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Corporate Social Responsibility Practice from 1800–1914: Past Initiatives and Current Debates

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ABSTRACT: The history of the practice of corporate social responsibility (CSR) has largely been limited to the twentieth century, with a focus on the United States. This paper provides a brief introduction to CSR practice from the nineteenth century through World War I in the United Kingdom, United States, Japan, India, and Germany. The relevance of nineteenth-century CSR to current debates and research regarding the motivations for CSR, the business cases for CSR, stakeholder management, political CSR, industry self-regulation, and income inequality are also discussed.

KEY WORDS: historical CSR, corporate social responsibility, political CSR, historical business ethics

INTRODUCTION

SERVICE, CIVIC MINDEDNESS, welfare work, trusteeship. These are a few of the terms by which authors and business people referred to corporate social responsibility from the mid-nineteenth century to the First World War. These terms may be unfamiliar, but the contours of the concepts and practices that they embody sit at the very heart of CSR research. By studying the origins of CSR, we begin to understand the logic that motivated its earliest practitioners and exponents. The historical record is full of natural experiments regarding what worked and what did not. Unfortunately, today's scholars have only infrequently tapped that record.

Take these words from scientific management thinker Henry Gantt in 1919: "We all realize that any reward or profit that business arbitrarily takes, over and above that to which it is justly entitled for service rendered, is just as much the exercise of autocratic power and a menace to the industrial peace of the world, as the autocratic military power of the Kaiser was a menace to international peace. This applies to Bolshevists as well as to Bankers" (Gantt 1919, 7–8). Later he wrote: "The business system must accept its social responsibility and devote itself primarily to service, or the community will ultimately make the attempt to take it over in order to operate it in its own interest" (Gantt, 1919, 15).

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Given movements like Occupy Wall Street in New York and *los Indignados* in Spain, Gantt's words are amazingly fresh and relevant for our day. Yet somehow Gantt and many others have dropped from sight among CSR scholars. To the extent that CSR has a history, its history has been heavily influenced by people like Morrell Heald (1957), who traced the origins of its practice to seventy years' earlier with corporate donations by the railroads to support the YMCA. This article brought a quick and sharp critique by Charles Wilson (1958), of Cambridge University, for Heald's US-centric focus and limited historical perspective. By tracing the roots of social responsibility to the Lunar Society of Birmingham, with its origins in the 1750s and continuing through the likes of industrialists such as William Lever and the Cadbury brothers, Wilson broadened the geographical and temporal context of social responsibility.

My purpose is to heed the call of Wilson and broaden our vision of the history of CSR practice temporally and spatially. Although several scholars have written about the history of CSR or business ethics as an academic discipline (Abend 2013; Carroll 2008; De George 1987) and others have bridged theory and practice to some extent (Carroll et al. 2012; Ciulla 2011), my focus is on CSR as it has been practiced by business firms. In so doing, as a nonhistorian, I rely only on secondary sources — the reports of historians — and there are many.[1] My only purpose is to assemble materials that already exist in a way that will illuminate our thinking. I will undoubtedly make mistakes along the way and be ignorant of many other sources, but my intent is to stir interest and ignite our imagination and desire to look at the history of the many debates in which we are currently engaged.

Given that my focus is on what firms and business people have done, rather than what scholars have said, I follow Matten and Moon's (2008, 405) empirical approach, which defines CSR as "clearly articulated policies and practices of corporations that reflect business responsibility for some of the wider societal good." I will deviate somewhat by including policies and practices of business firms generally, not only those organized as corporations, and by including those of business people closely identified with those firms.

Let me demarcate the limits of this task. Temporally, there are scholars who trace CSR to provisions in the Code of Hammurabi (1772 BC) for damages caused by builders to innocent bystanders (Nehme and Wee 2008; Sundar 2013), and others to Vedic sources in ancient India (1500–1000 BC) (Sharma and Talwar 2005). I would argue that the most interesting antecedents, and those most closely related to CSR, are probably those of companies and their leaders starting in the Industrial Revolution beginning around 1750 in Britain and spreading to Europe, the United States, and then Japan. The Industrial Revolution created such upheaval that William Blake (1804 [1907], 2) wrote of its "dark satanic mills" in the preface to his epic, *Milton, a Poem*, capturing the damage done by industrialization to nature and human relationships. I will examine some of the themes of CSR during the nineteenth century to the First World War, especially the second half of the nineteenth century. By that time, we can see an emerging response among business people and their companies around the world to the negative consequences of the Industrial Revolution.

I will examine specifically what happened in the United Kingdom, United States, Japan, India, and Germany. These countries provide a partial sense of what was

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happening around the world. Several themes of this nineteenth-century CSR emerge, namely welfare capitalism, philanthropy, and environmental pollution. By welfare capitalism, I mean "employers' voluntary provision of non-wage benefits, greater employment security, and employee representation to their blue-collar workers" (Moriguchi 2003, 625). In the next section I review the experience of business firms and leaders in these countries, and I analyze the relevance of their responses to some of the current debates that engage CSR scholars today. I conclude with some thoughts about the research implications of these histories for CSR scholars.

CSR AROUND THE WORLD IN THE NINETEENTH CENTURY

United Kingdom

In the United Kingdom, one of the first business people and thinkers to dedicate significant attention to the social responsibilities of business was Robert Owen. His legacy includes the social experiment at New Lanark Mill, the management of which he initiated in 1810, as well as the less successful project at New Harmony, Indiana. He initially reduced the working day from thirteen hours a day to twelve, and then to ten hours. Five hundred children, many between the ages of five and ten, worked for the factory when he took over. He refused to hire children less than ten years old, and he provided children of employees with a school, starting at the age of two. Owen also dedicated considerable resources for training his employees. He paid higher-than-average wages and provided decent working conditions. In addition to its positive social impact, the New Lanark Mill was very profitable (Gorb 1951). Curiously, in addition to ethical grounds, he also justified his model on the "CSR-pays" argument. He argued that fair treatment of workers could result in a return equal to 50 percent to100 percent on money invested (Gorb 1951).

The earliest private-sector pension schemes also came from Britain. Kastl and Moore (2010) trace the first evidence of an old-age pension to a 1749 program for merchant seamen. Plans were developed in the 1840s for clerical and other workers of the London and North West Railway, with other railways following. These plans then expanded to include manual laborers.

In 1862 George and Richard Cadbury took over the family chocolate company. In 1879 the Cadburys moved the chocolate factory out of the center of Birmingham to the village of Bourneville. By 1893 they started building houses for employees adjacent to the Bourneville factory, which were sold at cost. The Cadburys then built dining facilities for workers. In 1901 George Cadbury visited the United States in order to learn its management practices. Of special importance was the welfare plan of George Patterson of the National Cash Register Company, which included benefits for employees, such as a library, clubhouse, kindergarten for workers' children, and a dining room with low-cost lunches (Soskis 2010). This visit marked a shift in emphasis for Cadbury from a focus on housing to a focus on working conditions.

William Hesketh Lever also built a company town in the United Kingdom at Port Sunlight, just ten miles outside of Liverpool, so named for its production of Sunlight soap. Port Sunlight began with twenty-eight houses in 1889, which reached 600 by 1904 (Jeremy 1991). Lever was especially concerned about the distribution of income.

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Specifically, he viewed the construction of houses as a form of "prosperity sharing," which was a kind of collective profit-sharing program, in which profits were issued to workers as a group for "the purpose of keeping up the Village and its institutions" (Rowan 2003, 124). By 1898, Port Sunlight had a gymnasium, church, theater, an inn, swimming areas, and two school buildings. The drawback to Port Sunlight was that Lever was the one who determined what was best for workers.

Although Lever briefly held a seat in Parliament (Rowan 2003), he was not particularly skillful in turning his ideas into legislation. He introduced the Old-Age Pension Bill of 1907 without success. In 1909 he introduced a profit-sharing scheme called "co-partnership" (97), which replaced prosperity sharing and allowed for "dividends" to laborers after shareholders were paid their dividends. Co-partnership was not well received because, in reality, the dividends were miniscule. He failed in his attempt to implement a six-hour workday because of union concern that fewer hours would mean lower pay for workers. Finally they settled on an eight-hour day.

As suggested by Blake's poem, quoted earlier, British business was also implicated in environmental degradation. Although smoke pollution had been increasing in London since 1600, it accelerated through the Industrial Revolution, beginning around 1750 and reaching a peak in 1888 (Brimblecombe 1977). During the nineteenth century, the public came to believe that industrial smoke abatement was the responsibility of local governmental authorities (Brimblecombe and Bowler 1992). In the 1850s, hundreds of residents of the city of York signed a petition requesting the local government to abate the smoke nuisance caused by manufacturing firms (Brimblecombe and Bowler 1992). In the case of York, there was an especially antagonistic relationship between governmental authorities and polluting firms during the last quarter of the nineteenth century.

Partly as a response to the problems of air pollution, the Garden City movement emerged at the end of the nineteenth century in order to re-create healthier environments based on the ideal of the preindustrial English village (Batchelor 1969; Hancock 1993). This movement influenced, to some extent, both Bourneville and Port Sunlight, as well as earlier efforts by other industrialists, such as Colonel Edward Akroyd, Sir Titus Salt, and Sir Francis Crossley (Batchelor 1969).

In terms of environmental management, the United Kingdom produced pioneering thinkers, among whom was Charles Babbage, one of the originators of the computer, whose book *On the Economy of Machinery and Manufactures*, published in 1835, explained the principle that the reduction of waste increases the value of inputs. Lyon Playfair and Peter Lund Simmonds then developed the ideas of Babbage in order to demonstrate in concrete ways how industrial wastes could be converted into profitable by-products. The British Society for the Encouragement of Arts, Manufactures, and Commerce was very much at the heart of discussions that examined how to reduce waste and how to develop by-products from emissions and waste in ways that would be profitable for companies (Desrochers 2009).

United States

In the United States of the late nineteenth century, the idea of stewardship or trusteeship held that business people should use their wealth either on behalf of God or

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the public for the common good. This concept did not differentiate the responsibility of business firms and business people (Soskis 2010). John D. Rockefeller equated stewardship with job creation:

> The best philanthropy, the help that does the most good and the least harm, the help that nourishes civilization at its very root, that most widely disseminates health, righteousness, and happiness, is not what is usually called charity. It is … the investment of effort or time or money, carefully considered with relation to the power of employing people at a remunerative wage, to expand and develop the resources at hand, and to give opportunity for progress and healthful labor where it did not exist before. (Soskis 2010, 5)

Like Lever and others, there were hints of his concern for the distribution of income in his focus on the "remunerative wage."

Andrew Carnegie in "The Gospel of Wealth" (1889) argued that great wealth should be redistributed, not by giving small sums to the poor, but by administering wealth for the common good (12). Similar to Lever in the United Kingdom, whom Carnegie may have influenced, Carnegie believed that the poor would waste better wages in "indulgences of the appetites" (13). After providing for dependents, Carnegie argued that:

> [The wealthy should] consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community — the man of wealth thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience and ability to administer, doing for them better than they would or could do for themselves." (15)

Carnegie thus provided a moral basis for corporate philanthropy by linking it to his concern about income distribution.

Corporate welfare, or welfare work as it was called, also gained ascendency in the United States. George Pullman built his company town on the outskirts of Chicago in the 1880s. It opened in 1893, but failed to prevent the famous Pullman strikes in 1894, which occurred as a response to the failure to lower rents for Pullman houses in light of worker layoffs and lowered wages. Others in the United States developed welfare capitalism to greater effect. As already mentioned, George Patterson of National Cash Register embraced welfare capitalism with different sorts of benefits for employees.

Yet corporate welfare was controversial given the predominant laissez-faire approach of the times. Take the case of the railroads. In the 1870s, the United States experienced a transportation revolution based on the railroad, which created both social and environmental problems. In the 1870s and 1880s, there was little need for business people to earn the trust of the public (Gagan 1965), as expressed by William H. Vanderbilt's now famous, and misunderstood, exclamation: "The public be damned." Yet for people like Charles Elliott Perkins, president of the Chicago, Burlington, and Quincy Railroad, the railroads did have a responsibility to earn the public's confidence by fair dealing. However, in the 1870s and 1880s, Herbert Spencer's ideas on social Darwinism were widely diffused, and influenced Charles Elliott Perkins who wrote: "To say then, 'that a man is entitled to a living wage is absurd' … if you take from the strong to give to the weak, you encourage weakness;

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therefore, let men reap what they and their progenitors sow" (53). Clearly there was a strong tension between social Darwinism, on the one hand, and welfare capitalism or Carnegie's "Gospel of Wealth, on the other.

Overall, companies, as in the case of the railroads, were reluctant to participate in social reform, basing their opposition on the associated costs. Cochran (1943) found that the railroad executives were divided between those who favored government intervention and those, like Perkins, who preferred a laissez-faire approach. Generally speaking, railroad executives had not really thought about the social responsibilities of their companies. Although there is evidence that the public did want the railroads to assume responsibility for impacts on their employees, such as for the disabled and infirm, executives were still quite reluctant and used the same labor, compensation, and blacklisting policies of other companies of the time (Cochran 1943). Societal backlash occurred with the rise of the Progressive Era (1890–1918), which saw growing public dissatisfaction with the predominant laissez-faire approach of business firms (Hoffman 2007).

In terms of environmental responsibilities, smoke was one of the major environmental challenges facing US manufacturing companies for almost one hundred years, starting in the middle of the nineteenth century (Stradling and Tarr 1999). In the United States, "smoke means prosperity" was the slogan of the business forces against smoke regulation (Uekoetter 1999, 660). Yet this sentiment was not uniform among the business community.

An illustrative case is the response of business to smoke regulations and corruption in Chicago in the second half of the nineteenth century. The problem of smoke in Chicago would be comparable to, if not worse than, current problems in Beijing or Shanghai.[2] In April 1881, reformers and activists combined to form the Citizens' Association. Business people lent a hand to help organize the public protest movement that led to the enactment of the city's first smoke ordinance (Rosen 1995; Stradling and Tarr 1999). This first regulation failed as the city did not have enough inspectors, and municipal judges were subject to the political influence of city aldermen who received political contributions from anti-regulatory forces.

As a result of the failure of the first smoke regulations, a group of business leaders organized the Society for the Prevention of Smoke in 1892. The Society sought to persuade downtown businesses to install smoke control equipment. Responses ranged from an enthusiastic embrace of voluntary abatement, to indifference, to active opposition. The Society was more active than the Citizens' Association, given its emphasis on educating and persuading business managers. The Society hired engineers to provide specific advice on how to reduce smoke emissions. Within a year, 40 percent of the owners of factories and buildings producing smoke had eliminated their emissions. Unfortunately, 40 percent participation was not enough to solve the problem as a whole. Ultimately, the Society failed because of its inability to achieve prosecutions for violation of the smoke ordinances. Overall, as in the case of the railroads and social reform (Cochran 1943), companies were reluctant to participate in environmental reform because of its cost (Stradling and Tarr 1999).

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Japan

Curiously, Japanese labor relations during the late nineteenth century were more similar to labor relations in the West than they are today (Gordon 1985). In large firms there was considerable conflict between employers and workers. In addition, nineteenth-century Japanese business was largely distrusted by the public. One saying suggests its low status: "Warrior means willpower, peasant means taxpaying, artisan means work, merchant means smiling" (Hirschmeier 1970, 16).

Bevacqua (2005), writing for the Economist Intelligence Unit, describes some of the early initiatives in its report on CSR in Japan. The low status of the business person began to rise when Baigan Ishida, a businessman, developed the *shonindo* (code of the merchant), which provided merchants with moral principles, in a fashion similar to the *bushido* (code of the samurai warriors), which the samurai were expected to observe (Bevacqua 2005).

Ishida and the merchants proposed an ethic of public service that provided the foundation for business during the Meiji Restoration. In this new role, the public was identified with the nation and the national government (Hirschmeier 1970). Much attention was paid to service to the nation, especially in terms of the industrial catch-up sought by the Meiji government. Responsibility was based on a sense of duty in Japan — an approach that fit well the strong sense of service to the family (Hirschmeier 1970). In this context, lifelong employment reconstructed the employer–employee relationship on the basis of the cooperative ideal of the family. Employers and employees owed each other mutual duties in both good times and bad. Companies began to protect the welfare of employees and their children by providing schools, as well as sports and entertainment facilities.

Government regulation of working conditions, particularly protection of women and children, began in the 1880s, but not without criticism of some intellectuals who saw legislation as undermining the traditional emphasis on harmony in Japanese society (Taira 1970). Many argued that given the interpersonal relations between employer and employee as parent and child, there was no need for such legislation.

Still the welfare work, or welfare capitalism of the West, did not make significant inroads into Japan until after the First World War (Moriguchi 2003), when Japanese firms were particularly influenced by the example of US firms. Before World War I, employer paternalism, as it was called, tended to be an "erratic, short-lived, and an inferior substitute for wages" (640). After the war, the programs were systematized and included most of the elements recognized as part of corporate welfare: pension programs, health insurance, company housing, education, libraries, and recreational activities (642).

With the rapid industrialization of the Meiji Restoration, Japan also suffered serious environmental problems (Fujikura 2005; Murota 1985). The skies of Osaka were filled with thick black smoke in the latter half of the nineteenth century (Iijima 1994). In 1877 Osaka factory regulation was amended to include smoke control, and Tokyo police began inspecting boilers (Hashimoto 1989). Generally speaking, business groups opposed these initiatives, and smoke was often seen as a sign of prosperity and progress (Hashimoto 1989). There were only isolated cases of firms

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responding voluntarily to the complaints of neighbors. In one case, the Asano Cement Company received numerous complaints starting in 1903 because of the dust generated by its operations. These complaints finally ended in 1917 when the company solved the dust problem without government intervention by installing electronic dust collectors (Hashimoto 1989).

India

Unlike Japan, the merchant class was highly respected in the Indian society of the nineteenth century. Merchants participated in giving to the community both as individuals and through guilds. A good reputation in the community was rewarded with access to credit, ensuring concrete benefits to philanthropist merchants and their enterprises (Haynes 1987). Merchant charity, as it was called, was often based on religious convictions as a kind of offering to honor a given deity (Sundar 2013). Toward the end of the nineteenth century, the merchants diversified their giving so as to encompass broader humanitarian needs, consisting of poverty alleviation efforts, disaster relief, reforestation, and the building of schools and temples (Haynes 1987; Mohan 2001).

With the onset of the industrialization of India around 1850, a new class of business people emerged, who tended to be much more oriented toward business practices in the West than the mechants (Sundar 2013). Leading families, such as the Bajaj, Birla, Godrej, Modi, Naidu, Singhania, and Tata played a dual role in helping to industrialize India and in actively participating in its social and political development (Mohan 2001). In terms of social development, they established foundations to support a wide variety of educational, health, and cultural institutions. Nowrojee Wadia set up the first foundation in India, even before those of Carnegie and others in the United States, to advance projects that would promote the common good (Sundar 2013).

The legendary industrialist Jamsetji Tata illustrates this shift, going beyond merchant charity with its religious focus to develop a more modern approach to philanthropy with its concern with the common good. He began the Tata Group as a trading company in 1868, and added two cotton mills, one each in 1869 and 1874. He later turned to iron, steel, electric power generation, hotels, and other businesses (Gras 1949). He held the view that business people were trustees of wealth on behalf of society in a way that echoes the thoughts of Carnegie's "The Gospel of Wealth" (150). He was an active philanthropist who believed he had a duty to use his wealth on behalf of the Indian people, and he built hospitals, research institutes, and funded university chairs. In terms of labor benefits, he introduced a pension fund at the Empress Mills in 1887 and accident insurance in 1895 (Lala 2004). Finally, he created a fascinating financial structure by transferring ownership of the companies to charitable trusts (Gras 1949, 151), which in essence created a precursor to the Benefit Corporation (Mickels 2009).

At the same time that these industrialists pioneered philanthropy, Mahatma Gandhi was formulating his own concept of trusteeship (Chakrabarty 2011). He emphasized the importance of business and wealth as a form of trusteeship — a duty to

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use wealth for the benefit of the public good, not only stockholders. Undoubtedly, Gandhi drew inspiration from Hindu sources, such as the *Isopanishad*, which holds that one "does not have the right to anything beyond what is necessary for one's existence" (60). He may have also been influenced by Carnegie's "The Gospel of Wealth," which was published in Great Britain while Gandhi was there studying law (Chakrabarty 2011).

Even more influential on Gandhi's thinking was John Ruskin's (1862) book *Unto This Last*. Gandhi apparently found a copy in 1904 while in South Africa and translated it into Gujarati himself. Ruskin, an English art critic and social thinker, shared with Carnegie the idea that the wealthy should use their administrative abilities "to the furtherance of public advantage" (Craig 2006, 385) through philanthropy. Ruskin (1862) wrote, "[B]ut I say, 'Teach him to use them to better purpose. The fortitude and intelligence which acquire riches are intended, by the Giver of both, not to scatter, nor to give away, but to employ those riches in the service of mankind'" (48).[3]

The Gandhian version of trusteeship, incubated in the late nineteenth and early twentieth centuries, went on to play a definitive role in corporate social responsibility and philanthropy by major Indian firms at the time of independence in 1947, and continues to exert its influence on CSR practice to the present day (Chakrabarty 2011). Gandhi called trusteeship "India's gift to the world" (Mitra 2007, 20).

Germany

In the case of Germany, some of the distinctive features of the Rhenish model of the social market go back at least to the coal and iron mines around Essen and the Ruhr valley. Miners' mutual aid societies developed starting in the fourteenth century. Later, miners' insurance funds were created. Starting in 1770, mine owners of the region contributed 1/120th of gross income from coal sales to indemnify families of workers against the economic effects of sickness, accident, and death (McCreary 1968, 27).

Company welfare programs began in Germany in the first half of the nineteenth century (Hilger 1998). These programs focused on health insurance, housing, and company stores. The Ruhr industrial elite became prominent with their coal and iron production, and then steel production starting in 1850. They had a very significant influence on the process of nation-building in Germany because of their relationships with Otto von Bismarck, the country's first chancellor (Spencer 1979). In addition, ties were strengthened by a significant number of business executives who were drawn from the public sector. "Government officials functioned as a particularly salient reference group … as regards concepts of social responsibility," according to Spencer (48). The social welfare programs developed by the Ruhr business elite served not only the need to attract labor, but also to "demonstrate social responsibility and thereby deflect criticism of industrial capitalism" as too focused on the "reckless pursuit of profit" (48).

Of special note is the social welfare program developed by Alfred Krupp. It began as early as 1836 with a health insurance plan for workers, which was modified in 1853 (McCreary 1968). The early health insurance program included a pension for

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permanently disabled workers. A workers' pension fund was established in 1885, with a contribution of 1.5 percent of wages (one-third paid by the company). The company's contributions were subsequently raised to match the worker's contribution. In 1890 Krupp provided office workers with similar coverage. Starting in 1877 Krupp subsidized the cost of life insurance for employees. Even when the government legally mandated insurance programs, Krupp's son, Friedrich Alfred, continued to grant benefits beyond the legal requirements. Krupp also developed funds to provide care for those workers and dependents who fell between the cracks of the legally mandated programs (McCreary 1968).

Krupp built a hospital in 1866 in response to the cholera epidemic. In the 1860s, supplemental health benefits included the workers' dependents. A disability and retirement program was developed in 1885 for all workers. Later, work accommodations were made for disabled employees and subsidized life insurance was inaugurated. In 1892 Krupp began building apartments for retirees, where they could live the rest of their lives rent-free. In 1896 a convalescent home was built to provide care for employees with long-term illnesses.

Beyond these programs for workers' welfare, Krupp also subsidized their costs of living. In 1856 the company built housing for unmarried workers. Between 1870 and 1874, the company built 3,200 apartments for workers (36). In 1865 Krupp supported a cooperative, which he then purchased in 1868. McCreary (1968) found that the cooperative differed significantly from the US or UK company store because the price of goods were actually lower than in the city stores through subsidized administrative and other costs. Workers paid cash for all purchases, avoiding some of the abuses found in the UK and US company stores. In 1877 Krupp's store opened to the general public, but was closed in 1896 due to changes in the law. Other programs included the construction of a casino and library, and gardens, schools for home economics, and scholarships for specialized technical training.

Although I have dealt extensively with Krupp and the Ruhr industrialists, they were not alone. Shortly after its founding in 1847, the Berlin firm of Siemens and Halske introduced profit sharing, yearly bonuses, and a company party. In 1872 Siemens started a pension fund; Kastl and Moore (2010: 323) "estimate that the cost to run the pension fund for 1 year was approximately equal to the profits that would be lost if Siemen's workforce were to go on strike for 2 weeks — a strike of average duration in that time period in Germany." They conclude that the investment made economic sense.

The welfare programs developed by Krupp and the Ruhr industrialists, in fact, served as the model that Bismarck later used for Germany as a whole. Bismarck's social welfare plan consisted of three prongs: (1) the Health Insurance Law of 1883, (2) the Accident Insurance Law of 1884, and (3) the Old Age and Invalidity Insurance Law of 1889 (Hilger 1998). The Reichstag accepted the model because it was familiar to the business elite and not seen as radical (McCreary 1969; Spencer 1979). This same social welfare program became part of the Rhenish model of capitalism found in Northern Europe, and was exported in some form to much of the rest of the world.

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The proactive participation of German business firms in the development of innovative social welfare programs stands in contrast to their more reactive stance with respect to the natural environment. In 1853 the first German smoke regulation was issued, but the business community responded with relative indifference (Uekoetter 1999). Certainly, some business leaders were sympathetic to environmental issues, and there were some business associations that supported smoke abatement, but the apathy of the business community contrasts with the US experience. Uekoetter (1999) argues that this relative indifference was related to the lack of an antismoke movement in Germany, as well as the lack of a strong government commitment to enforce regulation stringently. Certainly, the smoke problem never reached the extremes found in US cities at the time.

However, there was one fascinating exception, which was the formation in 1902 of the Hamburg Society for Fuel Economy and Smoke Abatement, sponsored by the Hamburg Chamber of Commerce (Uekoetter 1999). Essentially, they developed a voluntary environmental program, a form of industry self-regulation. Members voluntarily bound themselves to comply with the requirements of the society's engineers, who sought to eliminate smoke at the lowest possible cost. In response, the government refrained from monitoring the industry. Although the model was never reproduced in any other German city, it attracted members from across Germany (Uekoetter 1999). The outlines of the Hamburg program foreshadow much later programs that involved enforcement moratoria by governmental authorities as a reward for compliance with industry self-regulation (Henriques, Husted, and Montiel 2013).

DISCUSSION

Before I proceed any further, I need to make an important clarification. My point is not so much to praise the welfare capitalism or environmental actions of these nineteenth-century companies and industrialists. Certainly, their paternalistic approach would make any Westerner of the twenty-first century cringe. Rather, I admire their preoccupation with issues of income distribution, social welfare, and environmental impact. Within the historical context of the day, they were quite creative in developing responses to the issues of their times.

One preliminary conclusion that should be self-evident is the wealth of material that is available from historical resources that shed light on issues of business ethics and corporate social responsibility. The practice, as well as the theory, of corporate social responsibility has a very long history, much of which has been generally ignored in the contemporary literature. In addition, this historical material provides important resources for several current CSR issues and debates, including: (1) the motivations for CSR, (2) stakeholder management, (3) the business case for CSR, (4) political CSR and corporate citizenship, (5) industry self-regulation, and (6) income inequality. I examine each of these specific topics and then draw some general conclusions.

First, I examine the issue surrounding motivations. Do managers engage in CSR because it is the morally right thing to do or because they see it as an opportunity

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to earn legitimacy, or even make money? Similar to present-day CSR debates, there was much discussion as to whether motives were profit-oriented, humanitarian, or mixed (McCreary 1968). Deontological approaches require the correct motives for an action to be considered ethical, while consequentialism is indifferent to motives. Stark (1993) has leveled a blistering attack on business ethics for its failure to grapple with the mixed motives of the business world. He would undoubtedly have found the historical material here to be of great interest. When McCreary (1968) assessed Krupp's motivations, his conclusion was that they were clearly muddled. Krupp combined elements of a genuine humanitarianism with the businessman's pragmatic concern for the company's prosperity.

In addition, pressures for legitimacy were ever-present. They certainly played a role among the Ruhr elite and their concern to avoid brazen profit-seeking behavior. Instead they sought to provide a fair return to investors (Spencer 1979). The Japanese had an even harder time overcoming the suspicion of society regarding the profit motive, and so developed their code of ethics in order to be seen as legitimate (Taira 1970). Similarly the Quaker Cadburys, in Rowlinson and Hassard (1993), illustrate this mix of humanitarian ideals, business sense, and deep concern for being seen as socially legitimate.

Second, although there are hints of stakeholder management, it was in an embryonic state. Later, writers such as Chester Barnard and Mary Parker Follett would express these ideas much more clearly (Evans et al. 2013). In the latter half of the nineteenth century, there was more discussion in terms of a broad and undifferentiated notion of the public (Cochran 1943; Gagan 1965). The idea of trusteeship for the employee and the public is clear in the writings of Carnegie and even earlier in those of Ruskin. Although the discourse of writers did not reflect notions of stakeholder theory, there was stakeholder management in practice. In the development of welfare capitalism by the Ruhr industrialists, and the response of the Pennsylvania Railroad to the issue of smoke abatement (Stradling and Tarr 1999), executives dealt in turn with employees, news media, government officials, and the community at large. Without using the language of contemporary stakeholder theory, they appear to have dealt with each constituency according to the power, legitimacy, and urgency of their claims (Mitchell, Agle, and Wood 1997).

Third, the business case for CSR played a central role in discussions around employee welfare, philanthropy, and environmental management. "CSR pays" was clearly an important part of the early thinking, as seen in the Victorian waste reduction movement (Desrochers 2009). Robert Owen argued that the fair treatment of workers was also profitable for the firm (Gorb 1951). Similarly, Krupp and Siemens saw their labor practices as good for the bottom line. Debates within the Pennsylvania Railroad about smoke abatement recognized that smoke represented waste and that abatement could generate savings, while other firms only sought to maximize profits with minimal interference from external groups (Stradling and Tarr 1999). The "CSR-pays" argument was ever-present in the nineteenth century.

Fourth, there is a rising debate about the role of firms in providing governmental services, which has been developed by scholars speaking both of political CSR and new conceptualizations of corporate citizenship (Matten and Crane, 2005). The early

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cases that I mentioned are fascinating because they occurred in the context of institutional voids — at a time when the United Kingdom, United States, Germany, and Japan were more like emerging markets than the developed markets they are today. Scherer and Palazzo (2007) write: "Anecdotal evidence shows that corporations already have started to assume enlarged responsibilities in their globally expanded business environments —responsibilities once regarded as genuine governmental responsibilities. … They engage in public health, education, social security, and protection of human rights" (1109). A corporate observer writing at the end of the nineteenth century could have used the same words.

Fifth, another issue in current CSR debates is voluntary industry self-regulation. As early as 1857, financial analyst Henry Varnum Poor argued that internal industry reform was necessary to ameliorate increasing public pressure and avoid governmental intervention (Gagan 1965). In 1892 the Chicago Society for the Prevention of Smoke encouraged voluntary abatement within the business community, which represented an early attempt at self-regulation (Rosen 1995). A decade later, the Hamburg Society for Fuel Economy and Smoke Abatement developed a slightly more sophisticated approach by incorporating clear benefits for members, specifically a regulatory moratorium. These early experiences demonstrate that the success of these programs depended on their design attributes, encompassing both their costs and benefits.

Finally, there was a clear concern with social equity and extreme differences in the distribution of wealth from the rich to the poor. Carnegie's "The Gospel of Wealth" begins thus:

> The problem of our age is the proper administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. … In former days there was little difference between the dwelling, dress, food, and environment of the chief and those of his retainers [warriors]. … The contrast between the palace of the millionaire and the cottage of the laborer with us today, measures the change which has come with civilization. (Carnegie 1889, 42)

Carnegie's justification for philanthropy tied directly to concerns of income inequality. Lever's prosperity sharing (Jeremy 1991), Siemen's profit sharing, and the entire welfare capitalism movement in some sense addressed these issues. Between 1900 and 1917, US business leaders increasingly adopted the elements of welfare capitalism, in part inspired by Carnegie's idea of trusteeship (Berkowitz and McQuaid 1978). Given this early focus of CSR, the recent lament of Peter Utting (2007) of the United Nations that CSR has failed to live up to its calling to deal with inequality is especially stinging.

CONCLUSION

This essay has provided only a very brief survey of some of the historical antecedents of CSR practice. Nevertheless, it should be sufficient to sensitize researchers to the wealth of resources available for scholarly engagement and even for use in the classroom. The problems our forebears faced are not so different from our own,

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and they provide a source for possible solutions, paths to be avoided, and fodder for future research. These early CSR discussions and practices go to the very heart of some of the most important issues being debated in the public square in the United States and around the world today. Current CSR scholarship does not shed much light on these issues. Taken as a whole, this early period of CSR practice represents a fervid laboratory of social innovation. Some of these early experiments succeeded, while others failed miserably. What is admirable is the freedom with which these early business people attempted to respond to the social and environmental problems in which they were both immersed and in some sense helped to create.

Current CSR practice seems relatively tepid in comparison. While the looming threat of Marxism, worker strikes, and socialist revolutions may have generated an urgency and creativity in the social realm that has been unparalleled, issues like climate change may yet spur considerable technological and business-model innovation by firms today. Yet one wonders whether business leaders and entrepreneurs will engage in the significant kind of institutional innovation that characterized leading firms more than a century ago. Possibly given the institutional infrastructure now in place, it may be difficult for leaders to think as freely of alternatives as in an era marked by institutional voids. My hope is that the retelling of these stories from the past may spur my contemporaries to search more broadly for alternatives and think more freely in the discovery and creation of solutions to the social and environmental problems of business in our day.

NOTES

1. Anyone interested in the history of CSR should, for example, read the special issue of the *Bulletin of the Business Historical Society* (1943).

2. *USA Today* (2014) reported air pollution in Beijing and Shanghai with particles less than 2.5 micrometers in diameter (PM2.5), occasionally reaching densities above 600 μg/m3. Although precise measurement of air pollution over a century ago was sporadic, limited data indicates that levels of ambient air pollution (total suspended particulates; TSP) in Chicago in the 1910s ranged from 1,000 to 10,000 μg/m3 (Bachmann 2007, 656). TSP includes airborne particles less than 100 micrometers. Although we do not know what percentage of PM2.5 made up TSP in Chicago in the 1910s, we do know that today's PM2.5 accounts for about 25 percent of TSP (www.hc-sc.gc.ca/ewh-semt/pubs/contaminants /psl2-lsp2/pm10/index-eng.php#a2323). If this were the case in Chicago in the 1910s, PM2.5 levels would have ranged from 250 to 2,500 μg/m3.

3. I could find no evidence of voluntary environmental initiatives by business in India during the second half of the nineteenth century. Although India faced important ecological challenges in the nineteenth century, many of them related to deforestation (Gadgil and Guha 1992). The Industrial Revolution had not fully arrived and was probably delayed during the British colonial period (Akamatsu 1962). As such, smoke pollution and other environmental problems related specifically to industrialization were not yet as important as in other countries discussed in this paper. The environmental initiatives by Indian business in the nineteenth century clearly need to be researched more carefully by historians.

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