The Societal Role of Business in the Context of Economic History: An Argumentative Outline for a Conceptual Framework and an Empirical Research Program

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_Schlüsselbegriffe_: Gesellschaftliche Rolle von Unternehmen, CSR, Wirtschaftsgeschichte, Kommerzielle Revolution, Industrielle Revolution, Digitale Revolution

Abstract

This paper sketches a plan for developing a conceptual framework capable of reconstructing and analyzing the recorded history of CSR practice in the context of economic history. To this end, the paper combines Axel Leijonhufvud’s conceptual thoughts on the economic conditions during and after the three major milestones in the development of modern market economies—i.e. the Commercial Revolution in the Late Middle Ages, the Industrial Revolution in the modern era and the Next Industrial Revolution of today—with North et al.’s considerations on the relevance of social orders to control violence in historical societies, which address the interdependence of the economy and politics. Building upon these two dimensions, I will argue that measuring the economic conditions against the working properties of the relevant historical social order allows for three important implications for the societal role of business in the respective period, including the world of today. Finally, the paper outlines possible avenues of a research program, including both empirical and conceptual research, which illustrates the framework’s heuristic function with concrete case studies.

_Keywords_: Societal Role of Business, Economic History, Commercial Revolution, Industrial Revolution, Digital Revolution
The Societal Role of Business in the Context of Economic History: An Argumentative Outline for a Conceptual and Empirical Research Program

Stefan Hielscher

Introduction: The Societal Role of Business in the Context of Economic History

During the last decades, the societal role of business firms has been broadly discussed in the diverse academic debates on corporate social responsibility (CSR), corporate citizenship (CC), stakeholder management, political CSR and industry self-regulation. Although these debates differ in the specific research interests and the theories used, a common denominator is surely the general interest in those societal activities of business firms that go beyond a narrowly defined role as ‘pure’ economic actors. Often cited examples for such activities, which have spread in the business world since the 1970s and, in particular, since the 1990s, include the voluntary adoption of codes of ethical conduct, the participation in new governance initiatives such as the Forest Stewardship Council (FSC) or the Maritime Stewardship Council (MSC), the United Nations Global Compact, the ISO 26000 norms and, more generally speaking, the diverse and multiple business contributions to sustainable development. Ample research in CSR and related fields has contributed many insights that help better understand the societal role of business in today’s globalized world.

The social and environmental issues connected to a globalized world of business certainly present a particularly unique challenge to business firms. Yet the current sway of CSR and related initiatives also echoes important historical antecedents. For example, the period of the Industrial Revolution witnessed business leaders to engage in welfare work, trusteeship and civic mindedness, which included the provision of social security, health insurance, kindergartens and corporate dwellings in many Western countries, including the United States, UK or Germany and some Asian countries such as Japan or India (Hielscher 2011, Husted 2015). Although these early CSR practices surely “go to the very heart of some of the most important issues being debated in the public square,” as Bryan Husted noted in his presidential address to the Society of Business Ethics in 2014, CSR scholarship “does not shed much light on these issues” (Husted 2015, pp. 125 and 138). For Husted, this scholarly neglect is a foregone opportunity for societal and academic learning, because the “early period of CSR practice represents a fervid laboratory of social innovation,” which “provides a source for possible solutions, paths to be avoided, and fodder for future research (Ibid, pp. 137-138). Husted’s 2014 presidential address, thus, is an invitation to take and use the historical record of CSR practice, and especially the years between 1750 – 1914, as a valuable source of inspira-

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1 I follow Matten and Moon’s (2008) empirical understanding of CSR as “clearly articulated policies and practices of corporations that reflect business responsibility for some of the wider societal good.” (cf. Husted 2015, p. 126). As a consequence, I will treat the notions of “corporate social responsibility practice” and the “societal role of business firms” as synonyms throughout the proposal. – From a sociological standpoint of systems theory, it does not come as a surprise that history is full of CSR examples that fit this definition. According to Luhmann (1977, p. 35), it was not until the functional differentiation of social subsystems in modern societies that, e.g., business firms could focus on their “economic function of securing want satisfaction” in the subsystem of the economy.
tion 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 today” (Ibid, p. 126).

The purpose of this research proposal is to heed Husted’s (2015, p. 126) call and “broaden the vision of CSR practice temporally and spatially.” Building upon influential research in economics and economic history, this project aims at developing a conceptual framework for interpreting the historical record of CSR practice. The framework differentiates two dimensions: First, it identifies three “economic revolutions” as major steps in the development of modern market economies: the “Commercial Revolution” in the Late Middle Ages, the “Industrial Revolution” in the modern era and the “Next Industrial Revolution.” Each revolution can be viewed as being dominated by a typical form of value creation, which can be described in terms of market form, vertical division of labor, economic production and major economic actors. Second, the framework differentiates two social orders to address the interdependence of the economy and politics. Building upon these two dimensions, the framework shows that CSR practice largely depends on the interplay of economic conditions and the working properties of the social order prevalent in each historical period. This translates into three major implications for the form of CSR practice. Generally speaking, business firms assume a societal role to establish, partly in concert with other societal actors, those framework conditions that are required for their economic value creation to flourish. Finally, the project illustrates these implications for the various debates on CSR, Corporate Citizenship, Political CSR, Stakeholder Theory as well as Institutional Theory with the help of informative case studies for each economic revolution.

1. Present Literature: The Societal Role of Business in a Historical Perspective

Contemporary scholars have shown surprisingly little interest in the history of CSR practice. If any (cf. the book by Archie Caroll et al. 2012 and the article by J. Ciulla 2011), these interests are “limited to the twentieth century, with a focus on the United States,” as Husted (2015, p. 125) has noted.4 Beyond these works, there are only few attempts to tap the rich historical record of CSR practice and to learn from history about potential solutions for the business challenges in today’s global society. These studies, which typically use case research or case illustrations, relate their analysis to the conduct of business in (1) the ancient times, (2) the Late Middle Ages, and (3) the Industrial Revolution.

(1) In recent years, some Asian scholars have shown an interest in the history of CSR practice. These studies date the origins of CSR back as far as to the empires of the ancient times (Sharma and Talwar 2005, Nehme and Wee 2008, Sundar 2013). More specifically, some scholars have tried to root contemporary CSR in historical ‘CSR’

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2 The wording used here bears a close resemblance to North et al.’s (2009) book “Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History.” I use a like terminology on purpose to highlight the similarities between their approach and my project, in particular with regard to the methodology used. Cf. section 4.5.

3 Distinguishing these three revolutions is inspired by Axel Leijonhufvud’s (2007) and (1986) works, which finds interesting reflection in the economic historical studies by North (1990), Greif (2006) and Greif et al. (1994).

4 There is also research on the history of CSR theory, which is not the focus of this project. Cf. Caroll (2008).
practices in ancient Babylon (e.g. the Code of Hammurabi from 1772 B.C., cf. Nehme and Wee 2008, Sundar 2013) or in ancient India (cf. Sharma and Talwar 2005).

(2) In Germany, CSR and management research has witnessed a debate to root contemporary CSR in the German and Italian tradition of the “honorable merchant.” This literature interprets the historical tradition as a role model for today’s management, the antecedents of which are traced back to the guiding virtues of long-distance merchants in the Late Middle Ages. This line of research relies on historical records that reflect the self-descriptions of traders of the Hanseatic League in Germany (1200 B.C. et seq.) and the northern Italian city-states (1300 B.C. et seq.), which largely consist of available trade manuals and letter correspondence of merchants. The debate was sparked off by one of Germany’s most renowned business economics’ scholar, Horst Albach, in a talk given at the Berlin Social Science Center in 2003 (Albach 2003). A couple of years later, Albach’s call was heeded by management (and CSR) scholars Joachim Schwalbach and Günter Fandel (2007) in a special issue of the Journal of Business Economics (ZfB), and by Daniel Klink (2008), one of Schwalbach’s students. Finally, Schwalbach und Klink (2012) developed this concept further into a modern framework for management. This initiative, which revives the role model of the honorable merchant, has found a divided echo in the community since, with some practitioners (Hoefle and Sorg 2011) as well as trade associations (IHK 2013) enthusiastically embracing it and some business ethics scholars refusing it as an outdated concept (cf. Beschorner and Hajduk 2012 and 2014).

(3) Most recently, in the aforementioned presidential address to the Society for Business Ethics in Philadelphia in 2014, Bryan Husted not only calls attention to the great potential of studying the “origins of CSR” as they are presented in “historical record” of business initiatives and activities during the age of industrialization. He also takes the first steps in analyzing the “natural experiments regarding what worked and what did not.” In particular, Husted (2015, p. 126) reviews the sources of historians to investigate into the then “emerging response among business people and their companies around the world to the negative consequences of the Industrial Revolution.” According to Husted (2015, p. 125 and 126), delving deeper into the history of nineteenth-century CSR—especially into the experiences in the United Kingdom, United States, Japan, India and Germany—helps better understand the “logic that motivated its earliest practitioners and exponents.” The major themes of his investigation being welfare capitalism, corporate philanthropy, and environmental pollution, Husted (2015, p. 138) expresses a particular admiration for the “freedom” and the high degree of “institutional innovation” with which the early industrialists responded to the “social and environmental problems in which they were both immersed and in some sense helped to create.”

In heeding Husted’s call, this research proposal claims that contemporary CSR research can largely benefit from developing a conceptual framework that allows interpreting the historical record of CSR practice in light of the most relevant historical periods in the development of modern market economies. A framework that is sensitive to the economic and social conditions is particularly useful given that parts of the literature either bear only a loose relation to today’s business challenges (as the attempts to root CSR in some ancient antecedents show, cf. (1)) or build upon a record of highly idealized self-descriptions of “honorable merchants” in the Late Middle Ages, which, however, do not systematically represent and reflect the economic and social conditions during the historical period in question (cf. (2)).
2. Developing a Conceptual Framework for Interpreting the Societal Role of Business in History and Today

Most of the rare works that have appeared in recent years agree that the interest in the history of CSR practice is not an end in itself. In fact, most scholars would certainly claim that the recourse to historical examples is intended, as Husted (2015, p. 126) noted, to “illuminate our thinking” about today’s challenges of business firms and their leaders. Yet, learning from history is a challenging and sometimes also a highly contested exercise. Each period’s economic and societal context is necessarily unique as is the specific activity and initiative analyzed. As a result, solutions to past problems cannot readily be used to adequately address today’s challenges. Moreover, some early historical social structures do not fit well to the kind of dynamic market economy we experience today, which induces Husted (2015, 126) to take a rather skeptical view on current attempts to trace CSR to, e.g., certain provisions in the ancient societies of Mesopotamia.

The idea of this paper is to develop a conceptual framework for analyzing the recorded history of CSR practice in the context of economic history most relevant for the development of modern market economies. Following the influential conceptual works in economics and economic history, I argue that the most relevant historical antecedents for modern CSR practice can be found in three central milestones within the development of modern market economies: the Commercial Revolution in the Late Middle Ages, the Industrial Revolution in the modern era and the Next Industrial Revolution. For this purpose, the project combines (1) Axel Leijonhufvud’s (2007) conceptual thoughts on the economic conditions during and after the three major steps of economic history with (2) North et al.’s (2009) considerations on the relevance of social orders to control violence in historical societies, which address the interdependence of the economy and politics. Building upon these two dimensions, I will argue (3) that measuring the economic conditions against the working properties of the relevant historical social order allows for three important implications for the societal role of business in the respective period, including the world of today.

(1) Economists identify three important stages in the development of modern market economies (Leijonhufvud 2007, Blinder 2006). With each giving rise to a new era, these three events involve disruptive changes of economic production, which is also the reason why economists and economic historians alike consider these milestones as economic “revolutions” (cf. Greif 2006, Leijonhufvud 2007, North 1990).

(a) According to Leijonhufvud (2007, p. 6 and 16), the Commercial Revolution of the years 1000 B.C. et seq. is a period that witnessed a dynamic “revival of trade” (cf. also Fouquet and Broadberry 2015), based on a system of local, regional and interregional markets organized through the monetary exchange of goods and services in Western and Central Europe. As a consequence, he views this époque not as the dark ages of Europe, but as an early anticipation of capitalism. This period of “Medieval Capitalism” witnessed political authorities to

“ensure ‘thick’ markets, so that prospective buyers would not find themselves facing a monopolist, or sellers a monopsonist. They did so by concentrating exchange in time and in space, by establishing fairs and, locally, by making trade legal only on certain days and in certain places. The whole

panoply of city regulations against forestalling and engrossing, etc. had this aim” (Leijonhufvud (2007, p. 6; cf. also Greif 1992 and Greif et al. 1994).

Following this understanding, Medieval Capitalism can be described as being populated by markets that offer many substitute products in a “guild-regulated system of artisanal manufacture” (Leijonhufvud 2007, p. 8). A striking feature of medieval manufacturing is the relatively low vertical division of labor with “each artisan perform[ing] an entire sequence of operations required to produce a marketable commodity” (Ibid, p. 8). Beyond the producers of artisanal goods, important economic actors are merchants, including merchant guilds and city-states dominated by merchant dynasties (Greif 2006). These traders and trade organizations appear as “dealmakers” (Leijonhufvud 2007) to organize the regional and international wholesale commerce between the producers of artisanal commodities and the end consumers, be it either a continental trade as established by the Fugger or Welser dynasties in Central Germany or a long-distance maritime trade as carried out by the merchants of the German Hansa in Northern Europe or by the tradesmen of the Northern Italian city-states in the Mediterranean region. It was precisely these “dealmakers, not the producers, who made the big money” (Leijonhufvud 2007, p. 16). Thus, there can be little doubt that the wholesale merchants were also the determining economic actors of Medieval Capitalism (Greif 2006).

(b) According to Leijonhufvud (2007, p. 8), “the increased functional differentiation in the economy that comes with industrialization is different in kind from that which is made possible by the coordination of activities through monetary exchange” in Medieval Capitalism. To understand the underlying production logic that came with the Industrial Revolution, Leijonhufvud (2007, p. 8, emphasis in original) argues to focus on the “division of labor within, rather than between, manufacturing enterprises.” Calling attention to Adam Smith’s observations on pin manufacturing in the ‘Wealth of Nations’, Leijonhufvud (2007, p. 8) elaborates on the logic of the intra-organizational vertical division of labor as follows:

“Smith described how production could be reorganized so as greatly to increase the productivity of labor, even though the tools and technology utilized were not changed. The way to do this is to “divide the labor”, making each worker specialize in one task in the sequence of tasks that constitute the production process. It will be convenient to call this ‘vertical’ division of labor. For a variety of reasons, this reorganization will extract greater output from a given workforce. The organization of work in the factory that brings this about is more complex than in the artisanal shop in the straightforward sense that more people cooperate in the production of any given unit of output.”

According to Leijonhufvud’s (1986, p. 221) “theory of the capitalistic factory,” the vertical division of labor is one of the major drivers that represent the move from artisanal small-batch manufacturing to the innovative “discovery procedure” of industrial mass production (Ibid, p. 215), with capitalistic manufacturing “normally conducted in factories with a sizeable workforce concentrated to one workplace” (Ibid, p. 204). To understand why, it is important to review the logical relation between the vertical division of labor and the vertical integration of the various stages of production. As noted, the vertical division of labor increases the role of team production, with workers contributing their skill and labor and capitalists endowing machines to the enterprise of joint production (Ibid, p. 217). Team production generates a(n increasing) joint rent, which is to be divided to and distributed among all contributors.

6 Leijonhufvud (1986, p. 211 et seq.) elaborates in more detail on the social consequences of the factory system.
The resulting bargaining problem is complex, even among capitalists. Leijonhufvud (1986, p. 218, emphasis added) elaborates on this problem as follows:

“Each machine owner can threaten to reduce output and, therefore, everyone else's earnings to zero—until a replacement for his machine can be found. But ... the market for very specialized machines will be thin, so replacements ... for them are hard to find. Any agreement about the division of earnings amongst the machine owners would be extremely unstable. So unstable, in fact, that some organization of production that avoids the complementarities between the highly specialized inputs of cooperating owners might be preferred—even at the cost of foregoing the advantages of the division of labor.”

To avoid that the bargaining problem brings joint production to a complete hold, individual capitalists need to be prevented “from owning and controlling specific machines. Instead, a ‘firm’ is formed and any capitalist who joins has to give up ownership of his machines and accept ‘shares’ in the firm. Thus, the assembly line is vertically integrated into one firm” (Leijonhufvud, p. 218, emphasis added).

Leijonhufvud (1986, p. 215, original emphasis) also recalls Adam Smith’s and Karl Marx’s conviction that the vertical division of labor preceded the innovative growth path of industrial mechanization. He argues:

“They [Smith and Marx, comment SH] also thought that one led to the other, and they thought it rather obvious what the causal link was: as one subdivides the process of production, vertically, into a greater and greater number of simpler and simpler tasks, some of these tasks become so simple that a machine could do them. The mental task of analyzing the production process so as to carry through the division of labor leads to the discovery of these opportunities for mechanization. Once the principles of the division of labor are mastered, the discovery of how industry can be mechanized follows.”

Thus, following Leijonhufvud’s interpretation of the two economic classics, one can argue that the vertical division of labor created the incentives for the innovation process of mechanization to start in the first place, not vice versa. Against this backdrop, it may be no exaggeration to view the capitalist entrepreneur, who sets the vertical division of labor into work, as the prime economic actor of the age of industrialization, which initiates an innovative growth path that increases the extent of the market ever more.7

(c) With the population expanding globally, transportation costs progressively lowering and ICT technology revolutionizing the course of production, the “extent of the market is becoming worldwide” since the 1990s (Leijonhufvud 2007, p. 15). In the context of worldwide markets, however, the “bilateral monopoly problem between the two successive workstations on the assembly line evaporates. Both sides find themselves facing thick rather than thin markets.” (Ibid, pp. 15-16). Following Blinder’s (2006) terminology, Leijonhufvud (2007, p. 16) thus argues that we are currently experiencing a Next Industrial Revolution, the characteristics of which he describes as an “unbundling” of manufacturing firms and a “trade in tasks:”

“The exact technical specifications for an intermediate good which should be the output of the n-th and an input for the n+1st stage of a production process, can be transmitted anywhere in the world at zero marginal cost and competitive bids obtained. Drastically reduced costs of moving goods and transmitting such information have thus undermined the rationale for the old-fashioned vertically integrated firms, which dominated manufacturing for so long. Various stages of the production process can be profitably ‘outsourced’ and often ‘offshored.’”

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7 This is similar Schumpeter’s position understanding of the relationship between capitalism and technological innovation. Schumpeter (1911, 2003, p. 71) argues: „It is not the innovations that have created capitalism, but capitalism that has created the innovations needed for its existence.”
The unbundling of manufacturing firms is but only one consequence of the Next Industrial Revolution. In addition to the outsourcing activities of traditional large companies, ever more products are also “marketed by relatively small firms which shop the world for the best, low-cost subcontractors and component manufacturers and which, in this manner, pull together and then again dissolve patterns of cooperating producing units brought together for particular purposes” (Leijonhufvud 2007, p. 16). As a consequence, the new era of the Next Industrial Revolution “comes to resemble the Merchant Capitalism that preceded the first industrial revolution,” because it is (again) primarily the dealmaker function of marketer firms that determine the course of economic production.

((2)) Research in institutional economic history offers a conceptual background to interpret and analyze the societal role of business in the different periods of economic development. Beyond the social organization of tribal communities of hunters and gatherers, North, Wallis and Weingast (2009) distinguish between two further types of societal structures, which are capable of integrating larger societies: a limited access order (LAO) and an open access order (OAO).

A LAO describes the politico-economic system of a traditional society or a “natural state.” This form social organizational “reduces the problem of endemic violence” by manipulating “the economic system to produce rents that then secure the political order” (ibid, p. 18). A dominant political coalition grants (and defends) both the political and economic privileges of its insiders, but refuses to concede the same privileges to outsiders. It literally limits access to the resources in politics and the economy for all other members of society. Yet, though this obviously requires force, limiting access is also the reason why a functioning LAO is able to secure relative peace in society as long as it succeeds in restricting the violent struggle for power both in politics and the economy. Thus, a LAO is a system to avoid competition both in politics and in the economy, for competition is a potential source of violence and civil war.

In contrast to traditional societies, modern societies typically feature the social structure of an OAO. OAOS sustain institutions that allow elites to transform their personal political and economic privileges into impersonal rights, and they facilitate the creation of “perpetually lived organizations,” such as capitalist firms. This transformation starts a momentum of “rent-erosion through entry” in politics and the economy (ibid, pp. 26-27). If successful, a fully-fledged OAO sustains open access and competition not only in politics and the economy, but potentially also in many other social systems. As a result, OAOS typically feature the characteristics of a political democracy and a market economy, which are supported by a strong civil society (ibid, pp. 113). Thus, an OAO is a system to enforce competition in politics and in the economy, for modern societies possess the institutional prerequisites to acquire the positive effects of competition without declining into chaos.

((3)) Viewed against the three milestones of economic development in Europe, North et al.’s (2009) framework yields interesting insights into the societal role of private companies in each period. In other words, each economic “revolution” features a distinct implication for CSR practice (a), (b) and (c), which can be viewed as the residual of the conditions of economic production and the working properties that come with each period’s social order. Table 1 summarizes the central implications in a conceptual framework for interpreting the historical dimensions of the societal role of business.8

8 Similar to North et al.’s (2009) caveats, it should be clear that this framework does develop a “formal or analytical theory that generates explicit empirical tests or deterministic predictions” (North et al. 2009, p.
<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Commercial Revolution (1000 et seq.)</th>
<th>Industrial Revolution (1750 et seq.)</th>
<th>Next Industrial Revolution (1990 et seq.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Conditions of Production</td>
<td>• Thick markets of basic goods&lt;br&gt;• Low vertical division of labor&lt;br&gt;• Vertically disintegrated artisanal manufacturing&lt;br&gt;• Long-distance trade&lt;br&gt;• Merchants as deal-makers</td>
<td>• Thin markets of intermediate products&lt;br&gt;• High vertical division of labor&lt;br&gt;• Vertically integrated factory production in one location&lt;br&gt;• Long-distance trade&lt;br&gt;• Capitalist firms as factory operators</td>
<td>• Thick markets of intermediate products&lt;br&gt;• High vertical division of labor&lt;br&gt;• Vertically disintegrated and globally unbundled industrial production&lt;br&gt;• Long-distance trade&lt;br&gt;• Capitalist firms as deal-makers</td>
</tr>
<tr>
<td>Social Order</td>
<td>• Limited Access Order: fragile and mature&lt;br&gt;• Doorstep to Open Access Orders</td>
<td>• Limited Access Order&lt;br&gt;• Doorstep to Open Access Orders</td>
<td>• Open Access Order in Western countries (home/headquarter)&lt;br&gt;• Limited Access Order in Developing countries (offshore production)&lt;br&gt;• Concurrency of social orders</td>
</tr>
<tr>
<td>Societal Role of Business/CSR Practice</td>
<td>• Reputation (“honor”) of dealmaker merchants&lt;br&gt;• Societal Role: Establish framework conditions for long-distance trade</td>
<td>• “Industrial Responsibility” of local capitalist firms&lt;br&gt;• Societal Role: Establish framework conditions for local factory mass production</td>
<td>• “Corporate Social Responsibility” of dealmaker capitalist firms&lt;br&gt;• Double Societal Role: Establish framework conditions for local factory production (offshore) and a global order for international trade beyond nation-state governance</td>
</tr>
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Table 1: A Conceptual Framework: The Societal Role of Business during three Economic “Revolutions”

(a) Preceding the age of the Commercial Revolution in Europe, the Carolingian Empire succeeded in establishing a “basic” natural state on its expanding territory. In alliance with the Catholic Church, the Carolingian state revived and controlled long-distance trade with the Eastern Roman Empire and the Abbasid Caliphate by concentrating trade(rs) in “a few cities and in a number of monasteries” (North et al. 2009, p. 60). After the partition of the Empire, however, some areas in Northern Germany (as the Medieval German eastward expansion starts) and in Northern Italy assumed the characteristics of a “fragile” natural state, with recurring military struggles to establish a dominant xii) about CSR practice. Following Husted (2015), it is intended to provide a heuristics for an *informed* and *systematical* illumination of our thinking about (the history of) CSR practice. This framework not only focuses on the most relevant antecedents of CSR in history, but it is also capable of excluding those historical records from the radar screen that bear no relationship to the development of modern market economies.
coalition to secure peace. Thus, it does not come as a surprise that it was precisely in these geographical regions that merchants, merchant companies and coalitions are observed to establish a political and economic order for long-distance trade. In Northern Germany, for instance, the re-established cities at the Baltic Sea coast at the turn of the millennium formed early coalitions and bilateral defensive alliances even before the Hanseatic League gained importance with Luebeck as the “crown” of the German Hansa (Dollinger 1970). During the German Interregnum, its primary purpose was to establish the framework conditions for establishing and maintaining a productive long-distance trade in absence of an effective state (cf. Dollinger 1970, Greif 1992, Hielscher 2015a and 2015b). To ensure that only the “honorable” merchants could enjoy the benefits of this economic order, the German Hansa established special appellation courts to inquire into allegations of fraud and expelled merchants, or complete hanseatic cities, from the alliance in case they were found guilty (“Verhansung”). This leads to the first implication of CSR practice during the Commercial Revolution:

**Implication 1**: During the Commercial Revolution, the merchant’s reputation (or honor) to keep its promise is a critical immaterial factor of production (cf. also Hielscher 2015), which, however, requires establishing the framework conditions. Thus, CSR practice observes merchants to assume a political role to establish a political framework for long-distance trade, which enables tradesmen to develop a reputation as honorable merchants.

(b) The age of the Industrial Revolution witnesses the European countries of origin—i.e. Holland, England, France and (later) Germany—to be mature natural states at the doorstep of a transition to open access orders (North et al. 2009, p. 69 – 76, 148 et seq.). The industrial mass production concentrated in one location gave rise to a number of social problems, including a low and stable social status of workers, the use of child labor, a hard working discipline at the assembly line, an alienation from the product as well as housing shortage due to agglomeration effects in growing cities with workers who cannot rely on rural family services (Leijonhufvud 1986, pp. 212-213). As a reaction to these challenges, capitalistic firms addressed the consequential problems of vertically integrated mass production through corporate social policy, which included corporate insurance schemes and retirement plans as well as corporate dwellings, hospitals, kindergartens and educations schemes, as Alfred Krupp’s Social Welfare Program of the late 19th century famously illustrates (cf. Hielscher 2010, Hielscher and Beckmann 2009 and the references therein). For some historians, these social activities of capitalist firms represent an early form of “industrial responsibility” (McCreary 1968). This leads to the second implication of CSR practice during the Industrial Revolution:

**Implication 2**: During the Industrial Revolution, corporate social policy is a critical immaterial factor of production for the capitalistic firm (Hielscher 2011). CSR practice translates into a social and political task on-site, with big capitalist firms assuming a role to establish the framework conditions required for a productive factory system with a “sizeable workforce concentrated to one workplace.”

(c) The age of the Next Industrial Revolution witnesses the industrial system of factory production to partly dissolve by outsourcing and offshoring of traditional firms, and increasingly, by small firms operating on thick markets for intermediate products. As a consequence, these firms are able to organize and, time and again, re-organize the patterns of production, even on a global scale. The global dimension of dissolved manufacturing challenges dealmaker firms, which operate in the Western hemisphere and produce in, e.g., developing countries, to do business in two social orders at the same time:
In their home countries, they often face mature open access orders with democratic political competition and a strong civil society, while their offshore units are frequently located in developing countries with a limited access order (i.e. in natural states). This leads to the third implication of CSR practice during the Next Industrial Revolution:

Implication 3: During the Next Industrial Revolution, both reputation and social responsibility become a critical immaterial factor of production. This double societal role translates into multiple CSR initiatives and practices on a global scale. In particular, the challenge of the Next Industrial Revolution may require two distinct reactions of business firms (i) and (ii), and these reactions reveal interesting similarities to the two preceding revolutions:

(i) The first reaction calls for Western firms to pay particular attention to the working properties of limited access orders, i.e. to the features of fragile and mature natural states in the locations of offshore production. Depending on the state of development, offshored industrial production requires different social and political activities, some of which may resemble the political tasks during Merchant Capitalism, while others may be more similar to the social activities required to circumvent the negative effects of mass production during the Industrial Revolution. As an example, there are interesting similarities (and, obviously, also differences such as distance between decision-makers and affected stakeholders) between the social innovation of the mining industry in the Ruhr valley in 19th century Germany and today’s mining industry headquartered in Canada and carried out in the South America (cf. Webb 2011, 2012a, 2012b, 2012c).

(ii) The second reaction calls for Western firms to actively manage their global supply chains with a specific focus on the tensions that occur between the social and political conditions in the countries of manufacturing and the social expectations of the end consumer (and their interest groups) in home countries. Dealmaker firms can manage the discrepancies between distinct social orders in the diverse locations of headquarters and production either individually by corporate ethics codes to manage the global supply chain (Helms et al. 2012) or collectively by participating in international governance initiatives such as the Forest Stewardship Council or the Maritime Stewardship Council, by cooperating in and with global governance networks such as the United Nations Global Compact or the United Nations Guiding Principles On Business And Human Rights, various ISO norms, or the OECD Guidelines. The second reaction reflects Leijonhufvud’s (2007, p. 16, footnote 33) insinuation that the “fluid market organization [of deal-maker firms, comment SH] may functionally require the support of strong social mores upholding, for instance, the ‘sanctity’ of handshake agreements.” Thus, a fluid market organization creates a potential analogy between the medieval tradition of the “honorable merchant” and today’s phenomena of CSR and related initiatives expanding worldwide. For example, Webb (2015) who recalls Teubner’s (1997) and (2003) thoughts on “global law without a state,” views a strong similarity between medieval lex mercatoria and the ISO 26000 norm as a type of “proto law.” As a result, dealmaker firms today can be called to pay attention to their global reputation as honor-
able merchants, which requires establishing a global order for international trade beyond nation-state governance (Scherer and Palazzo 2007, Pies et al. 2009).

Against this backdrop, developing a conceptual framework to interpret the historical perspective of the social role of business helps understand and systematize modern claims in business ethics and governance research, in particular in its diverse debates on CSR, Corporate Citizenship, Political CSR, Deliberative Democracy, Stakeholder Theory, Institutional Theory or Global Governance. In particular, this project proposal develops three major propositions:

- **Proposition 1**: The issues discussed in the diverse debates of CSR, Corporate Citizenship, (Political) CSR, Deliberative Democracy, Stakeholder Theory, Institutional Theory or Global Governance are systematically interconnected. They discuss different aspects of the greater phenomenon of the societal role of business, i.e. of CSR practice. This role of business is contingent upon the historically dominating form of economic production and the working properties of the social order.

- **Proposition 2**: The relation between the dominating form of economic production and the working properties of the social order determines the concrete type of CSR practice. This relation is different in all three economic revolutions, and requires distinct reactions and activities by business firms.

- **Proposition 3**: Learning from the history of CSR Practice for today’s business challenges requires taking into account the links between the Next Industrial Revolution and its preceding revolutions in the course of the development of competitive market economies, i.e. the Commercial and the Industrial Revolution. These connections are complex. The framework helps identify important basic structures—both economic and social—by mean of which scholars can analyze the manifold similarities and differences, e.g. with case study research.

### 3. Implications: A Research Program for Further Research

The conceptual framework developed here for interpreting the recorded history of CSR practice can be used to illustrate major implications for various debates (e.g. on CSR, Corporate Citizenship, Political CSR, Stakeholder Theory as well as Institutional Theory) with the help of informative case studies for each economic revolution. Such case studies can rely on secondary data, i.e. on the manifold scholarly works of historians, economists and sociologists. For each period, there are plenty of interesting studies:

- Related to the Commercial Revolution, there is plenty of material available, inter alia a historical perspective on the German Hansa (Dollinger 1970, Jenks 2005), an institutional economic perspective on the Merchant Law (lex mercatoria), on

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10 What we are currently observing as a “political role of business” can be seen, in effect, as a reaction of (multinational) companies to nation-state governance ‘failing’ to provide a functional order for the global economy. To some extent, this development has been anticipated by Niklas Luhmann’s considerations on the conditions of functional differentiation. Luhmann (1977, p. 36) argues that “[e]ach subsystem can tolerate an open and fluctuating environment as long as the other subsystems in its environment fulfill their function.” Reversely, Luhmann (1977, p. 39) also speculates about possible reaction of the economic system: “To be useful to non-economic systems, it has to produce goods and services. Its forms of reflection have changed from profit (in the sense of non-contractual, non-social, and, therefore, purely economic income) to growth and may have to change again by taking into account problems of ecological balance.”

- Related to the Industrial Revolution, Karl Marx is surely an economic classic on the topic as well as Adam Smith. With regard to the social reaction of industrialists, interesting studies include McCreary (1970) and Padgett (2012c).

- Related to the Next Industrial Revolution, the authors will search for an adequate case study to illustrate the diverse challenges laid out by the framework. Of particular interest will be the development of the UN ISO Standard 26000 on CSR and similarities and differences to medieval law merchant (Helms et al. 2012, Webb 2012c, Webb 2015).

To illustrate the framework’s heuristic function, one can think of several projects to follow up on the three implications of section 2, ((3)) and, in particular, of Proposition 3.

- An interesting case study would investigate into the similarities and differences between the social innovation of the mining industry in the Ruhr valley in 19th century Germany and their counterparts in today’s mining industry headquartered in Western societies and carried out in developing countries (cf. Webb 2011, 2012a, 2012b, 2012c). Besides the obvious similarities in the mining business itself, there are also illuminating differences, i.e. in the distance between decision-makers and affected stakeholders. This results in multiple CSR initiatives to address and solve the related business challenges, on a local, national, regional and even global level. This project would emphasize the (social) management dimension of the Next Industrial Revolution.

- Another interesting case study would delve deeper into the potential links between medieval lex mercatoria, the law merchant, and today’s global governance initiatives such as the ISO 26000 guidelines for social responsibility. An investigation into the similarities and differences of the law merchant and the ISO 26000 guidelines could involve a qualitative-quantitative empirical analysis using the method GABEK® (German acronym for holistic analysis of complexity). The advantage of GABEK® is its ability to reconstruct the meaning of concepts by revealing connections between dominant semantics which co-occur in speech contexts (Zelger and Oberprantacher 2002). The emphasis of this project will be on the international governance dimension of the Next Industrial Revolution.

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11 So far, this method has been successfully used to analyze speech contexts in qualitative-empirical management science (cf., e.g., Mueller et al. 2011; Raich et al. 2012) as well as in qualitative-empirical sustainability research (Hielscher and Will 2014).


Diskussionspapiere 12

Nr. 2015-13 Stefan Hielscher
The Societal Role of Business in the Context of Economic History: An Argumentative Outline for a Conceptual Framework and an Empirical Research Program

Nr. 2015-12 Stefan Hielscher
Ehre und Vertrauen im Fernhandel der Deutschen Hanse: Ein Beitrag zur Debatte um das Ideal des „Ehrbaren Kaufmanns“ aus Sicht der Ordonomik

Nr. 2015-11 Ingo Pies
Kommentar zur Spekulation mit Agrarrohstoffen – Eine Replik auf Christian Conrad

Nr. 2015-10 Joachim Weimann
Wissen wir, was wir tun? – Die deutsche Energiepolitik zwischen moralischem Anspruch und ökonomischer Realität

Nr. 2015-9 Ingo Pies
Wirtschaftsethik ohne Wirtschaftskompetenz? – Zwei Rezensionen und eine Grundlagenreflexion zum Wirtschaftsethik-Buch von Franz Segbers

Nr. 2015-8 Stefan Hielscher, Ingo Pies, Aloys Prinz
Umfassende Organisationsethik für die moderne Gesellschaft: Ein systematischer Vergleich gewinnorientierter und nicht-gewinnorientierter Unternehmen

Nr. 2015-7 Ingo Pies
Individualethik versus Institutionenethik? – Zur Moral (in) der Marktwirtschaft

Nr. 2015-6 Ingo Pies
Die Ordnungsethik plädiert nicht für maßlose Gier, sondern für eine sorgsame Vermeidung intentionalistischer Fehlschlüsse

Nr. 2015-5 Ingo Pies
Solidarität unter Fremden – Zur moralischen Leistungsfähigkeit des Marktes

Nr. 2015-4 Ingo Pies
Rezension zum Wirtschaftsethik-Buch von Nils Ole Oermann

Nr. 2015-3 Mathias Georg Will
Privacy and Big Data: The Need for a Multi-Stakeholder Approach for Developing an Appropriate Privacy Regulation in the Age of Big Data

Nr. 2015-2 Ingo Pies
Diskurs mit Schieflage Eine ordnungsethische Nachbetrachtung der Mindestlohndebatte

Nr. 2015-1 Ingo Pies
Ordnungsethik für eine bessere Ordnungspolitik: Ordonomische Anregungen zum schulischen Bildungsauftrag

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Laudatio Max-Weber-Preis 2014 in der Kategorie Ausbildungs-Studienpreis

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Die Gerechtigkeitsdebatte in Deutschland: Diskursversagen beim Mindestlohn

Nr. 2014-17 Ingo Pies
Der ordonomische Ansatz: eine Illustration am Beispiel des Mindestlohns

Nr. 2014-16 Ingo Pies
Hunger durch Agrarspekulation?

Nr. 2014-15 Ingo Pies
Führen mit Werten in Politik und Wirtschaft

Nr. 2014-14 Mathias Georg Will
Privacy and Big Data: The Need for a Multi-Stakeholder Approach for Developing an Appropriate Privacy Regulation in the Age of Big Data

| Nr. 2014-13 | Ingo Pies | Wirtschaftsethik der Welternährung |
| Nr. 2014-12 | Ingo Pies | F.A. von Hayek und die moralische Qualität des Wettbewerbs |
| Nr. 2014-10 | Ingo Pies | Interview zu CSR |
| Nr. 2014-9 | Ingo Pies | Nahrungsmittelspekulation: ein Interview |
| Nr. 2014-8 | Ingo Pies | Der Finanzsektor soll Hunger bekämpfen – Aber wie? |
| Nr. 2014-7 | Matthias Will, Ingo Pies | Insiderhandel und die Regulierung der Kapitalmärkte: Ein Beitrag zur MiFID-Debatte |
| Nr. 2014-6 | Ingo Pies | Interview zur Moral der Finanzspekulation mit Agrarrohstoffen und zur Ordnungsethik der Zivilgesellschaft |
| Nr. 2014-5 | Ingo Pies | Die Stunde der Symbolpolitik – Zur politischen Funktion wirtschaftlicher Zusammenarbeit in Krisenzeiten |
| Nr. 2014-4 | Ingo Pies, Oliver Holtemöller | Mit administrierten Löhnen Armut bekämpfen? – Warum die Debatte um den Mindestlohn in Deutschland verfehlt ist |
| Nr. 2014-1 | Ingo Pies | Argumentiert der Papst marktwirtschaftlich? |
| Nr. 2013-27 | Ingo Pies | Ethik der Welternährung |
| Nr. 2013-26 | Ingo Pies, Thomas Glauben | Wissenschaftliche Stellungnahme zum „Argumentationspapier“ von Foodwatch |
| Nr. 2013-25 | Matthias Georg Will, Sören Prehn, Ingo Pies, Thomas Glauben | Does Financial Speculation with Agricultural Commodities Cause Hunger? – A Reply to our Critics |
| Nr. 2013-24 | Ingo Pies, Matthias Georg Will | Finanzspekulation mit Agrarrohstoffen – Analyse und Bewertung aus wirtschaftsethischer Sicht |
| Nr. 2013-23 | Ingo Pies | Agrarspekulation: Fluch oder Segen? |
| Nr. 2013-22 | Ingo Pies, Stefan Hielscher | (Verhaltens-)Ökonomik versus (Ordnungs-)Ethik? – Zum moralischen Stellenwert von Dispositionen und Institutionen |
| Nr. 2013-21 | Ingo Pies, Sören Prehn, Thomas Glauben, Matthias Georg Will | The Ethics of (Financial) Speculation |
| Nr. 2013-20 | Ingo Pies | The Ordonomic Approach to Order Ethics |
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Agrarspekulation – Replik auf Thilo Bode

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Wirtschaftsethik-Studien13

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