr (2004, 2010) and Wolf (2004). Wolf makes a number of good points, stating for example that "Companies cannot save the planet by voluntary action. They should not pretend they can" (Wolf, 2004: 14).
[339] Like the one used in Germany. While the simple majority system produces large majorities, strong government mandates and quick decisions, but at the possible cost of leaving many political voices and constituencies unrepresented. MMP represents a greater plurality of societal groups and interests, but this greater stability may be offset by the negotiations and consultation that typifies coalition governments. Since the switch to MMP, NZ governments have steered a much more moderate course than during the 1980s-1990s.

electoral reform is impossible to know for sure. Yet there is suggestive evidence that CR could have been effective.[340] CR preserves a business-friendly climate of market freedoms while mitigating some of the market's negative side-effects. NZ business representatives' ideological fervour and their dogmatic their insistence on complementarity as similarity rather than as difference ended up being costly for the market-liberals.[341]

The NZ case striking not only for the non-coincidence of CR and radical market-liberal retrenchment, but also because institutional reforms following liberalization have actually strengthened ISS. As Peter Starke observes, "MMP has changed New Zealand politics" (Starke, 2008: 125). As Iversen and Soskice show, the divide between Proportional Representation and majoritarian systems is politically salient: center-left parties are more powerful in PR systems, center-right parties are more powerful in majoritarian systems; PR systems are more redistributive and majoritarian systems less so. And Starke confirms: NZ's coalition politics following the switch to MPP are much less conducive to retrenchment.[342] Since 1999, "the overall theme of social policy in New Zealand has not been retrenchment but reconstruction and, in some areas, expansion (Starke, 2008: 131). Income inequality in New Zealand increased markedly between 1983 and 1998. But the period following the switch to MMP saw a decrease in inequality[343] and a "reversal of past

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[340] Against the background of a highly-regulated and authoritarian system of ISS, NZ's newly-found "climate of [economic] freedom" enjoyed legitimacy. Mike O'Massey speaks of "the authoritarian regime which had preceded that and the new found 'freedoms' coming out of the changes" (O'Massey, personal communication, June 30, 2008).

[341] Although the NZ labor government (in power from 1984-1990) combined radical economic policies with "at least some left-wing social and foreign policies" (Reardon and Gray, 2007: 451) and viewed the welfare state as a necessary buffer to compensate for the negative consequences of Rogernomics" (Sarke, 2008: 149)4 the inattention to the economic sphere ended up being costly for NZ market liberals. My intention is not to provide advice on how to implement market-liberal reforms that can put a lasting lid on institutionalized social solidarity.

[342] Starke (2008: 124)

[343] See Hyslopw and Marez (2005) for the period from 1983-1998 and Hyslop and Yahanpath (2006) for the period from 1998-2004.

retrenchment initiatives" in some areas (Starke, 2008: 124). Although these reforms fall short of restoring New Zealand's pre-1991 welfare state,[344] they have strengthened it.[345]

The New Zealand case underlines the importance of agency and the indeterminacy of political-economic structures and institutions. Liberalization does not invariably co-evolve with CR, even with very high values of the former. And radical liberalization and a delayed onset of CR can have beneficial consequences, leading to a strengthening of ISS, a true "re-embedding" of the economy and society. It is unclear whether this pathway is generalizable, and it seems hazardous to counsel against CR on the basis that doing without it will be sufficient to raise ISS. And if market-liberalism without CR does not lead to a strengthening of ISS, CR is indeed "second-best," better than nothing.

III. The Agenda for Future Research

However successful this thesis is at linking CR, liberalization and market-liberalism, it leaves many questions unanswered. What do firms actually do when they practice CR? What is the relationship between CR and ISS in the Global South, where levels of institutionalized solidarity are much lower than across Europe and the OECD? As important and pressing as these questions are, it is prudent to strengthen existing foundations before erecting new bridges. This section lays out a research agenda that emerges from my existing work.

Apart from brief discussions in chapters 2 and 4, this thesis has little to say about firms and transnational processes at the macro-level. This section lays out a research agenda into transnational power structures using transnational intra-firm networks as units-of-analysis. There are two justifications for a transnational network

[344] Starke (2008: 120)
[345] New Zealand shows that a modest strengthening of ISS is compatible with the rise of CR.

perspective. First, although it would be foolish to discount the importance of national political-economic institutions for economic performance and distributive outcomes, methodological nationalism misses a lot of important developments in a world of porous borders and states-in-markets. These developments cannot be accounted for with states or national-level developments as the units of analysis. Second, it is necessary to shed more light on the firms that practice Corporate Responsibility, if they are indeed "driving forces for the transformation of capitalisms in different national settings," as Andreas Nölke suggests (Nölke, 2009: 30).

The research agenda for trans-national power structures emerges from an original data set, compiled by the author, comprising the annual membership data of Europe's CRAs since 1990. Although CRAs are typically nationally-based organizations,[346] not all CRA members are indigenous. There are a handful of companies that are simultaneously members in many different CRAs across Europe and the world. Borrowing a term from Eelke Heemskerk, I call these firms "Big Linkers."[347] Though small in number, I argue that these firms are powerful actors, and can be seen as part of the "leading edge" of contemporary CR.[348] Following a highly influential distinction between compulsory, institutional, structural and productive power, by Michael Barnett and Raymond Duvall, I propose that an examination of these intra-firm networks can expose Corporate Responsibility's trans-national power structures.[349]

[346] The majority of the British CRA Business in the Community's membership is British, the majority of the German CRA Econsense's members are German, the majority of IMS Entreprendre's membership is French.
[347] Hemmskerk (2007)
[348] This term is used by Michael Useem (1984) to characterize "a politicized leading edge of the leadership of a number of large business firms … [which] has come to play a major role in defining and promoting the shared needs of large corporations in two of the industrial democracies, the United States and the United Kingdom." Useem's inner circle is "rooted in intercorporate networks through shared ownership and directorship" (Useem, 1984: 3), which does not apply to the transnational CR networks in this chapter.
[349] I am grateful to Peter Katzenstein for this suggestion. I should note that my analysis differs from Barnett and Duvall's in some respects. Barnett and Duvall use the example of the UN Global Compact

What is interesting is that the "Big-Linkers" of European CR have something in common: both firms and CRAs with high network centrality are overwhelmingly market-liberal or Anglo-American: they have their headquarters in the UK or the US.[350] The following figures, excerpted from an unpublished paper,[351] illustrate the centrality of Anglo-American CRAs and firms. Network centrality refers to how well connected each entity is to the others in the network. Figure 6.1 shows the network centrality of the fifteen most central firms in the network of European CRAs in 1990 and 2007, ranked from greatest to least.

to suggest that CR illuminates the connections between compulsory, institutional, and productive power (Barnett and Duvall, 2005: 61). My working assumption is that Barnett and Duvall commit the common error of overestimating the salience and coercive power of protestors and civil society organizations, and underestimating the unruliness, restlessness and subversiveness of capital and capitalism vis-à-vis societal institutions. According to this view, CR is a hybrid of institutional, structural, and productive power.

[350] The big-four auditors and professional service firms constitute a smaller but important sub-group.

[351] Kinderman (2010)

1992	2007
KPMG	KPMG
BP	Coca-Cola
PriceWaterHouseCoopers	Johnson & Johnson
British Gas	Microsoft
Barclays	Orange / France Telecom
ICI	Deloitte
IBM	IBM
Shell	PricewaterhouseCoopers
Grand Met / Diageo	Ernst & Young
American Express	Danone
3M	Vodafone
Coca-Cola	Shell
Credit Suisse	GlaxoSmithKline
Axa	Diageo
DHL	Citigroup

Grey Background = Anglo-American

Figure 6.1:
15 Firms with the Highest Network Centrality in European CRAs
Data source: Kinderman (2010)

In 1990, eleven of the fifteen most central firms were Anglo-American. In 2007, nine of the fifteen most central firms were Anglo-American. Only a small number of firms (two in 1990 and another two in 2007) are from Coordinated- or State-led economies. This evidence dovetails with hypothesis H2, the claim that Corporate Responsibility is a market-liberal *substitute* for institutionalized social solidarity.[352] One-fifth of the total are auditors / professional services firms organized as limited liability partnerships. In 2007, all of the "big four" global auditing and professional service firms[353] were among the top ten firms with the highest network centrality in Europe's trans-national CR networks. The prominence of these auditing and professional service firms is striking and demands further research.[354]

[352] If one accepts the argument that there is something distinctively liberal / LME-like about the (frequently cutthroat) corporate culture of auditing, professional service and consulting firms, the argument is further strengthened.
[353] KPMG, PricewaterhouseCoopers, Ernst & Young, and Deloitte.
[354] In 1994, Michael Power remarked that "the word audit is being used in the UK with growing frequency …. There is a real sense in which 1990s Britain has become an 'audit society'" (Power, 1994: 1). In his highly acclaimed work on the "audit society," Power makes the connection with market

Although Anglo-American firms only constitute a very small proportion of the total membership of CRAs across Europe, they occupy positions of very high network centrality, comprising 58% of the network of "Big Linkers." When it comes to CRAs, the picture is hardly less striking. Although Anglo-American CRAs comprise only five of twenty-four or approximately one-fifth of the total number of CRAs for which membership data is available, these CRAs comprise 38% of total network centrality.[355] These summary statistics are useful because socio-grams of large networks can be difficult to interpret. Figure 6.2 shows the full network of European CR for 2007, with Anglo-American firms and CRAs in red, accounting firms in grey, and all other firms and CRAs in black. Only firms with high network centrality, those with memberships in at least two CRAs, are shown. A node's size indicates its eigenvector centrality, its connection to the well-connected or centrality in the network as a whole. The greater the size, the higher the centrality.[356]

liberalism unmistakably clear: "political demands for greater accountability of public service providers became tightly coupled to a neo-liberal preference for exercising economic control at a distance through the managerialist instruments of accounting, budgetary control, auditing, and quality assurance. In short, the audit explosion emerges from a broader set of changes under the label of 'new public management'" (NPM) (Power, 2003: 191). The audit explosion is associated with financialization, and took place in the 1980s in the UK (Power, 2003: 193). Auditing is integral to the economic culture of market liberalism, and the market for professional auditing and accounting firms is correspondingly large.

[355] See the Appendix.

[356] Unlike degree centrality, which is simply a measure of the numbers of links of a given node, eigenvector centrality takes into account that not all links are equal. So a node (or firm) with a lower number of links to other well-connected actors may have a higher eigenvector score than a node (or firm) with a higher number of links to more peripheral nodes (Bonacich, 2007)

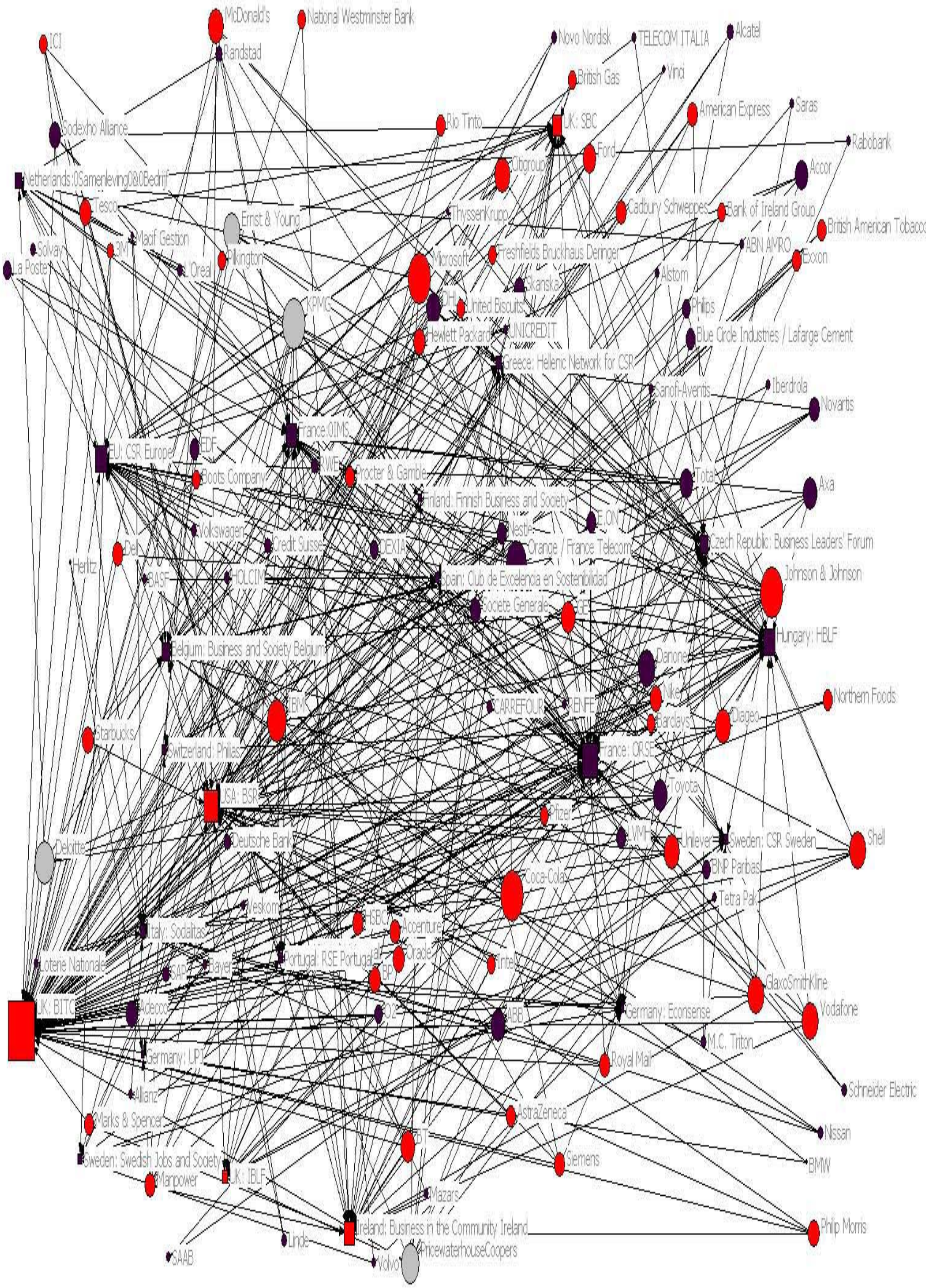

Figure 6.2: The Transnational Networks of CR in Europe, c. 2007

Judging by the prominence of Anglo-American firms and CRAs in these transnational networks, it seems that market-liberal institutional environments have prepared these actors to play significant roles the international CR arena of liberalizing Europe.[357] Future empirical research will be needed to determine what role the highly central Anglo-American firms and the big four auditors play in constructing facts, resolving disagreements and setting the programmatic agenda of CRAs and of CR more generally.[358] Causal mechanisms[359] may prove useful for analyzing these processes. Causal mechanisms are usually conceptualized and operationalized at the micro-level, where they could bring greater clarity into businesspeople's motivations for CR engagement.[360] But causal mechanisms can also operate at the collective level,[361] making them especially relevant for the interactions between Anglo-American firms, CRAs, and the broader CR environment.

[357] CR is part of American firms' self-understanding and practice in the domestic context, and it is an understanding they self-consciously wield abroad. This understanding is functional, in that the social deficits caused by the lack of an extensive welfare state are much greater in the United States than in continental Europe. Paradoxically, the US's low-level of institutionalized social solidarity, which may be sub-optimal not only from an equity but also from an efficiency point of view (Pontusson, 2005), puts American companies in a strong position to play a leading role in Europe. The American institutional framework plays an essential role in these firms' self-understanding (Tregaskis, Edwards, Ferner and Marginson: 2010).
[358] I am grateful to Richard W. Miller for his suggestion to investigate Big Linkers' role in situations of discord within CRAs.
[359] See Elster (1998); Gerring (2001: 195-196; 2011); Hedström, 1998, Hedström and Swedberg, 1998; MacAdam, Tarrow and Tilly 2001, Tilly (2001; 2003). Qualitative Comparative Analysis and Fuzzy-Sets offer a related, and equally promising approach. See Ragin (1987; 2000; 2008).
[360] Causal mechanisms can be thought of as the "glue" that links cause and effect at the micro-level. For Jon Elster, mechanisms show the "cogs and wheels" of the internal causal machinery (Elster, 1998). Elster defines causal mechanisms as "frequently occurring and easily recognizable causal patterns that are triggered under generally unknown conditions or with indeterminate consequences" (Elster, 1999: 1). Although mechanisms are not to be confused with intentionality, the two are interrelated, as Elster argues: "the individual action guided by some intension" is the most basic element of explanation in the social sciences (Glynos and Howarth, 2007: 85; Elster, 1983: 20). The methods used to establish causal mechanisms include process tracing. (Gerring, 2001: 195; George and Bennett 2005), and often take the form of a motive (Gerring, 2001: 196) and structured individual agency (Little, 2009: 171; 169)
[361] I am grateful to Peter Katzenstein for pointing this out to me. See Sil and Katzenstein (2011) and Tilly (2001).

IV. Corporate Responsibility, the Financial Crisis, and Capitalism

What does the financial crisis imply for CR? According to my analysis, the effect of the financial crisis on CR will depend on the effect of the financial crisis on Institutionalized Social Solidarity (ISS). If the financial crisis leads to a "re-embedding of markets" and a strengthening of ISS, then CR will tend to diminish. If the financial crisis has no impact on ISS, then its impact on CR is indeterminate: current trends should persist. If the financial crisis leads to a retrenchment of ISS, CR should increase. At the time of writing and in the wake of the financial crisis, no significant "re-embedding" or strengthening of ISS can be discerned. The persistent dearth of ISS suggests that CR is here to stay.

Interpretations according to which the financial crisis has ushered in the end of market liberalism face the problem that policymakers seem intent on reviving the ailing patient. To be sure, "the crisis has led to an unprecedented return of state involvement in the economy, including the redrawing of the rules for global finance" (Zimmermann, 2010: 136).[362] But according to one interpretation, this not a departure from market liberalism *tout court* as an ideological or organizational paradigm. Rather, these regulations will help to make market liberalism work again. They signify a shift from an ideological to a more pragmatic form of market liberalism.

[362] Although Bruno Amable remarks that "considering the seriousness of the crisis, surprisingly little has been done by way of regulating the international financial system" (Amable, 2010: 538). Amable views "the financial and economic crisis is an interesting test of the 'power of ideas.' As an ideology, the doctrine of deregulation and market self-regulation was brutally devalued with the crisis; one should expect, on the basis of the force of rational arguments alone, a significant turnaround in the ideological mood and a break with the priority given to neoliberal reforms. However, if one is more skeptical about the power of ideas and more confident in the power of (economic, social, military etc.) power, one is inclined to be less convinced about the reality of the 'return to Keynesianism' or the 'return of the state.' The neoliberal reforms that were implemented more or less comprehensively in developed and developing countries over the last three decades were not so much the result of the scientific superiority of neoliberal ideas but rather the outcome of a social and political struggle between social groups. The social forces that were powerful enough to impose liberalization are not very likely to make amends following the near-collapse of the world financial system" (Amable, 2010: 538).

The extent to which re-regulation is connected with an agenda to socially discipline the market is unclear at best. State ownership of banks is necessary to prevent the collapse of global financial markets, but it is viewed as something to dispense with and get out of as quickly as possible. Despite the precipitous collapse of finance, deviations from the market-liberal norm are viewed from within a market-liberal value-system. Those who hastily proclaim the passing of market-liberalism have forgotten that "varieties of market liberalism" include both German state-interventionist *Ordoliberalism* and Anglophone market liberal varieties. If the current crisis involves a transition from the latter towards the former, we remain firmly within the market liberal camp.[363] Many things are now on policy agendas that were not on the table three years ago, but a significant strengthening of ISS is not one of them.[364]

There is at present no politically potent alternative ideology to market-liberal capitalism. In the depths of its deepest crisis since the 1930s, market-liberal capitalism is hegemonic.[365] How did this extraordinary state of affairs come about? The answer has partly to do with the lack of any real or perceived alternative to market liberal forms of economic organization, but also with the tenaciousness of market liberalism itself: radical contingency looks different. As I have argued in the chapters above, CR has played an important role in normalizing and legitimating this regime. In view of the grave fiscal, structural and legitimacy problems facing advanced capitalist states and the global economy, market liberalism is not loved. But it has no serious rival. The financial crisis has not dented market-liberalism in the policy realm.

[363] See Mirowski and Plehwe (2009)
[364] In the aftermath of the financial crisis, the EU Commission convened a series of workshops on companies' environmental, social and governance (ESG) information. These workshops culminated in five scenarios, ranging from the status quo / no change to far-reaching mandatory ESG disclosure. See. http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedish-presidency/files/summaries/6-final_workshop_en.pdf
[365] It is useful to recall Colin Leys in the context of Thatcherism: "for an ideology to be hegemonic, it is not necessary that it be loved. It is merely necessary that it have no serious rival" (Leys, 1990: 127).

The financial crisis has dramatically increased deficits and public debt across the OECD – so much so that it is appropriate to speak again of a “fiscal crisis of the state.”[366] In many cases, a further retrenchment of ISS will be unavoidable. Thus, far from reducing CR, the financial crisis will likely lead to an *increase* of CR in many countries as a compensatory response to the reduction of public services in advanced capitalist states.[367] Once again, the UK provides a good example.

On October 20, 2010, UK Chancellor of the Exchequer George Osborne unveiled his plans for laying off half a million public sector employees and cutting public sector spending by £81bn over the next four years. Unlike Margaret Thatcher, Prime Minister David Cameron’s Conservative-Liberal Democrat coalition government has shied away from direct attacks on organized labor.[368] But Cameron’s public sector cuts are on a larger scale than those initiated by Thatcher. Unsurprisingly given his ideological and political commitments, Cameron has sought to enlist companies to contribute towards the Tories’ “Big Society.” In return for tackling social problems, business will be rewarded with business-friendly legislation and deregulation. On October 21, 2010, Stephen Howard, chief executive of the UK CRA BITC, gave his opinion on the biggest spending cuts since the 1970s:[369]

> While it is too early to know exactly how the impact of yesterday’s settlement will be felt, we can be sure that there will be some pretty big changes to the status quo. This presents businesses and organizations like Business in Community with challenges to overcome but, more importantly, with opportunities to work in new and exciting ways and re-examine their core practices. We believe businesses are uniquely placed to capitalize on some of the possibilities afforded by a reduction in some activities run by the state.

[366] O’Conner (1973)
[367] Reinhard and Rogoff (2009)
[368] The persistent weakness of labor in post-Thatcherite and Blairite Britain has obviated the need for such attacks. See Daniels and McIlroy (2009).
[369] There is scarcely better evidence of the bi-partisan support for CR than the UK. CR began under Callaghan’s Labor government, flourished under Thatcher and Major’s Conservatives, continued its rise under Blair and Brown, and no change is in sight under Cameron’s Conservative/Lib Dem coalition.

> Indeed we have been mobilising our member companies to work collaboratively in the most disadvantaged communities over the last 28 years

Stephen Howard and BITC's 850+ members will be keeping very busy trying to mitigate the fallout from this retrenchment; and Cameron's government will face the difficult task of maintaining corporate discretion and freedom of maneuver in the face of escalating societal demands. What Howard does not acknowledge in his address is that the scale and sheer quantity of ensuing social problems will almost certainly outstrip the resources and capacities of BITC, the oldest, largest, and most advanced CRA in the entire OECD. But this gap has been a persistent, if variable, feature of the market-liberal order, and to date it has not led to a fundamental questioning of either CR or of the market-liberal order.

Irrespective of the current crisis, capitalism is here to stay for the foreseeable future. And at the core of capitalism are capitalists: unruly, restless, and subversive vis-à-vis the constraints of societal institutions. As Streeck remarks, "Institutionalized social obligations in a capitalist economy are permanently in danger of being subverted, if not at once, then slowly and incrementally" (Streeck, 2009: 245). CR, then, is eminently useful for capitalism: it is at minimum a "spirit" or "economic ethic" that allows businesspeople to appease their conscience while scaling back ISS (as need be); and at maximum a way to moderate the destructive consequences of the "widening and deepening of market relations" (Streeck, 2008: 9). Moreover, CR does these things in conformity with the system, rather than by subduing it, as does ISS. CR relieves some of market liberalism's morbid symptoms, but these efforts and effects are limited by CR's fundamental alignment with market liberalism.

V. Conclusion

The findings of this thesis are unsettling; this conclusion reflects on some of its implications. As the UN Special Representative on Business and Human Rights, John

Ruggie has pioneered initiatives to protect human rights using CR during the past decade. As part of his policy advocacy, Ruggie has articulated positions that serve as a useful foil for my argument. Ruggie's scholarly fame and notoriety derives in large part from his coining of the term "embedded liberalism."[370] Ruggie suggests that CR is a means to resurrect the embedded liberalism compromise, for "taking embedded liberalism global" (Ruggie, 2007: 34).[371] This is a laudable policy objective; but this statement cannot be taken as a description of the way the world actually works.[372] In fact, the opposite is the case. Instead of re-embedding global liberalism, CR has been associated with the disembedding of global liberalism, with the erosion and dismantling of the domestic institutions of Institutionalized Social Solidarity in Europe and across the OECD.

What about David Vogel's widely-discussed thesis of a "Market for Virtue?"[373] Vogel suggests that there is a market for corporate virtuousness, just as there is a market for corporate vice. For Vogel, CR is real, but it's a niche market. This thesis suggests that Vogel's notion of a market for virtue is insufficiently institutional and insufficiently political. The market for virtue is determined not only by limited consumer demand and civil society activism but also by political struggles over where to place the "fences" that delimit the sphere of market behavior.[374] Thus, the loss of power by champions of ISS, such as trade unions,[375] expands of the market for

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[370] Ruggie (1982)
[371] Ruggie states that "Haltingly and erratically, something akin to an embedded liberalism compromise is being pulled and pushed into the global arena, and the corporate connection is a key element in that process" (Ruggie, 2003: 118).
[372] At least in Europe and the OECD, the focus of my thesis. However great the erosion and dismantling of ISS in these countries, human rights are largely intact here. The situation is very different in the developing world, the primary focus of Ruggie's work.
[373] Vogel (2005)
[374] Finn (2006)
[375] "The challenge for labour is to prevent CSR from becoming a substitute for the proper role of governments and trade unions" (Justice, 2002: 1). This thesis underlines the salience of these remarks by Dwight Justice.

virtue.[376]

What is the alternative to CR and market-liberalism? It is here that critiques of CR run out of steam. In developing countries, Vogel points out that CR "should be compared not to an ideal world of effective command-and-control regulations in developed countries but to real-world alternatives" (Vogel, 2008: 276). In northern Europe, comparisons to the *status quo ante* of powerful trade unions, expansive welfare states and market-correcting legislation are more easily made. Here I am inclined to agree with Avner Offer, who remarks that "The solutions of the past, which relied on mandatory participation, public management, and an explicit social contract, have done a reasonably good job in their time, and have a good deal to teach us still" (Offer, 2006: 372). At present, no one knows whether it will be possible to put the cat of market liberalism back in the bag; or whether it will be possible or what it would take to transition from CR and Williamsonian market-liberal institutions to more Durkheimian ones. In any case, CR would seem to be highly ambivalent, given its inadequacy for confronting the central challenges facing societies in contemporary capitalism, and given that many of these most pressing problems will be impossible to solve on voluntarist terms.

[376] John Campbell (2006) argues that institutionalized forms of social solidarity promote responsible corporate behavior and CR. He is right about the former but wrong about the latter. Work on CR must make clear and fine-grained distinctions between Corporate Responsibility as voluntary corporate conduct on one hand and aggregate social outcomes on the other.

APPENDIX

Interviews

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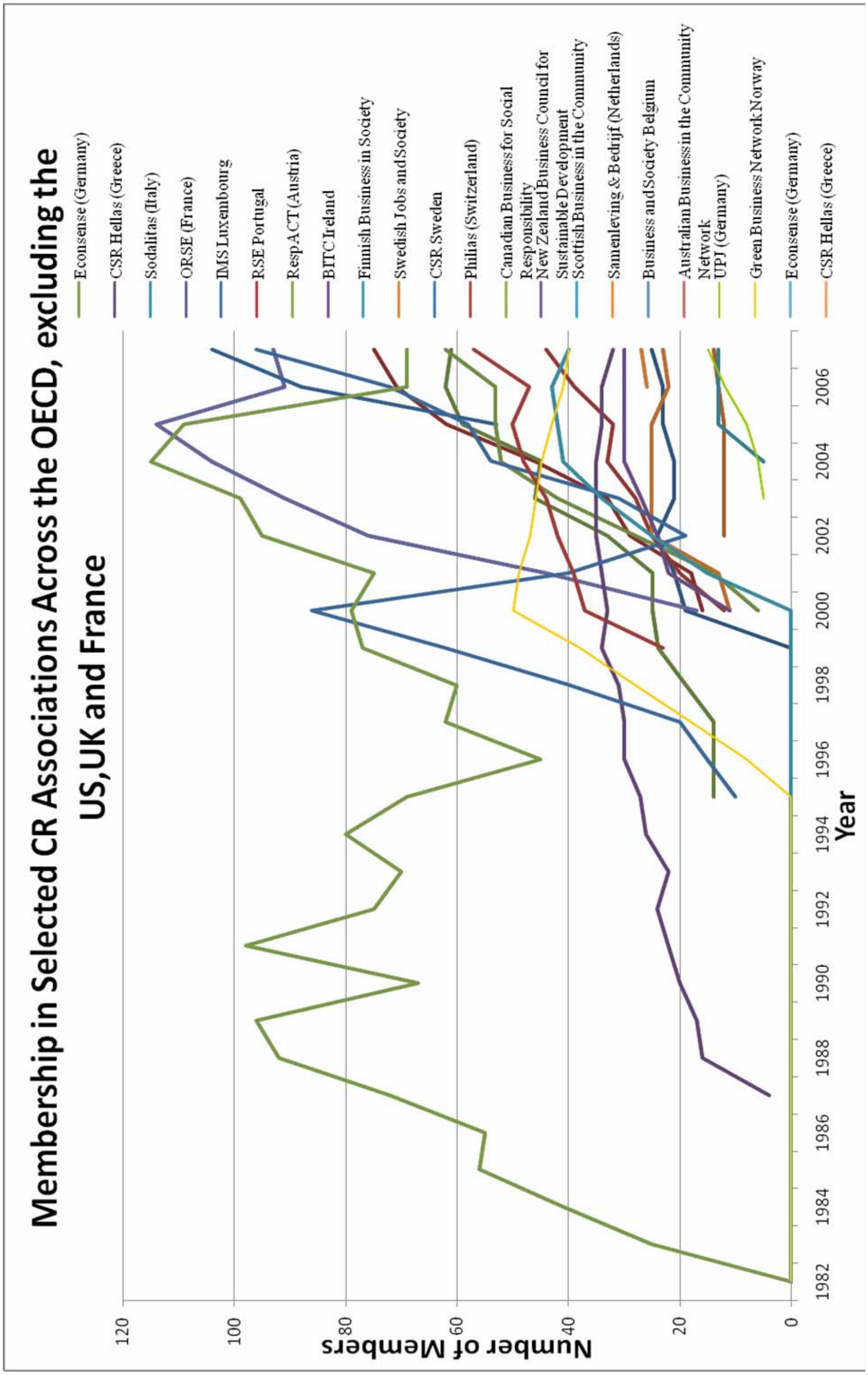
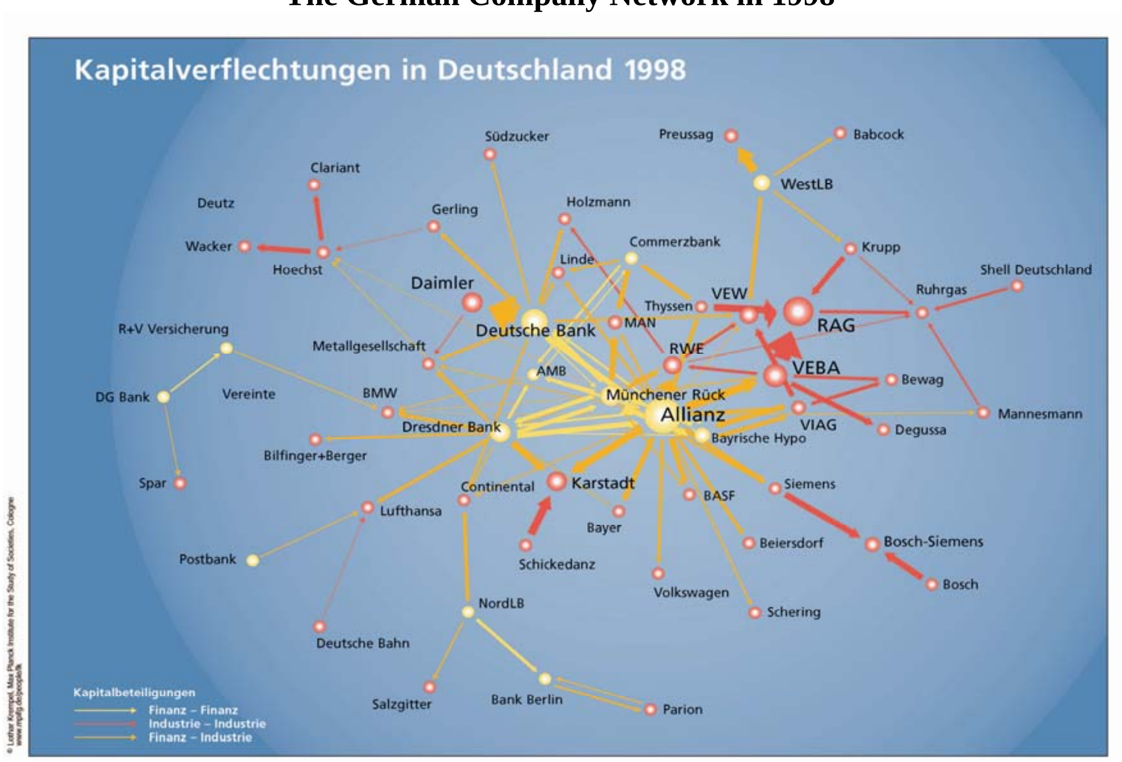

Membership in Selected CR Associations Across the OECD, excluding the US,UK and France
Number of Members
0
20
40
60
80
100
120
Year
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
Econsense (Germany)
CSR Hellas (Greece)
Sodalitas (Italy)
ORSE (France)
IMS Luxembourg
RSE Portugal
RespACT (Austria)
BITC Ireland
Finnish Business in Society
Swedish Jobs and Society
CSR Sweden
Philias (Switzerland)
Canadian Business for Social Responsibility
New Zealand Business Council for Sustainable Development
Scottish Business in the Community
Samenleving & Bedrijf (Netherlands)
Business and Society Belgium
Australian Business in the Community Network
UPJ (Germany)
Green Business Network Norway
Econsense (Germany)
CSR Hellas (Greece)

The German Company Network in 1996

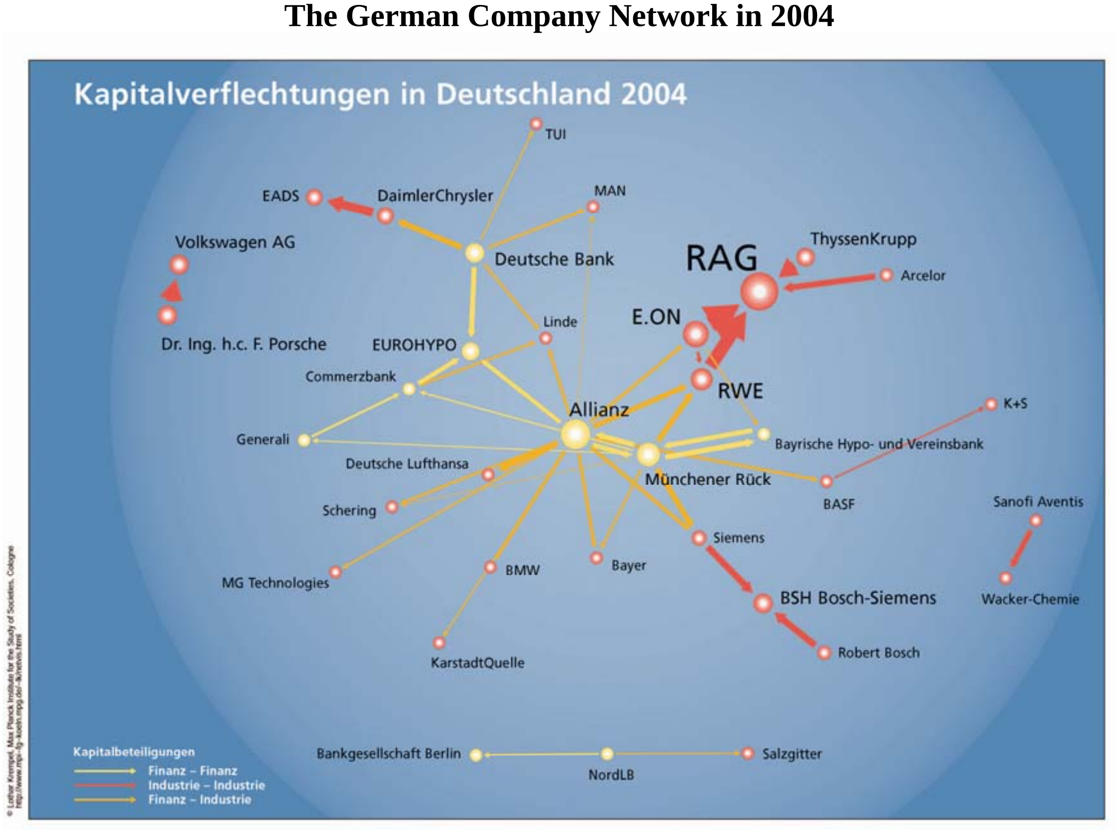
The German Company Network in 1998



The German Company Network in 2000

The German Company Network in 2002

The German Company Network in 2004



The German Company Network in 2006

The Network Centrality of European CRAs, c. 2007

ID	Mode	Degree	Betweenness	Eigenvector
UK: BITC	LME	76	4436.701	0.224
France: ORSE	MME	47	2335.694	0.12
USA: BSR	LME	40	1344.966	0.116
EU: CSR Europe		27	699.666	0.094
Hungary: HBLF	MME	27	575.441	0.093
France: IMS	MME	28	662.239	0.083
Ireland: Business in the Community Ireland	LME	25	562.382	0.082
UK: SBC	LME	20	218.315	0.066
Czech Republic: Business Leaders' Forum	MME	18	345.057	0.063
Belgium: Business and Society Belgium	CME	19	421.24	0.06
Netherlands: Samenleving & Bedrijf	CME	13	204.432	0.049
Italy: Sodalitas	MME	18	417.703	0.043
Greece: Hellenic Network for CSR	MME	11	109.982	0.042
UK: IBLF	LME	13	282.198	0.041
Sweden: Swedish Jobs and	CME	8	63.962	0.033

Society				
Portugal: RSE Portugal	MME	9	199.99	0.031
Sweden: CSR Sweden	CME	9	74.426	0.031
Switzerland: Philias	CME	8	50.828	0.026
Spain: Club de Excelencia en Sostenibilidad	MME	11	151.633	0.025
Finland: Finnish Business and Society	CME	5	156.739	0.019
Germany: Econsense	CME	17	720.21	0.018
Germany: UPJ	CME	9	199.547	0.015
Luxembourg:IMS Luxemburg	CME	3	3.651	0.01

Legend:

LME

CME

MME

The Network Centrality of Firms in European CRAs, c. 2007

ID	Mode	Degree	Betweenness	Eigenvector
KPMG	PSF[377]	14	525.129	0.192
Coca-Cola	LME	11	331.412	0.191
Microsoft	LME	11	275.688	0.19
Orange / France Telecom	MME	9	213.94	0.171
Deloitte	PSF	8	145.105	0.157
IBM	LME	10	196.517	0.156
PricewaterhouseCoopers	PSF	11	330.337	0.154
Ernst & Young	PSF	7	115.105	0.142
Danone	MME	6	93.784	0.139
Vodafone	LME	7	122.958	0.136
Shell	LME	7	87.916	0.134
GlaxoSmithKline	LME	6	64.012	0.133
Diageo	LME	7	71.521	0.13
Citigroup	LME	6	79.866	0.126
Unilever	LME	6	87.963	0.125
McDonald's	LME	6	71.46	0.122
DHL	CME	6	86.914	0.121
Axa	MME	6	122.449	0.118
GE	LME	5	81.922	0.117
BT	LME	5	43.786	0.117
ABB	CME	7	88.635	0.116
Toyota	CME	6	75.788	0.116
Ford	LME	4	62.547	0.109
Accor	MME	4	48.316	0.104
Total	MME	4	48.316	0.104
Sodexho Alliance	MME	4	43.591	0.099
Starbucks	LME	4	38.86	0.097
Nike	LME	5	69.363	0.093
Philip Morris	LME	4	41.929	0.093
Oracle	LME	4	18.559	0.093
Tesco	LME	4	18.559	0.093
Hewlett Packard	LME	3	43.809	0.092
Adecco	CME	4	54.611	0.091
BP	LME	4	31.652	0.09
American Express	LME	4	37.981	0.089
Skanska	CME	6	187.053	0.087
Siemens	CME	5	154.805	0.086
Dell	LME	4	37.796	0.086

Legend:

LME
CME

[377] PSF stands for Professional Services Firms or the Big Four Auditors.

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