



WestminsterResearch

<http://www.westminster.ac.uk/westminsterresearch>

The caring enterprise : a sociology of corporate social involvement in Britain and Italy

Michael Marinetto

School of Social Sciences, Humanities and Languages

This is an electronic version of a PhD thesis awarded by the University of Westminster. © The Author, 1995.

This is a scanned reproduction of the paper copy held by the University of Westminster library.

The WestminsterResearch online digital archive at the University of Westminster aims to make the research output of the University available to a wider audience. Copyright and Moral Rights remain with the authors and/or copyright owners.

Users are permitted to download and/or print one copy for non-commercial private study or research. Further distribution and any use of material from within this archive for profit-making enterprises or for commercial gain is strictly forbidden.

Whilst further distribution of specific materials from within this archive is forbidden, you may freely distribute the URL of WestminsterResearch:
(<http://westminsterresearch.wmin.ac.uk/>).

In case of abuse or copyright appearing without permission e-mail
repository@westminster.ac.uk

250232567X

1500:PHD

**THE CARING ENTERPRISE
A SOCIOLOGY OF CORPORATE SOCIAL
INVOLVEMENT IN BRITAIN AND ITALY**

MICHAEL MARINETTO

A thesis submitted in partial fulfilment of the
requirements of the University of Westminster
for the degree of Doctor of Philosophy

July 1995

*This thesis is dedicated to the memory of my father-in-law
and dear friend, Harry Hughes*

Contents

Acknowledgements

Abstract

- 1 Introduction: Themes and Issues in the Study of Corporate Social Responsibility** 1
- Defining corporate social responsibility
The search for an explanation
The managerial thesis
The contingency thesis
Corporate responsibility and philanthropy in and across capitalist societies
A methodological framework
- PART I A HISTORY OF CORPORATE PHILANTHROPY**
- 2 The Early Foundations of Commercial Philanthropy** 24
- The guild system of the Middle Ages
The merchant class and the relief of poverty
The humanitarian impulse and business philanthropy
Humanitarian industrialists
Victorian philanthropy: Nonconformist and Liberal credos
A question of public versus private welfare
- 3 The New Corporations and their Responsibilities** 61
- The beginnings of the corporate economy and enlightened businesses
Industrialists, corporations and university education
The modern corporate economy
Corporate social action in postwar society
The 'modern era' of corporate social responsibility
Business and society in the age of the New Right
- PART II THE MODERN ERA**
- 4 Rejuvenating Local Economies through Enterprise** 103
- Local economic decline and the response of government and business
Business involvement in the local enterprise movement
Urban policy and the corporate contribution
The City Challenge partnership: the case of BAT Industries and the London Borough of Lambeth
Prospects for economic regeneration
The intermediary role of local enterprise agencies
Direct intervention
A concluding assessment
- 5 Befriending the Environment** 146
- Annus veridis*: the greening of society
Capitalism and the environment
Business-environment agencies and the voluntary sector
Improving environmental performance
The greening of finance and environmental reporting
The greening of consumerism

PART III CORPORATE PHILANTHROPY IN ITALY

6 Civic Activism and the Origins of Industrial Philanthropy in Italy	189
<i>Civic activism in the pre-industrial age</i>	
<i>Guilds in the city-republics of medieval Italy</i>	
<i>The crisis of communal Italy</i>	
<i>Spanish domination and the rise of the Christian loan banks</i>	
<i>The new wave of benevolent institutions</i>	
<i>Commercial philanthropy in the age of modernisation</i>	
<i>Industrialisation and philanthropy</i>	
<i>The changing status of private capital</i>	
<i>The Fascist period and the dopolavoro</i>	
7 State-Private Enterprises and Social Action	233
<i>The enlightened state enterprises in the postwar period</i>	
<i>The state holding sector and social action</i>	
<i>State subsidiary and specialist enterprises</i>	
<i>The mobilisation of private capital</i>	
<i>The Mezzogiorno and private industry</i>	
<i>A more expansive social role for business?</i>	
8 The Aesthetic Motive: Corporate Patronage of Cultural Heritage in Italy	276
<i>The state and the preservation of cultural heritage</i>	
<i>The advertising industry and cultural heritage</i>	
<i>Commercial enterprises as the new cultural patrons</i>	
<i>The public banks and their cultural responsibilities</i>	
9 Conclusion	312
<i>The development of corporate philanthropy</i>	
<i>Affirmative social action versus the negative injunction</i>	
Appendix: Research Materials	334
<i>General details on fieldwork interviews</i>	
<i>List of British companies and organisations that partook in the study and brief descriptions of their activities</i>	
<i>List of Italian companies and organisations that partook in the study and brief descriptions of their activities</i>	
<i>List of fieldwork interviews for the British phase</i>	
<i>List of fieldwork interviews for the Italian phase</i>	
References	347
<i>British company documents and publications</i>	
<i>Italian company documents and publications</i>	
<i>References of texts, articles and government publications</i>	

Acknowledgements

I would like to record my gratitude to the many people that helped me during the course of this thesis. First of all I would like to mention my supervisor, Robin Theobald, who was of great assistance during the course of this research. Robin carefully guided the research work and offered me a great deal of sound advice during the drafting stage. I should also like to mention my second supervisor, John Stanworth, who made insightful comments on draft chapters. He also kindly provided me with some of the research money at his disposal for my study trips to Italy. I would also like to thank Nick Zafiris, Head of the School of Economic and Business Studies, for offering financial assistance for my travelling expenses to Italy.

This research was carried out at the University of Westminster between 1992-95 in the School of Economic and Business Studies. I am grateful to all the staff in the School and in the University for providing a conducive environment in which to conduct my work. Special thanks goes to all the staff at Riding House Street library for all their assistance. My thanks also extends to the computing staff at Wells Street who helped with my word processing inquiries.

The research was supported by the Quintin Hogg Scholarship fund. I am grateful to the University of Westminster for administering the Scholarship. I would also like to thank the Norman Hart Educational Foundation which kindly contributed to my travelling expenses for my first research trip to Italy.

This research would not have been possible without the many

individuals in companies and organisations that gave up their time to be interviewed about their work. I am particularly grateful to those company representatives from British Telecom, Shell UK, Unilever, BAT Industries, and their various subsidiaries. I would also like to thank representatives from the following organisations who agreed to be interviewed: the Policy Studies Institute, Business in the Community, Lambeth City Challenge, LENTA (London Enterprise Agency), Association for Business Sponsorship of the Arts, Action Resource Centre, Charities Aid Foundation, Brixton Enterprise Centre.

There are numerous people who were integral to the Italian phase of my research. Bryn Jones at the University of Bath provided me some very useful contacts. In Italy, I was assisted by Professor Mirella Giannini at the University of Bari, who led me to some useful people and gave me a place to stay while in Bari. Dr Maurizio Brioni from Reggio-Emilia helped me beyond the call of duty, even introducing me to Tobias Smollett's Humphry Clinker and giving me four volumes of Gramsci's Prison Notebooks in the original Italian. Giuseppe della Rocca of Main Management and Beatrice Lentati were also invaluable. I would like to extend a special thanks to all those representatives from Fiat, Olivetti, ENI and their subsidiaries who agreed to be interviewed and for tolerating my clumsy Italian. I would like thank those that I interviewed from the following banks and small companies: Banca di Roma, Banca Popolare di Milano, Angelini Pharmaceuticals, Cassa di Risparmio di Firenze, Cariplo, Fratelli Dioguardi, Istituto Bancario San Paolo di Torino. My gratitude also extends to those representatives from the Associazione Mecenati Italiani, BIC Liguria, BIC Trieste, Comitato (Comitato

per lo Sviluppo di Nuova Imprenditorialita' Giovanile),
Fondazione Adriano Olivetti, Fondazione Giovanni Agnelli.

Some other acknowledgements to friends and colleagues are also in order. My thanks to Mohammad Nafissi, Noel Parry and Aidan Rose from the University of North London who helped me during the latter stages of the thesis. A word of gratitude must also go to all the staff at the sociology department of York University who gave such a good grounding in academic sociology.

My final acknowledgements are reserved for my family. Without their support the production of this thesis would have been a more arduous task. My mother and father, Teresa and Giovanni Marinetto, deserve a special mention for their loving care. I would also like to thank my cousin Maria Bez for her constant encouragement. My parents-in-law, Harry and Betty Hughes, deserve a special mention for their support. I am deeply saddened that Harry was not around to see this work completed. My final and most significant acknowledgement goes to wife Debbie who was a constant source of encouragement. She was loving and gracious throughout the production of this work. Any mistakes are of course my own. The credit for any achievement is shared.

Abstract

This thesis examines corporate social responsibility initially in Britain, where there has recently been a conspicuous growth of interest in business social involvement, and Italy. Corporate social responsibility is defined here as business engagement in the wider community in order to contribute towards the general well-being of society. Our analysis employs a hybrid methodology: we employ a variety of sources, namely, historical texts, secondary studies and detailed case studies of corporate social programmes based on in-depth interviews of relevant personnel and the study of company documents.

Our aim in this study is to provide a general explanation of why companies go beyond their commercial remit to become engaged in communitarian and philanthropic action. A socially and politically informed analysis is furnished: we place this area in its historical and political context, without losing sight of the role played by economic forces. Any explanation of contemporary advances in corporate social responsibility needs to stress the role of the modern state in society, and, more specifically, the development of relations between the state and the business community. It is argued that, in Britain, as a response to the political and economic crisis of the 1970s, the links between the business and state sectors became ever closer. This, as we shall demonstrate, created the institutional opportunities for active business involvement in society in areas such as environmental protection, small firm development and urban regeneration. Italy has seen less political impetus given

to active corporate involvement in society. The most significant achievements, though, have come from within the state sector.

A final consideration of our social analysis is that we attempt to analyse the contribution of the private sector to wider society. This is especially pertinent because, in Britain, corporate responsibility has come to be seen as a private solution to public problems. We show, using original case study material, that there are limits to what companies can achieve on a social front. We conclude that corporate social responsibility must emphasise the need for companies to observe social and legal restrictions in their pursuit of commercial goals, rather than necessarily engaging actively in social action.

1 Introduction: Themes and Issues in the Study of Corporate Social Responsibility

The central purview of this thesis is to examine corporate social responsibility by considering initially British society where, in recent years, there has been a conspicuous expansion of interest in this field; but, later in this analysis, the focus switches across societies to Italy. In theory, this should be a straightforward and uncomplicated task. As defined by British company law, the public company is primarily responsible and accountable to its owners, who, in effect, are the shareholders (Donnelly, 1987). Directors, as the custodians of shareholder assets, are under no legal obligation to use company resources for activities unrelated to the overarching objective of maximising financial returns.

The traditional view of company responsibilities has its philosophical advocates. Latter-day liberal economists Milton Friedman (1962) and Frederick Hayek (1969) argue that, apart from creating wealth, businesses have no wider social obligations. These theoreticians introduce an important notion, borrowed from Adam Smith, into the contemporary debate on corporate social responsibility: that the selfish pursuit of profit has beneficial repercussions for the rest of society. This argument is based on the concept of the 'invisible hand', first introduced by Adam Smith in *The Theory of Moral Sentiments* (Goyder, 1987). This concept provides a metaphor describing the process whereby the accumulation of wealth is automatically redistributed for the

benefit of wider society through consumption and investment. Hence it follows that a business, by seeking to fulfil its commercial obligations, secures its own survival and contributes to the overall wealth and prosperity of society (Levitt, 1979).

We would expect the classical view of corporate responsibility to have widespread credence and support in modern capitalist economies. However, the classical view, with its unswerving commitment to profit-making above all other responsibilities, has been firmly challenged from various quarters. American business leaders and academic writers, to all intents and purposes, were the progenitors of the contemporary debate on corporate social responsibility. Indeed, the likes of Friedman, Hayek, and Levitt were galvanised into producing a critique of corporate philanthropy by the advent of what Epstein terms the 'modern era' of interest in corporate social responsibility' in the United States (1989, p. 585). The 'modern era' was signalled by the Supreme New Jersey Legislature ruling in 1950 that firms should be allowed to make contributions for the purposes of social betterment; and the debate was later given scholarly credence when New York academics Bowen (1953) and Clark (1957) published their seminal apologias on the social responsibilities of companies (Walton, 1982). From the middle of the 1960s to the mid-1970s, a consensus regarding the importance of company-led social action emerged among leading American businesses (Epstein, 1989). By the 1980s, the corporate social responsibility debate in the United States moved onto the strategic terrain as business managers and academics examined how

businesses should respond to social problems and the possible benefits for mainstream commercial activities.

In postwar Britain, efforts to reconcile the commercial and social responsibilities of firms witnessed brief advances in the early 1960s. The Jenkins Committee on Company Law Reform in 1962 maintained that charitable gifts by businesses would be acceptable before the law courts because they endear those companies involved to the public (Sheikh, 1990). The modern debate on corporate social responsibility did not gain any real prominence until the 1970s, when business executives, academics and government ministers used various platforms to pontificate on the wider responsibilities of business. Undoubtedly the spectre of America, where, by this date, corporate responsibility was a mature research field in university departments (Epstein, 1976, p. 215; Jones, 1983), held a definite bearing on early British discussions of corporate philanthropy (see Fogarty, 1966). These developments also established an important precedent for the expansion of corporate social involvement during the 1980s, where companies actively participated across a wide range of areas. For those practitioners researching corporate responsibility, initially in America (Jones, 1980) and later in Britain (Beesley and Evans, 1978), the subject matter under scrutiny generated several problems of definition.

Defining corporate social responsibility

So far, we have worked with an implicit definition of corporate social responsibility, and, in so doing, assumed that the reader already holds a definition of the term that is congruent with its

present usage. This is a problematic assumption, not least because, as writers on the subject have observed, a definitive version of the concept does not exist. Hargreaves and Dauman describe the predicament as a matter of 'one man: one definition' (1975, p. 15); and McAdam (1973) notes that there are over one hundred and fifty potential areas where a company might disclose information of a social nature (cited in Gray *et al.*, 1987).

The concept is elusive, but it has not stopped researchers from trying to come up with an operational definition of corporate social responsibility. One of the most useful attempts to define the subject area comes from Hargreaves and Dauman (1975). The authors provide a procedural explication of the term, with three distinguishable levels of responsibility. The first level covers 'basic responsibilities', referring to technical and mundane obligations, such as paying taxes and ensuring scrupulous dealings with customers. Secondly, 'organisational responsibilities' are intended to secure the well-being and needs of those under the aegis of the company, whether employees, suppliers, managers or shareholders. When a company adopts 'societal responsibilities', the third level in the classification, it becomes involved in the wider community in assisting the creation of a 'healthy overall environment' (Hargreaves and Dauman, 1975, p. 19). What distinguishes societal responsibilities from the other two categories is the emphasis on transcending the confines and operations of the company in order to contribute directly towards the welfare and prosperity of society.

From this examination, the aim of this study is not to focus on those responsibilities within the parochial animus of the company - welfare and social services for employees, pension schemes, health and safety - but on those directed specifically at the community. Here, our analytical interests coincide with Hargreaves and Dauman's third level category or what the CBI (1973) terms a company's responsibilities to 'society at large' - the government, national and local communities.

Providing a definition of the concept is not the only problem generated by this particular field of research: there is also the pressing analytical matter of explaining why the 'modern era' of corporate responsibility rose to prominence in Britain during the 1970s. Although there are reasons, often specific to individual business organisations, that determine their involvement in philanthropic activities, there are general factors which help create an interest in corporate social responsibility within the private sector and expand the opportunities for corporate-led social action. When it comes to making decisions about corporate social responsibility, a company does not operate in a social vacuum. In this respect, it is influenced by broader developments. The main predicament for the present study is to try and pinpoint these general factors.

The search for an explanation

There have been some laudable attempts by social scientists to locate corporate philanthropy and social action in a wider social context. Most notably these have come from managerial theorists who link corporate social responsibility to the rise of

industrial society and those researchers who see corporate philanthropy as a functional-defensive strategy on the part of commercial organisations. Our aim now is to outline these theories and examine whether they provide a satisfactory theoretical framework for understanding the emergence of corporate responsibility, especially with regard to Britain.

The managerial thesis

The managerial thesis is the generic term applied to a distinctly American tradition of social science research popularised during the 1950s and 1960s. This intellectual trend spawned a substantial body of literature on the nature of capitalism in the postwar era, and the role of business institutions within society (see Jones, 1983). More importantly, it seems, initially, to provide the most hopeful theoretical grounding for understanding the way interest in corporate social involvement emerges.

The main assertion of those working in the managerial tradition is this: the material basis of class distinctions in capitalist society - the close, umbilical relationship between the ownership and control of capital - has been made redundant by the modernising forces within the postwar economy and society. Galbraith (1974) argues that the emergence of new technology, coupled with the wider distribution of share ownership, resulting from the growth of business enterprises beyond personalised, familial ownership, has severed the links between the ownership and control of capital. In the new industrial state, non-owning, salaried managers preside over the operations of business organisations. For Galbraith, the convergence of capitalist

societies towards a common industrial structure, replete with advanced technologies, has made it imperative for non-partisan, technical specialists to assume control of commercial enterprises.

According to other theoreticians, the rise of managerial specialists as a result of the divorce between the ownership and control of the means of production in capitalist societies has facilitated a greater interest in wider social issues (Ewing, 1970). As non-propertied controllers of the means of production, managers no longer have a vested interest in the narrow, instrumental pursuit of financial gain. Consequently, the leaders of industry can aspire to broader social and humanitarian objectives. Kaysen has argued that the new managerial class of modern corporations, as it is no longer the agent of proprietorship, is responsible to a broader constituency of interests: 'Its responsibilities to the general public are widespread: leadership in local charitable enterprises, concern with factory architecture and landscaping, provision of support for higher education, and even research in pure science, to name a few' (1957, p. 313). A similar point was made by Berle (1959) who argued that, with the separation of ownership and control, the private company has become accountable to a broad range of interests.

The difficulty with the theoretical claims made by managerial theorists is that they do not furnish an entirely satisfactory explanation for the prevalence of corporate social responsibility both historically and in contemporary society. These misgivings stem from the arguments put forward by

managerial theorists regarding the development and nature of modern capitalism. Historically, the transition from familial ownership of commercial units to large, impersonal, shareholder-owned companies has not facilitated a greater sense of social duty among the managerial cadre of the business community. Rather evidence shows that this development has concretised the objectives of expansion and profit-making. Indeed, some theorists operating within the managerial tradition have argued that company managers, in the context of modern ownership structures, are less likely to acquire communitarian ideals than use their authority to cater for their own material interests (see Scott, 1985, pp. 19-20). The reason why economic considerations have come to the fore in this way is that, with the expansion of shareholder entities, the links between the ownership and control of these enterprises has remained intact. The only changing feature is the identity of the owners: the family enterprise of the Industrial Revolution, where individuals owned and controlled their enterprises, was replaced in the twentieth century by an impersonal, shareholder system of ownership, mainly dominated by powerful institutional shareholders (Scott, 1986). In legislative and political terms, rather than creating a dispassionate class of managerial technocrats, the dominant form of capital ownership in modern society has reinforced the rights of property holders and prioritised the objective of maximising financial returns on capital investments.

However this critique of the managerial thesis still leaves unaddressed one of the central objectives of our study: to understand and explain the flourishing interest surrounding

corporate responsibility in Britain. On the whole, the literature that has expressly tackled this subject lacks useful insights. Much of it has been characteristically practical in emphasis, either advising managers on how to organise social action programmes or providing voluntary groups with ideas on corporate fund-raising (Clutterbuck, 1981; Knox and Ashworth, 1985; Norton, 1987, 1989; Carmichael and Drummond, 1989; Clutterbuck and Snow, 1990; Fogarty and Christie, 1990; Christie *et al.*, 1991). Although most of these writings have been bereft of analytical vigour and valuable observations, there are some notable illuminations by British theoreticians and researchers. The most interesting texts are those that have conceptualised social responsibility as a contingent response by corporations in the face of economic and political instability.

The contingency thesis

For subscribers of this thesis, commercial survival in modern society is contingent upon enterprises becoming willing to address social problems. Writing from their experience of pioneering a corporate social programme for IBM in Britain, Hargreaves and Dauman (1975) view social responsibility as an indispensable element of modern business strategy because commercial activities and the external environment have coalesced into an interdependent and dynamic relationship. One influential feature of contemporary society, mentioned by the authors, concerns the increasing size and importance of the central state bureaucracy: the state apparatus controls institutions and functions vital to the reproduction and maintenance of society,

whether it is the provision of health, educational services or the safeguarding of industry. Hence, unless businesses are prepared to actively participate in society, their influence and position will be marginalised. Hargreaves and Dauman are not alone in expressing concerns over the level of state involvement in society and the possible repercussions for business activity. A number of texts and reports written in the 1970s, during a time of economic and political crisis, argued for self-imposed social regulation, instead of government intervention to protect the wider social good (Ivens, 1970; CBI, 1973; Beesley, 1974; BIM, 1974; Kempner *et al.*, 1974; Beesley and Evans, 1978).

Hargreaves and Dauman (1975) further argue that modern commerce is taking place in a rapidly degenerating social environment: finite energy resources, hyperinflationary pressures, urban poverty and industrial disputes have undermined the aims and philosophy of the liberalised market. The panacea offered by the authors is for business organisations to invest their resources in social and community action: '...we find that the long-term profit-making potential of every individual company and of free enterprise as a whole, and indeed their very survival, will be jeopardised unless all companies substitute their token handouts, often made with muddled motives, for heavy investments in public and social affairs' (Hargreaves and Dauman, 1975, p. 39).

The above arguments are mainly prescriptive in their intent, yet they provide a theoretical framework for understanding the 'modern era' of corporate social responsibility in Britain. The hypothesis that is forwarded is very much in the tradition of

American writings on the subject (Ackerman, 1975; Logsdon *et al.*, 1990). The central claim of these writers is that interest in corporate responsibility is essentially symptomatic of commercial organisations responding to their social environment as a way of securing legitimacy and commercial success.

There may be some validity to the contingency view: when corporate responsibility came to the fore in Britain during the mid-1970s, there was a deep economic and industrial relations crisis, which, for the private sector, was exacerbated by the possibility of increased government scrutiny over commercial activities (see Chapter 3). But there are questions over whether these strategic responses by the business sector to wider social events sustained the expansion of corporate social responsibility throughout the 1980s. While the contingency thesis is undoubtedly correct in its assertion that enterprises are required to modify and adapt, organisationally, to changes in society, it is prone to conceptualising the relationship between society and business organisations in functionalist terms. Harvey *et al* write as such: 'Corporations are treated as if they simply adapt to their "environments", and writers try to relate corporate social responsibility mechanisms and responses to organisational characteristics and effectiveness with the apparent lack of appreciation of "structural" conflicts of interest implied in their unitarist themes' (1984, p. 157). The contingency view simplifies the agency of business organisations in society. Corporations, as organisational bodies, may be forced into adopting defensive strategies to external events. Yet these very same organisations, particularly large corporations that have

extensive resources at their disposal, can assert their own interests - with varying degrees of success - and negotiate with other institutions (Utton, 1982). The aim of this study is to go beyond this simplistic functional theory, and to provide a fuller explanation of corporate philanthropy.

Corporate responsibility and philanthropy in and across capitalist societies

Our contention is that interest in corporate social responsibility can be best understood by recourse to a socially informed analysis. We will furnish this by recourse to a sharper, more focused examination of the political and social circumstances, giving rise to a general interest in corporate social responsibility. As part of this analytical strategy, a historical examination will be made in Chapters 2 and 3 of the emergence of the modern capitalist economy in Britain, linking it to the rise of business classes and commercial agencies. The main aim of these chapters is to elucidate how the various stages of modern social and economic growth - firstly through the expansion of localised commercial units as a result of industrialisation, and then the emergence of the large, corporate-owned, industrial conglomerates - helped determine the social and philanthropic aspirations of commercial agents and institutions.

In terms of tracing the emergence of corporate social involvement in contemporary British society, a vital consideration is the relationship between enterprises and other relevant institutional agents, especially the state apparatus.

This institutional relationship often acts as the conduit for political, economic and social factors to influence the philanthropic interests and the social obligations of business institutions. Owing to the concentration of the business sector in Britain, the government has traditionally established direct relations with commercial institutions. During the 1970s, this trend accelerated as both government departments and businesses made provision for closer relations (Grant, 1993). It is the argument of this study that these closer ties between business and government, together with radical changes in the balance between private and public provision of social services, have facilitated greater awareness of corporate responsibility and opened up opportunities for private intervention in areas of society which, since the Second World War, have largely come under the remit of public authorities. The issues covered in the second part of study - Chapters 4, and 5 - evoke this analytical strategy. Each chapter examines, in turn, those areas of society - urban and local economic renewal, and the environment - where corporate social responsibility and involvement features most prominently. These chapters demonstrate how close links between government and business, and an explicit government agenda to expand the opportunities for corporate involvement in social policy, are undoubtedly responsible for the interest expressed by the British business community in wider social issues.

Analysing corporate involvement in society, through a close scrutiny of the interplay between government and commercial agencies, has implications for public policy. This point has further salience because of the paradigmatic shift in political

governance. Increasingly, policy-makers have adopted private sector mechanisms to organise the public services and to devise solutions for modern social problems (see Beck, 1983 for business influence on education reforms; and Strong and Robinson, 1990, pp. 22-6 for business contribution to NHS reforms). This, in turn, has expanded the opportunities for corporate engagement in social and community action. The current emphasis placed by legislators and advocates of corporate responsibility on the positive contribution that the private sector and market mechanisms can make to social policy is scrutinised during the course of the chapters in the second part of our study. As part of this analysis, we will examine some of the most popular areas of corporate involvement - namely, urban regeneration and the environment - using actual examples generated from fieldwork research. In Chapter 4, the focus of our analysis turns to corporate involvement in the rejuvenation of local economies and the communities of urban, inner city areas. This sphere of intervention holds considerable import: it formed one of the central causes that gave impetus to the modern era of interest in corporate responsibility from the mid-1970s onwards. On the other hand, in Chapter 5 our analysis turns to the question of business involvement in protecting the environment. Corporate interest in green issues, as a distinct expression of corporate responsibility, is a recent phenomenon - one that must be seen in the context of rising environmental awareness in society and the contribution of industry and modern commodity production to ecological degradation. Significantly, business contributions to environmental protection has underlined the importance of firms

monitoring the wider social impact of their commercial activities.

As we have already mentioned, the objective of this thesis is not simply to concentrate on Britain, but to examine corporate responsibility across societies by focusing on Italy. Some of the themes covered in the course of the first two sections will be critically examined in the context of corporate social responsibility in Italy, constituting the third part of our study. Although there is a growing body of cross-cultural research on corporate social involvement (Dierkes, 1980; Rey, 1980; Farooq Khan and Atkinson, 1987; Orpen, 1987), very few have studied Italy (see Mauksch, 1982, ch. 5; Lentati, 1991). The objective of analysing corporate social involvement in Italy, and contrasting it with Britain, is to examine more fully the argument at the centre of our study: that the general development of corporate philanthropy is contingent upon proximate social and political factors within society, especially the political status of the business sector and its relationship to government.

The dominant expressions of corporate philanthropy within a particular society are largely shaped by wider social, political and economic considerations, which, at the same time, are specific to that national configuration. However, the proclivity of recent academic research has been to overlook differences between capitalist states and subsume features of distinct societal entities under general movements in the global capitalist economy. One of the main underlying themes of the third section of our study is that, while global economic integration has undermined the autonomy of individual nation-

states, social processes and political events, specific to nation-states, continue to have an influence over the way capitalism operates in different regions of the world. Hence, in accordance with theoreticians such as Worsley (1983), it is argued that the distinct historical and political paths chartered by societies should not be discounted - a salient point when trying to understand corporate-led social action in capitalist societies.

As part of this analytical objective, we trace the historical origins of business philanthropy in Italy (Chapter 6). It is shown that traders and commercial institutions, such as the guilds, were active in the civic communities of pre-industrial Italy. The industrialisation of Italy, however, did not result in a greater expansion of industrial philanthropy, as was the situation in Britain. While some isolated instances of industrial philanthropy began to emerge in the early years of the twentieth century, as Italy's economic prospects improved, it was the state that played a central role in both the economy and society. This has important repercussions for our analysis in Chapter 7, which looks at the nature of modern corporate philanthropy. The main point here is this: because of various political and economic factors that we shall examine, state owned and controlled corporations assumed a prominent part in Italian society during the early postwar period. These companies have been at the forefront of reforms and brought social considerations into the commercial sphere. It is clear that the issue of corporate social responsibility has become dominated by public enterprises in Italy, but the private sector gradually - through economic and

political mobilisation - has assumed responsibilities in specific social areas. Unlike the situation in Britain, the philanthropic corporations of Italy operate in isolation with little support from within the business community or government. Despite this, the cause of preserving Italy's cultural heritage, as we shall outline in Chapter 8, has elicited active support from the business community. Such proactive intervention has come to resemble the development of corporate activism in Britain and America during the past twenty years.

A methodological framework

As we have seen, theoretical discussions concerning the relationship between business and society have been in circulation since the 1950s. A corresponding body of empirical research on corporate social action and philanthropy has emerged only in recent years, predominantly from American academic institutions. Much of this early research employed quantitative methodologies, mainly statistical forms of analysis and surveys (Post and Andrews, 1982). Aldag and Bartol (1978), in a review of studies on corporate social performance, found that researchers, particularly those working in a quantitative empirical tradition, have utilised a variety of devices to measure business sensitivity towards social action and philanthropy. The measures included the following indices: responsiveness versus non-response to social surveys; proportion of lines in annual reports devoted to social responsibility; independent ratings of social responsiveness; and pollution ratings. The variable ways in which these studies have

operationalised social responsibility demand some caution when it comes to interpreting their results (Aldag and Bartol, 1978, p. 168). In terms of gauging social responsibility, these taken-for-granted measures are susceptible to the influence of other variables: they could be measuring activities other than corporate social responsibility, such as the attempts being made by a company to improve its image or attract ethically-conscious consumers.

To construct a methodology that produces valid source material, Harvey *et al* (1984) suggest that empirical research in this field should adopt a qualitative case study approach over survey research methodologies. Indeed, Post and Andrews (1982) note that, while quantitative analysis is still prevalent in corporation-society research, there is an increasing number of qualitative-based studies that use the case approach in which a detailed examination is made of a limited number of instances concerning the area under study (see Shenfield, 1971; Neubeck, 1974; Ackerman, 1975; Merenda, 1981; Harvey *et al.*, 1984). This does not discount the utility of the survey approach, for some important general findings about corporate social action in Britain have been garnered through this research method (see Adams *et al.*, 1991). However, a number of researchers have looked to qualitative methodologies because they are better able to deal with important questions about corporate social involvement and the many complex issues that are generated by this field.

These research activities have established a significant corpus of literature, from which new analytical questions can be generated. Such literature demonstrates that the design of a

study - the number of companies included in the research, the type of organisations contacted in the course of the study, and the choice of method to obtain empirical information - has an important bearing on the type of areas or issues covered during research. In the present study, the primary question is not one of scrutinising the specific reasons why businesses embark on social programmes. Because of the distinctive nature of corporate social involvement in Britain and Italy, the main preoccupation of this study is to analyse the social, politico-economic and historical factors responsible for creating a general interest in corporate social action and shaping the dominant expressions of corporate philanthropy within these societies. In addition, questions about the consequences of corporate social involvement for wider society will also be considered. In view of this, the aim in constructing a research strategy for the present study has been to adopt a hybrid methodology, utilising a combination of primary sources, based around detailed research of the social interventions organised by companies, and secondary material.

In terms of gathering empirical material, we have attempted to carry out detailed examinations of the social and philanthropic activities garnered from a relatively small number of corporations, with extensive social and philanthropic commitments. This was mainly achieved by conducting in-depth interviews with a number of relevant personnel from each of the institutions chosen for the research (see Appendix for further details). Moreover, company literature relating to the field of corporate philanthropy was examined (see bibliography of company documents). As we have noted above, the advantage of such

qualitative analysis over survey methods is that it furnishes detailed information about corporate social involvement, and it is better able to deal with some of the complex issues covered in the study.

The actual number of firms involved in the study was different for the British and Italian phases of the research. In order to furnish the qualitative evidence required for carrying out detailed case studies of company practices, much of the primary material for the British part of the research was based on four major British corporations: BAT Industries, British Telecommunications (hereafter, BT), Shell UK (hereafter, Shell), and Unilever (see Appendix for a brief profile and an outline of the commercial activities of each company). The four organisations that agreed to participate in the research were all major British corporations, each involved in distinct commercial activities - but mainly confined in the service and commodity industries - and which, since the early 1980s, had cultivated an active concern with the issue of corporate responsibility. During this period, all four corporations institutionalised their philanthropic initiatives, allowing them to expand their social interventions. Symptomatic of this was the way that these companies formalised social and charity policies. For each institution, several managers and company personnel responsible for administering community affairs and social action programmes were contacted and interviewed.

In the Italian phase of the research, a similar methodology was employed. However, the main difference was that the actual number of commercial organisations used for the research was

larger - around twenty-four - in order to compensate for the dearth of company publications, official information and secondary research on corporate social involvement. In addition, a number of non-business organisations relevant to the area under study were contacted. Overall, this enabled us to produce a general picture about the nature and incidence of corporate social involvement from primary evidence. Greater emphasis, though, was placed during the course of the research on the larger companies, such as Fiat, Olivetti, ENI and SIP.

In the main, the companies represented in the study are among some of the largest enterprises in Europe, with interests in a wide variety of areas, numerous operating concerns under their control and profits in the billions. This reflects the general development of corporate philanthropy in modern society. Research shows that larger firms are more likely than smaller firms to be actively involved in philanthropic and social action (Useem, 1987, p. 341). The findings regarding size reflect the fact that corporations have the financial wherewithal at their disposal to expend resources on communitarian and social initiatives, unrelated to commercial activities (Aldag and Bartol, 1978, p. 173). Furthermore, most of the companies included in the research, although spanning a wide variety of sectors, are broadly confined to the commodity or service industries rather than primary industries. Fry et al (1982) note that the service sector is more likely to adopt social and charity giving programmes because it has a higher level of contact with the wider public than primary industries.

Thus, from previous research (see Aldag and Bartol, 1978; Useem, 1987), the companies that have been selected for the present study seem representative of the type of businesses which normally become embroiled in philanthropic and social action. But it could be argued that our reliance on detailed studies of a relatively small number of organisations, while offering in-depth and accurate information, does not provide a sound basis for making wider assertions or generalising on a broader range of cases. A number of strategies, though, can be used in order to make general assertions from the research material and to check the typicality of these detailed case studies (Hammersley, 1992). In the present study, we have used a hybrid methodology, whereby the empirical evidence is supplemented by a variety of other sources - historical studies, statistical information, and research completed on similar areas. This has enabled us both to substantiate our findings and, more importantly, link our study to social, historical and political developments. We also conducted secondary interviews where possible with representatives of non-profit making organisations that had participated alongside companies - especially those included in the research - on social projects or had been the beneficiaries of corporate support. This allowed us to gain alternative viewpoints, and to look behind the information provided by official reports, as a way of assessing the contributions of businesses to social schemes.

**PART I A HISTORY OF CORPORATE
PHILANTHROPY IN BRITAIN**

2 The Early Foundations of Commercial Philanthropy

What follows is not purported to be a definitive or final authoritative history of business philanthropy and social involvement in Britain, for histories are themselves reconstructions (Tudor, 1989). This does not mean that any attempt to write a history of the said phenomenon would inevitably be rendered too partial to have any analytical utility. Within the obvious limitations afforded by historical sources - both primary and secondary - we can nevertheless begin to examine the conditions and ideas that have guided business philanthropy throughout the ages. Certainly, such a history is necessary; much of the literature on corporate social responsibility has characteristically lacked historical insight, apart from a scattering of texts that have traced the development and expansion of business philanthropy in the United States (Walton, 1967, ch. 2; Handel, 1982, ch. 4; McCarthy, 1982; Bremmer, 1988, ch. 8; Dobkin Hall, 1989; Mitchell, 1989; see Cannon, 1992, ch. 2 for a British perspective).

Historical scrutiny of this sort can provide the basis for comparing the incidence and relative extent of corporate social involvement at distinct temporal junctures, and, by implication, in different social settings. Our historical analysis in this chapter focuses on the early origins of business philanthropy, starting with the guilds of the Middle Ages through to the philanthropists of late Victorian Britain, and ending in the post-Second World War period. Following the civic interventions

of the merchant and trade guilds of the Middle Ages, business philanthropy during the Tudor and Elizabethan period centred around the endeavours of individual company owners, many of them inspired by religious doctrines; these religious influences, though, were by no means universal and were subject to modification over time. Indeed, after the seventeenth century, the rise of religious humanitarianism exercised significant influence over philanthropic activities of business owners. The point about this examination is that commercial philanthropy in this period was driven by a combination of social, economic and ideological factors, which came to be encompassed in the responses of company owners to developments in wider society. Business leaders were prominent contributors to the private system of welfare, predominantly viewed - especially in the Victorian period - as the most efficient and politically acceptable way to tackle poverty. After the Industrial Revolution, reformers, including some notable industrialists, began campaigning for a statutory system of welfare provision as poverty and deprivation seemed to escalate. It was not until the twentieth century, however, that the public provision of welfare services became available on a more comprehensive basis. Hence, in the closing sections of this chapter, we explore how the development of public services helped to redefine the social role of industrialists.

The guild system of the Middle Ages

Possibly the earliest historical recollection of commercial organisations contributing to the well-being of society can be

traced to the guild system of the Middle Ages. As a trade regulating body, the guild was not unique to medieval Europe; similar organisations existed in ancient Rome and Greece and the continent of Asia. In medieval Europe, though, the guild system was ubiquitous, and the dominant institutional means for regulating trade.

The foremost organ of this system was the guild merchant. As a central association of town merchants, including artisans who sold their products directly, the guild merchant was granted monopoly powers over trading activities. This organisation appeared soon after the Norman conquests and spread rapidly thereafter throughout England. The earliest known guild reference in a town charter is that of Burford (1087-1107). By the twelfth century, around 100 towns in England and 70 in Ireland and Wales contained a guild merchant (Lipson, 1937). Originally the town burghers organised themselves into guild merchant associations, but membership was opened up to traders, even to those hailing from neighbouring towns. In terms of its function, the guild organisation was distinct from the municipal body, which was responsible for governing the town, raising taxes, and devising legal regulations. The guild merchant, by contrast, under the auspices of municipal officers, presided over commercial activities within medieval town communities. To this end, it would systematise markets, fix prices and wages, arrange communal purchases, impose regulations over its members, collect tolls and discipline any violations of its regulations.

In addition to their commercial responsibilities, guild merchants carried out a number of social functions: they

organised relief for the poor, funerals, prison visits and care for the sick; members of the merchant guild also benefited from mutual assistance during times of adversity. In an age where the Christian religion constituted an integral part of social life, guildsmen did not separate their commercial responsibilities from their religious and moral obligations towards safeguarding the well-being of the local community. If anything, the craft guilds, originally integrated within the merchant guild until they steered an independent course after the expansion of trade in the twelfth century, showed an even greater commitment to charitable and religious activity. Many craft guilds began as religious fraternities, becoming involved in commerce only at a later date (Clune, 1943). Once partaking in trade, the craft guilds acted as Christian inspired mutual aid associations: they protected wages and secured reasonable prices for commodities and materials. Apart from guaranteeing mutual assistance for members, the craft guilds handed out doles to local inhabitants, with a variety of causes being adopted by the guilds. In some instances, members were obliged to make weekly contributions for the relief of the poor. Other craft associations obtained funds through ad hoc tax measures. At Winchester, an officer was employed by the guild of St. John to collect two handfuls of corn from every market trader as a way of funding care facilities for the poor (Clune, 1943, pp. 74-5). The craft guilds also founded almshouses, schools and hospitals through bequests made by their members.

As part of their religious commitments and obligations to the community, the merchant and craft guilds subjected their

commercial and economic activities to rigorous moral scrutiny. Tawney describes how the subjective moral guidance of the guilds contrasts with the commercial strategies of modern enterprises: 'An age in which combinations are not tempted to pay lip-service to religion may do well to remember that the characteristic, after all, of the medieval gild [*sic*] was that, if it sprang from economic needs, it claimed, at least, to subordinate them to social interests, as conceived by men for whom the social and the spiritual were inextricably intertwined' (1984, p. 40). The guilds, in bringing ethical standards to trade activities and to protect the public from dishonest merchants, introduced regulations to determine a just price for goods being sold by guild members. Although unrestrained free trade was regarded at variance with the interests of the community, competition was not suffocated by regulations or the monopoly position of guilds within local town economies (Clune, 1943). In several instances, traders outside the guild fraternity were given access to markets on major trade days. Moreover, if the guilds abused their monopoly privileges, the municipal authorities would import products, especially staple products like food, from other localities.

Still, the strict regulations over trade provided a necessary bulwark against some of the commercial infidelities of the day, such as artificially inflating prices by manipulating the market. As a way of preventing excessive price increases, the merchant and craft guilds organised communal purchases of commodities to be sold off at fixed rates. In certain districts, the guild office held the exclusive right to deal in particular

commodities, and any profits subsequently made found their way into the communal purse. Of importance in this regulatory armoury was the payment of a toll by external traders. Indigenous town guildsmen had to scrutinise carefully the actual payment of tolls; it was a punishable offence - a fine or even expulsion - for guildsmen to establish commercial relations with toll evaders (Clune, 1943). However, the monopoly and regulatory powers of the guilds, which were used to scrutinise trade and commerce according to moral criteria, were not inviolable. By the 1300s, the regulatory control enjoyed by the guilds over trade was beginning to diminish, a factor that led to the eventual dissolution of the guild system (Ashley, 1894).

In contemplating the dissolution of the monopoly and regulatory power of the guilds, commentators have attributed this to the expansion of parochial town economies after the twelfth century. The conclusion reached is that the protective barriers of town economies and the internal self-sufficiency of the guild system proved incompatible with the first stirrings of the modern economy, which required open markets, and access to capital. There is some justification for making this argument: the pressures building up against the guild system began to gain impetus between the fourteenth and fifteenth centuries - a period that coincided with a liberalised and expanded trade market. This expansion of trade struck at the heart of the intricate system of regulations presided over by the guilds. Thus, some towns passed special charters so that external traders could avoid toll payments and other restrictions. The regulatory and administrative authority of the guilds was further undermined by

the signing of trade agreements with foreign powers, the most prominent being the statute of Edward III in 1335, allowing foreign merchants to trade without restriction in England (Ashley, 1894, pp. 83-4). All these developments contributed to the breakdown of local economic regulations - the very *raison d'être* and source of authority for the guilds.

On a temporal scale, however, it would be a misplaced assumption to suggest that the decline of the guilds coincided directly with economic growth. To begin with, the guild system from the time it was first instituted had been subject to market pressures. Indeed, even with economic and political pressures bearing down on the guild system from as early as the 1300s, it still maintained a pre-eminent role within the public arena up to the seventeenth century, as the authorities relied on guilds as sources of emergency taxation (Hickson and Thompson, 1991). Moreover, the livery companies of the City of London, which originated from the medieval guilds, continued to operate after the seventeenth century, mainly as charitable bodies (Ditchfield, 1904).

Undoubtedly, the penetration of local town economies by non-guild and foreign traders eroded the administrative and economic powers of guild organisations. But such economic explanations tend to neglect the importance of political developments: it was the wider transfer of economic power from the guild masters and journeymen to the new class of merchant entrepreneurs, through the assistance of economic growth after the seventeenth century, which resulted in guild regulations and monopoly powers being actively dismantled by local authorities. Roll (1992) notes how

joint-stock colonial companies deposed the original, guild operated, export merchant companies. Moreover, the specialised craft guilds, established in new urban locations (Cunningham, 1922), were eventually usurped by embryonic commercial enterprises controlled by wholesale merchants and semi-industrial capitalists. By attaining a secure foothold in the economy, this new socio-economic grouping was ideally placed to chip away at the regulatory powers of guild monopolies. A particular set of regulations that became the locus of entrepreneurial concern were those that existed to protect wage labourers, such as fixed wages and the prohibiting of Sunday and night work. The first volume of Karl Marx's (1976) magnum opus, *Capital*, catalogues in detail how industrial owners embarked on the task of stripping away these protective regulations in order to intensify the manufacturing process to maximise commercial returns.

With the break up of the guild system, the dominant model of business philanthropy in the Middle Ages, characterised by the collective intervention of traders and merchants on behalf of their localities, was gradually transformed. The wealth generated by merchant activity, at the expense of guild restrictions, created a class of independent traders who could adopt philanthropic causes on their own terms; in this respect, commercial philanthropy was transformed into a more individualised activity than it was under the guild system. Andrews comments with regard to this point: 'Wealthy individuals, too, were beginning to make their own gifts, for purposes of their own devising. As the individual became philanthropist,

giving took on individuality - sometimes constructive, sometimes merely amusing' (1950, p. 37).

The merchant class and the relief of poverty

Merchants played a vital part in the economic and social affairs of pre-industrial society. They used the newly created wealth at their disposal for alms and other forms of poverty relief. These contributions, far from being marginal, carried some weight in a society experiencing increased vagrancy and deprivation.

One of the main causes of mendicancy in this period was the commercialisation of agricultural production in the pre-capitalist epoch of the sixteenth century (Tawney, 1967). Under the monarchical system of medieval society, the lord would allow farmers to use his land as a way of building paternal ties with tenants (Birnie, 1955, p. 72). By contrast, much of the land freed after the confiscation of church property during the Reformation was purchased by city merchants as a commercial investment. The rules of lucre that came to govern agriculture transformed the whole milieu of rural communities: the substitution of arable farming for the more profitable, but the less labour intensive activity of sheep grazing, together with general increases in farm rents, resulted in wholesale evictions of tenants from their land (Birnie, 1955). The only option for unemployed agricultural workers was to obtain employment in town areas; but the fledgling cotton industry of the town economies did not have the capacity systematically to absorb rural migrants into the workforce (Ashley, 1914).

The emasculation of church property during the Reformation had put pay to any ecclesiastical-led movement against the social vagaries of the sixteenth century. Indeed, throughout the medieval period, church institutions, especially the monasteries, failed to utilise the resources at their disposal for the relief of poverty (Hartridge, 1930). Even though a number of poor laws were passed during the Elizabethan era (1561-1600), government measures against deprivation proved generally insufficient and sparingly enforced (Eden, 1928). The impotence of both church and government allowed private charity to become the dominant institutional vehicle for providing welfare services and social security measures (Hartridge, 1930, p. 156). If the main contributors to private charity are broken down in terms of occupational status, the members of the emerging merchant class were among the foremost benefactors.

This assessment can be made with a degree of confidence because of the findings from Jordan's (1964) historical survey of charitable involvement by social classes during the pre-industrial period. While not constituting a universal analysis of the subject, Jordan's survey of charitable giving from 1480 to 1660 is highly comprehensive. Jordan examines the extent of charitable giving - defined as donations made to non-profit organs involved in some area of social welfare - across ten of the major English counties at the time - Bristol, London, Yorkshire, Lancashire, Hampshire, Kent, Norfolk, Somerset, Worcestershire and Buckinghamshire. Using historical records originating from these ten counties, Jordan generated a sample of 34,963 donors, which collectively gave a total of £3,102,696

between 1480 and 1660, with 82% of this total generated by endowments. As part of the historical archives that were consulted, Jordan analysed the wills left by donors, which gave an indication of charitable giving across the main social groups - yeomen, merchants, professionals, clergy - in this period (Jordan, 1964, ch. 2). Although the urban merchants constituted a small socio-economic group, the stature of this class was evident by the fact that it assumed much of the charitable burden in this period. The figures obtained by Jordan are self-explanatory. Included in the survey are 369 merchant donors whose estates can be accurately valued, and are located in the ten counties referred to earlier. This group gave away 17.25% of its wealth to charitable causes, compared to the next highest of 7.12% given by the upper gentry. The merchants might have constituted one-tenth of all sample donors, but its donations constituted around 43% of the total endowed by all the groups in Jordan's archival survey (Jordan, 1964, p. 349).

If we analyse the final destination of these donations, an influential pattern emerges. Jordan estimates that 40% of merchant charitable giving from the sample was used to furnish the needs of the poor; but in contrast to previous ages, the merchants distanced themselves from direct almsgiving and deliberated over the benefactions that they made. Most of their charitable donations came in the form of large capital aggregates. These sums were carefully distributed to furnish permanent welfare facilities for the most vulnerable groups in society and towards facilities, such as hospitals, for rehabilitating the poor. As a result of the methods adopted by

merchant traders, important advances in charitable action were instituted by the end of the Elizabethan period, the most conspicuous, as we have seen, being the replacement of personalised almsgiving with endowments and long-term benefactions.

The commitment of this class to traditional religious causes proved less marked, as merchants were more concerned with secular issues. The percentage given by the merchants in Jordan's sample towards the support of religious activities amounted to 13% of the total benefactions furnished by this socio-economic grouping, making the merchants the most secular category in the survey (Jordan, 1964, p. 387). By contrast, the conservative husbandmen dedicated 44% of their benefactions for ecclesiastical purposes. This distancing from the mainstream church is reinforced by Jordan's observation that one of the religious causes favoured by merchants was the funding of Puritan lectureships - as a sectarian religious group, the Puritans distrusted the ecclesiastical authorities of the realm.

If Weber's Protestant Ethic thesis is anything to go by, the active support of Puritan religious activities by merchants during the sixteenth and seventeenth centuries comes as no surprise, for this strand of the Protestant faith sanctioned both wealth creation and charitable action. The argument put forward by Weber is that Protestant doctrines, notably the concept of the calling (1985, ch. 3) and the Calvinist teaching of predestination (1985, ch. 4), exalted a diligent approach to work, which, in turn, facilitated the creation of wealth. As a result, the members of the emerging merchant class were likely

to adhere to these credos, which largely supported and provided some justificatory logic for their lifestyle. But while the Protestant faith gave its merchant adherents a freedom to pursue material gain, it condemned the pursuit of wealth for its own sake and the enjoyment of possessions through luxurious living. Puritan religious ideals generated a conflict within the individual believer: it was perfectly legitimate to endeavour for material prosperity, but wealth was perceived to be a temptation (Weber, 1985, p. 172). Authors have pointed out that charitable activities provided a solution to this moral conundrum, as they demonstrated an individual's righteous stewardship over wealth (Handel, 1982). Indeed, during the seventeenth century, a considerable welter of literature was produced, valorising the ideals of charity and benevolence (Jordan, 1961, pp. 406-7). In addition, as a relatively new socio-economic configuration at the time, merchants were uncertain of their status, and they relied upon charitable activities to improve their social position. This can partly explain the significant charitable contribution made by this socio-economic group, outstripping, as Jordan demonstrated, the benefactions of other social classes.

During the latter part of the seventeenth century, certain doctrinaire strains of the Protestant faith, such as Puritanism which provided merchants with a persuasive rationale for philanthropic action, began to wane as a religious force. However, business involvement in society and philanthropic action generally continued to flourish beyond this date, partly because private charity had expanded considerably. But another reason for this was the growing influence of humanitarianism through all

sections of society, but especially the higher, wealthier, reaches of the occupational ladder. Humanitarianism, though inspired by religious convictions, assumed largely secular preoccupations: it encouraged individuals to empathise with suffering and poverty. This inspired merchants to intervene on behalf of the less fortunate, hence, in order to understand and elucidate the social context encompassing philanthropic activities in the years leading to the Industrial Revolution, it will be necessary to trace the origins of humanitarian thought.

The humanitarian impulse and business philanthropy

The declining influence of Puritanism and its replacement during the eighteenth century with humanitarian religious ideals had a profound affect on those with charitable aspirations in society, including merchant and trading classes. While humanitarian thought is viewed as diametrically opposed to the doctrinaire teachings of Calvinism, its origins can be traced within and not without the Protestant movement. In Weber's thesis, Protestantism declines as a result of the forces of secularization and rationalisation after the eighteenth century. But historical evidence suggests that Weber failed to negotiate the development of Puritan thought after the seventeenth century (Campbell, 1987). By carrying out this very examination, Campbell finds that a reaction within the Calvin-inspired Puritan movement against some of the its strict doctrinaire excesses - predestination especially - and its logical consequences, largely undermined Puritanism as a force in society.

The first major break with Calvinism took place in the Puritan communities of Holland during the 1650s. In contrast to what had gone before, Arminianism, as this revolt against Calvinism was known, advocated the notion of free will rather than predestination as the basis of salvation. The influence of this new doctrine went beyond Holland: by the mid-seventeenth century Arminian-inspired philosophy was widespread in England. Thus, in 1660, with the accession of Charles II to the throne - the Restoration - and the Arminian-influenced Anglo-Catholic 'Laudian' Party gaining power, Puritanism was clearly in decline. Further opposition against Calvinism came from the liberal scholars of Emmanuel College, Cambridge, known as the Cambridge Platonists. The Platonists, as indicated by their nomenclature, drew upon philosophical writings to construct an alternative theological doctrine to Calvinism. While they originated from a Puritan background and retained some of its moral earnestness, they rejected predestination, the idea of divine foreordination in salvation - a doctrine that stood at the very heart of Calvinist doctrine (Cragg, 1968). Instead, these influential scholars stressed the goodwill, love and grace of God. But what gave the Platonist theology popular credence, especially among the clergy, was its critique of the empiricist tradition, represented by the likes of Thomas Hobbes. The ensuing doctrinal fracas between these philosophical camps led to an increasing emphasis by religious spokesmen on ideas of morality and the inherent goodness of man against Hobbes's view of the egoistic individual driven by self-interest (Campbell, 1987). As Owen acknowledges, charitable effort in general took its cue from this

ambiguous, yet, at the same time, popular ethic of Christian sentimentalism rather than the uncompromising theology of Puritanism:

Modern humanitarianism took its rise in the course of the century [seventeenth century], and the benevolence and sensibility associated with it, though sometimes no more than emotions which it was fashionable to display, had a good deal to do with forming the social temper of the time...Yet it is impossible to miss the compassion with which certain members of the middle and upper classes could view the misfortunes of the lower or to suspect the disinterestedness of their efforts to mitigate them. (1964, p. 14)

This new humanitarian sensibility was largely responsible for the most conspicuous achievements in philanthropy after the Restoration. A quintessential example of where humanitarian ideals inspired progress in charitable action was the hospital movement. Unlike the medical institutions of the Middle Ages, which functioned essentially as almshouses, eighteenth century medical institutions catered for the sick and physically incapacitated. The clientele of these new hospitals consisted mainly of the burgeoning number of sick-poor located predominantly in urban centres, where rapid population growth, coupled with poor sanitation, resulted in the spread of epidemics and disease. Many of those who responded to the plight of the sick-poor by establishing specialist infirmaries were religious-inspired humanitarians. In fact, humanitarian clerics, such as Reverend Dr. Alured Clarke of Winchester and the Reverend Philip Doddridge of Northampton, were responsible for initiating the building of new hospitals in their respective localities. In London, the five general hospitals established during the 1719-1746 period allied humanitarian action to new methods of

charitable fund-raising, such as charitable societies and subscription lists.

The prevailing orthodoxy in religious thinking and charitable action found some faithful adherents within the business community, which by this point was based around merchant activity and small semi-industrial units mainly engaged in textile production. Humanitarianism was undoubtedly a factor in the philanthropic activities of the entrepreneur, Thomas Firmin. Although born into a strict Puritan family background, Firmin was a typical seventeenth century philanthropist: throughout his life, pietistic and moral values produced an ingrained sensitivity to human distress that demanded some sort of restorative action. Well into his career, as the owner of a successful mercer company in London, Firmin abandoned his strict Calvinistic upbringing and opted instead for liberal religious beliefs. His involvement in philanthropy began when he provided raw materials to London's working poor, after a plague in 1665 left many of them without a livelihood. By the 1670s, Firmin had progressed to running a job creation scheme. Here, poorer members of the community were employed as spinners, thereby creating between 1,600 to 1,700 jobs.

Humanitarian industrialists

Humanitarianism continued to exercise a dominant influence over the social activities of proprietors during the years leading to and following industrialisation. More: certain entrepreneurs that aspired to humanitarian religious ideals, especially Quakerism, were responsible for some of the most extensive and generous

demonstrations of philanthropy during this turbulent period of British history.

Throughout this period of transition, it was in the urban centres, where industry was concentrated, that the disruption to the fabric of society was felt most keenly. Even up to the mid-eighteenth century, the schisms generated by economic expansion were confined to a few city districts like London and Bristol (Owen, 1964). The industrial age, as it was launched in the early nineteenth century, gave unrestrained momentum to the process of urbanisation. To begin with, many population centres experienced rapid growth, as sweeping labour migration from rural to urban districts progressed unremittingly. The population of greater London increased from just over 1 million in 1801 to over 5.5 million in 1891. Equally dramatic was Manchester: a population of 53,000 in 1801 increased to 505,000 by 1891; and Birmingham's population in the same period grew from 71,000 to 478,000 (Mitchell, 1988). The first report by the Registrar-General in 1839 provided statistical information on the life-chances of the new urban working class. The report estimated that in the rural districts of Yorkshire, Durham and Cumberland, 204 out of a thousand inhabitants reached the age of 70, whereas in urban centres like London, the figure stood at 104 individuals per thousand reaching the age of 70; in Manchester it was 63, and in Birmingham the figure stood at 81 (Owen, 1964, p. 135). These impersonal statistical estimates have been accompanied by literary portrayals of industrial cities. Engels's (1969) classic account of Manchester's labour force, *The Condition of the Working Class in England*, is a case in point. The book was

written by Engels as a result of working at his father's factory in Manchester. There he garnered an intimate knowledge of industrialisation and its effect on the lives of workers, which included vulnerable categories such as pregnant women, children and the elderly, who were compelled to work under harsh conditions (Engels, 1969, p. 189).

The policy-makers and authorities of early Victorian Britain, despite the spectre of heightened poverty and deteriorating living conditions, continued to rely upon private charity as a form of poverty relief. Government intervention of any sort was treated with suspicion. The legislative measures that were made available proved on the whole unsatisfactory. For example, the Poor Law of 1834 placed resources in the agricultural south, where poverty was prevalent throughout the fifteen and sixteen hundreds, rather than in the urban regions where mendicancy and pauperism was becoming more prevalent during the early part of the nineteenth century. Overall, the authors of the Poor Law gave only limited statutory protection and insurance to the poor, as the law was driven more by the objective of abolishing outdoor relief for the able bodied than by dealing with the true causes of poverty (Prochaska, 1988). Even respectable charitable organs, such as the Charity Organisation Society, considered private charity as better equipped to discern between genuine poverty and cases of indigence resulting from moral malaise. The prevailing orthodoxies surrounding poverty relief were by no means shared by all charitable authorities: the Royal Commission, reporting

on the Poor Law of 1834, was not only indifferent to the law, but also critical of the selective methods of charity in operation.

Despite the conclusions reached by the Royal Commission, the government and wider public authorities throughout the eighteenth century and the Victorian period played only a limited role in the relief of poverty. The reluctance of central government to expend financial resources on poverty relief and the relative inability of local government to intervene on behalf of the poor helped stimulate private philanthropy (Prochaska, 1988, p. 35). Subsequently, a proliferation of charitable activity, whose temper was shaped by the repercussions of growing urban indigence, took place throughout the nineteenth century. Charitable initiatives assumed various imaginative forms (district nursing, orphanages, houses for the homeless, industrial schools) and covered a spectrum of social problems - child poverty, delinquency, illiteracy and unemployment. Such was the surge in philanthropy that the memoirist, Charles Greville, observed: 'We are just now overrun with philanthropy, and God knows where it will stop, or whither it will lead us' (quote in Prochaska, 1988, p. 21).

Amidst this expansion of charitable activity, entrepreneurs built significant philanthropic reputations to rival their commercial achievements. As a result of Britain's early industrialisation, a number of business owners managed to amass considerable fortunes. Britain enjoyed several advantages - including the availability of investment capital, low transport costs, developing technical skills - that facilitated this early industrialisation of its economy; the Industrial Revolution in

Britain was a triumph of individuals striving for profit and new innovations. Subsequently, such effort resulted in rapid growth both for firms and the economy as a whole between the late eighteenth and nineteenth centuries (Supple, 1973).

The characteristic features of industrialisation - the centrality of individual entrepreneurial action - and the wealth generated by this process provided civically-minded business owners with the necessary wherewithal to fund magnanimous acts of charity. But these economic conditions also combined with ideological factors: humanitarian religious ideals that were popularised by the reaction against Puritanism had a profound bearing on philanthropists throughout the nineteenth century. These ideals were readily expressed by the new denominations that emerged from the Christian evangelical revival from the late eighteenth century, many of them viewing charitable involvement as a profound expression of faith.

Among the complex changes sweeping Britain in these years none was more important in its effects on philanthropy than religious revival. Christians of all denominations espoused charitable ideals...Some denominations were more active in philanthropic causes than others, and most had particular charitable interests growing out of doctrinal interpretation and social circumstances. (Prochaska, 1988, p. 21)

The revival of Christian worship, together with its effect on charity, was not lost on the emerging business community. The Quaker denomination, for instance, throughout the eighteenth and nineteenth centuries, contained within its congregations some of the most celebrated industrial philanthropists of the age. This was not a coincidence, as the social status of the Quaker sect, together with its unique beliefs, encouraged an ardent commitment among its members to the wider social good.

The founder of this idiosyncratic, Nonconformist, Christian denomination was the shoemaker George Fox, who hailed from a Puritan background. At twenty-three he began a concerted preaching campaign, and was able to gather around him a loyal band of followers. By 1650, the Society of Friends, scornfully known as the Quakers, was officially established under Fox's leadership. Although the Quakers adopted the Puritan traits of simplistic living and frugality, their beliefs strayed towards the humanitarian end of the doctrinal spectrum. In contrast to the Puritan suspicion of human discretion and free will in attaining salvation, the Quakers stressed that believers could actively seek a relationship with God. Wagner notes: 'The central doctrine of the new movement was the belief that in every man there was the seed of God and that knowledge of God came through direct communication with his spirit' (1987, p. 38). These doctrinal commitments, which saw them refusing to pay tithes, and their seemingly strange form of contemplative worship, turned the Quakers into pariahs, both within the religious community and in wider society. Consequently, Quakers found themselves excluded from attending English universities and pursuing many distinguished professions. The only viable livelihood left for Quakers was the world of commerce. The involvement of Quakers in business passed through distinct phases. During the early years of the movement, from 1650 to 1700, there was a widespread interest among Quakers in small-scale trading; in fact most of the early Friends were drawn from the artisan workshops and yeoman farms. By the end of the seventeenth century, Quaker

entrepreneurs headed the first technical and mechanical businesses (Wagner, 1987).

In all their business activities, the Quakers regarded wealth for its own sake a sin. As a result, they subjected their own commercial activities to rigorous moral scrutiny, partly to deflect the many false accusations levelled by their detractors. Moreover, business activities were viewed as a form of service to the community where individual participants could earn a frugal living (Raistrick, 1993). Apart from running a business equitably and treating their customers fairly, Quaker businessmen were actively involved in the community through acts of charity and benevolence.

The Quaker businessman, Richard Reynolds, is reputed to have been one of the first individuals to finance his philanthropic activities through the ownership of a heavy industrial company. From his background as the son of an iron merchant, Reynolds became a partner in an iron works near the Severn Valley, where revolutionary advances in iron production had been achieved. Much of his career was spent managing a furnace at Ketley, but, after the 1760s, the parent establishment at Coalbrookdale came under his auspices. Although heavy industry was potentially harmful, Raistrick (1993) maintains that Reynolds presided over an enlightened company which dealt fairly with customers and workers. Regarding his benefactions, Reynolds did not defer his philanthropic career until retirement in 1789; as an impassioned Quaker, charitable action preoccupied Reynolds throughout his life. The objects of these benefactions included schools located near the work furnaces, and eventually in other parts of the

country. On his relocation to Bristol in 1804, he became virtually a full-time philanthropist. In this new vocation, orphan asylums and almshouses benefited from his donations. Outside Bristol, Reynolds granted support to various metropolitan charities. One estimate has it that Reynolds was regularly distributing an average of £8,000 per annum - a substantial amount by early nineteenth century price indexes. Many commercial philanthropists, particularly those from the Quaker denomination, followed Reynolds's example throughout the nineteenth century.

By the Victorian period, the Quakers had given up their missionary zeal, becoming more introverted in the process. At the same time, they kept many of their traditions and beliefs, including the strict obligation to marry within the denomination. This isolated several Quakers, resulting in dramatic falls in membership. Despite the increased marginalisation and withdrawal of the Friends from society, they continued to exert economic and political influence through successful and enlightened Quaker business owners, such as George Cadbury, and Joseph Rowntree. One of the most important Quaker firms was the York-based grocery business under brothers Joseph and John Stevenson Rowntree. The Rowntrees were committed Quakers, but they questioned those doctrines responsible for isolating numerous members within the Quaker community. John Rowntree campaigned for a more liberal theology that would allow Quakers to marry outside the denomination. Equally important was his contention that the Quaker church had become introverted at the expense of helping the poor in society. The Rowntrees acted upon these liberal beliefs within their business: in the workplace, the Rowntrees,

with Joseph at the helm, implemented an enlightened programme of industrial welfare. This included the company relocating from the city centre to a greenfield site on the outskirts of York; the company introduced one of the first employee pension schemes; and it built the New Earswick community to house employees. Indeed, throughout the century several enlightened employers, who by no means constituted the majority of industrialists and business owners, had introduced welfare facilities within their factories (Niven, 1978; Joyce, 1982). Some had shown a sense of moral obligation towards the living conditions of employees and had constructed dwellings near factory premises (Meakin, 1905). One of the first employers to establish staff residences was Robert Owen, the founding father of the cooperative movement, in New Lanark during the early nineteenth century (Lawrence, 1988). Owen's example was subsequently followed later in the century by William Lever at Port Sunlight (Jeremy, 1991), Titus Salt at Saltaire, George Cadbury's Bournville Village (Williams, 1931), and of course the Rowntree housing complex of New Earswick in York.

Quaker firms, such as Rowntrees, also looked to exercise their religious and humanitarian beliefs beyond the confines of the factory. Joseph Rowntree, the founder of the company, unwittingly built a reputation around his topical campaign for the amelioration of poverty. Initially, he went about this by collecting statistics about the incidence of poverty in his native York, but this soon evolved into a personal campaign for concerted state intervention in tackling deprivation. Mentally armed with these radical tendencies, Rowntree became dissatisfied

with what he termed the 'charity of emotion', a reactionary form of philanthropy that dealt only with superficial manifestations of social deprivation rather than underlying structural causes. To remedy this misplaced emphasis, Rowntree established three trusts in 1904, each with a distinct aim (Owen, 1964, p. 450). The Joseph Rowntree Village Trust was to run the New Earswick complex and organise studies of housing conditions; the Joseph Rowntree Charitable Trust funded social research, Quaker projects and adult education; and finally, the Joseph Rowntree Social Service Trust was used to fund social and political campaigns.

Victorian philanthropy: Nonconformist and Liberal credos

It would be a mistake to assume from the above that industrial philanthropy was the sole preserve of Quakers. Enlightened entrepreneurs from this age came from a diverse range of Nonconformist Christian backgrounds - Baptists, Congregationalists and Unitarians. In addition to the influence exerted by these humanitarian denominations, business philanthropists were prompted to action by political values. The dominant political values in the Victorian period - especially among the commercial classes - were influenced by Liberalism. Free trade, social responsibility and the importance of self-improvement in relieving poverty were the central traits of the Liberal agenda.

Victorian Liberalism stood for free trade, self-help, minimal government interference and internationalism - all values calculated to appeal to industrialists and employers. It also stood for generosity and tolerance, for democracy and popular representation and for radical social reform, carried out by public authorities if necessary but preferably by the spontaneous voluntary actions of individuals and

communities. It stressed the moral responsibilities of those with wealth and power towards those without it and...it had a strongly redistributionist and egalitarian flavour. (Bradley, 1987, p. 5)

Typifying this nineteenth century tradition of industrial philanthropy was Samuel Morley (1809-86), who headed the London and Nottingham based hosiery firm J. & R. Morley. The company made the transition to factory production relatively early and, at its height, J. & R. Morley had seven factories in the Midlands employing 7,000 workers. Even though Morley adopted a mechanical system of production, he continued to employ a number of old-style framework knitters, in part for altruistic reasons, but also to continue producing for the high quality, hand-wrought hose market. Owen writes: 'If hosiery supplied the material for Samuel Morley's philanthropy, it was Nonconformity that largely prescribed the conditions of its expenditure' (1964, p. 403). As a committed Nonconformist - firmly placed in the congregational and non-denominational evangelical camp - Morley saw philanthropy as a lifelong vocation. The Dissenting church and Nonconformist reform activities were the main objects of his early benefactions. As a philanthropist that liked to be intimately involved with his projects, one of his favoured methods was to provide struggling churches incentives for raising money by agreeing to double the sums they managed to collect through donations. Overall, his giving to Nonconformism was consistently generous: in the 1864-70 period, he put £15,000 into chapel building. He was also known for making spectacular one-off donations, such as the £5,000 that he bestowed for the purchase of Exeter Hall for the Young Men's Christian Association (Owen, 1964, p. 404). However, he did not give indiscriminately to the

church: there is one incident, recounted by his biographer, where he refused a request for a donation made by his local church to improve its premises on the grounds that the poor should take precedence (Hodder, 1887, p. 308).

Later in his career, Morley's philanthropic horizons broadened to include secular concerns. The most important cause to which he dedicated the last twenty years of his life was as a Liberal M.P. for Bristol. His political burdens led him to become an active supporter of free trade, the temperance lobby and the Financial Reform Association (Owen, 1964, pp. 404-5). Morley also supported the universities of Nottingham and Aberystwyth, and the Old Vic during its incarnation as a working-class recreation centre. Morley approached these secular projects with the sort of purposeful attention reserved for his benefactions to religious causes. As his biographer observes, Morley accorded all these charitable commitments, whether secular or religious, with the same importance as his commercial activities (Hodder, 1887, p. 310).

Not all Victorian philanthropists were galvanised into civic action by a sense of religious obligation. For some industrialists, Gladstonian Liberalism demanding, as it did, that the privileged few should act responsibly towards the rest of society, was sufficient justification. To this secular category belonged a number of illustrious names: Thomas Holloway, who traded in medicines, financed the Royal Holloway College; the publisher Passmore Edwards was noted for establishing library facilities; and Josiah Mason, the manufacturer, championed the vulnerable in society. In contrast to Samuel Morley, Mason was

resolute about his lack of faith (Bunce, 1882, p. 72), and he became involved in charitable work at the end of his business career - a pen and electroplating manufacturing enterprise. Rather than spreading his finances across a variety of suitable concerns, Mason limited his charities to children, the aged and higher education. He financed - to the tune of £500,000 - the building of a small almshouse for aged women, an orphanage for girls, both located at Erdington, and Mason College, which formed the foundations of the University of Birmingham. Despite renouncing Christian ties, Mason's view of the stewardship of wealth echoed the pronouncements of those philanthropists that were inspired by the humanitarian ideals contained within various Christian denominations during the nineteenth century: 'The wealth he acquired was valued by him chiefly as the means of doing good on a great scale' (Bunce, 1882, p. 63).

Whilst new movements in organised Christianity exercised a prominent influence over business philanthropy, this source of ecclesiastical inspiration was far from uniform. Obviously the secular ideals of social responsibility surrounding Liberal thought had some bearing; but even within the gamut of Christian denominations, the level of philanthropic expectation tended to vary. Nevertheless, the common thread running through the philanthropic efforts of these benevolent magnates was their concern regarding the impact of industry, whether in the workplace or in the surrounding community. The deleterious repercussions felt throughout society when Britain industrialised elicited magnanimous acts of benevolence from entrepreneurs and the new social configuration of owner managers. But at the turn

of the century, it was evident that welfare and social care facilities could not wholly depend on the contributions of private philanthropists. A growing campaign was organised to bring about concerted state intervention to alleviate poverty; joining the political advocates for greater statutory protection were business philanthropists of no little repute. These developments need to be scrutinised more closely, because of their impact on business philanthropy in the twentieth century.

A question of public versus private welfare

The prevailing orthodoxy in Victorian Britain was for indigence to be viewed largely as the result of moral permissiveness. The task of ameliorating genuine poverty was seen as the responsibility of voluntary agencies, including industrial philanthropists. However, the spectacle of deprivation and hardship - evident throughout society - was the most powerful testimony against the pre-eminence bestowed upon private business and charities as purveyors of public welfare services.

The advancement of social policy research and statistical surveys on the incidence of poverty carried some import in bringing the extent of deprivation in society to public attention. Not all these studies originated from officially sponsored bodies: the contribution of socially aware business owners to the growing body of knowledge on poverty was both pioneering and highly informative. The shipowner, Charles Booth, carried out a paradigmatic inquiry on the extent of poverty in London. The final study, *Life and Labour of the People in London* (1902-1903), spanning a mammoth seventeen volumes, concluded that

30% of Londoners were existing below a bare level subsistence. In the course of his research, Booth suggested that, to eradicate poverty, the state should make greater provision for the poor and the elderly - a recommendation which was antithetical to the Victorian emphasis on individual culpability and private solutions to poverty. Booth's observations about the appalling living conditions of the working population was confirmed by Seebohm Rowntree (1922) - a member of the confectionary dynasty - in his seminal study, *Poverty: a Study of Town Life*, first published in 1901. Using statistics collected by his father Joseph, Seebohm Rowntree estimated that 15% of York's wage earners could be legitimately classified as belonging to the ranks of the primary poor. Significantly, Rowntree's research was used by Beveridge to calculate subsistence standards for his final report on the establishment of a nationwide public welfare system.

Apart from the growing number of studies on poverty, the nature of business philanthropy highlighted why a voluntary system of welfare in general lacked the capacity to eradicate the social problems painstakingly documented by the likes of Booth and Rowntree. The ability of companies to provide lasting solutions to the problem of industrial poverty was circumscribed by the fact that not all company owners or industrialists showed the same willingness or generosity, as the Cadburys and the Rowntrees, to release their wealth for charitable purposes. In a moment of Victorian nostalgia, Harrison writes: 'If the Cadburys and Rowntrees had been more widely imitated, public welfare in Britain - instead of being financed through compulsory

taxation - might have been voluntarily conceded, and channelled by the employer through the wage-packet, with all the consequences for industrial relations flowing from that' (1982, pp. 220-1).

By and large, charitable action in the business community, like philanthropic action in general, was confined to a limited number of entrepreneurs. Hodder acknowledges this: 'Lord Shaftesbury was wont to say that the great givers of London could be enumerated on the fingers of both hands, and that every subscription list was a proposition of another' (1887, p. 301). Moreover, as a system dependent on the whims and fancies of individual donors, whether business owners or private benefactors, incoming financial resources for charities were too variable and inconsistent over time to provide comprehensive protection against poverty. For example, the city of Liverpool between 1905 and 1920 saw a near trebling of its charitable income, because of the dramatic increase of benefactions made through legacies. However, such gifts proved a less stable form of charitable giving than subscriptions. Hence, the distribution of finances among agencies was uneven, and there were considerable fluctuations between different years (Owen, 1964, p. 467).

Added to the problems over resources was the inconsistency over the behaviour of certain business philanthropists. In the harsh social world of nineteenth century, some benevolent entrepreneurs would discredit their own philanthropies by committing major indiscretions. The *Northern Star* ran a report in 1842 disclosing that employers were funding philanthropic

activities by deliberately underpaying their employees (Harrison, 1982). The nineteenth century Chartist George Harney was acutely conscious of the contradictions inherent in the world of business philanthropy: 'I discovered that a good many manufacturing "philanthropists", whose sympathies had been enlisted on the side of the negroes, had been quite oblivious to the sufferings of women and children in their own factories, and had opposed...champions of the factory workers...to redeem the white slaves of England from what was, in some respects, worse than Jamaica or Barbados slavery' (*Newcastle Weekly Chronicle*, 15 November, 1890, quoted in Schoyen, 1958, p. 8). In a similar vein Keir Hardie, during the 1890s, mounted a concerted attack against what he saw as the hypocrisy of Lord Overtoun, the Scottish industrialist and Liberal. The Labour M.P. revealed that Overtoun, who was apt to publicise his philanthropic achievements, subjected his employers at the Sawfield chemical factory to labour for twelve hours, seven days a week, and without meal breaks; for Hardie, Overtoun's life was the manifestation of 'a living lie' (Benn, 1992, p. 138).

The obvious shortcomings of relying on private charity or employers as the primary means of poverty relief made the cause for systematic public intervention more resounding. Throughout the nineteenth century, state intervention of any sort was distrusted. Nevertheless, the idea of government provision within the ambit of social welfare was given an important fillip by the embryonic legislative forays of local municipal authorities. The 1835-1888 period constituted, to paraphrase the Webbs, a veritable municipal revolution. The legislative overhaul of local

government - in fact it led to the establishment of elected local urban governments - facilitated the movement towards extensive statutory services. The Public Health Act (1872), passed during Gladstone's first term in government, created local statutory authorities in an attempt to inject a degree of uniformity into the system of public health administration across the country. The empowerment of municipal authorities to supply services against deprivation was born out of Victorian pragmatism rather than a commitment to the redistribution of wealth. There were local councils that found themselves forced into taking responsibility for welfare services by public opinion, which included the views of local magnates. By the end of the 1860s, the local council in Bristol was pressurised to intervene on behalf of the city's poor by local business families, Frys and Wills (chocolate and tobacco producers respectively), after they had observed for themselves the living conditions of the poor in their missionary ventures among such groups (see Frazer, 1979, p. 118).

The incidence of high unemployment in the late nineteenth century once again called upon the pragmatic tendencies of Victorian authorities to intervene in society, against their better *laissez-faire* nature. The depression years of the 1880s and 1890s challenged the dominant assumption that poverty was simply the product of individuals being loath to find employment; it was a heartless and exceptional person who suggested that the jobless poor were morally culpable for their predicament. The Liberal Joseph Chamberlain was one of the first politicians to organise government support for the unemployed. In a circular

released in 1886, Chamberlain authorised local councils to provide work for the unemployed (Birch, 1974). However, the prescription was not enforced because Chamberlain only remained in government for three months following the defeat of the Liberals at the hands of Salisbury's Conservatives.

Despite this set-back, the movement towards a state organised and funded welfare system at the turn of the twentieth century gained further momentum, gradually helping to dislodge the emphasis on voluntary modes of poverty relief, such as those provided by charities or commercial benefactors. The main legislative provisions in this period were occupied with the problem of unemployment. Another notable achievement was the Liberal government's introduction of the National Health Insurance Act (1911), a measure insuring against the loss of health and subsequent treatment of any sickness for employees. During the interwar period, social welfare was still largely selective and privately operated, but with unemployment in the 1930s reaching the three million mark, the Labour government eradicated the Poor Law, introducing supplementary aid for the unemployed. Ultimately it was the experience of the Second World War that brought Britain nearer to a national system of welfare (Birch, 1974). Using the report by the Interdepartmental Committee on Social Insurance as its blueprint, the Labour administration introduced a series of welfare reforms that formed part of a national system of social and welfare provision. At the heart of the postwar welfare reforms was the National Health Service Act and the National Insurance Act, both passed in 1946. The former created a comprehensive system of health care without

charge, while the latter established a unified insurance scheme. Further legislative measures paved the way for a nationwide system of care and assistance: the Children's Act (1948) provided services for children without a proper home life; the National Assistance Act (1948) filled the gaps of the Insurance Act; and the earlier Education Act (1944) extended secondary schooling (King, 1987, pp. 52-3).

Generally, the introduction of the welfare state rendered the voluntary sector - the dominant form of source of welfare provision up to the 1920s - both dependent upon the public sector for funding and peripheral to the state services. On closer inspection, however, the voluntary sector was not superfluous in the postwar era. While charities in the welfare sector had certainly lost ground to the new state agencies, the voluntary sector continued to flourish after the establishment of the welfare state, as shown by Green and Murphy (1954) in an early postwar study of charities. Prochaska writes: 'Though little reported, voluntary traditions carried on with considerable vigour after 1945, shifting ground where necessary and pioneering terrain which the state dared not enter. Moreover, a concentration of attention on those charities fulfilling welfare services obscured the many other voluntary campaigns which prospered' (1988, pp. 1-2).

This suggests that there were still opportunities for enlightened business owners and industrialists - as non-statutory agents - to support the voluntary sector and community based projects. Indeed, from the late nineteenth century to the postwar period, when the statutory services gradually came into being,

there is evidence of commercial benefactors adopting social causes that were not directly covered by the state sector. In contrast to earlier epochs, religious doctrine came to exercise less of an influence, as did the individual business owner, in philanthropic activities. In fact, the nature and extent of business involvement in the non-profit sector throughout the twentieth century, especially in the post Second World War period, was influenced by developments in the structure of business ownership. Our aim in the next chapter is to explore these developments further.

3 The New Corporations and their Responsibilities

The development of a comprehensive system of public welfare, from the late nineteenth century to the postwar period, meant that business owners came to play a marginal role in basic social services, such as health care, social insurance, and in broader social functions, such as education and housing provision. While the government assumed a dominant position in social welfare, it did not prevent enlightened business leaders from contributing to the well-being of wider society, especially in those areas where state provision was not extensive. As we have seen, the voluntary sector continued to grow and devise important innovations, even though certain welfare functions had been colonised by the state.

The aim of the first half of this chapter is to explore the nature and extent of philanthropic action by business owners and industrialists from the late nineteenth century onwards. Our contention is that the parameters guiding business philanthropy and decisions regarding the social causes adopted by company owners were shaped by the new structure of proprietorship that was coming to the fore during the early years of the twentieth century: namely, the replacement of the classical small family or individually owned enterprise by the oligopolistic commercial organisation under the impersonal proprietorship of shareholders. Hence, we trace the origins of the modern corporate economy and the extent to which this development contributed towards a redefinition of the social priorities of commercial enterprises.

During the late nineteenth century and the early years of the twentieth century, there is evidence of business owners being able to use the resources generated by emerging economies of scale to fund social causes that were not directly supported by the state. In the postwar years, business institutions operating in the most important areas of the national economy underwent dramatic expansion, and on the whole came under the ownership of loosely based networks of shareholders. For a number of thinkers subscribing to the managerial theory (see Chapter 1), these developments would lead to a separation in the traditional links between the ownership and the control of capitalist enterprises, thus creating a non-sectional managerial class sensitive to the needs of society. From our historical analysis, the development of capital in this period did not produce the type of humanitarian business organisation postulated by certain managerial theorists. If anything, business enterprises became more commercially focused.

During the mid-1970s, however, there was a discernable growth of interest in corporate social responsibility, continuing throughout the 1980s. The argument here is that the emergence of the modern era of interest in corporate social responsibility should be explained by recourse to the social and political context of the mid-1970s that transformed the relationship of business to government and, ultimately, to society.

The beginnings of the corporate economy and enlightened businesses

The growth of the modern corporate economy is normally traced back to industrialisation; but the equation between both processes in Britain is not straightforward, for industrialisation did not automatically require or lead to the wholesale formation of oligopolistic enterprises (Hannah, 1983). Initially, industrial expansion was isolated to specific areas of the economy. The first sector to capitalise on new machine technology and the introduction of steam power was the textile industry. Through such innovations in commodity production, this sector was reinvented, changing from a domestic craft industry into a highly intensive factory-based form of production. The rapidity of this transformation proved phenomenal, as available statistics show: between 1858 and 1861 the number of power looms rose from 298,847 to 399,992 in Britain (Marx, 1976, p. 561). The expansion of textile companies did not lead immediately to a monopoly situation, where industrial control was concentrated in the hands of select magnates. This scenario was avoided because the increased size of business enterprises was matched by further expansion of the market - thus allowing small-scale specialisation, both on a commodity and geographical basis, to take place. Similar developments took place within traditional industries - pottery, brewing, chemicals, iron smelting - as technological innovations enabled companies to produce for a mass-market at a profit.

These new forms of technology and the larger number of employees needed to operate machine units necessitated higher

levels of financial investment. The levels required went beyond the capacity of traditional resources, such as family wealth or yearly profit margins. Industrial owners encountered considerable difficulties in trying to attract external investors, because the stock exchange, in the early nineteenth century, lacked dynamism, and, furthermore, there was no national legislative framework covering joint stock ownership. This legal void was rectified in the 1844-1862 period, for legislation sanctioned the formation of joint-stock and limited liability companies. This is not to say that joint-stock commercial entities did not exist before the mid-1800s, or that legislation had never touched upon the issue of associative ownership, as separate legislative provisions were made available for the public utilities. The distinctive feature of the joint stock and limited liability legislation passed during the course of these eighteen years, according to Penrose, was that it 'removed the most important limitation on the growth and ultimate size of the business firm when it destroyed the connection between the extent and nature of a firm's operations and the personal financial position of the owners' (1968, p. 6). The actual funding of a business was rendered more equitable and attractive, as shareholders were liable for company debts according to the size of their holding.

It seems that the legal structures for joint stock ownership and limited liability were in place by the mid-1800s. Yet, the expected growth in the size of businesses was delayed. Contrary to the envisaged outcomes of this legislation, it was common for existing company owners to adopt private registration, whereby limited liability was assumed, while at the same time maintaining

the original management of the company. This development, in Payne's words, amounted to a 'fearful and hesitant' step towards larger business organisations (1967, p. 520). This caution did not persist indefinitely: at the turn of the century a whole spate of new limited liability firms emerged; for instance, during the 1898-1900 period, 650 firms, valued at £42 million, were absorbed in 198 separate mergers (Hannah, 1983, p. 21). Hart and Prais (1956) observe that a fully conscious and deliberate movement towards amalgamation took place in the heavy industrial sector, which included brewing and distilling, coal extraction, and iron and steel production. Many of these aforementioned industries, through merger activity, were able to consolidate and increase their share of the market, providing tangible evidence that large-scale business activity could result in lucrative remunerations.

The concentration and expansion of productive forces was not solely the result of a fluid definition of joint stock status, otherwise the merger movement would have taken place much earlier. Of equal importance was the rise of professional financial intermediaries - stockbrokers, solicitors, company agents, accountants and bankers - who liaised between the affluent public and firms searching for sound investments. Consequently, in the years 1885 to 1907, the number of firms involved in domestic manufacturing and distribution with quotations in the London stock exchange increased from 60 to 600. Another important factor was the transformation of Britain's infrastructure, through the development of a national rail network. The consequence of a national rail system was that it

helped expand the potential size of commercial markets for producers.

The merger movement that we have been analysing of the late nineteenth and early twentieth century did not bring about levels of industrial and capital concentration comparable to that attained by Britain's foreign competitors. As a number of commentators have noted, the most important areas of the American economy, by the turn of the century, came under the auspices of large, amalgamated industrial combines (see Mitchell, 1989). One of the obstacles that stood in the way of wider corporate growth in Britain was the disinclination of those families and individuals that owned enterprises towards devolving any control to external interests (Payne, 1967, p. 526). This is not to deny the impact of the merger wave at the turn of the century, but it needs to be seen within the context that combinations touched upon heavy industries, whereas in America concentration covered a wider constituency of business sectors (Hannah, 1983, p. 22).

Efforts to overcome this reluctance to expand gained momentum during the interwar years. The industrial practices put in train throughout the First World War challenged the dominance of the family-owned enterprise. In doing this, the way was paved for the wider expansion of commercial and industrial enterprises. Furthermore, the government, through the Ministry of Munitions, made unprecedented strides to intervene in the economy and the manufacturing process. Among its many influential recommendations, the Ministry discouraged industrialists from product diversification, and promoted, instead, the mass production of commodities and the amalgamation of enterprises to

meet government munition targets. These attempts to rationalise industrial units continued after the war with the onset of recession and high unemployment. By the early 1920s, the joint-stock enterprise had turned into a generalised feature of the economy, a fact that was assisted by the ability of the stock market to recruit large amounts of capital (Tawney, 1920). Increasingly, family owners were opting to sell their businesses to other quoted companies or to float them directly on the issues market. In addition, direct competition from large and technologically advanced foreign, mainly American and German, combines forced indigenous business owners into forming defensive amalgamations within their sector groupings - a notable instance being the expansion of Imperial Tobacco before 1914 as a defensive formation against the advances of the American Tobacco Company. The attempt by the German chemical company I. G. Farben to acquire British Dyestuffs propelled three of Britain's foremost chemical businesses to combine forces, resulting in the formation of the ICI company. Banks and financial houses that had invested in British industry exerted greater pressure in this period for industrial expansion: in 1929, the Bank of England established the Bankers' Industrial Development Company (BIDC) as a formal financial agency to promote rationalisation within the industrial sphere. A major achievement of the BIDC's work was the formation of the Lancashire Cotton Corporation - a textile holding company that absorbed almost a hundred separate firms, occasionally under duress, between 1923 and 1932.

The changing face of ownership in the interwar years was indicated by the increased number of firms quoted on the stock

exchange: in 1907, there were 569 firms in domestic manufacturing and distribution quoted on the London stock exchange, but by 1924 the number went up to 719 and by 1939 the figure stood at 1,712 quoted companies (Hannah, 1983, p. 61). A number of family businesses, in using the securities market to generate investment, expanded their operations enormously during the interwar years. Thirty years after being floated onto the stock market, the textile company, J. and P. Coats, was one of the first family enterprises to achieve corporate status in 1919 (Hannah, 1983). Ten years later, it was being joined by the likes of Unilever, Imperial Tobacco, ICI, Courtaulds, and Guinness. Although large commercial entities had existed before the 1920s, the interwar merger movement covered a wider range of industrial sectors, in contrast to the mergers that had taken place at the end of the nineteenth century. Acknowledging this point, Scott writes: 'By the Second World War "big business" was a more diverse, and more powerful, sector of activity, and it was increasingly determining the conditions under which smaller enterprises had to operate' (1985, p. 200).

This gradual, though radical, restructuring of the organisation and ownership of enterprises had important repercussions for the strategies and policies of capitalist enterprises. To begin with, expansion allowed companies to mass produce their commodities for both indigenous and international markets. But on an issue of salience, the remodelling of company structures established new sectional interests and constitutional frameworks, which redefined the social expectations of business in modern society.

For shareholder-owned businesses that were gaining prominence during these years, philanthropy and charitable giving was rendered problematic. Unlike the small family-owned company, the directors of the emerging joint-stock enterprise could not legitimately expend resources, which legally belonged to shareholders, on non-commercial activities, such as philanthropy. Indeed, there are records during the period under consideration of shareholders taking legal action against executives who had used the funds under their trusteeship for charitable purposes. Although the actual litigations were few in number, they demonstrated that the phenomenon of shareholder-owned entities presented difficulties for the future of business philanthropy.

The *Taunton v Royal Insurance Co* (1864) was one of the earliest legal cases regarding the discretion of executives to support philanthropic causes. The action was brought before the court by a shareholder who objected to the directors offering compensation for houses damaged by a gunpowder explosion on board a vessel, when the insurance policy did not compel the company to compensate for these losses. While the court intervened to prevent the expenditure of corporate funds for purposes not related to the interests of the company, it stated that directors should not, on the whole, be prevented from making gratuitous payments to their customers, especially when such payments would enhance a company's reputation (Sheikh, 1990). In the *Hutton v West Cork Railway Company* lawsuit of 1883, an early legal precedent was established over whether directors could utilise finances for activities that were not of direct relevance to the interests of stockholders or a normal part of the budget

expenditure. The case was specifically brought to decide whether a company had the mandate 'to expend a portion of its funds in gratuities to servants or directors...' (Law Reports, 1883, p. 654). In his summary, Lord Justice Bowen suggested that, while charity is not the responsibility of business, philanthropy and charitable donations could be justified providing they are, in some way, congruent with commercial interests.

Even within the strictures established by this ruling, industrialists and company owners continued to make benefactions throughout the late 1800s and the early years of the twentieth century, including the interwar period; historical evidence shows that modern joint-stock companies were not indifferent to the needs of society. A report presented to the House of Commons in 1909 on the charitable contributions of railway companies in 1908, possibly the earliest survey of corporate giving in Britain, demonstrates that the new industrial corporations appearing at the turn of the century supported a variety of mainly secular welfare and social causes. The most favoured areas included hospitals, which gained £7,699, schools and technical institutions were given £1,107, and benevolent societies were granted £1,051 (Board of Trade, 1909, p. 19). There are a number of reasons why companies continued to be involved in philanthropic work during the early part of the twentieth century, even though the emerging trend towards joint stock ownership limited the scope for charitable expenditure. One factor is that the shareholder-owned firm did not develop into a generalised phenomenon until the interwar period - the majority of companies were owned outright by individuals or families up

to this date. Consequently, industrialists and company owners could pursue their charitable aspirations without the prospect of shareholder opposition or court interference. Furthermore, modern philanthropy edged towards the parameters established by the Hutton case. Here, emphasis was placed on making philanthropic action relevant to the interests of the commercial benefactor, which for shareholders would be deemed more acceptable than *straightforward* charity. One prominent cause seen to embrace both motives of charity and self-interest was education, especially the technical and higher variety.

Industrialists, corporations and university education

Towards the end of the nineteenth century, the university system in England expanded from the ancient cloisters of Oxbridge to several metropolitan centres. In this period, no less than ten new university colleges were formed to provide undergraduate studies up to degree level. The origins of provincial universities like Manchester (1851), Leeds (1874), and Reading (1892) could be traced to local medical schools, colleges for technical training and university extension classes (Evans, 1975, p. 247). Using the Scottish and German models as their inspiration, a number of industrialists participated in the provincial university movement as a response to the perceived chasm between the scholastic field and the requirements of industry (Armytage, 1955). While the efforts made by local authorities, such as in Liverpool and Southampton, to promote higher education should not be overlooked, the university movement at this early stage had not gained the full attention

of public authorities. This, in turn, gave local business owners the latitude to assume a pioneering role in the provincial university movement. Many of these industrial leaders felt excluded, on cultural and religious grounds, from the elitist enclaves of Oxbridge (Owen, 1964). To combat the exclusivity of the ancient universities, local industrialists attempted to promote educational institutions that would be both progressive and relevant, while at the same time contributing to the life of their communities. A certain number of provincial universities were established through the work of individual company owners, but at later points in their history these institutions attracted support from modern corporations.

The University of Sheffield is a typical example: the university began life as Firth college in 1879, the brainchild of a local manufacturer, Mark Firth. The company owner by this point had already recorded some conspicuous philanthropic achievements: 36 almshouses and a college for the training of Methodist ministers were singlehandedly endowed prior to his involvement with the university. Firth's interest in building a higher education college was stimulated during a course of university extension lectures given by a group of Cambridge dons between 1875 and 1877. Inspired by their scholarly musings, he bought some land and constructed a building at a cost of £20,000. His untimely death in 1880 did not bring to a premature end the work that had been initiated: by 1905, the college was officially named the University of Sheffield, and even without Firth's contributions, financial support was forthcoming. The largest donations, during the interwar period came from Sheffield's

business leaders and local firms. Chapman's (1955) statistical analysis reveals the extent of business contributions to the university: Vickers Ltd between 1902 and 1920 made contributions amounting to £16,979 for various causes; the United Steel Companies Ltd from 1920 to 1948 made donations adding up to £30,400; its counterpart, the English Steel Corporation, gave £2,500 to the building fund in 1936 and £22,400 to the development fund in 1947; and finally, the Staveley Coal and Iron Co. donated £50,000 towards chemical research laboratories.

In another prominent case, business leaders and enterprises were found to be active at every stage of the process in the establishment of Leeds University. One historical account of the university revealed that from the turn of the century to around 1950 the university managed to attract the support of over forty companies (Brown, 1953, pp. 36-7). Members of the Yorkshire business community not only provided financial assistance, but also actively participated in the administration of the university. The Tetleys, one of Yorkshire's better known commercial families, contributed to the long-term development of the university. Dr Charles Tetley was a life governor of the university and a member of its council from 1904 until his death in 1934. His concern for student welfare led him to contribute towards the building of a sports hall. Shimmin observes that the Tetleys 'help belongs in the main to a period when public grants were very limited and it was a courageous thing to help University education and to invite others to do the same' (1954, p. 104).

A number of individuals with business and industrial backgrounds contributed to the university's progress without taking up official posts. Lord Brotherton, an important figure in the British chemicals industry, contributed £220,000 and his company made a donation of £39,000. The merchant tailor, Sir Montague Burton, endowed a chair of industrial relations at Leeds University. In view of the negative associations of the textile trade with sweated labour and exploitation, this chair held certain gravity for Burton. It would be wrong to assume that it was solely eminent industrialists or the representatives of large enterprises that dominated the private sector's contribution to the university, for when an appeal was made in 1925, the £500,000 generated over four years included donations from smaller companies in textiles, mining, agriculture, engineering, chemicals and leather.

In the modern business environment emerging at the turn of the century, where large industrial firms were beginning to supplant the family-owned enterprise, the benefactions furnished by firms to higher educational institutions, such as Leeds and Sheffield, could not be made dispassionately - there had to be some return (Shimmin, 1954). For philanthropically-inclined corporations, financial contributions made to higher education seemed to traverse the divide between social goals and commercial interests. This was confirmed by the *Evans v Brunner Mond* (1921) case, where a disgruntled shareholder attempted to obtain a court injunction to stop his company from distributing £100,000 to various universities and scientific bodies for the purposes of research. In the end, it was decided that using the sum to

sponsor education and scientific research was the most advantageous way in which corporate funds could be expended for non-commercial purposes (Sheikh, 1990). In fact, the funding of research stood out as an educational activity where business leaders recognised a definite benefit to their business activities. With Leeds University, local businesses consistently provided research grants and facilities. In the years prior to and after the Second World War, there were numerous instances of such benefactions: the ICI company from 1945 to 1954 gave around £78,000 towards research fellowships and additional funds for departmental equipment. The textile industry, a mainstay of the Yorkshire industrial economy, was a staunch supporter of research. The Wool Industry Surplus Cloth Corporation endowed a chair in textile engineering, and the International Wool Secretariat gave around £60,000 towards equipment and research for textile departments. In a different, yet traditional Yorkshire industry, the West Yorkshire Coal Owners' Association donated £60,000 for the study of coal mining (Shimmin, 1954, pp. 109-10).

The active presence of business interests was a distinctive feature of the history of Leeds University. Yet, from 1905 onwards, the university's affairs steadily came under the control of Leeds Education Authority, and for its own financial well-being was increasingly reliant on treasury grants, a symptom of the burgeoning presence of public agencies in the affairs of society generally (see Chapter 2). The constituent elements of the university's income, when broken down in percentage terms, reinforce these observations: for the 1903-04 academic year,

Treasury grants constituted 10% of the university's income, fees 39%, local authority grants 25%, and other income 26%, including business donations. By 1952, the corresponding figures showed a number of changes: Treasury grants went up to 69%, fees 14%, local authority grants 5%, and business gifts 12% (Shimmin, 1954, p. 214). The growing importance exercised by public funds was not unique to Leeds University. Much of the increasing public involvement in the higher education system was directed towards the expansion of university education, especially from 1945 onwards, in order to accommodate the larger number of pupils continuing with their education past the statutory leaving age. By the 1960s, this was further compounded by the high birth rate which followed the war (Sanderson, 1972). Hence, in contemporary Britain, the system of higher education has gradually come to depend on public resources and intervention. While industry no longer has a central, innovatory part to play in higher education, as it did in the late nineteenth century, it has, from the postwar years to the present, continued to fund research not only in technical and scientific areas, but also in the field of management studies.

The modern corporate economy

With the end of the Second World War, the political leadership of the country undertook the task of rebuilding British society along social-democratic principles, which entailed a radical break with the dominant social and economic policies of the interwar period. There was a bipartisan agreement in Parliament over the need for concerted state intervention in the economy to

achieve full employment and maintain a comprehensive welfare system (see Chapter 2).

The changing nature of postwar society reverberated in the business sector: during these years, the private sector consolidated the rationalisation of its organisational structures. This led to an intensification of the expansionary trends that had taken place within Britain's major industries during the years leading up to the Second War, a development which complemented the creation of large public corporations, particularly in the utilities sector. But what made the postwar rationalisation movement distinct was the involvement of financial institutions as both investors and shareowners in private companies.

Like the industrial sector, financial institutions - whether joint-stock banks, insurance firms or merchant banks - had experienced a merger wave through joint ventures and take-over bids, significantly enhancing their ability to exert an influence over external investments. Aaronovitch (1955) produces hard statistical data revealing the extent of financial concentration. Starting at the turn of the century, the 1890-1920 period saw a reduction in the number of deposit banks from 104 to 20 (Aaronovitch, 1955, p. 47). By 1951, five banks held 86% of the total deposits and current accounts. Alongside deposit banks, insurance firms also grew in stature: between 1913 and 1951, their assets increased seven times, from £550 million to £3,500 million. Ultimately, these assets came under the aegis of a limited number of companies. Thus, by 1951 eleven organisations controlled half the assets outlined above, and one-sixth of the

total was owned by the Prudential insurance company (Aaronovitch, 1955, pp. 47-8). This powerful financial bloc turned into a prominent supplier of investment capital to industry and commerce. Indeed, financial houses bought shares and placed their own representatives on the company boards where they had financial stakes - thereby ensuring some degree of sway over their financial interests. Scott estimates that the proportion of shares held by families and individuals declined from 65% in 1957 to 28% in 1981. During the corresponding period, the holdings for financial institutions increased from 21% to 57% (1985, p. 78). As a way of attaining strategic control over their industrial investments, financial institutions, in the postwar years, cultivated networks both in other financial houses and in industrial complexes.

We now need to look at how the growth of business enterprises - the general feature characterising the transformation of British capitalism during the postwar years - influenced the philanthropic contribution of the commercial sector.

Corporate social action in postwar society

By the late 1950s, the oligopolistic corporation, under shareholder proprietorship, was the dominant and most influential economic institution in many Western capitalist nations, including Britain; it presided over the most critical areas of the economy. As noted in Chapter 1, several American social scientists extrapolated from this postwar expansion of businesses, and the concomitant increase of minority share

ownership, that the links between the ownership and control of capital were abrogated. The divorce between ownership and control not only ended classical material and ideological differences between the owners and non-owners of the means of production, but, for some of these writers, also brought to the helm of modern corporations managerial specialists, who aspired to ideals of social responsibility (see Chapter 1).

In the heady days of the postwar economic boom and early years of the welfare state, the managerial thesis, on the surface, seemed to have credence. On closer inspection, many of its claims are questionable. The assumption over the changing nature of capital ownership and its ability to instil a concern with broader social responsibilities, usurping narrow economic considerations, has not been supported by historical evidence and academic research.

Few British academics during these years examined whether industrial and company managers were endeavouring, as claimed by managerial theorists, to render the companies accountable and responsible to society. One exception is Nichols's (1969) study of businessmen in a city location, given the pseudonym of Northern City. In the study many of the themes relating to the managerial hypothesis - business ideology, ownership and control and corporate social responsibility - were carefully scrutinised. From a survey of sixty-five business managers selected from fifteen companies based in Northern City, Nichols found that the sample of businessmen were motivated more by long-term company interests than social responsibility. Nichols concludes that 'the conception of social responsibility held by most Northern City

businessmen was some distance removed from that advocated or implied in much of the management literature' (1969, p. 239). While the sample of businessmen obtained from Northern City was not entirely representative of private sector managers in this period, there is some credence to Nichols's findings that modern day businesses have not wholeheartedly aspired to social and political goals, as envisaged by several, mainly American, theoreticians.

The erroneous assertions made Kaysen, Berle, Bell and other managerial theorists over the emergence of ethically-motivated companies derive mainly from their lack of real insight into the nature of modern capital ownership. Recent studies of ownership patterns in Britain and America have shown that, while traditional family-controlled enterprises are no longer the dominant form of private ownership, capital is not strictly under managerial control (Scott, 1985, 1986). The modern corporation, like its family-based predecessor, is still owner-controlled, but the defining features of the owners have changed. Most companies are controlled through what John Scott terms a 'constellation of interests', which as well as personal shareholders has increasingly come to include institutional shareholders and financial intermediaries. This development held portentous implications for industrial and commercial philanthropy.

The expansion of businesses after the Second World War, and the presence of powerful financial interests in this sector, only served to restrict the opportunities for philanthropic involvement. A survey conducted by Shenfield (1969) in 1964 of charitable donations made according to company size demonstrated

that larger companies were likely to give away a smaller percentage of their pre-tax profits than medium-sized counterparts. From a sample of 442 firms, the largest institutions gave 0.12% of the profits to charity, while the middle range of firms gave 0.25% of their pre-tax profits. This was something confirmed by American research: Green, from analysing company contributions as a percentage of net income according to company size in 1968, notes that 'the larger a company becomes, the lower its contributions as a percent of net income' (1973, p. 57n.). Indeed, prominent voluntary leaders during the late 1960s, commenting in *The Times*, claimed business expansion had contributed directly to the decline in company giving: 'The national trend of business mergers, reducing the number of local businessmen accustomed to supporting the charities of their district, has left a serious gap' (*The Times*, 1968, p. 2).

While historical and empirical evidence shows that companies in the postwar period, contrary to the optimistic predictions of managerial theorists, were inclined to restrict their philanthropic commitments, the modern corporations did not disregard socially responsible activities *tout court*. Undoubtedly, the legal ownership claims of individual and institutional shareholders established well-defined parameters for corporate giving to charity. But within these legal and financial limits, companies still reserved funds for charitable causes and voluntary organisations. Indeed, the 1962 Jenkins Committee on Company Law Reform asserted directors should be able to make charitable donations without the threat or fear of court

action by shareholders in order to preserve a sense of public goodwill for their businesses (Sheikh, 1990, p. 16).

A study by the Economist Intelligence Unit (1957) provided a thorough examination regarding the incidence of business philanthropy during the early postwar years. The Intelligence Unit approached a total of 900 British firms across a wide range of sectors, which were categorised according sixteen different industrial categories from electrical engineering to food and tobacco production. Out of 381 replies, only 232 were suitable for statistical analysis, but these respondents covered all sixteen of the sectoral categories used by the researchers. 90% of respondents claimed an interest in philanthropy as an issue, but it was 'apparent very early on in the survey that the majority of companies had no clearly conceived policy regarding their charitable donations' (Economist Intelligence Unit, 1957, p. 10). Only 12 of the 381 companies examined actually had definite policy guidelines outlining suitable organisations and preferred causes for charitable gifts. The companies in this early study seemed to operate within their own informal criteria when making contributions: for a substantial number of respondents (60%), the rationale for charitable giving was guided by the possible benefits they would bring to the company and its employees.

The study conducted by the Economist Intelligence Unit, possibly the only British study of corporate social responsibility carried in these early years, showed that philanthropy was not ruled out by modern economic conditions. Yet, the emergence of large, predominantly shareholder-owned

corporations restricted the financial autonomy of company heads in making donations, and placed pragmatic criteria - that charitable gifts should promote commercial interests - on giving policies. Compared to the humanitarian business owners of the pre-industrial period and the industrial philanthropists of the Victorian period, these developments made for a fairly staid and passive approach on the part of enterprises towards social responsibility.

Throughout the early postwar years, corporate involvement was predominantly equated with the provision of formal donations to the subscription lists of large charitable and voluntary organisations. This contrasted with the proactive approach adopted by American corporations in the late 1950s and 1960s. Heald notes: 'Formal monetary contributions, of course, were by no means the only form of corporate assistance to community and philanthropic agencies. Loans of company personnel, gifts in kind and services, use of company clerical and other facilities, payroll deduction plans, sponsorship of community activities, advertising, and a host of similar services added untold amounts to the values actually contributed by business firms' (1970, pp. 259-60). By the 1960s, American corporations were prepared to tackle major social problems. Neubeck (1974) studied the initiatives taken by companies - including ghetto factory projects, housing development and educational schemes - to rejuvenate the urban district of St. Louis in Washington.

The 'modern era' of corporate social responsibility

Significantly, the social policies of British corporations did not remain in a conservative rut indefinitely: the early 1970s witnessed the beginning of a modern era of corporate social activism which drew much of its inspiration from the policies of American corporations. Could this interest in corporate social responsibility be attributed to the achievement of a true divorce between the ownership and control of capital? Was there a real separation between the two which allowed managers and executives to act independently of shareholder interests and set a new social agenda for the business community? The main argument of this analysis is that the prominence given to corporate social activism in this modern period has not been due to a fundamental transformation in the essential nature of British capitalism. Rather, any explanation must be grounded in the proximate social and political developments of this period. More specifically: it was the social and political repercussions following the economic recession of the 1970s which made corporate social responsibility a relevant issue of public debate.

After twenty years of near uninterrupted growth, full employment and the institution of democratic reforms through all levels of society, the start of long-term economic decline in the early seventies effectively undermined the stability that marked the early decades of the postwar period. Faced with recession, governments found they could no longer rely on economic growth to sustain the central pillars of the postwar consensus - full employment, economic intervention and a comprehensive social security system. Furthermore, alternative forms of state

financing had the potential to threaten popular support for the social services: 'More public expenditure meant higher taxation for it could no longer be financed out of growth. The liability to income taxation slipped dramatically down the income distribution: the traditional middle-class hostility to income tax spread to the working class' (Heald, 1983, p. 7).

The economic recession of the 1970s proved deep-seated and highly unsettling, forming part of an international crisis of confidence afflicting all OECD countries. Major economic indicators - high unemployment, rapid inflation and slow growth - revealed that the postwar economic boom for many Western states was coming to a dramatic end; but the spreading malaise was by no means uniform. It was evident that the slow growth economies of Britain and America found themselves more seriously implicated than dynamic and expanding nations like Germany and Japan (Currie, 1983).

Historical texts locate this economic collapse to a specific event: the quadrupling of international oil prices in 1973 resulting from the strategy adopted by the oil producers cartel, OPEC. Although a crucial factor in the actual precipitation and intensity of the recession that followed, the OPEC incident was a symptom of deep structural faults in the world economic system. The origins of these structural defects could be located to the growing integration between different national economies. This process gained substantial momentum under the aegis of the United States, the supreme economic power, which organised trade liberalising agreements after the Second World War such as OEEC (later OECD), IMF and GATT. The unyielding drive towards

commercial, financial, and productive interdependence of the global economy was a prominent factor behind the decline of heavy, labour-intensive industries - shipbuilding, coal and steel production - in Britain and much of the West. For British society, these manufacturing industries were the mainstay for secure employment and financial security for whole communities. Within the context of the modern global economy, these industries found themselves under severe foreign competition - pressure that they were ill-equipped to sustain, because productive capacity was denied proper levels of investment, much of it destined abroad. Britain, historically through its early industrialisation and colonial interests, had developed a strong orientation towards investing in the international market. This tendency was exacerbated by the move towards global integration during the postwar years.

The steady integration of national economies by the early 1970s had created unprecedented demands for goods. This in due course drove prices up sharply: the general price index for OECD countries rose from 5.5% in 1972 to 15% by the spring of 1974 (Harris, 1983, pp. 75-6). Ultimately, this surge in demand allowed the OPEC cartel to destabilise the world economy through its decision to raise the price of oil. In the industrial world, prices rose dramatically, while output fell. For Britain, this meant a marked growth in inflation and unemployment. The dramatic injection of inflation in the British economy curtailed the range of policy prescriptions and public expenditure plans available to stimulate growth, protect heavy industry and fund government commitments like the welfare state (Currie, 1983, p. 95). Hence,

the ability of British governments to uphold the political consensus surrounding the social democratic state was rigorously circumscribed by the economic conditions of the 1970s.

One of the most damaging repercussions of the economic downturn was its impact upon the souring of industrial relations. Prior to this, relations between governments, trade unions and employers could be described as fairly cordial. In the General Election of 1964, the issues of labour law and industrial relations did not feature with any prominence during the campaign. As the postwar economic miracle was brought to an abrupt end by crippling rates of inflation and high unemployment, the government found it increasingly difficult to maintain the social services and institutions established under the postwar democratic consensus, while, at the same time, trying to overcome inflation in an international economy where Britain's position was proving increasingly uncompetitive. All of this strained relations between the Labour government and public sector unions.

Successive governments throughout the 1970s, but initially starting with Wilson's Labour government in 1968, attempted to confront this difficulty primarily through legislative provisions (Davies and Freedland, 1993). For Wilson, this meant restricting free collective bargaining and introducing incomes policy measures to hold down inflationary pressures (*ibid.*, p. 349). The Heath government took a different legislative course by following the dictates of the right-wing 'Selsdon Man' strategy. Hence, the Industrial Relations Act (1971) attempted to curb the legal privileges of trade unions in order to render incomes policy unnecessary. The Act created immense turmoil as a total of

twenty-three million working days were lost due to strike action in 1972 (Kavanagh, 1990). The 1974-79 Labour government, which managed to win the election on the premise that it was better equipped to appease the trade unions, was forced to adopt a 5% norm for wages and salaries to combat inflationary pressures. What subsequently followed was christened by the Sun's then editor, Larry Lamb, as the 'winter of discontent' - an outbreak of strikes, often unofficial and mainly located in the public sector. By January 1979, a series of highly publicised industrial disputes organised by core public sector employees - firemen, local government manual staff, lorry and ambulance drivers - brought about the closure of numerous public services. This added to the general sense that Britain's economic decline was due to the actions of recalcitrant trade unions, rather than underlying structural factors.

Adding to the general air of political and economic instability was the preoccupation of the major political parties, especially Labour, that employers should be accountable for their actions to both employees and wider society. This was a central consideration of the Labour Party's industrial strategy, published in *Labour's Programme for Britain* in April 1973 and then incorporated into its election manifesto of February 1974 (see Beck, 1983; Benn, 1989). The fundamental aim of the strategy was to reverse the long-term decline of British manufacturing through a concerted programme of state intervention. But this was not a Soviet-inspired nationalisation plan, for the proposals attempted to combine state intervention with democratic controls over the private sector. The most controversial provision of the

policy was for the creation of a National Enterprise Board (hereafter, NEB), which would carry out selective privatisations and organise subsidies to increase the level of investment in the manufacturing sector. The strategy also made proposals for 'planning agreements', where financial assistance from government would be provided in return for public control and democracy in the workplace. Although this proved a radical agenda for Britain, even Heath's Conservative Government, at around the same time, published a White Paper on *Company Law Reform* (DTI, 1973) that made various recommendations for reforming businesses and introducing a code of conduct to engender a wider sense of responsibility in the business community (ibid., pp. 19-20).

When Labour came into power after the 1974 election, the proposals for the NEB and planning agreements faced intense opposition from the private sector. In his diary submission, the then Secretary of State for Industry, Tony Benn, writes how, when Labour returned to office, the employers representative organisation, the Confederation of British Industry (hereafter, the CBI), made it known unequivocally that it 'was bitterly opposed to the proposals for the NEB' (1989, p. 249). Companies and their representative organisations mounted a virulent campaign of opposition against the White Paper on industrial regeneration of 1974, with its proposals for planning agreements and the Industry Bill of 1975, which contained provisions for the NEB. The business-sponsored Aims of Industry launched a £100,000 campaign against nationalisation; sections of industry even canvassed European Community officials in Brussels to use powers in the Treaty of Rome to prevent the British government from

assuming control of industries (Browne, 1983, p. 227); and CBI representatives attacked the Labour Government's plans as politically and ideologically motivated.

The private sector response to these proposals for corporate accountability and state intervention in the economy was not entirely confrontational or negative: in order to reinforce the legitimacy of private enterprise - brought into question by political and industrial developments - business associations and spokesmen made public pronouncements and academics published a number of texts on corporate social responsibilities, all within a relatively short space of time (Ivens, 1970; Beesley, 1974; BIM, 1974; Kempner et al., 1974; Robertson, 1974; Fogarty, 1975; Epstein, 1976, 1977; Humble, 1976; SSRC, 1976; Beesley and Evans, 1978). Possibly the most significant and comprehensive publication was the CBI's Company Affairs Committee report on *The Responsibilities of the British Public Company* (1973). In the report, the Committee generally welcomed the recommendations for the wider disclosure of financial operations and for an emphasis on non-financial, social goals; but there was disapproval of any external interference in company affairs to secure compliance with social objectives. The CBI report opted, instead, for a policy of self-regulation: 'The business of private enterprise is capable of working out its own programme of self-reform, as this and other initiatives by the CBI and other bodies show' (CBI, 1973, p. 5). For the authors of the report, business enterprises, in reappraising their activities, should consider the interests of groups, other than shareholders; namely, employees, suppliers, trade unions and the community. However,

the CBI's admission that business should demonstrate sensitivity to a broader constituency of interests came with qualifications: 'In return, we hope and expect that those who have a relationship with the board and the company which it controls, will seek to reciprocate by re-examining their own standards of conduct and applying them to their relationships with the board and the company. We certainly include the Trade Union movement in this context' (CBI, 1973, p. 43). As this comment reveals, the business community was willing to build consensual relationships within certain limits and conditions, probably the main one being that, while firms should act responsibly towards the interests of groups in wider society, they would not, by the same token, be made accountable to these parties (Fogarty, 1975, p. 13).

The worst fears of the private sector, however, did not materialise with the formation of the new Labour administration after the 1974 election. The Labour leadership did its utmost to dilute the plans for industrial development, adopted by Labour while in opposition. The provisions of the Industry Act, passed in November 1975, was a pale version of the original NEB-planning agreements strategy. After the Act, planning agreements were organised on a purely voluntary basis. The only agreement conducted by the NEB was with the Chrysler company at the end of 1978; in fact, many subsidies were handed over without planning agreements or conditions placed on public and democratic control (Forester, 1978).

As the Labour government abandoned many of its original proposals, a revised version of the industrial strategy was formally presented after a meeting of the National Economic

Development Council in November 1975. The plan emphasised the importance of cooperation between government, industry and trade unions in achieving industrial regeneration. However, the approach of this new tripartite forum was mainly confined to those deemed acceptable to the private sector. In accordance with the CBI's *recommendations* (see Adamson, 1975), the government established 40 sectoral working parties to improve industrial performance. These sectoral plans made no mention of nationalization or planning agreements.

The events culminating in this revised strategy and the nature of the new policy resulted in the augmentation of direct links between government and business. Civil servants stepped up their contacts with companies, while corporate representatives, in turn, liaised with a range of government departments. One senior civil servant observed: '...in the 1970s there has been a greater realisation that government must also have contact with individual companies, to complement its relations with industry's collective representative bodies. That principle is now generally accepted and quite a lot of progress has been made' (Mueller, 1985, p. 105). For both government and business, such direct contact was of strategic importance. For the Labour government, it provided a symbolic demonstration that its new industrial strategy was succeeding; and for business, there was the opportunity to influence opinion within government.

The interlocution between government and business gave further impetus to interest in corporate social responsibility. On the one hand, the government transposed the tripartite model of partnership for industrial policy to social legislation,

partly as a ploy to reinforce cooperation in the former area. The active interest shown in social responsibility also gained credence, because of the 'perception of a relative shift from government to companies as the source of social improvement and the means to promote specific items of social welfare' (Beesley and Evans, 1978, p. 13). Hence, semi-public bodies, such as the Department of Industry's Industry/Education Unit (1978), were established to involve the private sector in policy formation, and the implementation of education policies. On the other hand, the economic and political vicissitudes in Britain during the 1970s led a number of large companies to form specialist in-house departments for government relations (see Mitchell, 1990; Chapter 1, methodology section). In many instances, these government liaison departments became responsible for a broad range of external functions, and were given suitable, often non-descriptive, titles, such as external affairs or corporate relations. Inevitably, in some cases, the responsibility of organising and implementing social programmes was devolved to such departments, or specialist departments dealing with social relations.

To summarise: the economic crisis of the 1970s undermined the postwar welfare consensus and resulted in a gradual shift in dominant political ideas. In this unstable climate, corporate social responsibility was the focus of public and political debate. Moreover, the instability of these years and the political solutions offered increased the frequency and importance of direct links between government and business. The transformation of government and business relations generated the

institutional opportunities for businesses to become actively involved in areas of public and social concern.

Studies done at the time confirmed the general raising of interest and awareness among companies not only over corporate responsibility, but also concerning active engagement in society. In one survey, Webley (1974) canvassed the opinions of 180 chief executives, and found that 90% of respondents agreed that companies had obligations besides profit making. On another related issue, Webley found that 50% of those questioned rejected the view that profit is the sole priority of business. In a study of company policy statements, Melrose-Woodman and Kverndal (1976) demonstrated how enterprises, both in statements of philosophy and concrete actions, took seriously the notion of social responsibility. Out of the 130 companies studied by Melrose-Woodman and Kverndal, 66 gave an affirmative response to the idea of a written code for social interventions. Out of this number, 40 already had written codes, a further 13 were planning to write a social policy, and another 13 favoured such a policy in principle but had not devised such a code. According to Melrose-Woodman and Kverndal, most of the policy statements in the study were published after 1970, for 'since 1970 there seems to have been a small but significant number of companies turning their attention to the production of a code' (1976, p. 21). Even with the economic recession of the early 1970s, there was little evidence that private sector interest in social responsibility was waning, especially as companies used annual reports and corporate plans to launch policy statements. Although 60 of those questioned did not support written policies or reporting measures

on social involvement, a significant proportion of them still donated resources for use in non-commercial, community ventures.

A series of community programmes undertaken by a number of major corporations in Britain during the early 1970s - initially confined to the areas of education and urban regeneration - seemed to confirm the general conclusions reached in the studies mentioned above. These initiatives indicate that corporate social responsibility was not only becoming a generalised phenomenon, but that it was also being reinvented as a solution to modern social problems such as unemployment, urban degradation and low educational standards. The foremost protagonist in this new development was the British subsidiary of the American computer hardware company, IBM. The schemes pioneered by IBM - with their emphasis on business assuming a creative, affirmative and enterprising approach to social involvement - were essentially models of the social interventions characteristic of American firms. The company helped established two projects, which are now folklore in the history of modern corporate philanthropy. The first project was the Trident Trust, established in 1970 through the work of IBM's public affairs director. The Trust functioned as a progenitor for vocational schemes under local education authority management. Its aim was to provide work experience for pupils close to the school-leaving age by linking them with local companies. A close relation of the Trident initiative was the Action Resource Centre (hereafter, ARC), founded, with the assistance of IBM's public affairs director, in 1973 to act as a clearing house for business secondments to community and voluntary groups. The organisation also aimed to promote the

practice of social responsibility among British businesses and encourage partnerships between the government, voluntary groups and the private sector (New Society, 1973).

IBM's social lead was subsequently followed by several other British-owned corporations that actively organised and funded social schemes, many of them directed at prominent social problems of the day: Shell UK in 1978, under the Chairman of the Shell Transport and Trading Company, C. C. Pocock, created the Shell Small Business Unit to provide entrepreneurial advice for those interested in forming their own businesses. The rationale behind the Unit was that Pocock viewed small businesses as being the institutions most likely to create jobs in the future, which held some relevance and credence in the economic climate of the late 1970s. Following Shell, the Midland Bank, in 1979, announced a financial support package for the small business sector. In addition to assisting the small enterprise sector, the Midland supported ARC and furnished secondments to the GLC London Industrial Centre. The British Petroleum Company (hereafter, BP) contributed to job creation schemes with ARC and the Pilkingtons venture capital trust (DOE, 1980).

The various initiatives outlined above could not have been envisaged two decades earlier. For a small band of corporations - increasing in number as the decade progressed - to consider participating in areas normally reserved for government, an important shift in British society and politics had taken place. This paradigm shift became increasingly entrenched throughout the 1980s, culminating in extended opportunities for business engagement throughout society.

Business and society in the age of the New Right

The sharp decline of Britain's economic fortunes was a *coup de grace* for the postwar democratic consensus, encompassing, as it did, state management of the economy and high levels of public spending in areas such as welfare and social insurance. The political and economic events of these years, as we have seen, legitimised more extensive private sector involvement in society. Symptomatic of this was the Labour government's general attempt to embrace the precepts of the market in response to economic and political pressures (King, 1987, p. 68). Consequently, the economic policies developed by the Labour government during the latter part of its last term in office were very similar to the economic and social policy strategies employed by Mrs Thatcher's Conservatives on entering government in 1979 (Kavanagh, 1990). Before the mid-1970s, public expenditure was a subordinate issue, as borrowing was relied upon to fill the gap between spending and available resources. After this period, key issues that would form the basis of the New Right Conservative agenda, such as public borrowing, control of money supply and the constriction of public expenditure, came to determine the government's economic strategy.

The Labour government's dalliance with the market proved a decisive turning point in British politics. However, the adoption of monetarism by Labour was an expedient response to crisis, whereas for the incoming Conservatives monetarism was a strategy in its own right (Richardson, 1989, pp. 12-13). After four successive terms of Conservative office, the onus in macroeconomic policy has been on money supply, requiring the

government to traverse the rubicon of consensus-Keynesian politics on many policy fronts. This the Conservatives successfully navigated, as they eschewed tackling inflation through income agreements and opted for widespread cuts in government spending. A key element in all this was the increasing emphasis placed on market mechanisms in areas such as the public utilities and social services. As part of the undertaking to promote market freedoms in society, the New Right Conservatives envisaged opportunities for business involvement in community action and in shaping public policy (see Kelly, 1991). Consequently, the Conservative governments of these years systematically consolidated the interest that had developed over corporate social responsibility during the mid-1970s: concerted efforts were made to create further opportunities for corporate involvement in society. Here, more than during the Labour administration of the mid-1970s, corporate-led social action was imbued with ideological significance.

The close and direct links between business and government - a trend which had increased throughout the 1970s - enabled practitioners from both sectors who were interested in promoting corporate social responsibility as a viable policy alternative to extend the institutional outlets for active corporate involvement in the non-profit sector and society in general. As a result of initiatives taken by civil servants and other government personnel, together with some input from the private sector, several agencies were established during the 1980s, after the precedent set by ARC and the Trident Trust in the 1970s, to coordinate business involvement in society, spanning a wide range

of areas. The most notable of these new coordinating bodies was Business in the Community. This body was founded in 1981 to organise business involvement in local enterprise agencies - a nationwide network of support agencies for small enterprises. Indicating the expanding preoccupations over corporate social involvement throughout this decade, Business in the Community's membership went up from 20 companies in 1981 to over 400 member corporations by the early 1990s (see Chapter 4). In addition, the government proved instrumental in creating policy-making forums where the private sector would be invited to make a direct input. This has unquestionably been evident in areas such as the environment, job training and inner-city rejuvenation. Further to these initiatives, the 1980s saw a number of independent research bodies that began to publish information and practical advice on corporate social action. Among the most prominent organisations have been the Directory of Social Change, the Policy Studies Institute, and private firms such as Bain and Company.

Adding to the increasing number of intermediary bodies and forums dealing with socially active companies, the government throughout the 1980s introduced new fiscal measures for company giving to charities and social projects. These measures were introduced by the Conservatives immediately on entering office: there was a reduction in the minimum period of charitable covenants from seven to four years in 1980. In 1983, employers were given tax relief on salary costs for those employees seconded to charities. The 1986 Lawson Budget introduced a £70 million package of fiscal reforms for charities. According to its

author, this package 'had one principle running through it, which I frequently enunciated, and which informed my other concessions in this field in other Budgets: namely, that the best way to make such concessions is to assist, not the charities themselves, but the act of charitable giving' (Lawson, 1992, p. 380). To encourage corporate donations, the 1986 Budget gave companies tax relief of up to 3% of their annual dividend to shareholders for single donations to charities and voluntary organisations. Moreover, employers were encouraged to institute 'payroll giving', in which charitable donations worth £120 a year, deducted from the pay of employees, would attract tax relief (Fogarty and Christie, 1990, p. 64). Encouragingly for policy-makers, the past fifteen years have seen marked increases in the level of corporate giving: in 1977, the charitable contributions of the top 200 totalled £13.9 million, but in 1990 this total went up to £190 million (Lane and Saxon-Harrold, 1993, p. 24).

The following chapters attempt to explore more fully those factors identified as responsible for bringing about the modern era of interest in corporate social responsibility by examining two of the most significant and prevalent areas of corporate intervention: local economic development, especially in urban areas, and the environment. Indeed, one survey of the community policies of 230 firms, provides evidence on the specific causes adopted by socially active companies. Both the environment and local economic development were popular areas of intervention for the businesses in the study: 75% of the companies identified the environment as issue of active concern, while 58% indicated an involvement in economic regeneration (Gillies, 1992).

By examining the social and political context which brought about greater corporate intervention in these areas, our intention is to also highlight those analytical issues concerning the nature of corporate social responsibility: the implications of corporate community involvement for social and public policy; the extent to which enlightened corporate activities can provide solutions to public problems, and the institutional and financial provisions set aside by companies for intervention in the community. To address these issues and enhance our understanding of the socio-political context surrounding the emergence of corporate social involvement, we will closely examine some of the social programmes organised, in the main, by four major British corporations - BAT, BT, Unilever and Shell (see Chapter 1). These corporations very much typify the way social responsibility evolved into an area of interest for the business sector: all of them, over the past fifteen years, have institutionalised a corporate responsibility function for administering social interventions, and they have participated actively in areas such as local economic development and the environment.

PART II THE MODERN ERA

4 Rejuvenating Local Economies through Enterprise

Britain's faltering position within the global economy had a direct and uneven bearing on the fortunes of local economies and communities throughout the country. While regional decline at the destructive hands of global forces holds nothing new for British society, the systematic deterioration of particular city areas during the 1970s was dramatic and seemingly intractable. As a result, the local economy was the object of numerous policy initiatives and new institutional arrangements to bring about a semblance of regeneration or, at best, prosperity (Lawless, 1987). Throughout the early 1980s, the private sector was seen to embody an alternative institutional strategy to state intervention in dealing with the problems of local economic decline and its attendant characteristics - unemployment, poverty, crime and rioting. Indeed, as corporate social involvement gained momentum during the 1970s, urban decline and unemployment were perceived to be among the most pressing issues for corporate attention. Some of the first examples of American-inspired corporate social activism, and the initial coordinating agencies established to promote corporate social involvement, addressed the problems of unemployment and inner-city deprivation. Hence, business involvement in the local economy is of great significance to the origins of corporate responsibility in Britain.

The concern of this chapter is to reinforce the main contention at the centre of this thesis: that the general

interest shown in corporate social responsibility in Britain since the mid-1970s can only be explained by a comprehensive analysis of the social and political context - mediated through relations between the state and business community - in which it took place. Our intention is to use corporate involvement in local economic regeneration as a focus point for this analysis. Furthermore, the subject of local economic regeneration provides an ideal opportunity to explore one social problem area where, more than other possible domains of corporate social intervention, commercial practices and enterprises are seen to offer expert insight to policy solutions.

Local economic decline and the response of government and business

The initial pioneering forays of corporate intervention into urban regeneration were precipitated by the decline of local cities and the spectre of unemployment that blighted these communities during the recession of the early 1970s - the origins of which can be traced to the collapse of the postwar economic boom. This period of expansion kept economic growth in advanced countries within a healthy range of 4%, allowing these economies to maintain high levels of employment (Harvey and Swyngedouw, 1993, p. 13). With companies being able to generate job and training opportunities, local economies, even those located in less prosperous regions, were granted a certain degree of stability. However, by the mid-1970s, the postwar boom in Britain, as in many OECD countries, had run its course. The ensuing recession, characterised by high unemployment, inflation,

cuts in public expenditure and a reliance on international loans, resulted in political and economic instability.

The failings of the national economy were immediately transmitted to local city economies through the closure of factories and the flight of capital investment. Responding to fierce international competition and the declining profitability of British industry in the global economy, the corporate sector was reorganised through company mergers and the introduction of intensive production methods. Consequently, older urban industrial districts - unsuited to the requirements of modern production - were susceptible to widespread plant closures (see Massey and Meegan, 1982). The local economies within these urban areas experienced structural dislocation, retarding, or at least, postponing the prospects for recovery.

There were some firms that organised institutional provisions to lessen the social impact of mass redundancies and factory closures resulting from commercial restructuring. For example, a number of companies carried out social audits to assess the wider social and economic costs of forcing redundancies and closures (Craig *et al.*, 1979). Having been forced to rationalise its production process to maintain commercial viability, the British Steel Corporation formed a Social and Regional Policy Department in 1969. The organisation carefully scrutinised the implications of redundancies and plant closures prior to final decisions being made (Jones, 1974, p. 18). The glass-making company, Pilkingtons, on the other hand, established an enterprise agency in the wake of large redundancies at its St. Helens plant in 1978. The St. Helens

Community Trust, as the agency was known, drew together representatives from local employers in the area to advise unemployed individuals on the logistics of setting up small businesses. Although these corporate contingency plans for restructuring were influential, it was the emerging debate within government surrounding urban policy that secured the momentum of interest and institutional opportunities for extending private sector involvement in local economic regeneration.

When Peter Shore was appointed to the post of Secretary of State for the Environment in 1976, there ensued a conspicuous revision of postwar planning strategies. Governments since the late 1960s had largely relied on *district* based policies to revitalise urban areas. These interventions, though, were characteristically fragmented: local and central government agencies were implementing measures for communities with little or no cooperation and often in isolation (Hambleton, 1981). By 1976, leading figures within the Department of the Environment (hereafter, DOE), which by this point had overtaken the Home Office as the leading government department in urban affairs, set in motion new proposals for urban redevelopment. Hence, an interdepartmental committee of junior ministers, under the chairmanship of Peter Shore, was established to review inner-city and local economic policy. The committee's findings subsequently led to the publication of the White Paper, *Policy for the Inner Cities* (DOE, 1977). The document acknowledged the socio-economic and structural causes of urban deprivation. Consequently, it was suggested that programmes for redevelopment had to include economic, environmental and social projects, and their funding

should be increased from a projected £35.2 million in 1977-78 to £165 million in 1979-80. (These figures apply to England only.) The White Paper, at the same time, recommended that partnerships should be established between central government and designated local authorities to oversee public expenditure and social regeneration of inner-city areas; in fact, it envisaged an expansive and interventionist role for selected local authorities in economic development, including the power to declare industrial improvement areas, prepare industrial sites and provide loans to small businesses (Hambleton, 1981).

The recommendations of the White Paper were placed in the Inner Urban Areas Bill of 1978. As the Bill made its way through Parliament, the Labour government was in the midst of economic and political turmoil (see Chapter 3). It responded by reneging on some of the radical industrial policies, devised in opposition, and by making a series of concessions to the private sector. As we have seen, the plans for intervention and joint agreements, such as the National Enterprise Board, were considerably diluted by this date. Earlier the CBI had won from the government tax relief worth £4 billion over the 1973-75 period (Middlemas, 1991, cited in Grant, 1993). Several members of the Labour Government attempted to engineer this support for private enterprises and worked closely with representatives of the private sector in order to defeat the economic and industrial policies adopted by Labour in opposition during the 1970-74 Heath government. The Inner Urban Areas Bill was not unaffected by the unfurling of these events.

Some of the funding provisions made available by the Bill were circumscribed. Many authorities faced reductions in rate support, as public spending was constricted in response to economic pressures. In addition, the government attempted to impose controls over inner-city and local economic policy, contradicting the plans of the Inner Urban Areas Bill to devolve certain powers to local authorities. Symptomatic of this was the use of the urban development corporation model, initially used for depressed areas within Scotland. The introduction of the Scottish Development Agency into Glasgow and other inner-city areas in the Clydeside conurbation during the late 1970s, whilst not intended to replace local authorities, 'brought a strong central policy thrust into local projects influencing the objectives and focus of urban projects' (Moore and Booth, 1986, p. 362). A further dilution of this legislation came in the committee stage, when the Bill was widened in scope to include considerations of commercial interests (Hambleton, 1981, p. 56). Hence, it was no coincidence that Callaghan pressed Peter Shore to examine the possible contribution of the small firm sector in the reconstruction of urban areas (*Fieldwork Interview*, Senior DOE Official, 23.3.93). Callaghan seemed to be echoing the arguments being put forward by some senior executives, such as the chairman of Shell Transport and Trading Company, C. C. Pocock, over the need to promote the small business sector as an alternative form of employment and economic rejuvenation.

The micro-capital sector soon became a cause that helped stimulate private sector interest in urban and local economic development. Certain junior figures within the DOE began to

petition corporate executives about their willingness to assist small firms in economically depressed locations. However, because the Inner Urban Areas Bill had unequivocally singled out local authorities as the 'natural agencies' to tackle inner-city and local economic dereliction, DOE officials at under-Secretary level were loathe to involve large firms in this policy area (*Fieldwork Interview, Senior DOE Official, 23.3.93*). Despite the reservations of some civil servants, a coterie of DOE mandarins, members of the London Chamber of Commerce and representatives of leading corporations - BP, Shell, Marks & Spencer, Sainsbury, and Tesco - met informally to discuss details about establishing a corporate sponsored agency for small entrepreneurs, similar to the St. Helens Community Enterprise Trust founded by Pilkingtons. To give the proposals some degree of momentum, the under secretary at the DOE persuaded Peter Shore to organise a special dinner with the heads of leading British companies. The dinner was held at the Foreign Secretary's special residency at Carlton Terrace in a bid to attract a full attendance. A working party, under the auspices of the London Chamber of Commerce, was formed as a result of the engagement; it was subsequently instrumental in bringing together Tesco, Marks & Spencer, Shell, Barclays, Lloyds, Midland and BP to form the London Enterprise Agency (hereafter, LENTA) in April 1979.

Detailing the various machinations leading up to the formation of LENTA has perforce been part of our strategy in demonstrating how the increasing links between government and prominent elements of the private sector helped create the opportunities for corporate intervention in the urban arena. In

fact, it is our contention that increased dealings between these two sectors, exacerbated by the economic crisis in the 1970s and the Labour government's attempt to engineer a tripartite strategy for economic recovery, was central to the general surge of interest in corporate social involvement, especially around the policy area of urban and local economic rejuvenation. Shortly after the formation of LENTA, plans were afoot to form similar organisations in Bristol, Birmingham and Manchester. With hindsight, the LENTA model was of considerable significance to the modern era of corporate responsibility: the enterprise agency phenomenon would, by the mid-1980s, take on national proportions and provide the first attempt to create a systematic and nationwide movement for corporate social involvement.

Business involvement in the local enterprise movement

In 1979, Britain once again entered into a period of recession, lasting much of the early 1980s. While many sectors of the economy were blighted by the post-1979 recession, the decline of manufacturing industries was particularly acute. Most OECD countries suffered falls in industrial production, but the constriction of manufacturing employment and output was more serious in Britain than in other advanced capitalist nations (Judge and Dickson, 1987). Because the industrial sector was mainly implicated, the regional impact of the recession proved uneven: areas in the Midlands and the North, where manufacturing industry had been a traditional and integral rampart of economic life, saw greater economic and social decline at the hands of the recession than the South. The North and other regions, such as

Scotland, lost 10% more manufacturing jobs when compared to areas in the South (Fothergill and Guy, 1990, p. 13). What concerns us here is how the deepening recession and high unemployment led influential authorities and relevant government ministers to look towards the private sector and corporate social involvement, as a way of finding policy solutions, or at the very least new ideas for tackling the problems of urban blight.

On the eve of what proved to be one of the worst recessions in fifty years, urban regeneration initiatives went through a phase of instability and uncertainty, with the incoming Conservative government undertaking a review of policy. The new Secretary of State for the Environment, Michael Heseltine, finally made a statement on government plans for the inner city in September 1979. Although the statement pledged to continue the review process - thus doing nothing to abate the sense of uncertainty - it indicated a change of approach. Heseltine stressed the limits of public sector intervention in solving the economic problems of urban areas and the need for local authorities to attract private sector investment (Hambleton, 1981). In a consultation paper issued in the same month as the policy statement, Heseltine announced the government's plan to form urban development corporations for the London Docklands and the Merseyside Dock area. This provided some intimation that the government was determined to curtail the central position assigned to local authorities in economic planning by Peter Shore's 1978 Urban Areas Act (Hambleton, 1981, p. 58).

The tenets of exploratory statements gradually turned into the central planks of legislation. The government policy in these

early years gradually shifted the content of urban and local economic rejuvenation away from an emphasis on *social* provisions for assisting underprivileged groups, towards *economic* measures aimed at creating wealth and invigorating private sector activity in deprived geographical areas (Hambleton, 1981, pp. 57-8). Here, wealth creation was lauded as the panacea for social problems left in the wake of economic recession. The creation of enterprise zones by the 1980 Local Government, Planning and Land Act provided an early indication of this change in emphasis. The enterprise zones provided designated areas with an array of fiscal concessions for a period of ten years. The most important concessions included exemptions from rates, with local authorities being reimbursed for lost revenue, and 100% capital allowances on commercial properties. The first zones to benefit from the initiative were within urban programme areas, but by the mid-1980s the scheme was extended to non-urban areas. According to Lawless the enterprise zone strategy held onto the assumption 'that by reducing physical and financial controls within selected areas, enterprise would flourish, output expand and jobs be created' (Lawless, 1987, p. 126).

As part of the general review of urban policy that saw the creation of enterprise zones, the small firm sector was raised to a position of prominence in local economic development. Some interest in the small enterprise sector was expressed by academics and industrialists during the late 1970s. But under Margaret Thatcher the small firm sector was imbued with ideological significance: the micro-sector was vaunted as the guardian of the free market, and perceived to be better equipped

than monolithic state owned entities for the task of stimulating enterprise in local communities. Towards this end, the Thatcher administration during its first four years of office delivered 108 separate administrative, fiscal, and advisory measures to assist the small firm sector (Goss, 1991).

For those officials within the DOE, who had endeavoured since the late 1970s to promote corporate involvement in local economic and small firm assistance, the emphasis on the small business sector came as welcome progress. The debate surrounding the small business sector was used to consolidate interest in corporate social responsibility. In their efforts to harness private sector support for the small firm sector, senior figures within the DOE, in conjunction with prominent corporate officials, established a national coordinating body, Business in the Community (hereafter, BITC), to spearhead such a campaign; this organisation was a milestone for those advocating a greater business presence in society, and would, later in the 1980s, eventually extend its remit to provide a forum for debate and practical leadership in corporate social activism. Because of its importance to the corporate social involvement, we need to examine in detail the events surrounding the establishment of BITC.

The establishment of closer and direct links between government and business throughout the 1970s, and the initial collaborative forays by both sectors on projects such as LENTA and the ARC (see Chapter 3), provided a ready-made network of influential and interested parties in the area of corporate responsibility. These close associations, forged in the 1970s,

proved integral to the acceleration of corporate intervention in local economic and small firm affairs during the early 1980s, eventually culminating in the formation of BITC. After the 1979 election, the same civil servants involved in the formation of LENTA embarked on the task of winning over their new Conservative Secretary of State, Michael Heseltine, to the idea of local enterprise agencies for promoting the development of small businesses. With DOE urban policy under review in the midst of recession and a consensus emerging over small business, Heseltine proved himself receptive to the overtures being made by the DOE mandarins, and subsequently agreed to visit the St. Helens Community Trust, one of the first local enterprise agencies to be established. After the visit, Heseltine was suitably impressed by the Trust, and he launched plans to create thirty enterprise agencies by the end of 1980 (Heseltine, 1987, p. 165).

The Secretary of State at the DOE played an important part in trying to enthuse business associations like the CBI and the Chambers of Commerce, as well as individual businesses, about the concept of local enterprise agencies and the contribution that businesses could make to urban and local economic regeneration by supporting the small firm sector (see Richardson, 1983, p. 1). To help the process, an Anglo-American conference on corporate social involvement was organised in April 1980 by the Department of Trade and Industry (hereafter, DTI) and the DOE to give company representatives, mainly from the United States, an opportunity to share their experiences regarding business involvement in urban regeneration and social action in general (DOE, 1980). It was decided at the conference that a national

umbrella organisation was required to promote local enterprise agencies throughout the country. A working group on community involvement, consisting of DTI and DOE officials, senior managers from BP, Fissons, the Coal Board and high profile executives - Marcus Sieff from Marks & Spencer, and Alastair Pilkington - mulled over the possibilities of forming a coordinating agency of the type discussed at the conference. Subsequently, a report containing a proposal for a Business in the Community Unit was published by the working party four months later and, by 1 June 1981, BITC was officially constituted, with two full-time administrators seconded from the DOE and Shell overseeing this initial phase. The organisation soon attracted major figures from the corporate world to act as executive board members. For instance, Tiny Milne of BP assumed the position as a part-time director.

The most decisive factor behind the establishment of BITC and the growth of support for the enterprise agencies was a period of sustained collaboration between government and business. This was evident in the higher echelons of the business community, which, because of multiple directorships among top level executives, was beginning to form a consensus of opinion over the issue of corporate responsibility (Useem, 1984).

Once formed, BITC continued to promote partnerships between government and business representatives in order to create a support network to sustain the local enterprise agencies. In this formative phase, BITC was assisted by a number of seconded assistants that operated in tandem with the Small Firms Minister, David Trippier, to establish enterprise agencies in specified

areas. Although agencies shared similar aims - to provide jobs by stimulating the growth of small businesses and encourage private involvement in local economic and urban renewal - they were far from being homogenous as organisations. Each agency was created as a separate, autonomous company entity, which in turn would attempt to attract funding from private and public sources. In Cheshire, Business Link Ltd was founded by Cheshire County Council, Grosvenor Estates, Holton Borough Council, ICI Mond and with assistance from the Midland and National Westminster banks. In Merseyside, Unilever, together with the local authority and Chambers of Commerce, helped form the enterprise agency, In Business Limited. Helped by BITC's coordinating work and the provision of tax concessions for local enterprise agencies, the rate of formation grew dramatically from 40 agencies in 1981 to 100 by May 1983; by the late 1980s, this figure increased to 250 and by the early 1990s there were over 300 local enterprise agencies operating in Britain (Richardson, 1983; Deakins, 1993).

What is most significant about BITC and the local enterprise agencies has been their contribution towards mobilising corporate interest in local economic rejuvenation. For instance, two and a half years after being founded, BITC's membership rose from 20 to 200 companies. The number of businesses sponsoring enterprise agencies also grew appreciably: within the space of a year, between 1984 and 1985, the sum total of businesses actively engaged in furnishing monetary support for enterprise agencies rose from 1,477 to 2,242. The actual contributions from these companies totalled £10 million for that year (Metcalf *et al.*, 1989, p. 12).

In view of the events that had taken place around BITC, a number of enterprises established specialist in-house units for supporting economic regeneration schemes, or for simply organising corporate social activities (see Chapter 3; Mitchell, 1990). These organisational facilities allowed companies to go beyond impersonal largesse by actively assisting local enterprise agencies. However, the level and nature of support has tended to vary from one company to another. This can be illustrated if we examine the community strategies of Shell, as it responded positively to the expanding opportunities for business input in local economic regeneration.

The case of Shell UK exemplifies how a company can both support and utilise the local enterprise agency network as part of its social intervention in local economic regeneration. Shell representatives were prominent figures in the setting up of BITC and the local enterprise movement. In fact, it was one of the first companies to embrace small enterprise creation. The company's support of this area was initiated by a senior chairman, C.C. Pocock, when he delivered the 1977 Ashridge Lecture. Following company-sponsored research on the creation of small businesses, the Shell Small Business Unit was established in July 1978. At first, the Unit assisted organisations like LENTA and ARC. In the early 1980s, the Enterprise Unit, which now forms an integral part of Shell's Community Relations Department that organises community programmes from the company's headquarters in London, made a bold move to organise an enterprise initiative at its own behest, rather than rely on schemes managed by external bodies.

The initiative originally began in 1982 as a competition for young people in the Strathclyde region and was the brainchild of two Shell employees, who were galvanised into taking action by the levels of high youth unemployment in the area (Livewire, 1992/93). The Livewire scheme, as it was called, involved placing contestants who had devised plans for an enterprise, under the tutelage of experienced business counsellors, who helped the students refine their business proposals for the final stages of the competition. The underlying objective of Livewire was to make young people aware of the job prospects available through self-employment. The success of the scheme led Shell to organise a national Livewire competition in 1985. A year later, with Livewire expanding to such an extent that it could no longer be managed in-house by Shell, the management of the scheme was placed under Project North East, a Newcastle-based enterprise agency founded in 1980 to cater for young business owners (PNE, 1990). Although Shell devolved management of the scheme to the Project North East enterprise agency, it continued to be the major financial backer of Livewire. In 1993, the Enterprise Unit used around £624,000 - 60% of the unit's annual budget - to fund Project North East's management of the Livewire scheme (*Fieldwork Interview*, Shell UK, 23.4.93).

Under the management of the Project North East, Livewire was transformed into a national advice and counselling service for 16 to 25 year-olds wishing to form their own small enterprises. Livewire now has seventeen full-time staff based at Project North East headquarters, and a network of 80 local coordinators appointed mainly from enterprise agencies. Through this network,

enquirers are put in contact with suitable advisers, who are garnered from a pool of 2,000 professional and voluntary business counsellors. From its inception in 1982, the scheme has provided advice and support to over 55,000 young people. Since going national in 1986, enquiries have increased dramatically: in a three year period between 1989 and 1991, UK enquiries rose by 146% (Livewire Bulletin, 1992). These sharp increases tend to reflect national trends, particularly regarding unemployment: in 1989, 39% of enquirers were unemployed, but this rose to 62% by 1992 (Livewire, 1993).

Our examination of Shell shows how the local enterprise agency network is significant in terms of economic regeneration strategies and the expansion of interest in corporate social responsibility. One positive feature here is that, through the flexibility of the enterprise agency network, companies have been afforded a certain degree of latitude over the form and extent of their involvement in the economic regeneration process.

By the mid-to-late 1980s, there were further opportunities for the private sector actively to engage in economic issues. The government was still endeavouring to attract private investment and stimulate entrepreneurial activity in local economies. Specific import was placed on those communities, such as urban and former manufacturing strongholds, that were reeling from the effects of the recession of the early 1980s. The government achieved this by opening up urban policy to private sector influence, both in the formation and implementation of plans to redevelop urban and inner-city areas. This needs to be given

fuller consideration, as corporations were made central to the future development of local and urban city areas.

Urban policy and the corporate contribution

The involvement of companies and business associations in public policy of any sort can often result from specific needs or circumstances. In the late 1970s, there were sectoral trade agreements, where business associations negotiated, unofficially, on behalf of the government (Grant, 1993). However, for recent Conservative governments, with their commitment to restoring the primacy of the market economy at the expense of state intervention, there is a strategic and ideological thrust to the delegation of policy responsibilities to business organisations. Thus, the government has allowed certain industries to regulate their own activities rather than having to face the bureaucratic mechanisms of the state. Some of the most prominent instances of self-regulation have occurred in the financial, newspaper and dairy industries. Another interesting example is the way policy-makers in recent years have sought to involve the private sector in devising and implementing social policies. One of the most prominent areas where this has taken place is in the regeneration of local economies and urban areas.

The involvement of business in local economic policy has formed an integral part of the government's perceived solution for urban decline: that to regenerate depressed local economies it is necessary to stimulate entrepreneurial activity and create wealth. Such involvement was a significant step up from supporting local enterprise agencies, as it has involved the

private sector in defining and presenting solutions for urban problems (Harding, 1990, p. 109). Several factors facilitated this development: the links between government and business, much of it confined to the largest and most visible firms (Mitchell, 1990), were already extensive, as both sectors had collaborated on all manner of issues. On social matters, organisations like BITC ensured that these links were sustained. Through the expansion of corporate-led social action, a number of businesses developed the organisational means in such functions as external or community relations departments, and the specialised personnel to deal with government ministries on social policy issues.

Among the most significant institutions that have attempted to harness the private sector in local economic policy strategies are the urban development corporations. These semi-public agencies were introduced in 1980 to organise market and economic renewal of specific urban locations. The Local Government, Planning and Land Act (1980) introduced the powers needed to designate urban development corporations, and two such bodies were immediately created for urban areas in Liverpool and London. Firstly, the Merseyside Development Corporation (MDC) was given the task of regenerating 865 acres of redundant dockland on the Merseyside waterfront (Parkinson, 1988); and secondly, the London Docklands Development Corporation (LDDC) presided over 5,100 acres of Central and East London, including docks previously owned by the Port Authority of London (Barnekov *et al.*, 1989). Private business managers and executives, at the government's insistence, were given prominent and influential representation on the urban development corporations. Such participation has

generally complemented and added symbolic value to the Conservative government's early market reforms in the urban arena (Robinson and Shaw, 1991). The presence of business representatives was also a deliberate ploy to maximise the ability of urban development corporations to generate funds from private sources to match public funds. This practice is referred to as 'leverage' or 'pump-priming' and is very much a concept borrowed from the American experience of urban renewal, where corporations have been active since the 1960s (Boyle and Rich, 1984). The leverage process involves the use of public funds in the form of grants or subsidies to attract private investors. The 1984-85 LDDC Annual Report announced that public funding of £149 million had been used to lever in £821 million in private investment (Barnekov *et al.*, 1989, p. 195). The urban development corporations demonstrated the government's intent to expose the process of local economic and urban renewal to private sector influence. Moore and Booth comment: 'The role of the private sector has moved from that of client or consumer of the benefits of initiatives to an equal partner in policy formulation and implementation' (1986, p. 374).

The new policy paradigm established by the urban development corporations was an important step towards involving the private sector in the local economic policy process. The opportunities for such involvement increased during the mid-to-late 1980s. For instance, in 1987, a further nine urban development corporations were created in the Black Country, Trafford Park, Tyneside, Teesside, Manchester, Bristol, Cardiff, Sheffield and Leeds (Parkinson, 1988). In all these new urban development

corporations, as with the Liverpool and London prototypes that were organising major projects at Albert Dock and Canary Wharf respectively, specially appointed officials and senior business leaders dominated the executive boards. The Action for Cities Initiative, starting in 1988, invited private industry, such as construction firms, to participate in subsidised property renewal schemes within urban areas. As a result of Action for Cities, eleven of the largest civil engineering and construction firms joined forces to redevelop derelict city sites. The formation of new urban development corporations and the direct influence of business on urban policy suggest that a pattern of public-private partnership, where the interests of the private sector are uppermost, is now the dominant model for urban policy. As Barnekov et al write: 'That model implies that the city, first and foremost, is a place to do business and that politics, government, and administration must...rely on the initiatives of the private sector to direct the process of urban change' (1989, p. 211).

The City Challenge partnership: the case of BAT Industries and the London Borough of Lambeth

Such developments in the urban policy arena has limited the opportunities for local economic planning on the part of local authorities. Unlike the Inner Urban Areas Act of 1978, recent initiatives in the form of the urban development corporations and Action for Cities have all placed a central onus on private businesses and central government in restoring local economic fortunes, whilst at the same time marginalising the position of

local authorities in this policy area. By the early 1990s, with Michael Heseltine back at the DOE, there were some modest attempts to address this problem. The most notable initiative was the City Challenge funding scheme, announced in May 1991. Even though the scheme shared many of the characteristics of its forbearers - the enterprise zones and urban development corporations - it did indicate a slight break with given orthodoxy, the most important being the prominent role given to local authorities. Here, authorities would receive funding directly, without the interlocution of an intermediary body. Moreover, the City Challenge scheme was deliberately linked to a broad strategy involving 'local authorities, local communities, and business, voluntary groups and other organisations active in the area, backed by Government support' (DOE, 1991).

The scheme took the form of a competition which in the first round was opened to 15 of the 57 local authorities with special urban programme status. All these local bodies were invited to bid for a DOE grant package worth £37.5 million over five years. In the end, 11 authorities were successful in the first round. A second round of the City Challenge was announced in 1992, and on this occasion all 57 urban programme authorities were invited to make bids. Subsequently, 20 more authorities gained City Challenge funding. It was envisaged that the private sector should have a central part in the City Challenge competition (De Groot, 1992). This exemplifies the influence attained by the corporate sector over the policy process for urban development. The DOE conditions for the competition stipulate that an essential prerequisite for successful bids is the aptitude for

building effective partnerships with businesses and the ability to attract private funding through public sector grants. In the following, we focus on the City Challenge bid made by London Borough of Lambeth in the second round of the competition. The bid is worth scrutinising because it gained close support from the London-based tobacco and insurance finance conglomerate, BAT Industries, which, prior to the City Challenge bid, had already established close links with Lambeth Council through its support of an enterprise centre in the Brixton area.

The campaign from the very start was problematic because of Lambeth's reputation for political extremism. A senior participant in the proceedings commented: '[Heseltine made it clear that] there was no point in Lambeth even asking for the application form, because they wouldn't win a City Challenge grant' (*Fieldwork Interview, Confidential*). This was certainly the outcome in the first round of the competition, but BAT's close links with the government proved decisive in the Borough's ability to organise another City Challenge campaign. Prior to the second round of City Challenge in 1992, BAT had a senior official seconded to the Inner Cities Unit of the DOE. One of the under-Secretaries asked this individual to encourage BAT to assist Lambeth to put in a bid for City Challenge. The chairman of BAT was informed of the conversation and organised an informal lunch for DOE officials, Lambeth representatives and senior managers from BAT (*Fieldwork Interview, BAT Industries, 25.9.92*). Subsequently, the decision was reached that Lambeth should produce a bid for the second round of City Challenge. To support

and promote the bid, BAT agreed to second a public relations manager from its Eagle Star insurance subsidiary.

A funding proposal was marshalled by a steering group consisting of four councillors, representing the main political groups, members of the private sector, including BAT Industries, and representatives from community groups. The funding strategy outlined details of 65 potential schemes - requiring an investment of £170 million over five-years - that would create 2,000 jobs, 8,000 training places for local people and improve the quality of life in the area through environmental improvements, health care facilities and better housing. Conditions established by the DOE demanded that authorities should demonstrate an ability to 'lever in three times as much money from other sources as is available from City Challenge' (Lambeth City Challenge, 1992). In its bid, Lambeth demonstrated a leverage ratio of 3.1 to 1, so that total investment was forecasted as £170 million over a five year period.

BAT's efforts to secure a City Challenge funding were not in vain, as the authority obtained, together with nineteen other applicants in the second round, funding worth £37.5 million over five years. The involvement of BAT Industries was an indispensable component in this successful bid: throughout the process the company interceded with relevant authorities, primarily government departments like the DOE, as part of a concerted public relations exercise to promote Lambeth. The City Challenge policy exemplifies, as with other initiatives such as the urban development corporations and Action for Cities, the extent to which the private sector has become an important

element in the policy process for addressing economic issues within localities.

Prospects for economic regeneration

What lies at the centre of the rationale to engage the private sector in urban and local economic renewal is that businesses can help invigorate local economies and improve the prospects of these areas. In fact, the debate surrounding corporate social responsibility in recent years has been influenced by the idea of enlightened self-interest, a concept implying that business social involvement is of mutual benefit to both companies and communities (Bennett, 1990; L'Etang, 1994). These claims, like government policies for economic regeneration examined above, are based on the conviction that the private sector is vital to bringing about the renewal of urban and depressed local economies (see CBI, 1988). Our concern now is to weigh up this claim by singling out two broad areas of proactive corporate engagement: firstly, those corporate-led interventions in the local economy that have been coordinated by intermediary bodies and secondly, policies involving direct action on the part of business.

The intermediary role of local enterprise agencies

As we have already noted, early advancements regarding corporate involvement in economic regeneration focused on support for the small enterprise sector. Much of the social activity in this area has been coordinated, from the early 1980s onwards, by local enterprise agencies. The enterprise agencies have contributed to small enterprise creation through the provision of advice,

training, business support clubs and occasionally by making work spaces available. The agencies were also established to provide a focal point for private sector involvement and public-private partnerships in local economic development. An important aspect of this partnership, as far as the enterprise agencies are concerned, is financial: most of these bodies have gained financial support through a combination of private and public sector sources, although the actual ratio between both tends to vary quite considerably.

The enterprise agency movement has not placed strict definitions and requirements on the types of firms that can be involved in small firm and local economic development. It is common, however, for much of the private sector support to emanate from larger companies (Smallbone, 1990, p. 18). There is certain variation, however, in terms of the quality and length of corporate support. Metcalf *et al*, in a study of 200 local enterprise agencies and 400 businesses, found that while corporate assistance was generally stable, the provision of long-term support to enterprise agencies by corporations can prove problematic (1989, p. 173). If we turn to BT and Shell as examples, we can see that both companies in recent years have scaled down their support for enterprise agencies. BT's Economic Regeneration section, forming part of the company's central Community Affairs Division - based at BT's headquarters - that oversees social programmes, reduced the number of agencies under its sponsorship from 120 to 50 between the late 1980s and early 1990s (BT, 1991). One manager in the section explained the reasoning behind this gradual rationalisation of support: 'This

was a decision by our Board of Charities Committee [the executive committee over community affairs at BT]. They don't like leaving things open-ended where every year we are committed to giving so much money to all these agencies, it doesn't matter who it is. They'll support a programme, but they want to know what the end is. At the end they'll want to get out of it' (*Fieldwork Interview*, BT, 7.1.94). Moreover, the Economic Regeneration section has adopted new schemes with the Training and Enterprise Councils and Action for the Rural Communities of England. Without commensurate increases in the department's yearly budget, this has meant reducing support for local enterprise agencies.

The Shell Enterprise Unit, which has used the Newcastle enterprise agency, Project North East, to organise and implement the Livewire scheme - an enterprise awareness and education scheme for the young - discontinued funding for the project at the end of 1993. The funding for the Livewire scheme was a reliable source of income for Project North East on a year-to-year basis. In fact, a BITC report found only 60% of enterprise agencies possessed guaranteed funds for a full year (BITC, 1987). Shell's withdrawal from the Livewire scheme prompted the agency to consider whether it could provide for-profit advisory services to generate funds (PNE, 1990). Diversifying into these profit-making areas may result in enterprise agencies being less willing to assist those who are economically marginalised and in need of most help (Metcalf et al., 1989).

The action taken by BT and Shell to constrict their support of enterprise agencies reflects the way corporate support for enterprise agencies has progressed over the years. In one

detailed examination of local enterprise agencies within greater London, Smallbone (1990) found that business funds for local enterprise agencies were concentrated in the successful and high profile agencies. More: 'The growing concentration of private sector resources in the high profile LEAs is part of a national trend, and the consequences may be even more serious in other parts of the country' (Smallbone, 1990, p. 31). The pattern tends to reflect regional differences: those agencies which have failed to attract sufficient private sector support and are dependent on public assistance, tend to be concentrated in areas that have experienced serious economic decline, such as Northern Ireland or Scotland. In greater London, where there is substantial prosperity and a high concentration of corporate headquarters, enterprise agencies are predominantly private entities, showing little dependence on public funds (Smallbone, 1990, p. 19).

The uncertainty over private funding and the prospect of sponsoring businesses withdrawing their support can create major problems for enterprise agencies, because a considerable number of agencies are reliant on single sponsors as the main source of finance (Metcalf *et al.*, 1989, p. 4). In those instances where private sector support is withdrawn or where agencies cannot attract corporate funding in the first place, there are various funding safety nets available from public sources. Since 1986, the Department of Employment has operated the Local Enterprise Agency Grant Scheme, enabling approved agencies to obtain grant aid to match private sponsorship. In urban programme authorities, the Local Enterprise Agency Project (LEAP) is available for specific projects. Researchers have also shown the continued

importance of public funding for local enterprise agencies, especially those in economically depressed areas (see Moore et al., 1985). One senior executive from LENTA, an enterprise agency totally funded out of private sector funds, on being interviewed was highly scornful of the fact that many agencies are reliant on public sector funds. The reason for his consternation is that the enterprise agencies were originally established to act as conduits for private sector support, and at the very least a means of public-private sector partnerships (*Fieldwork Interview, LENTA, 16.11.92*). Gibb and Durowse make an important observation about the injection of private funds into the enterprise agency network: 'Without public support of this kind, it is possible that the impetus of enterprise agency generation will die out and many of the agencies will disappear, thus weakening the number of channels available for large company participation in community initiatives' (1987, p. 15).

We would have to conclude from this that corporate involvement in the enterprise agency movement has proven to be uneven. Subsequently, these agencies have demonstrated a greater reliance on public assistance than originally envisaged by those practitioners who helped establish the enterprise agencies in the first place. While corporate support for local enterprise agencies is not uniform, we need to consider whether the enterprise agency model, which provides business advice, support services and, where possible, private sector resources - financial, human and conceptual - for the small firm sector, has effectively promoted the advancement of this sector.

The importance of enterprise agencies to the small business sector has led some organisations to monitor the services provided by local agencies and their impact upon job and enterprise creation. But as Gibb and Durowse observe this is far from being a straightforward task: 'Some individual enterprise agencies have attempted to evaluate their activity, but their results can be taken as no more than broad indications of performance, given the great difficulties in relating interventions such as counselling or training or advice to 'outputs' in terms of employment, income or jobs' (1987, p. 14). In addition, researchers have pointed to the distinct paucity of firms regularly monitoring the effectiveness of their activities.

One exception to this is the Shell Livewire scheme. The Project North East enterprise agency that manages and administers the scheme regularly collates information on the number of young people using the business start-up advice service. The information is regularly published by Project North East or reported in the Livewire newspaper, The Link. The agency also collects information on the characteristics of enquirers: their regional location, gender and the commercial sector they envisage entering. These figures usefully demonstrate how the supposedly meritocratic enterprise culture is affected by socio-economic differentials between social groups and regions, and the structural weaknesses of particular commercial sectors. For instance, Northern Ireland represents 8% of Livewire registrations in the UK, compared to 76% for England (Livewire, 1993, pp. 1-2). The Livewire figures also show that only 33% of

UK enquiries were made by women, reflecting the under representation of women in the small enterprise sector.

In order to overcome the difficulties of generating entrepreneurial interest among economically disadvantaged social groups and regions, it is necessary to target and shape support for these needy categories. However, a study of 150 enterprise agencies by Deakins found only a minority of these organisations had a policy or strategy towards different groups of clients on the basis of age, gender, and ethnic grouping (1993, p. 65). Because support strategies tend to be non-targeted, as Deakins demonstrates, enterprise agencies may end up reproducing the inequalities that already exist in the world of small businesses.

Turning from training and educational services to the vital task of job creation, there are certain difficulties in assessing the performance of local enterprise agencies according to this function. This problem is exacerbated by the characteristic reticence of enterprise managers to quantify their efforts in terms of jobs being created (Moore, 1988). From their point of view, they are simply facilitating the process of job creation by assisting the expansion of small firms. However, some assessments are more optimistic about the job creation capabilities of the local enterprise agencies: in a press release, BITC announced that the local enterprise agencies have helped create over 50,000 new jobs (Moore, 1988, p. 23). According to one report in the Shell Livewire newspaper, The Link, the scheme has created 8,000 jobs since its inception in 1982, by helping young people consider the self-employment option (Livewire, 1992/93).

Recent academic studies of enterprise agencies suggest a tempered appraisal of the job-creating potential of enterprise agencies would be more appropriate. Moore (1988) examined the claims being made about enterprise agencies against trends in the local economy. The author focused on Neath, St. Helens and the Tyne and Wear where enterprise agencies have been active for a number of years. The actual contribution of the enterprise agencies to local economic development was marginal. Despite the founding of enterprise agencies, the level of unemployment grew in the areas studied by Moore. The qualms expressed by Moore's research over the inability of local enterprise agencies to generate concrete job opportunities reinforces the findings of other studies that show how small firms are unable to overcome the structural and economic disparities between regions (Storey, 1985; Moore, 1988; Goss, 1991). Indeed, Storey (1982) claims that incentives to encourage the creation of small firms are regionally divisive, as they end up reinforcing economic inequalities between deprived and prosperous areas (cited in Goss, 1991, p. 132).

Considering the participation of business in economic renewal has centred, especially during the early to mid-1980s, on assisting the small firm sector through local enterprise agencies, we would have to conclude the following from the above evidence: that corporate engagement in the local economy has not produced the sort of benefits depicted by copious publicity materials and corporate representatives. Furthermore, the potential effectiveness of the enterprise agencies might be limited by the nature of corporate support, which lacks

uniformity and is often biased towards the larger enterprises. Nevertheless, we must keep in mind that enterprise agencies are intermediary organisations for channelling corporate resources into local economic and urban renewal. Hence, a fuller judgment regarding the capabilities of the private sector in this area of social policy can only be garnered once an examination is carried out of *direct* corporate intervention in local economic development.

Direct intervention

Although much corporate activity in this area is coordinated by organisations like BITC or local enterprise agencies, there are companies operating autonomously on their own terms in assisting the process of local and urban economic growth. The impetus may come from different divisions within the company - procurement or personnel departments - but often these activities are placed under the control of community affairs divisions (Gibb and Durowse, 1987). These autonomous interventions are normally confined to leading players in the field. To illustrate this, we will examine BAT Industries - a company, that since the early 1980s, has participated in a variety of inner-city and economic renewal schemes.

The social and community policy of BAT Industries, formed during the early to mid-1980s, rests on the company prioritising support for the small enterprise sector and inner-city rejuvenation - the former is viewed as a prerequisite for the latter. One aspect of enterprise creation where BAT has made an independent and distinctive contribution is in the provision of

managed work spaces for small enterprises in urban areas. The original impetus for BAT's interest in this area came during the early 1980s from the company's then chairman, Peter Macadam. According to one former BAT manager, Macadam was influenced by proclamations from government spokesmen and BITC officials that the rejuvenation of inner-cities was dependent on private sector companies stimulating entrepreneurial activities in these areas (*Fieldwork Interview, Brixton Enterprise Centre, 15.9.92*). In response, the company located the Toxteth area in Liverpool as a possible area which could benefit from an enterprise centre. (BAT already had a long established links with the city of Liverpool through its Sandhills cigarette factory.) The company eventually chose to renovate a derelict warehouse in Liverpool's south docks. BAT, in 1982, placed £1.1 million to restore the warehouse into 120 separate units and offices for small businesses. As the Merseyside Development Corporation was overseeing the redevelopment of the south docks, it provided BAT with a £300,000 grant for the task; in addition BAT obtained tax concessions for the project by deliberately borrowing the £1.1 million needed for the restoration through a lending house (*Fieldwork Interview, Brunswick Enterprise Centre, 4.1.93*).

By 1983, the Brunswick Small Business Centre was fully renovated and offering services to local enterprises. At this point, BAT acquired a second derelict building, on this occasion the abandoned Bon Marche department store in Brixton. The company intended to pay for the renovation whilst renting the premises, as it had done in Liverpool, but it was forced to buy the freehold - at a cost of £1 million - in order to begin renovating

the building. Altogether the conversion cost BAT £2.2 million, and a further £800,000 was obtained from central government grants. The Bon Marche Centre (or the Brixton Enterprise Centre) was opened in 1984 with 100 unit spaces meant for small, light industrial enterprises. Both enterprise centres were founded to operate on a flexible tenancy-at-will basis, whereby tenants would not have to commit themselves to a contractual agreement for any length of time, and, thus, run the risk of losing revenue as a result. To support enterprises, both centres housed business advisors and counsellors.

While BAT has placed substantial resources into both enterprise centres, including some of its managers to run the centres and senior officials to sit on the executive boards, subsequent events have demonstrated that Peter Macadam's original plans were an underestimation of the deep seated economic problems faced by urban and inner-city localities. The demand for units by small enterprises in both centres has been considerably short of the actual supply: Brixton in 1990 had only 50% of its units filled, while Brunswick had a better rate at 75% (*Fieldwork Interview, Brixton Enterprise Centre, 15.9.92*). Because take-up rates were lower than expected by 1992, BAT found itself subsidising losses of around £200,000 for each centre. Such disappointment is put in perspective by the fact that the Brixton Centre is now worth £5 million; for an original investment of £1 million, this could prove profitable should the company wish to sell the property. At first, though, the realisation that both centres could not survive unless BAT provided ongoing support caused some consternation among senior managers, even for a

multi-billion pound business like BAT. A former BAT manager involved with the centre commented:

I think they were slightly upset originally because they had been led to believe that it was a piece of cake, that the projects were going to break even, no problem at all, within two or three years. In practice, that turned out to be completely optimistic if we wanted to continue to do it the way we had planned to do it. So, I think they were a bit upset initially. I think everybody accepted that it was a good cause to be in but I think they didn't want to see a perpetual, never ending expense. (*Fieldwork Interview, Brixton Enterprise Centre, 15.9.92*)

BAT managers now accept the financial burden posed by the centres as part of the company's social responsibility programme. However, the position occupied by these enterprise centres within the BAT organisation further highlights the predicaments faced by large private sector firms when they attempt to embrace small enterprise and employment creation. To deal with the financing and general monitoring of the two organisations, the Brunswick and Brixton Enterprise Centres were placed under the aegis of a specially created company - BAT Industries Small Businesses Ltd. The subsidiary reports to corporate headquarters and the main board of directors on a monthly basis, which is problematic as the directors are responsible for weighty financial decisions and are unlikely to place much emphasis on the relatively minor financial concerns of the enterprise centres. As one official from the Brixton Enterprise Centre commented: 'We're totally foreign fish in the corporate world. I think they find a certain amount of difficulty knowing exactly how to handle it. To be fair, most of them do, if they can spend the time, take quite a lot of interest. But I can't believe that it is something foremost in their minds' (*Fieldwork Interview, Brixton Enterprise*

Centre, 15.9.92). The institution of a direct line of command between the Small Business Subsidiary and the main BAT board is less a sign of the company keeping a tight reign over its finances than an index of its uncertainty.

The problems that BAT has faced in its contribution to local economic generation through supporting the small enterprise sector may be due to the fact that large firms are substantively different from small enterprises. Contrary to theoretical and empirical economics, firm size is not part of a continuum, with large firms at one end and smaller companies at the other (Storey *et al.*, 1987). Because there are sharp differences between these organisations, covering a whole gamut of areas such as employment practices, market power, financial structure and performance, corporate managers and executives are unlikely to fashion the type of support required by small firms (see Chapter 7 for a further discussion of this point).

These difficulties might be compounded by geographical distance between corporations and the small enterprises, some located in deprived areas, that they are trying to support. This is well exemplified by one scheme, where community affairs managers from BT established a venture capital fund. The Future Start Fund aimed to provide venture capital loans of between £50,000 and £250,000 to small enterprises looking to expand. The fund was specifically targeted at enterprises within inner-city districts, in which medium-term finance is characteristically difficult to obtain. In order to manage the £3 million fund, BT brought in Top Technology - a venture capital company; the company is ultimately answerable to Future Start's executive

board - made up of senior BT community affairs managers and consultants. The fund was in operation by June 1991, and the executive members from BT envisaged that within three years at least ten companies would be receiving support from Future Start. Since, 1991, however, Future Start has invested in only five companies, two of which have come close to collapse (*Fieldwork Interview*, BT, 30.4.93). These results have deflated the original expectations surrounding the scheme, but for those involved the recession has contributed to these difficulties.

Oakey's (1985) work on the role of financial infrastructures in small firm development suggests other variables might account for the modest success of Future Start. The argument put forward by Oakey is as follows: for there to be economic growth in regions, there has to be a financial infrastructure capable of responding quickly and flexibly to local businesses. To provide this level of flexibility and responsiveness, financial organisations need to be operating in the indigenous economy. Provincially-based firms are loathe to respond to external funding sources such as venture capitalists lest they relinquish internal control to outside interests (Oakey, 1985, p. 159). Thus, the limited number of firms that have used Future Start may be due to the lack of contact between those operating the scheme - Top Technology and the executive board - and the regionally-located firms the scheme is trying to assist. A solution to the problem might have been to give local community affairs managers control over the scheme. But at BT, as with many other corporations, community interventions are tightly controlled from central departments, normally based at corporate headquarters.

This means that the scope for devising local activities is limited to the prior approval from central departments and higher level management (see Siegfried *et al.*, 1983). One local community affairs manager from BT articulated this very dilemma:

What we're trying to get sorted is a share of the money which BT gives to the community so that less is doled out by London and more money is available to the districts where the people are and the charities are working. (*Fieldwork Interview*, BT North-East Regional Centre, 7.1.93)

From the preceding analysis, we would have to question if corporate action in local economic rejuvenation - whether through coordinated or direct involvement - has reversed economic decline in inner-city areas and other localities affected by recession. The selective support given to enterprise agencies, the minimal impact of small firms on economic growth, and the uncertainty over the ability of corporations effectively to harness the resources at their disposal for the purposes of local economic development has exemplified how the expectations surrounding corporate social involvement have proven to be unrealistic. Certainly, placed against this evidence, the claims made by those who have promoted corporate responsibility for the local economy have not made considered estimations concerning the potential of corporate social action. The involvement of the private sector in urban policy is driven by the politically expedient task of valorising the private sector and extending the enterprise culture; there is no empirical evidence or certainty that private sector involvement can bring about social benefits such as economic renewal and the raising of living standards for marginalised groups.

A concluding assessment

The involvement of the private sector in local economic development and urban policy-making has implications for local democracy and elected institutions. The private sector undoubtedly has an important part to play in any policy strategy for local economic recovery. However, there has to be a degree of sensitivity and accountability on the part of socially active businesses towards the local communities they purport to serve. For some commentators, the determination of recent governments to involve the private sector in devising and implementing regeneration policies - through urban development corporations and enterprise zones and policy schemes like City Challenge - has resulted in resources and policy-making powers for the local economy being transferred from local town halls to unelected agencies and central government (Colenutt, 1988, p. 121). Misgivings directed at efforts to abdicate urban policy and local development to the private sector has not been the preserve of the academic intelligentsia. Carley (1991), in an examination of business involvement in the rejuvenating Birmingham, found a number of commercial participants expressing doubts over the diminishing financial and political powers of Birmingham City Council to intervene in the local economy.

The dominant expressions of private sector involvement in local economic regeneration must, ultimately, be judged according to whether this new direction in policy has reversed economic and social decline in recession-hit city areas. Because of the extensive resources and political capital invested into expanding the role of business in rejuvenation policy, we would expect this

strategy to have a modicum of success. Willmott and Hutchison (1992) in a survey of urban trends between 1977 and 1991, provide an empirical study of how depressed areas - large cities, urban districts and former industrial centres - have progressed, relative to other parts of the country, under this new policy regime of the Conservative government. As the level of employment often determines the economic and social fortunes of a local area, Willmott and Hutchison examine employment and unemployment trends in 36 local authority districts; a number of these are assisted by urban development corporations, Task Forces, and City Action Teams, all of which have a strong business representation. Their findings provide a certain amount of succour for policy-makers and business leaders: 'It...looks as if the efforts of Urban Development Corporations, City Action Teams and Task Forces have helped improve the relative employment position of some deprived areas. On some other indices, too, there have been relative improvements in some areas' (1992, p. 81). All the London boroughs that experienced increased levels of employment between 1989 and 1991 were either covered by City Action Teams or Task Force schemes.

Much of this improvement could be put down to the general reduction of unemployment throughout the country during the late 1980s boom. In fact, the share of new jobs during these years in the most deprived areas of the country was less than for the rest of the country. Large conurbations such as Manchester and Liverpool have not enjoyed a proportional share of increased employment levels as the rest of the country during these years of economic recovery. The pattern remains the same according to

major trends in education, training, housing, poverty and welfare: despite general improvements, the economic and social conditions within underprivileged localities have not improved in relation to the rest of the country; and in times of recession the general opportunities for social advancement and quality of life measures of people living in these areas have shown a marked deterioration, especially when compared to other groups in society. Willmott and Hutchison note: 'But in general the gap between conditions and opportunities in deprived areas and other kinds of place - the gap that the government's 1977 White Paper sought to narrow - remains as wide as it was a decade and a half ago. In some respects the gap has widened' (Willmott and Hutchison, 1992, p. 82).

In addition to national economic conditions, ensuring that these inequalities are transformed into permanent structural features, central government policies have contributed to economic decline in certain areas. The decrease in government money for local authorities in deprived areas, and the provision of special urban programme funding to unelected urban development corporations rather than needy authorities, has exacerbated matters in those areas already in decline (Willmott and Hutchison, 1992, p. 81). Hence, the dominant emphasis on enterprise and wealth creation in local economic policy, together with the considerable emphasis placed on the private sector, has to be questioned; from Willmott and Hutchison's analysis, these policies, contrary to expectations, have not narrowed the gap between deprived and prosperous regions: 'After 15 years, and many new initiatives, surprisingly little has been achieved.

Given the record so far, it is difficult to have much confidence in more of the same or to feel at all hopeful about the future prospects for deprived urban areas' (Willmott and Hutchison, 1992, p. 82).

After a myriad of initiatives over fifteen years and little in the way of concrete successes, the objectives remain the same: to improve the prospects of local areas and deprived urban areas. What has to change, however, are the policies and strategies adopted to achieve this end.

5 Befriending the Environment

The previous chapter focused on corporate involvement in urban regeneration - an issue that heralded the modern era of corporate social responsibility in the mid-1970s. But our concern in the present chapter is to explore the relationship between environmentalism and business, which came to exercise particular influence during the latter half of the 1980s. The main rationale for attempting to analyse this subject in the first place is that, like the issue of economic regeneration, the environment has come to occupy a position of some pre-eminence in the social policies of corporations. Part of the reason for this has been the sheer welter of public and social interest generated by environmental issues. Hence, companies, like other social institutions, were enticed into considering the environment and contributing actively to the support of ecological charities and voluntary organisations. In view of the effects of modern commodity production on pollution levels and the importance of environmental regulations over industry, corporate responsibility for the environment has led companies to scrutinise carefully their commercial operations and their impact on the well-being of wider society.

One of the main objectives of this chapter is to discover why and how companies have become involved beyond the requirements of legislation in adopting responsible strategies for the environment. Moreover, we will consider the dominant preference for market mechanisms rather than regulatory

impositions in exacting such responsible practices on the part of companies. This part of the analysis delves into the possibility of whether the central motors of the market economy, the financial markets and consumer activity, can be harnessed for the purpose of improving the environmental performance of companies.

Annus veridis: the greening of society

Since the late 1980s, British society, like much of the Western world, underwent a conspicuous greening of public opinion. With awareness of green issues proliferating in all sections of society, the environmental movement was in a position to challenge the traditional partisan division between the interests of capital and labour - an institutionalised feature of most democracies (Lowe and Rudig, 1986, p. 529). The unprecedented success of the Green Party at the 1989 European elections, where it picked up 15% of the vote, indicated that the green message was winning over popular sentiment. A number of opinion surveys, carried out initially in America and later in Britain, confirmed that public awareness of environmental issues was gaining momentum (see Lowe and Goyder, 1983). A 1989 questionnaire survey by the Department of the Environment (DOE) provided a useful longitudinal view of the growing interest in green issues throughout the 1980s. The survey asked respondents, *inter alia*, what they regarded to be the areas that government should be prioritising: of the sample interviewed, over 30% regarded environmental pollution second only to the health and social services. By contrast, a similar DOE survey carried out in 1986

showed that only 8% of respondents thought the environment should be a priority concern for the government (Yearley, 1992). These surveys demonstrate that the emerging interest in green issues during the 1980s was not just confined to formal environmental campaigners - even though such organisations did experience an expansion in their membership in the 1980s - but was something that appealed to the broader public. What is more, the public appeal and stature of the environmental movement was indicated by the way non-environmental groups, such as lawyers, industrialists and educationalists, began scrutinising more closely the problems caused by pollution. Even the news media increased its coverage of the area. Although the significance and popularity of the environmental movement is not in question, there is less certainty over the actual causes for the popular dissemination of environmental ideas and principles as seen in Britain during the latter half of the 1980s.

A number of theorists in this field of scholarship have explained the growth of environmental awareness in terms of paradigmatic shifts in the secular value system. In other words, values are seen to act as independent variables that can determine perceptions and behaviour regarding various issues, including the environment. One of the most influential thinkers to address this issue is Inglehart (1977), who devised the thesis of 'post-materialist value change'. In it, Inglehart pointed to a discernable shift from a materialist value system, where economic security was paramount, to 'post-acquisitive' and later 'post-materialist' values, which transcend material concerns in pursuit of metaphysical needs, such as love, aesthetic

appreciation and spiritual insight. Inglehart (1977) traces this development by contrasting the dominant values of those generations that lived through the Second World War and those born in the postwar period. The former category, according to Inglehart, grew up in a period dominated by economic depression and war; for this generation material needs and physical security were paramount. In the postwar years of economic prosperity and peace, individuals could take their material security for granted and concentrate, instead, on fulfilling their metaphysical needs. In his early writings, Inglehart argued that the post-materialist value system gave rise to new forms of political activism, such as the peace movement, protests for civil rights, and anti-nuclear disarmament. The green movement can legitimately sit alongside these new political movements, but Inglehart in his earlier works failed to equate post-materialist values with the emergence of environmentalism as a political force. This task was left to subsequent authors such as Milbrath (1984), but Inglehart gave explicit consideration to environmentalism in his subsequent works (see Lowe and Rudig, 1986). According to these authors, the adoption of environmentalism due to the prevalence of a post-materialist value system gave rise to protests against nuclear energy, ecological activism and support for environmental legislation.

This thesis has been widely adopted and modified by several authors. Yet, there are difficulties in attributing the rise of environmentalism to post-materialist value change. For sociological observers of ecological politics, there are 'fundamental misgivings about the general enterprise of

conceptualizing environmentalism purely in terms of value change' (Lowe and Rudig, 1986, p. 517). The post-materialist thesis assumes that values are independent, objective and timeless causal variables of social behaviour. These variables, in turn, can be measured and assessed by utilising quantitative research methods like questionnaire surveys. However, social-psychologists have demonstrated that the values held by individuals are often subject to change and modification. Indeed, for sociologists studying public attitudes, the origins of popular concerns over issues do not result from substantive value changes or society-wide ideologies, but are born through the interplay between actual objective conditions and the subjective awareness of these conditions as problematic or a threat to personal existence. In other words, the prevalence of objective conditions in themselves are not sufficient to spread awareness of a particular social problem. Kitsuse and Spector point to the central dynamic in making social problem claims about particular issues, such as the environment: '*...we define social problems as the activities of groups making assertions of grievances and claims with respect to some putative conditions. The emergence of a social problem, then, is contingent on the organization of group activities with reference to defining some putative condition as a problem, and asserting the need for...changing the condition*' (1989, pp. 203-4, authors' emphasis). Although the authors are referring to the construction of social problems in general terms, the rise of environmentalism during the 1980s displayed the same sort of dynamic relationship between actual ecological conditions and the campaigning work of environmentalists.

Certainly, the 1980s provided no shortage of spectacular environmental disasters: the Chernobyl nuclear reactor explosion (1986), the Exxon Valdez oil spillage in Alaska (1989), and the Bhopal explosion in India (1984) dramatically brought to public attention the problem of environmental degradation and the threat of pollution to human existence. But public perceptions over the external threat posed by the deterioration of the ecosystem were not sustained by these dramatic events alone. As we have already mentioned in general terms, an important element in this raising of awareness have been the endeavours of intermediary groups, that is, environmental groups.

Most of the agencies central to the raising of green awareness in the late 1980s were actually formed during an earlier period of mobilisation by the environmental movement in the late 1960s and early 1970s. In contrast to the 1980s, where environmental groups consolidated their position and campaigning work, the early 1970s saw the expansion of existing groups and the formation of many new green agencies. Researchers have found that between 1966 and 1975, the growth of environmental groups was more prolific than at any time in British history (Lowe and Goyder, 1983; Robinson, 1992). Amongst the new organisations formed in this period were Friends of the Earth, the Ecology Party, Transport 2000, the Wildlife Advisory Group, the Tree Council, the Farming and Wildlife Advisory Group, Watch, and the Professional Institutions' Council for Conservation (Lowe and Goyder, 1983, p. 17). The emergence of these new groups, together with public support for their cause, led to a consideration of environmental issues within government. In response, the

government founded the Department of the Environment (DOE) in November 1970 to assume responsibility for environmental matters, previously spread across a variety of government departments. Official organisations can play a vital role in proselytising ideas or drawing public attention to issues. Indeed, the DOE has provided a formal mouthpiece for environmental protection. For Robinson, this government department 'symbolised the advent of a new political awareness which recognised the socio-economic significance of environmental concerns and the fact that environmental issues were interwoven with other policy areas' (1992, p. 11).

From this brief historical analysis, it can be deduced that there are several different organisations that have emerged in Britain with distinct traditions and objectives, but linked by the common objective of promoting the environment as a social and political cause. They were able to do this effectively during the 1980s because of their ability to act, in Becker's (1973) words, as *moral entrepreneurs* (Yearley, 1992). These groups would seek out the environment as a social problem and then enlist the interest of the media, politicians and the community at large. In order to create a certain level of awareness about green issues, ecology groups throughout the 1980s ran several high profile campaigns to underline specific environmental threats and problems.

The most noteworthy of these campaigns was that spearheaded by Greenpeace in the late 1980s to raise awareness about the hole in the layer of ozone gases which envelope the atmosphere to protect the earth against harmful ultraviolet radiation from the

sun. According to Yearley (1992), the perceived threat to the ozone layer was a turning point in the political fortunes of the green movement, helping to popularise the green cause as consumer campaigns were organised to ease the use of non-reactive CFC gases - the source of chemical threat to the ozone - in everyday consumer products like aerosols. Many other organisations have, at the same time, politicised the environment around specific issues or areas: the Marine Conservation Society has endeavoured to protect marine life, while Transport 2000 has lobbied to relieve road congestion because of the environmental dangers associated with car exhaust fumes. The growth of community based campaigns organised by less formal groups around local threats to the environment also contributed to the general awareness of ecological and related issues (Yearley, 1992).

The work of both formal and informal organisations in making social problem claims about the environment through a number of successful campaigns during the 1980s resulted in the semblance of a 'comprehensive green ideology...which allowed ecological politics to continue in the absence of an immediate threat' (Yearley, 1992, p. 86). The ideology centres around the understanding that detrimental changes in the ecosystem, which are the result of human agency and decision-making in the economic, political and social spheres, constitute an all-encompassing threat to immediate and future human existence. The content of this ideology convincingly puts forward the case that the campaign for improving the environment is relevant to all social classes. Characteristically, the environmental movement has proven to be uniquely inclusive, and is one of the factors

that underlined its expansion during the late 1980s. Indeed, while formal environmental activism has remained largely a middle-class preoccupation (see Lowe and Goyder, 1983, pp. 10-12), as is the case with most forms of voluntary activity, one of the distinguishing features of contemporary environmentalism has proven to be its appeal across all sections of society.

The inclusive character of the modern environmental movement is well exemplified by the way mainstream political parties have endeavoured to embrace its principles. The environment as a political issue is now not just the preserve of organisations dedicated to the green cause, but features in the policies of established parties in Britain. Possibly the pinnacle event in the recent greening of British politics was Margaret Thatcher's speech at the October 1988 Conservative Party Conference where she aligned Tory traditionalism with conservation (Robinson, 1992). This speech broke a period of silence on the environment, which began after the 1987 election. Following Margaret Thatcher's pronouncements, both opposition parties published policy documents on the environment, indicating that green issues were moving into the centre of party political debate - something they had been threatening up until the 1987 General Election (Robinson, 1992).

As outsiders to the environmental movement, the traditional parties are not alone in being compelled to include the environment as part of their secular objectives. Several non-environmental institutions, including the media, advertising agencies, trade unions and engineers, have demonstrated a burgeoning concern for the environment. In addition to the

greening of civil society, the environment has also impinged on the economic sector. A significant development in this respect was the display of environmental sensibilities by prominent British corporations from the late 1980s onwards. In the following sections, the focus of this analysis will turn to how this modern greening of British capitalism came about and the main features regarding the assumption of environmental responsibilities by corporations.

Capitalism and the environment

The endeavours of corporations to demonstrate their environmental credentials should be seen as a specific manifestation of the recent expansion surrounding the green movement. A popular medium where companies drew attention to their support for the environment was in advertising. In the late 1980s, the use of environmental sentiments or green symbolism in promoting products within advertising were commonplace in Britain. The electronics company AEG in its press advertising claimed: 'People don't buy AEG just to care for their clothes. Our Lavamat automatic washing machines are also designed to look after something more delicate. The environment'. A Shell advert for unleaded petrol announced that its product was not only 'ecologically sound', but also 'economically sound' (Myers, 1991). In this climate of heightened environmental awareness, the marketing of ecologically-friendly products was also a popular phenomenon. One of the great commercial successes of the 1980s was the cosmetics chain the Body Shop, which based its whole commercial strategy around

caring for the environment through the sale of naturally-based products.

The evident greening of business, in the context of a capitalist society, has generated certain paradoxes. French neo-Marxist, Bosquet (1977) argues that the central competitive dynamic of capitalism necessitates economic growth and the expansion of commodity consumption. In modern capitalist societies, this imperative can be seen by the way manufacturers produce commodities of temporary utility and the tendency to provide a range of models in order to expand future markets. These activities, as well as producing waste, place increasing pressure on finite natural resources.

Environmental groups have been particularly adept at remonstrating against the environmental damage caused by modern industry and corporations. Many green activists have successfully argued that acid rain - when moisture in the air is polluted with various toxins, which, in turn, cause wastage in building structures - is the result of emissions from power stations and factories. Questions also arise over commodities purported to be environmentally benign: although oil companies have lauded the emergence of lead-free petrol as a significant breakthrough, reports from Britain show that some enterprises have been replacing the lead constituent with benzene rather than the more expensive additive MTBE (methyl tertiary butyl ether), employed in the United States and parts of Europe (Yearley, 1992, p. 38). However, not all environmental organisations have been openly critical of business enterprises. There are organisations, mainly engaged in practical conservation and amenity functions, that

have taken a conciliatory approach towards the business community. Even pressure groups belonging to the radical end of the green political spectrum are aware that isolating the corporate sector would in many ways prove to be counter-productive to their cause, for they need to command the attention of business leaders in order to press for improvements in the environmental performance of businesses.

Considering businesses hold a central position within the environmental debate, whenever companies begin collectively to demonstrate a positive response to environmentalism, as was made manifest in the late 1980s and early 1990s in Britain, there is normally analytical speculation over why such developments occur in the first place. One of the most prevalent explanations, especially within American academic circles, is based around the functionalist precepts of the contingency thesis, outlined in Chapter 1. According to this theory, corporations have sought to prioritise corporate responsibility because of the influence exerted by social and political factors in determining performance within the market economy. Windsor and Greanias note: '...social responsibility and economic performance must become equal values in corporate strategy and must be fully coordinated in corporate decisionmaking' (1982, p. 78). Thus, in response to the mounting pressures exerted by the environmental movement, it has become necessary for companies to adopt strategies for dealing with the demands of environmental groups and governments. Such responses are viewed as an integral part to maintaining commercial viability (see Moskow, 1978, cited in Windsor and Greanias, 1982).

The awareness of green issues among firms, clearly evident in recent years, can be attributed to the general response of companies to the expansion of environmental legislation and the popularity of ecological issues. But there is less validity to the argument, made by the likes of Windsor and Greanias, that social and environmental policies are embraced as a strategic and functional response to the fact that events within wider society, such as the emergence of environmentalism, have decisive influence over the way economic objectives are fulfilled. These theorists seem to overstate the ability of wider social conditions to determine economic performance within companies, and, therefore, mistakenly regard environmental responsibility programmes as strategic responses to these external events. For instance, it can be seen that following the expansion of greenery in the late 1980s, the 1990s have seen a lull in the fortunes of the green movement (Rudig, 1993, p. 17). Thus, the uneven development that has characterised the environmental movement, as seen by recent events, has made it difficult to maintain the same level of wider public interest that can determine commercial activities to such an extent that businesses need to organise strategic responses.

The relationship between environmentalism and industry is much more fluid and subject to a more complex set of variables than is acknowledged by the contingency theory. This perspective seems to assert a deterministic reciprocity between the politicisation of issues and the necessity for companies to devise some sort of strategic response. From available research, the influence of environmentalism on corporate policies is often

dependent on how senior personnel view its significance. For instance, the decision by BT to adopt a policy regarding the environment came after a recommendation by an environmental consultant to the main board in the late 1980s (*Fieldwork Interview*, BT, 30.4.93). Logsdon (1985), in a study of how American oil refining companies dealt with the issue of pollution, found that the attitudes of senior managers and executives, rather than financial or strategic considerations, were central in determining a company's sensitivity to environmental issues. Logsdon writes as follows: 'While environmental problems and possible solutions occur at all levels in the hierarchy, top executives must acknowledge the existence of pollution problems and provide financial resources and encouragement before much will be done' (1985, p. 68). While executives are influenced by public concerns, their decisions are not rigidly set by strategic imperatives to respond and adapt to these external pressures. It might be that company executives, who on the whole share similar middle-class backgrounds to most environmental activists, are bound to show some degree of concern over the environment.

Another significant factor in the general elevation of green issues in the corporate sector has been the changing relationship between the government and the private sector. As we have seen, the government has expanded the opportunities for direct private sector involvement in social problem areas. The issue of environmental protection, during the latter part of the 1980s, has come to constitute one of these areas of intervention.

Business-environment agencies and the voluntary sector

In the changing political and social climate of the 1980s, the phenomenon of corporate social involvement was expanded through the government actively pursuing collaborations with the business sector on significant policy areas like inner-city rejuvenation. The same endeavours to build partnerships between public and private bodies has characterised certain aspects of the government's environmental strategy.

Throughout the 1980s, the government drew the corporate sector into environmental protection mainly by bridging the gap between the private sector, public and independent environmental agencies. But there were instances of government agencies collaborating with businesses over environmental causes in earlier decades: the Nature Conservancy Council in 1969 was the first public body to enter into partnership with business, when it helped to fund, assisted by Shell, the Better Britain Campaign. The campaign, which helps small conservation groups working on a local basis, is still operating under the auspices of Shell and other environmental organisations (Shell Better Britain Campaign, 1988). But it was during the 1980s that the process of partnership-building between business and environmental groups, through government intervention, increased rapidly. Existing public agencies for the environment have played their part as interlocutors between firms and environmental organisations. The Nature Conservancy Council in the 1980s formed a specialist Partnership and Industry Liaison Unit. In addition, it attempted to stimulate business sponsorship of environmental schemes by forming independent Industry and Nature Conservation

Associations (Forrester, 1990, p. 23). The DOE - historically at the forefront in promoting corporate social involvement - has been instrumental in generating openings for corporate support of environmental schemes and organisations. The Conservation Foundation was one of the first relevant initiatives to be taken up by the DOE. It was launched in 1982, with the blessing of Michael Heseltine, to broker private and industrial sponsorships of voluntary environmental groups.

Another conspicuous manoeuvre in this field was the creation of special forums, allowing companies, mainly large corporations, to discuss ecological strategies and make recommendations concerning environmental legislation. Two main policy forums for business emerged at the latter end of the 1980s and early 1990s. Firstly, the Business in the Environment Target Team was formed by BITC in 1989. The members of the Target Team were exclusively drawn from the ranks of senior executives of major corporations and financial institutions, including the likes of ICI, TSB, Tesco, BT, IBM. The programme of the Target Team involved discussions about what the environmental priorities of the private sector should be and how to apply the notion of sustainable development to commerce. Secondly, the Advisory Committee on Business and the Environment was jointly constituted in 1991 by the DOE and DTI, following the DOE's White Paper (DOE, 1990), *This Common Inheritance*, in which it pledged a commitment to establishing a closer dialogue with business on environmental policy (Advisory Committee on Business and the Environment, 1992). Again, executives from some of Britain's largest companies were invited to join the 24 member committee to ruminate over

legislative issues and good environmental practice within business.

The growth of such intermediary groups has seen a corresponding expansion in corporate support for conservation work. One of the first, though ultimately unsuccessful, organisations established for this purpose was UK 2000. This agency was established in 1986 as a way of attracting business sponsorship through government incentives for voluntary environmental schemes. A more successful foray was made with the Groundwork Foundation in 1985. This agency grew out of Operation Groundwork, an urban renewal scheme implemented by the Countryside Commission in areas around the North-West during the early 1980s. Since its inception, the Groundwork Foundation has attempted to bring together support from local authorities, government, businesses and voluntary organisations in order to create a national network of autonomous trusts - cell-like voluntary groups - involved in rejuvenating the urban environment. Most of the financial support comes from the DOE, which has made funding available until 1995 to expand the present number of trusts from 31 to 50 (*Fieldwork Interview*, Groundwork Foundation, 7.5.93). While the government Treasury secures the bulk of the Foundation's income, it has managed to attract wide-ranging business support. The Foundation's first major private sector collaboration was with Shell in the Brightside Campaign, a scheme that became axiomatic to the Foundation's work. The Brightside Campaign was launched in 1988 by Shell in conjunction with the Countryside Commission and the European Community, but the implementation of the scheme was actually overseen by the

Groundwork Foundation and its network of local trusts. Over a three-year period, Shell placed over £255,000 into the programme, whose main objective was to bring the environmental message to small businesses. The scheme has tried to encourage small enterprises to restore any derelict land around their factory premises by offering free landscape design and low cost maintenance services through the network of Groundwork trusts. Once presented with these proposals for renovation, a company would then be left to decide whether it wants to follow up the plans made by the local Groundwork trust. In 1989, over 300 companies used the landscape design service, with around 40% of these businesses accepting the improvement plans (Forrester, 1990, p. 31). Because the Foundation uses the financial resources at its disposal to undertake practical environmental projects that have definite, concrete results, and generally avoids contentious issues, several companies have patronised its work: British Gas agreed to a three-year sponsorship of Groundwork's training programme for environmental managers, while BT has seconded staff to the Colne Valley Groundwork Trust (Groundwork Today, 1992).

It appears, then, that government intervention has helped promote business support of voluntary environmental organisations and practical conservation schemes. The liaising between the private sector and voluntary environmental groups has constituted a major advance in terms of actively engaging corporations in the area of environmental responsibility. However, surveys have shown that environmental bodies, despite government efforts in recent years, have been less successful than other voluntary and social causes in corporate giving schemes. The Charities Aid Foundation,

in a 1991 survey of top corporate donors, produced these findings: the number of environmental organisations mentioned as beneficiaries of corporate funds stood at 419 compared to 2,718 in the medical and health field and 1,014 in education. A further survey of 213 companies for the 1991-92 period revealed that 4.9% of total corporate cash donations went to environmental causes (Woollett, 1993, p. 11). In addition, as Forrester observes, major environmental groups such as Friends of the Earth and World Wide Fund for Nature have come to see environmental sponsorships as only 'light green' solutions to environmental problems.

The new decade is opening with some important changes in the relationships between major environmental groups and companies. The current sponsorship approach of Friends of the Earth and World Wide Fund for Nature...now illustrates the creative recognition of a simple truth. That no matter how worthy and useful company sponsorships of environmental groups may be they are of negligible importance to or influence on the quality of our environment as a whole, that it is far more important, if not imperative, for companies themselves to develop coherent environmental policies, audited, monitored, staffed and reviewed regularly at board level. (1990, p. 143)

In the next sections, we shall focus on how companies have managed to embrace these recommendations for improving environmental performance.

Improving environmental performance

The main focus here is on how firms can go about assuming responsibility for protecting and improving the quality of the environment. The most obvious procedure whereby this objective can be achieved is for there to be a strict adherence to environmental legislation among companies. From 1831 to 1986, there have been around 86 Acts of Parliament covering various

aspects of the environment. Much of this legislation, in one way or another, has attempted to regulate the impact of industry and private commercial activities on the environment (Cutrera, 1991, pp. 832-3). According to Vogel, because relations between government and the most powerful sections of the business community have, historically, been conducted on the basis of cooperation, environmental legislation has followed a flexible strategy, leaving considerable scope for administrative discretion and interpretation (1986, p. 70).

In view of the latitude afforded by such legislation, over the years there has emerged a close relationship between environmental regulators and business institutions. From researching the enforcement of environmental regulations on businesses, Peacock (1984) found that officials were often sensitive to the specific circumstances of individual companies and took these into account when applying *statutory* requirements. Hence, in times of economic recession when profit margins are tighter, regulatory obligations tend to be less demanding than usual (Peacock, 1984, p. 104). Peacock concludes that the task of setting regulatory standards and their enforcement involves a constant process of bargaining and negotiation between company representatives and officials. Symptomatic of the inbuilt flexibility of the legislative process is the reluctance of enforcement agencies to prosecute businesses found infringing statutory environmental regulations. Research has shown how the number of prosecutions as a ratio of actual environmental infringements is very small (Ogus, 1983, p. 62). In fact, officials and agencies often rely on informal mechanisms to

secure compliance. One common ploy, according to Hawkins, is for field officers to reason with company representatives and appeal to their sense of social responsibility (1983, p. 51).

Government administrations throughout the 1980s have attempted to reinforce the flexible and informal approach to the enforcement of legislation by reducing the burden of environmental regulations faced by the private sector. These administrations have deliberately failed to implement legislation passed in earlier Parliaments: many of the clauses contained in the Control of Pollution Act of 1974 and numerous European Community directives for protecting the environment have been deliberately scuppered or their enforcement delayed in Britain by government ministers (Goldsmith and Hildyard, 1986, pp. 18-19).

In the early nineties - probably as a reaction to the popularity of environmentalism - the government and relevant departments, such as the DTI, expressed the need for rigorous enforcement of environmental standards. However, the White Paper (DOE, 1990) on the environment, *This Common Inheritance*, indicated a distinct shift in policy emphasis towards the use of self-regulation. The paper mentioned that, while legislation would continue to provide the basis for pollution control, recourse to the state was not necessarily the most cost-effective way of improving environmental standards among businesses. Instead, the document argued that this objective would be practically achieved by utilising market mechanisms (McCartney, 1991, p. 35). The White Paper specifically considered how fiscal modifications, such as the introduction of carbon taxes, can be

used to monitor the impact of industry on the environment - suggestions eagerly endorsed by business groups (Advisory Committee on Business and the Environment, 1993, p. 59).

Recent developments in the market economy, namely the emergence of green consumerism and ethical investment, have given a significant fillip to those advocating the use of self-regulation and market mechanisms as a way of improving the environmental performance of companies. The notion of consumer and financial mechanisms representing market-styled forces for imposing environmental responsibilities on business enterprises has achieved much prominence in recent years (Elkington and Hailes, 1988). The emerging acceptability of market mechanisms as instruments for social change clearly gives credence to the political tenets of the New Right. Considering the emphasis on using market mechanisms within government circles and the importance attached to green consumerism and investment, we will turn our attention to these market developments and assess the implications for improving the environmental performance of industry, especially in the areas of product analysis and environmental performance reporting.

The greening of finance and environmental reporting

The occurrence of serious environmental disasters in the 1980s, together with the popularity of environmentalism, alerted banks and insurance companies to the liabilities they would be likely to incur when financing environmentally hazardous businesses. The American financial community has been particularly sensitive to such eventualities following the Exxon Valdez disaster and

legislation concerning financial liability over contaminated land. In Britain, the raising of green awareness within the financial sector has proven to be a gradual affair. In recent years, insurers and banks have insisted on carrying out environmental audits of potential borrowers (Peacock, 1984). Thus, the emergence of ethical and environmental funds is of significance to the greening of finance in Britain.

Again, the United States led the way in the field of ethical investment during the early 1970s with the establishment in 1972 of the Dreyfus Third Century Fund. Now, the States possesses several financial management houses solely devoted to this form of investment. It was not until the early 1980s that similar funds began to operate on the British stock market. The initial signs of this form of financial activity came with inception of the Ethical Investment Research Service (hereafter, EIRIS) in 1983, and was followed a year later by the first ethical investment fund, Friend's Provident Stewardship Trust. Although Britain is still waiting for a financial house devoted exclusively to ethical investment, several financial institutions have established specialist divisions to plug the social and ethical market. For example, Jupiter Tarbutt Merlin in 1988 launched the first authorised unit trust fund with environmental credentials - the Ecology Fund (Simpson, 1991, p. 20). The actual number of ethical funds operating in the UK markets to date is encouraging: according to recent EIRIS (1993) estimates, there are around 26 ethical and environmental funds officially functioning. The investment programmes of these funds are underpinned by both positive and negative criteria. In terms of

the latter, funds will try to avoid placing investments in sectors deemed unethical - tobacco, alcohol, and gambling - or particular organisations with socially unacceptable interests, such as the defence industry, nuclear power and investments in oppressive regimes. On the other hand, when using positive criteria, funds tend to favour businesses with attributes that are considered to be of social value; for environmental funds this may result in favouring businesses which are involved in recycling and those that manufacture pollution abatement equipment.

According to the American social theorist, Severyn T. Bruyn, the emerging financial practice of allocating capital through social investors can potentially advance the well-being of society at several levels: employment policies, urban community and Third World underdevelopment. He writes: 'The trend towards social investment may seem insignificant in the context of the larger forces of business today, but evidence is accumulating that it could become a significant movement in the near future' (Bruyn, 1987, p. 253). Even those on the left of the political spectrum have acknowledged that finance capital, such as pension funds, can be utilised to change the social and material circumstances of the labouring classes (Murray, 1983).

With the expansion of ethical and environmental investment in Britain, we would expect this to have some repercussions for corporate social responsibility. The main area of corporate policy where we would expect ethical and environmental funds to achieve some change is this: the disclosure of information concerning the effects of commerce on wider society. The reason

for this is that, as Rockness and Williams (1988) have found, ethical investors are heavily reliant on company reports and publications to guide their investment decisions; a point also made by Miller, as he observes that social investment is 'dependent upon the availability of extensive and accurate information' (1992, p. 245). Hence, as a distinct user group, ethical investors require and are likely to press for better disclosure of information on subjects like environmental protection, relations with repressive regimes, product quality, and defence contracting. In the process of divulging socially relevant information, a company should become accountable and sensitive to the needs of society. In the present chapter, we will focus specifically on environmental investment and its influence on the disclosure policies of companies.

Environmental reporting, like ethical investment funds, is a recent phenomenon, which has taken root with the upsurge in green awareness. While there are a number of statutory provisions and European Community directives requiring the disclosure of environmentally sensitive information, the preference of the business community and government in Britain has been for reporting practices to be flexible and voluntary. There are several mechanisms that can be adopted to make environmentally sensitive information freely available: the eco-audit, which is a variant of the social audit that gained popularity during the 1970s as a response to factory closures; eco-labelling, which indicates the environmental properties of a commodity; the setting up environmental management systems, like BS7750; and the adoption of environmental charters such as the Valdez Principles.

Studies have shown how these voluntary disclosures are mainly confined to larger institutions and that in recent years an increasing number of companies have provided environmental information within in-house and financial documents. Harte and Owen, studying environmental disclosures in the annual reports of what are considered to be 30 of the top reporting companies in Britain, make this observation: 'Although we have concentrated on detailed reporting in the 1990 annual reports, we have observed on the basis of a comparison made with the previous year's annual report what we believe is a general increase in the level of environmental disclosure' (1991, p. 55). Some of the most notable examples of contemporary environmental reporting are provided by the Norwegian industrial combine, Norsk Hydro, which published a report on the emissions, discharges and hazardous substances produced by its UK businesses. In addition, the cosmetics company Body Shop produced an extensive 32-page environmental report. BT's Environmental Performance Report, the first in the company's history, furnishes a detailed examination of BT's impact on the environment. The BT report and the way it emerged is worth commenting upon in some detail, because it illustrates the requirements and institutional changes that have to be implemented, and the possible uncertainties generated by this form of social reporting.

The telecommunications industry is generally regarded as environmentally benign. The sheer size of BT, though, means that it does have a significant impact on the environment. Towards the end of the 1980s, when the environmental movement was at its zenith, BT was alerted to the implications emanating from its

size as a commercial organisation and began to act accordingly. Prior to this, the company's environmental considerations were confined to a few isolated schemes, often the part of cost-cutting exercises (Bowtell, 1991). By the late 1980s, the Community Affairs Division organised several environmental sponsorship schemes as a part of the company's expanding social programme at the time. But the company's interest in environmental responsibility went beyond supporting environmental groups, when the decision was made to provide information on the impact of BT's operations on the environment.

The reason for BT's decision to adopt a reporting programme on environmental performance came as the result of suggestions made by an external consultant (*Fieldwork Interview*, BT, 30.4.93). In 1989, BT commissioned the environmental consultancy group, SustainAbility [*sic*], to carry out a scoping study of the company. The final report recommended that BT should institute environmental functions within the management and board structure and that it should adopt a formal, company-wide policy on the environment. Following Elkington's (1987) classic formulae for 'environmental excellence', the formative step taken by a specially appointed environmental liaison panel was to draft a policy statement, which was then sanctioned by the main board and published in March 1991. The policy detailed ten main commitments where the company would seek to minimise the impact of its operations on the environment: meet and, where possible, exceed legislative requirements; promote recycling; design energy efficiency into new services; reduce, where practicable, the level of harmful emissions; minimise waste; assist suppliers to

minimise the impact of their operations; protect visual amenity; promote, through community programmes, environmental protection; include environmental considerations in company training programmes; monitor progress and produce an environmental performance report on a yearly basis (BT, 1992).

BT, at this point could have remained taciturn about its environmental performance, but the decision was taken late in 1991 to publish an environmental performance report. Managers that eventually became part of the Environmental Issues Unit, which forms a part of BT's Community Affairs Division based at the company's headquarters in London, acknowledged that the company took a considerable risk, in terms of tarnishing its reputation as an environmentally clean company, by producing a report containing environmentally-sensitive information (Tuppen, n.d.). Because the company does not partake in environmentally contentious areas, it could afford to be selectively candid in the report. The information for the intended report was gathered by an independent consultant and then modified for publication by managers from the Environmental Issues Unit. The final document - published in May 1992 - combined narrative and statistical data for 'a self-critical and open review of BT's operations and how they affect the environment' (BT, 1992, p. 2). It also included future target objectives for improving environmental performance. In the process, BT did face certain difficulties in obtaining relevant statistical information, as it was not under statutory obligation to monitor waste and emissions. Consequently, most of the details for the twenty-five

page report were derived from purchasing statistics, and disposal contracts (Tuppen, n.d.).

The information gained from these sources is deliberately presented to address each of the ten commitments made in the environmental policy statement. For instance, in terms of energy consumption, the report reveals how the company's use of electricity, oil and gas represents around 0.2% of the UK's total energy use. As part of its pledge, the report maintains that BT will stabilise carbon dioxide emissions resulting from its heavy energy use to their 1990 levels by the year 2005. Regarding harmful emissions, the report discloses that BT's emission of twenty-eight tons of ozone depleting chemicals represents around 0.25% of the UK total. To reduce these harmful emissions, the company has pledged to use refrigerants with lower ozone-depleting potential.

The BT report is part of a growing trend towards environmental and social reporting among businesses. In view of the fact that ethical funds are dependent on companies disclosing information to plan their investments - a feature of investment strategy that is now well established in the literature (Owen *et al.*, 1987; Rockness and Williams, 1988; Harte *et al.*, 1991) - this constitutes a welcome development. However, even with ethical investment gaining prominence (Mitchell *et al.*, 1990), environmental reporting has been confined to larger companies, and is still far from being the norm among British and European corporations in general (Roberts, 1991). For instance, the Institute of Business Ethics (1990), in a questionnaire survey of 500 chief executives taken from the top 1,000 companies, found

out from 82 full responses that only 12 companies provided information on environmental performance in their annual report; but a further 16 indicated that this issue was under consideration (cited in Harte and Owen, 1991).

What has to be examined now is the substantive quality of these environmental disclosures. The growing body of work being done on disclosure practices shows that the actual standard and quality of environmental reporting, particularly from the view point of prospective user groups like environmental investors, is variable and not characterised by the type of detailed assessment and institutional procedures demonstrated by BT, Norsk Hydro and the Body Shop. In one study, Harte and Owen (1991) examined 30 businesses, highly regarded by ethical investors for their consistent and open reporting of social and environmental information. According to the authors, the list includes the majority of the best reporters on the environment, such as the Body Shop, BT, Marks & Spencer, NFC and Unilever. Using annual reports as their source material, Harte and Owen considered the extent of financial and non-financial disclosure on the environment (1991, p. 53). In terms of the standards of reporting, the authors found a paucity of detailed information on environmental performance and innovations in this area. A great deal of the information presented included statements of good intent: 'Much of the disclosure appears to be linked to the development of an image, suggesting that it is good for both customers and shareholders that the company be environmentally aware, rather than representing a commitment to the concept of public accountability' (Harte and Owen, 1991, p. 55).

This point about the utility of company documents for ethical investment forms the basis of a study by Perks *et al* (1992). The authors identified 17 companies, such as Body Shop, British Gas, Argyll group and Tesco, which regularly enjoyed investments from environmental funds. They examined the extent to which the environmental disclosures provided by these companies within their annual reports were sufficiently detailed for environmental funds to make informed and considered judgements about their investment strategies. From their analysis, Perks *et al* (1992) conclude that there was only a modicum of information which could assist ethical investors in deciding whether or not environmental requirements are being satisfied. Indeed, company reports are presented as meeting the information requirements of investors in general terms, but they are lacking in the specific information needs of ethical investors who are concerned with environmental issues:

But, in common with other information included in this part of the annual report, such information is selective, partial, unquantified and not subject to external verification...If annual reports are used as a basis for environmental investment decisions it seems that in many cases investors have little more to rely on than scattered references to environmental concerns. (Perks *et al.*, 1992, p. 55)

The findings from this research are reinforced and confirmed by other studies. Ullmann in a review of the research literature on corporate social disclosure concludes that studies generally show a weak link between social disclosure and social performance (1985, pp. 544-5). More than this, some researchers have found only a tenuous relation between the information disclosed and independent measures of environmental performance. Ingram and Frazier from their research of environmental disclosure by

American companies argue that because 'management is free to use its own discretion in selecting information to be reported, it is possible for poorer performers to bias their selections in order to appear like the better performers' (1980, p. 620).

It appears at the present moment that corporate procedures for disclosing information do not provide the level of transparency and detailed information required by ethical investors. Some practitioners argue that improvements in the flow of environmental and social information will depend largely on the mobilisation of ethical funds. Harte *et al* write: 'Future developments in social and environmental reporting in Britain may arguably hinge upon the growth in both size and influence of the ethical investment movement...and its consequent ability to lobby effectively on issues of accounting policy making' (1991, p. 245). Although operating for a relatively short period of time, ethical funds have grown significantly in recent years and their performance in the financial markets, according to some business analysts, have not only equalled but surpassed the FT Ordinary Index (Dunham, 1988, p. 104). In future years, these funds may come to exercise a decisive influence over business operations. However, our final conclusion must be tempered by this observation: there are certain structural factors which may limit the ability of these funds, contrary to what Bruyn (1987) asserts, to act as the harbingers of corporate accountability and social change based on the availability of social and environmental information.

The influence that ethical funds are able to wield is inversely proportional to their financial wherewithal. From available

statistics, ethical funds constitute only a small proportion of total equity investments: in 1989 ethical funds were valued at £200 million, but this constituted 0.06% of the total value of UK equity. Furthermore, the £6 billion invested according ethical and environmental principles - an estimate made by Dunham (1990) - still only amounts to 2% of the total UK equity (Perks *et al.*, 1992). The marginal economic status of the ethical funds has confined them to a *passive* investment role: they either avoid companies which fail to meet social and environmental criteria or invest in those that meet various ethical characteristics. There have been no concerted efforts on the part of ethical funds to actively change company policies. In a study of 13 ethical funds by EIRIS (1989), it was found that just one of these funds tried directly to influence company policies, and only three of the funds carried out a policy of informing companies from which they had disinvested the reasons for withdrawing their funds (cited in Harte *et al.*, 1991). These structural constraints, curtailing the ability of ethical funds to change reporting procedures and reform commercial policies, have been compounded by the limited number of enterprises that comply with ethical and social criteria. This may result in a situation where ethical funds are permanently locked into a vicious circle, where they are unable to amass the necessary resources, because the range of possible investments at their disposal are limited. On the other hand, these funds may occasionally relax their ethical and social principles when making investment decisions. Investigations by EIRIS have revealed particular cases of ethical funds investing in areas that would ordinarily be excluded.

In view of the limitations faced by ethical funds, there might be considerable possibilities in mobilising institutional investors - many of which constitute the dominant shareholders in the largest and most powerful corporations - behind ethical and environmental causes. Despite the action taken by some pension funds belonging to local authorities and university investors, their demands for greater information, especially environmental data, has proven to be minimal. Most of these investment decisions made by institutions are the purview of technical specialists, who aspire to financial rather than social and environmental goals (Perks et al., 1992). Further restrictions have been imposed by the demands of investment law on financial organisations. Under the Trustee Investment Act (1961) investors and trustees of a fund have to pursue maximum financial returns. It is illegal, as demonstrated by high profile court cases such as *Cowans and Scargill* (1984), for trustees to forgo a higher return on ethical grounds. Consequently, a significant proportion of possible environmental investments are closed off to major funds in the capital market because the profit yield would not be as high as mainstream investments (Ward, 1991; Gray et al., 1993).

While it seems, then, that the financial markets have only a minor influence over corporate procedures, the mobilisation of the green movement at the end of the 1980s saw the emergence of green consumerism; a phenomenon regarded as having the potential to make companies aware of their environmental responsibilities.

The greening of consumerism

The postwar growth of the commodity market alerted social scientists to the importance of consumer behaviour in the overall functioning of the economic system. Gist writes: 'A fundamental tenet of our economic system is that scarce economic resources are ultimately allocated by the preference patterns of final consumers; that is, we as consumers vote, as it were, for particular types of institutions and for particular types of products and services' (1971, p. 33, quoted in Craig Smith, 1990, p. 93). A recent development within the commodity-purchasing market is the emergence of ethical consumer behaviour. Here, consumer groups have organised product boycotts or disclosure campaigns against commercial organisations seen to be infringing ethical and social standards (Johnson, 1986). The rise to prominence of these campaigns has led some authors to argue that ethical consumerism can act as a force for making companies aware of their social responsibilities. While consumers will have divergent views over what constitutes socially responsible action, 'this is not a disadvantage to the notion of ethical purchase behaviour; it is simply indicative of the essence of consumer sovereignty and the right to choose' (Craig Smith, 1990, p. 96). Central to the mobilisation of consumer action, according to Craig Smith, is the work of pressure groups: these groups provide information on ethical purchase issues and educate the public in ethical consumer strategies. All of this will alert corporate managers to the need for reform.

In Britain, the issue of ethical consumerism has emerged only in the past few years and been brought to public attention

largely on the back of the green movement. A number of campaigns organised by environmental groups have alerted the general public to the fact that certain products, when utilised, can damage the environment. Included in this category are aerosols, which produce ozone-depleting CFC gases, and detergents, containing harmful phosphates and bleaches. Even if a product is inherently benign, its actual extraction and production can result in unintended harm to the ecosystem. The destruction of dolphin populations resulting from tuna fishing is a typical example. The proposition of those advocating green consumerism is that, by purchasing the right products, individuals can help protect the environment.

This form of consumer activism was initially popularised through campaigns by Friends of the Earth in the 1970s against wasteful packaging and the importation of products from baleen whales (Irvine, 1989, p. 6). The resurgence of the environmental movement in the late 1980s gave significant impetus to green consumerism. One feature of this was the publication of consumer literature, such as Elkington and Hailes's (1988) seminal book, *The Green Consumer Guide*. In addition to these tomes, independent agencies - the Ethical Consumer and New Consumer - were founded specifically to mobilise the consumer market, which in 1990 was estimated to worth a total of £290 billion, into purchasing environmentally-safe commodities (Adams et al., 1991).

The proliferation of green consumerism towards the end of the 1980s saw advances being made in the environmentally-friendly commodities available on the market and improvements in the environmental qualities of existing consumer items. Indeed, the

prevailing view within business and government circles is that the introduction of environmental considerations into the production process can be of benefit to profit margins (see Elkington et al., 1991). MacKenzie (1989) argues that the consumer market for green products is expanding - a feature that makes the production of environmentally-sensitive commodities an attractive business prospect. There are instances where companies have been able to gain a competitive advantage over their rivals by producing such products. The battery-makers, Varta and Ever Ready, succeeded in outwitting their rivals by launching mercury-free products in anticipation of European Community legislation (Irvine, 1991, p. 22).

Before green products can be introduced to the consumer market, companies need to carry out environmental impact studies, a process requiring investment for new research procedures and institutional facilities. The branded consumer multinational Unilever has responded to changes in the consumer market, introducing a number of provisions to monitor commodities at the research and development stage of the production process. The company's policy document, *Unilever and the Environment* (Unilever, n.d.(a)), notes: 'Environmental considerations are recognised as being of major importance to Unilever and are taken into account throughout the decision-making, development, manufacturing and marketing processes'. Unilever's sensitivity to the consumer market is understandable: the company's commercial fortunes are intimately tied to the purchasing decisions of individual consumers. In fact, 75% of Unilever's business is in branded and packaged consumer goods, mainly foods,

drinks, detergents and personal cosmetics (Unilever, n.d.(b)). The production and use of some of these items has clear implications for the biosphere: detergents, constituting 21% of the company's product turnover, emits phosphates responsible for eutrophication in waterways, and the company's involvement in food production, amounting to 49% of its commodity production, is associated with the use of pesticides in plantations. As a result of new consumer demands for environmental goods and European Community legislation, Unilever has introduced new research procedures to scrutinise the environmental impact of its products.

The principal innovation is Unilever's new Environmental Division, which falls under the company's Safety and Environment Assurance Centre (hereafter, SEAC). The division was created as a result of restructuring within SEAC to engender a focused commitment to the environment. The organisational reshuffle consolidated and brought under SEAC's central direction those areas of research and product design relevant to the environment (Unilever, 1992a, pp. 18-19). One of the central responsibilities of the Environment Division is to supervise the range of interactions between manufactured products and the environment through the adoption of life cycle analysis techniques, which evaluate the environmental qualities of a product through its entire life cycle, from extraction to disposal.

Unilever has just adopted this technique for the purpose of examining fats and spreads in food products. The company's Environmental Division has also used life cycle analysis to minimise packaging waste. The foods, detergents and personal

products units at Unilever now use life cycle analysis databases to monitor the use of packaging and reduce the impact of these materials on the environment (Skelly, 1993, p. 20). As a result of using these databases, the company's 1992 Annual Report announced that the incorporation of recycled materials into non-food contact packaging has increased by about 60%, particularly high percentages were achieved with glass and metal packaging (Unilever, 1992b). The life cycle analysis process, though, does not guarantee automatic environmental improvements, because it is a highly complex process; identifying a product's journey from 'cradle to grave' requires information, and methods for measuring impacts that are often out of the grasp of scientists. Thus, the results obtained are not definite but highly equivocal. But as Gray *et al* (1993) observe, the main benefit of life cycle analysis is in the process of undertaking the exercise rather than in obtaining final results. The work of Unilever's Environmental Division extends to directing research in the Ecotoxicology Section, which examines the pathways followed by chemicals in the environment as a way of monitoring and reducing the ecological liabilities of products. For example, work has been carried out on sucrose polyester in food products, and biodegradation and toxicity (Unilever, 1992a, p. 18).

In terms of actually disclosing the findings generated by the Environmental Unit, whether in life cycle or waste analysis, the company on the whole remains taciturn. Unilever tends to provide general pronouncements on its environmental performance, rather than detailed disclosures from the Environmental Unit's ongoing research of products (*Fieldwork Interview*, Unilever,

30.6.93). For instance, the company's 1992 Annual Report contained a section on 'environmental responsibility', which included various positive assertions about the company's commitment to environmental responsibility in terms of product analysis and the reduction of packaging. But there was a lack of concrete information concerning Unilever's overall environmental performance.

The lack of detailed information on environmental performance is very much a consequence of the fact that environmental reporting is largely a voluntary matter for businesses. This suggests that even producing for an ethically motivated consumer market, as Unilever has endeavoured to do, might not lead to fundamental changes or improvements in the environmental performance of businesses. Like ethical investment, environmentally-motivated purchasing behaviour is thwarted by the lack of detailed information emanating from enterprises. Irvine writes:

The green consumer is...hindered by commercial and government secrecy over the results of testing, ingredients and much other information that is necessary to make a wise choice...Time after time, the cosy relationship between big business and government compounds the problem of 'commercial confidentiality'.
(1989, pp. 11-12)

Further problems emerge when companies use available information or the general lack of environmental data to manipulate consumers: green consumerism is susceptible to the possibility of having commodities promoted as environmentally-friendly simply in order to generate sales, when the actual environmental properties of products may be superficial. The super unleaded petrol launched by BP, Esso and Mobil has faced charges of being

overpriced and generally negligible in terms of environmental improvements (Irvine, 1989). In fact, producers normally charge higher prices for environmental commodities, even when such products cost less to make. This, as a result, excludes many people lower down the class ladder that do not possess the same propensity to consume as do those consumers from middle-class backgrounds (Irvine, 1991, p. 24). With large sections of society excluded from ethical consumerism, the capacity of ethically-orientated consumer behaviour to act as a market mechanism which can press for social change is very definitely blunted.

Radical environmentalists point out that green consumerism ultimately falters as a tool for reforming capitalist organisations because the practice takes place within a dominant framework dictated by economic growth and profit orientation; a factor requiring only superficial and limited changes in business strategies, as many of the causes of environmental damage are the result of the developed world's unyielding use of the earth's finite resources and systematic exploitation of the Third World in pursuit of economic expansion (Harte *et al.*, 1991). Hence, the point is not to change the style of purchasing behaviour or what is consumed, but to reduce the level of consumption in the capitalist world. This structural, global appreciation of environmentalism will require distinct reductions in economic growth and, therefore, business performance (Gray and Morrison, 1992). As Plant and Albert argue, 'the production of environmentally friendly goods doesn't address the major structural and institutional obstacles in the way of an authentic greening of industrial society. It doesn't deal with the problem

of infinite growth being the mainspring of industry on a finite planet' (1991, p. 4).

The complexity of the environmental problems means that market solutions like green consumerism, and ethical investment for that matter, can offer only local and uncoordinated pressures for change in the face of deep-seated problems whose repercussions can be felt on a global scale. Some commentators suggest, in contrast to Bruyn (1987), that the markets are not the conduits of social change, but themselves must be challenged if the problems of environmental degradation are to be overcome (Owen, 1990). Thus, we must conclude that the greening of business and the willingness of companies to adopt a responsible approach to the environment during the 1980s, although a welcome development, has taken place within clearly defined parameters which have been acceptable to the private sector in Britain, but have only proven to be of marginal significance in dealing with the environment as a social problem.

PART III CORPORATE PHILANTHROPY IN ITALY

6 Civic Activism and the Origins of Industrial

Philanthropy in Italy

The concern now is to explore the nature of business philanthropy and corporate responsibility in the context of Italian society. To this end, we will examine the dominant social preoccupations and interventions of socially active Italian enterprises. It is also important that we compare the development of corporate social involvement in Italy with the situation in Britain, where, in the past twenty years, social activism in the business community has undergone considerable expansion. The objective of this comparative analysis is to analyse, more fully, the political and social factors that shape corporate responsibility and social involvement in capitalist economies.

Our analysis begins, in this chapter, by tracing the history of commercial philanthropy. The analysis is separated into two epochs: in the first, we examine the social activities of commercial institutions and tradesmen in the pre-industrial period. One of the distinctive features in this era was the way economic activities and commercial institutions were inextricably linked to social and religious objectives. Indeed, from the early years of medieval society up until the Renaissance a distinctive tradition of civic activism was founded which exercised an influence over many facets of Italian society, including the participation of commercial agencies in society. For the second part, our analysis turns to the social role of business during and after the industrialisation of Italy in the late nineteenth

century. The intention here is to understand how the distinctive course of modernisation followed by Italy helped shape the nature of business-led social action in contemporary society.

Civic activism in the pre-industrial age

Guilds in the city-republics of medieval Italy

Following the demise of the Dark Ages, much of early medieval Europe was embroiled in destructive internecine warfare between various monarchical dynasties. Events in Italy proved equally tumultuous. Although the South of Italy continued to remain under monarchical rule for much of the medieval epoch, the imperial system of government in the Northern and Central areas of Italy, during the eleventh and twelfth centuries, collapsed. But rather than disrupting the social and political fabric of the peninsula, this period of transition, in contrast to the rest of Europe, was relatively temperate and devoid of tyranny. This was due to the fact that monarchical rule in these regions was replaced by self-governing city-republics and city-states based around the political organisation known as the 'commune' that relied on horizontal forms of collaboration. The communes shared a number of features: they operated as secular authorities, with many of their ruling officers chosen by rudimentary electoral methods. Even though the communes were under nominal monarchical or papal rule, they possessed *de facto* republican independence (Hearder, 1990).

The communes originally emerged in newly urbanised city locations. But it was members of the landowning aristocracy rather than city merchants that took the initiative to create

these political institutions, as they joined forces with other rural migrants to collaborate on economic matters and provide mutual assistance. A noteworthy political feature of such associations was that members placed their allegiance to the commune rather than feudal power centres dominated by bishops and monarchs (Lane, 1966).

The twin attractions of liberalised governmental rule and economic prosperity brought ever increasing numbers of migrants to the city-republics. One estimate maintains that Padua's population grew from 15,000 in 1175 to 35,000 by 1320 (Waley, 1969, pp. 21-2). The expanding urban population brought with it a number of new social classes that clamoured for representation in the communes. Thus, by the twelfth century, the cities of Florence, Bologna, Genoa, Milan and most other prominent locations in the Central and Northern regions of Italy had created some form of independent communal government. Initially, popular participation was limited and informal, but, as the number of inhabitants grew, the administrative machinery of government became increasingly sophisticated to accommodate opposing interests and conflicts that would inevitably arise (Tabacco, 1989, pp. 222-3). The new middle class within these cities contained a growing band of lawyers that were able to assume administrative positions in the communes. A medieval town like Siena, with an adult male population of around 5,000, created 860 part-time city council positions (Putnam, 1993). Similarly, thirteenth-century Bologna had 2,000 public servants, or notaries, who held positions of responsibility for keeping records of business and legal transactions (Hearder, 1990).

However, when it came to electing officials and administrators, the communes only practised a limited form of democracy in that effective political power was, more often than not, located in the hands of a small group of men who were members of the 'consul'. According to Martines (1979), by 1200 the small consul, characterised by limited representation, had become the basic means of governance in the communes.

Even with these obvious shortcomings, the city-republics were progressive in the art of collective rule and fostered a level of popular participation that was alien to most medieval societies. In fact, the communal political system was part of a manifest 'burgeoning of associative life' (Becker, 1981, p. 36) that gave rise to confraternities (religious charitable bodies), and *vicinanze* (neighbourhood associations). It also facilitated the cultivation of highly innovative commercial operations based on sophisticated networks of cooperation: the unique context of the communal republics provided the necessary social conditions for the invention of credit and banking facilities. The spirit of mutual cooperation and the integration of communal societies were imperative to the use of credit. Usher notes: 'The distinctive features of the primitive bank of deposit were largely derived from the predominant use of the verbal contract' (1934, p. 410). (In etymological terms, 'credit' derives from the word *credere*, meaning 'to believe'.) In addition to credit facilities, the guild organisations, responsible for representing merchants and regulating trade, flourished in the communes. These organisations were sensitive to the needs of wider communal society and contributed extensively to its well-being.

The historical antecedents of the Italian guilds can be traced to the compulsory taxpaying trade associations, or *collegia*, of the late Roman Empire. The advance of Byzantine and Germanic rule in the late sixth century, together with the influence of Roman Catholic bureaucrats, brought the demise of the *collegia*. But some Byzantium protectorates - Naples, Amalfi and Venice - were administered and financed by merchants. Such was the success of these guild-run cities that the Frankish Emperor, Lothar I, permitted seven areas located in the North of Italy - Bologna, Cremona, Ivrea, Florence, Milan, Padua, Turin and Venice - to establish independent associations of craftsmen and traders. This eventually culminated in a veritable proliferation of guild institutions in the tenth century (Staley, 1906).

By the twelfth century, guilds could be found regulating trade and securing monopoly interests for town merchants throughout the city-republics. As well as administering trade, these trade associations would collect taxes to fund the construction of defence fortifications and other public services (Hickson and Thompson, 1991). To assist the communes in these areas of public policy, it was exigent for guildsmen to be integrated into the machinery of communal government. Guild representatives did not see this as an unnecessary burden, for inclusion gave them an opportunity to promote the interests of their own trades within the corridors of power. Hearder (1990) reports that artisans and shopkeepers could be found in Modena's town council by 1200; it was not unusual for members of these lowly trades, once in government, to use the collective

organisation of the guild to exert political pressure for democratic representation within the communes. It should be pointed out that, as institutions, the guilds did not always fare as true purveyors of egalitarian virtues, or endeavour to represent the interests of popular classes. Some guilds, such as the Seven Greater trade guilds of Florence, shared an affinity with the ruling and moneyed classes rather than the *popolo* (common people).

The participation of the guilds in civic life extended to the provision of welfare services and mutual assistance to both members and individuals not connected with any trade or profession. The religious ancestry of many guilds, such as the shoemakers' guild at Ferrara which had evolved from a religious confraternity, helped sensitise members to the plight of the less fortunate, both within and outside the organisation. Sometimes membership of a guild required active participation in mutual assistance (Hyde, 1973). The guild statute of Verona of 1303, probably inherited from a much earlier statute, demanded the following: "Fraternal assistance in necessity of whatever kind", "hospitality towards strangers, when passing through the town, as thus information may be obtained about matters which one may like to learn", and "obligation of offering comfort in case of debility" are among the obligations of the members' (Kropotkin, 1907, p. 174n.).

The nascent philanthropic impulse of these local trade associations can be explained in part by their religious and fraternal origins; but of equal significance was the proliferation of charitable activities in communal Italy, which

were not without their influence on communal institutions and leaders. Using archival sources from medieval Tuscany, Becker (1981) records a marked increase in charitable activity after the eleventh century. In the diocese of Lucca between 824 and 1008, the cause against indigence received only four donations in total, compared with 22 registered gifts from 1008 to 1100. A similar pattern was recorded for Florence: in the ninth century, only three bequests were made for the establishment of pious foundations, and none at all in the tenth century before 978. For the next 30 years after this date, information exists on 19 new foundations - equalling the total for the previous two hundred years.

Becker maintains that there is no straightforward explanation for this heightened interest in philanthropy. A likely scenario is that the demise of the feudal order - characterised by the oppressive power of landowning classes, the strict servitude of the masses to the dictates of the church and the prevalence of economic uncertainty - and its replacement by a society predicated on cooperation and mutual responsibility between different orders proved ultimately conducive to the development of charitable sensibilities. With this transition, the lay associations that were active in the church demonstrated a profound concern with this-worldly matters as expressions of religious devotion. Becker notes: 'Empathy for the plight of the poor was matched by a vital concern for human suffering' (1981, p. 37). Even in the ecclesiastical and religious spheres, the passion of Christ was celebrated more than the stern figure of Christ as judge. This contrasted with the formalism and intricate

religious rituals that surrounded charity in the Dark Ages. In feudal society, charity was rarely linked to collective ideals and was sporadic. In contrast to the communal age, charitable action in the Dark Ages was motivated more out of selfish, utilitarian needs than human compassion: individuals gave to the poor in order to gain God's favour and salvation after death.

The chasm that existed between the philanthropy in feudal society on the one hand, and communal Italy on the other, is further highlighted by the fact that, in the former epoch, charity was the preserve of leading families and was looked on as an expression of pietistic observance rather than pastoral concern. After the eleventh century, the world of benevolence in Tuscany was 'democratised': philanthropy became an occupation open to all those individuals who were genuinely moved by deprivation and poverty. Along with ordinary gentle-folk, the emerging artisans, shopkeepers and craftsmen of Tuscany were similarly welcomed into the philanthropic world, previously reserved for the landowning elite and ecclesiastical authorities (Becker, 1981, p. 100). The guilds, as representative agencies of these new entrepreneurial classes, possessed both the financial and human resources to undertake a prominent role in charitable work.

Florence was a major centre of guild activity. Apart from their importance to the communal economy, the Florentine guilds were noted for their charitable work and support of welfare services in the city-republics. Following the example of the premier guild in Florence, the *Calimala guild*, various other trade associations patronised local monasteries. The guilds were

attracted by the religious orientation of these centres, and their functioning as rest homes for the infirm. Although the guilds would use the monasteries as retreats for their own members, they also used their own premises to care for sick members and assist those looking for work (Staley, 1906).

In their benefactions, the guilds often targeted medical centres. In Florence, it was commonplace for leper stations on the outskirts of the city to obtain benefactions from individual guild members. The propagation of hospital institutions in the Northern and Central regions of Italy, especially Florence, during the twelfth and thirteenth centuries was assisted by munificent donations from guild institutions. By 1338, there were 30 hospitals in Florence, including around 1,000 beds for the sick. The guilds of Florence helped to finance the establishment and maintenance of these hospitals, which provided essential services to the sick and poor alike (Staley, 1906, p. 538). In 1338, the *Calimala guild* built a hospital in the hamlet of Campoluccio, endowing it with food and medical treatments for patients. Unfortunately, the institution carried on its work only until 1529 when, during the siege of Florence, it was demolished to build fortifications.

The social relations that characterised communal society, as we have seen, gave rise to civically-minded commercial institutions like the guilds and numerous other associations. Yet a spirit of egalitarianism and democracy was not all-pervasive in the city-republics, as factionalism was rife and the nobility remained an important part of communal life. Nonetheless, the cities of Northern Italy maintained a distinct sense of social

order and cooperation that was lacking in most other European societies at the time. But the ability of communes to maintain social order and a vibrant associative life was manifestly threatened by a series of internal and external events in the fourteenth century - some 200 years after the rise of communal republicanism.

The crisis of communal Italy

The pinnacle of republican rule came during the late thirteenth and early fourteenth centuries. Thereafter, the healthy associative life and progressive forms of government that had formed a distinct part of medieval Italian society were besmirched by a series of catastrophes - famines, wars and epidemics (Lane, 1966).

One of the most injurious episodes in the history of communal Italy was the arrival of the Black Death in 1348. This plague struck when the resilience of the people was already at a low ebb due to a series of famines starting in around 1339. The Black Death was probably brought to Italy by Genoese merchants coming from the Crimea. Once in Genoa, it spread to Pisa and then throughout Central and Northern Italy, with Florence being the worst-affected republican city state. From historical studies that have examined this tempestuous period in pre-Unification Italy, it would seem that around one-third of Italy's population died as a result of the epidemic (Hearder, 1990). The Black Death was not an isolated event: other epidemics - less severe than the Black Death - broke out at various times during the fourteenth century. This retarded the opportunities for economic recovery,

and introduced a note of dislocation into the previously cohesive communal milieu. Even the number of available administrators and political leaders was severely curtailed by the plagues.

The uncertainty and destabilisation caused by successive plagues and famines saw the city-republics place their faith in seigniorial rule and hereditary succession to restore stability instead of elected representatives and secular administrators. Martines argues that - with these traumatic changes afoot - 'residual political feeling of a popular sort evaporated in the course of the fifteenth century. The political stability of republics came increasingly to be moored in fixed classes and a fixed patriciate' (1979, p. 139). The problems caused by epidemics and famines were exacerbated when the factional hostilities raging throughout Europe began to reverberate within these metropolitan centres. Although a belt of cities running across Venice, Emilia, Tuscany and Genoa had managed to preserve communal rule and resisted subjugation to monarchical authority, for many areas authoritarian pedagogy was fast subsuming civic republicanism as the dominant form of rule within the communal networks of Italy.

Under these new political conditions, many of the institutions, integral to city-republics, were systematically dismantled - sacrificed to the dictates and whims of authoritarian rulers. In communal Italy, the merchant and craft guilds were noteworthy victims of this abrasive political culture. More specifically, it was the emergence of Hellenistic thought in fifteenth-century Northern Italy that helped erode the

legitimacy and function of the guilds (Hickson and Thompson, 1991).

As a distinctly occidental school of thought, Hellenism could be traced to the writings of Socrates, Plato and Aristotle and was popularised by Alexander and the Caesars throughout the ancient world. Hickson and Thompson (1991) argue that the spread Hellenistic concerns during the fifteenth century inculcated a negative and cynical evaluation of popular democratic rule, epitomised by the city-republics. For the guilds, this meant a loss of autonomy and subjection to the 'oligarchies of centrally directed, Hellenized bureaucrats...' (Hickson and Thompson, 1991, p. 152). With these new seigniorial despots, the guilds were divested of their entry-restricting powers and bureaucratic administrative function in collecting taxes. Because they had attained a certain amount of importance as commercial and tax collecting institutions, the emaciation of the guilds had severe repercussions for many city-republics. This could be seen by the way communes, such as Venice and Florence, which had restored their guilds, outperformed, in economic terms, despotic cities like Milan (Carpanetto and Ricuperati, 1987). Furthermore, the active dismissal of the guild system immediately relinquished a source of government revenue for defence spending, as, in many cities, the guilds were responsible for collecting defence taxes on behalf of the local commune. These myopic policies, together with the politically volatile situation, rendered the peninsula susceptible to colonial domination. Invariably, this is exactly what happened during the fifteenth and sixteenth centuries when France and Spain played out their imperial ambitions in Italy.

Spanish domination and the rise of the Christian loan banks

When Charles VIII invaded Italy in 1494, the Italian republics tried to undermine the French monarch by pitting other European powers like Spain against him, but this only ended up dividing rather than uniting Italy. A destructive phase of the Franco-Spanish war started in 1521: Charles V, Emperor of Spain, drove Francis I of France from Milan, resulting in a protracted confrontation between the two powers. In this war, Italy was the principal battlefield, and the city-states acted as satellites for either French or Spanish interests. Spanish successes at Pavia and then Rome in 1527 proved decisive in the battle and in 1559 the war was concluded with the Treaty of Cateau-Cambresis. This marked the start of Spanish domination over Italy for nearly one hundred and fifty years and, apart from Turin, the loss of French sovereignty in the area.

For many commentators, the start of Spanish domination in the early decades of the sixteenth century signalled not only the end of the Renaissance but also the demise of independence and republican rule for the Northern city-states. As a result of these foreign invasions of the early sixteenth century, the city-republics experienced a sharp economic and demographic decline, which could be gauged by the decision of many Northerners to migrate southwards where there was relative peace and prosperity. Some historians describe the years following the Renaissance - the 'Baroque' period - as 'perhaps the dullest in Italian history' (Harder and Waley, 1963, p. 98); others simply note that the republics were moving towards 're-feudalisation' (Putnam, 1993). The great philosophers and thinkers of the

Risorgimento - Francesco De Sanctis and Benedetto Croce - argued that Spanish rule in Italy caused its vibrant cultural life to decay.

Modern historians have come up with findings at variance with orthodox formulations of the 'decadent' Baroque period. In seminal works on Florence and Tuscany, the historian Eric Cochrane - a pre-eminent revisionist and apologist of the Italian Baroque - argues that the sixteenth and seventeenth centuries were not dreary historical interludes, but periods of intellectual, artistic and political vitality. In one of his tomes, Cochrane (1988) shows how the pan-Italian alliance established by Charles V of Spain led to a period of stability and relative peace; for Cochrane this was not the genesis of the Counter-Reformation, but the beginning of the 'age of consolidation'. During this period of political stability, Italy - especially the war torn areas of the North - witnessed demographic expansion and commercial recovery. Moreover, the ecclesiastical reforms introduced by the decrees of the Council of Trent (1545-62), together with a revised catechism, engendered a more religiously devout and well-instructed laity; by the same token, this emphasis on piety produced a zealotry for religious activism and charity. Even the *vita civile* - the impulse of mutual solidarity and cooperation fostered by the city-states - was not totally eradicated by the eclipse of communal government. The 'age of consolidation' saw the rise of religiously inspired institutional configurations that shared an affinity with the institutions and traditions of the city-republics. Foremost among these new associative formations was

the *Monte di Pegno* (or the *Monti di Pieta*). These were primarily formed as Christian banks to combat indigence and serve the poor; therefore, they have import in the present analysis, as their influence is still evident in contemporary Italian society (see Chapter 8).

The central animus of these banks, when they were founded in the latter part of the fifteenth century by the Observant Franciscans, was to relieve the burden of poverty through the supply of small loans, either gratuitously or at low rates of interest, to the genuinely poor or needful. Although similar Christian loan banks existed throughout Europe in the mid-fifteenth century, the *Monti di Pieta* of Italy proved unique because they aimed to both relieve the distress caused by poverty, and systematically replace Jewish moneylenders and banks with Christian-run operations. The predominance of Jews in such activities was due, largely, to their marginalisation from mainstream economic activities, apart from moneylending, which was seen as a necessary evil that had to be performed by non-Christians. Even though the *Monti di Pieta* were established to deal with poverty and, more unscrupulously, to eradicate Jewish moneylending, the anti-Semitic ecclesiastical authorities treated the idea of Christian loan banks with a certain amount of suspicion because of their perceived dalliance with usury. This financial practice, according to the Catholic Church, was a direct contravention of divine law. Nevertheless, the *Monti di Pieta* had the favour of the secularised judiciary that approved of loans and interest payments on the grounds of economic necessity. Even some religious representatives were apt not to

dismiss interest payments out of hand: the Tuscan preacher, Bernardino of Siena, argued that interest payments could be used for charitable purposes (Pullan, 1971).

After the first *Monte di Pieta* was established in Perugia in 1463, a number of similar institutions were founded in the areas around central Italy. The *Monti di Pieta* gradually gained acceptance in the Papal states, providing the movement an air of authority (Pullan, 1971). By the late fifteenth and early sixteenth century, however, as the Spaniards gained a foothold in Italy, the Christian banks could be found widely dispersed across Liguria, Lombardy and several territories in Veneto. In 1515, a Papal proclamation in support of the *Monti di Pieta* was finally granted by the Bull of Leo X. The Bull defended the use of interest payments on the basis that banks had to generate a certain amount of surplus income in order to employ full-time administrative officials.

Because of their charitable origins, the average rate of interest stood at 4-5% - or in the case of smaller banks no interest charge was made. The level of income generated proved to be of nominal proportions. However, the early *Monti di Pieta* did not expand their capital reserves by participating in financial speculation or by providing private banking services. Recourse instead was made to a variety of non-profit fund-raising methods. Favoured strategies included the charity sermon, religious festivals and the implementation of special taxes - the vociferous opposition incited by this tax meant that it was rarely used.

Eventually, it was inevitable in a society where financial practices were so advanced that, as Pullan notes, 'the *Monti di Pieta* began to raise capital for the use of the poor by acting as deposit or savings banks' (1971, p. 474). A number of institutions experienced marked growth during the sixteenth century because of their forays into deposit banking. To attract deposits, some organisations started to offer interest payments in return for investments. However, such displays of entrepreneurial ingenuity were in danger of being ruled *ultra vires* on the grounds of usury. The main note of justificatory support for interest payments on deposit payments was this: that an investor deliberately giving to charity was entitled to limited forms of compensation. Papal briefs granted to Modena (1542) and Vicenza (1555) stipulated that interest could be paid to depositors. Other cities, assuming that the Papal briefs given to Modena and Vicenza had a general applicability, copied their example. The ecclesiastical authorities, on this issue, proved less intransigent, for in most cases the ruling public institutions would guarantee the return of deposits.

Despite the inroads being made into deposit banking, the contribution to poverty relief - symptomatic of the resurgence of religious piety during 'the age of consolidation' - was still an integral function of the Christian loan banks. Their main contribution towards tackling indigence took the form of low interest loans. When requests were made, officials from the *Monti di Pieta* would carry out meticulous investigations to discover the reasons behind the petition; this initial screening proved necessary in order to distinguish between those who were

genuinely in need of loans and those who had decided to obtain loans for immoral ends. The cause against poverty went beyond munificence in the form of low interest payments: some *Monti di Pieta* would produce large quantities of small currency to secure fluid transactions between banks and their claimants. Other banks made specific efforts to assist agricultural production in order to create jobs and promote economic self-sufficiency among the poor in their localities (Pullan, 1971).

The charitable work of the banks increasingly had to be balanced against their involvement in deposit banking. The embroilment of the Christian loan banks in such areas attracted a clientele other than the destitute or poor. Religious organisations that could not invest in land and capital used the facilities of the *Monti di Pieta*, as did those members of the middle-class who would not embark on adventurous commercial exploits for want of nerve or knowledge. A number of Christian banks followed Verona's example of having two separate banks - one, exclusively charitable, lent small sums to the poor; the other supplied personal loans of any amount to all individuals.

Thus, throughout the sixteenth and seventeenth centuries, the nature of the *Monte di Pieta* was subtly transformed, as capital was increasingly generated through interest-bearing deposits. While the *Monte di Pieta* retained its charitable status, external financial demands forced these financial organisations ever further into mainstream banking: due to several private banking failures in the late sixteenth century, the *Monti di Pieta* were used as a public service banks, with their loans guaranteed by ruling authorities. Larger cities

utilised funds from these banks to construct defences or purchase surplus grain supplies during periods of emergency. The embroilment in public banking threatened to dismantle the *Monti di Pieta*, as a series of catastrophes struck Northern Italy during the early 1600s. Between 1630 and 1633, a serious epidemic to rival the Black Death struck Italy; some towns lost 70% of their inhabitants (Hearder, 1990). A second plague hit Italy in 1656, with the port cities of Genoa and Naples losing 50% of their citizens. In addition, by 1627, the relative stability that had reigned over Italy came to a sudden end: the struggle over Italian territory between France and Spain was resumed. In 1629, French and Spanish forces fought over Mantua and Monteferrat - a battle subsequently won by the French in 1631. For those *Monti di Pieta* acting as public loan banks, the arrival of wars, epidemics and economic instability brought many of them to near ruin. The ruling body in Brescia was unable to pay back the loans to one of its *Monti di Pieta*, thus reducing the financial capacity of the bank. In the case of the large Christian bank of Verona, loans were made to the ruling house of Mantua during the war of the Mantuan Succession in the late 1620s. Few conditions had been placed on the loan, and when the Duke of Mantua failed to redeem his pledges or pay interest on them the bank lost around one-third of its capital.

This period of instability, undermining the position of the Christian loan banks, was compounded, as we have mentioned, by the resumption of hostilities between France and Spain in 1627. During the final phase of this long colonial war in the early eighteenth century, the protagonists were joined by the

Austrians, who saw this as their opportunity to gain influence in Italy. The Peace of Utrecht, marking the end of the war in 1713, was significant for it established the Austrian Habsburgs as the dominant power in Italy. Under Austrian rule, Italy experienced relative tranquillity, especially in the period between 1748 and the invasion of Napoleon in 1796. Yet, it had all the hallmarks of a discordant society, ill at ease with itself: the contrasts between rich and poor seemed to be more entrenched than anywhere else in Europe, and crime was on the upsurge (Harder and Waley, 1963, p. 104). The fragile position of Italian society was not helped by a series of free market reforms, implemented by the new Austrian rulers, that systematically disrupted local economies, and disassembled surviving guild institutions. The adherence of Tuscany's Austrian monarchical ruler, Leopold, to physiocratic ideals that centred around private landholdings and free markets, resulted in the near obliteration of the medieval guild system in the 1780s, provoking an economic and social crisis as the number of commercial institutions offering stable employment opportunities was considerably reduced (Woolf, 1979, p. 131).

It seems that by the eighteenth century, the civic traditions and institutions of the peninsula were either eradicated, as in the case of the guilds, or disrupted by despotic rule and the imposition of new reforms by the Austrian rulers. But the *vita civile* of the city communes, so resplendent throughout the Middle Ages and during brief interludes like the Baroque period, was not doomed. The former locations of the city-republics - the Northern and Central regions of the peninsula -

would be receptive to the resurgence of civic activism, and the rise of new, communitarian-based, commercial bodies during the nineteenth century.

The new wave of benevolent institutions

Our attention now turns to the early years of the nineteenth century. This was a period of turbulent and significant political change for the Italian peninsula, which saw the emergence of new civic associations, including socially orientated commercial institutions. The new decade marked the start of Napoleon's reign as Emperor of Italy. He assumed this mantle after a prolonged war between revolutionary France and monarchical Austria over Italian territory. The war raged from 1792 to 1804 and saw Napoleon rise from director over colonial policies in Italy to dictator of France. In 1804, four years after capturing Italy's Northern territories from the Austrians, Napoleon declared himself Emperor of the Kingdom of Italy.

From this omniscient position, Napoleon was able to impose his form of government authority throughout Italy. The ushering in of this new political order, according to Putnam (1993), involved officials in France and Italy keeping close scrutiny, and sometimes actively suppressing, organised forms of sociability, even innocuous associations like workingmen's clubs. In Napoleonic law, there was an inbuilt distrust of institutions that were not formally recognised by the state. Hodson observes: 'the development of law was profoundly influenced by the principle that the supremacy of the democratic State should not be impoverished by unregulated power given to private

institutions' (1991, p. x). Despite Napoleon's undemocratic and imperialist tendencies, he installed an efficient administrative system and occasionally imposed enlightened monarchical rulers over Italian territories.

Once France's claims over Italy were secure, Napoleon began to pursue his imperial ambitions in Eastern Europe. Although he enjoyed early successes over the coalition powers of Austria, Prussia and Russia throughout the 1805-07 period, and later over Austria at the Battle of Wagram (1809), France took the ill-advised step of invading Russia. The ensuing battles saw significant losses for the French army. In March 1813, Prussia and Austria went to war against France, with Italy once again providing the battlefield location. Eventually, Napoleon's army was defeated at the four-day battle of Leipzig (Hearder, 1983).

At the settlement in 1815 - incorporating the treaties of Vienna and Paris - Metternich, the Austrian Foreign Minister, made no secret of his aspirations that Italy should come under Austria's sphere of influence - and generally retain the monarchical status quo. His wishes were largely complied with: the North-East and much of the remainder of Italy came under Austrian control; monarchical dynasties were installed at Genoa and Venice; and the Treaty of Vienna confined Lombardy, Tuscany and Modena to rule by the Habsburg monarchies.

Once in power, the Austrians were loath to dismantle the effective administrative system brought in by Napoleon, or even sack appointed officials. The Austrians used this system to encourage economic development and mutual assistance throughout the peninsula. In fact, they helped revive the tradition of

social banking - first seen in the *Monti di Pieta* - through the formation of savings banks (*casse di risparmio*). It was through Conte Franz von Saurau, the Interior Minister of the Austrian government, that the first group of savings bank were established between January and February 1822 in Venice, Padua, Udine, Treviso, and Rovigo. Although the *casse di risparmio* shared an affinity with the *Monte di Pieta*, as they performed the function of quasi-public institutions that generated funds through the use of interest payments, the savings banks utilised advanced methods of commercial banking, and on the whole executed their administrative duties with greater proficiency (Senin, 1976, p. 910). The *Monti di Pieta* continued to operate in this period, despite the economic set-backs that they had faced in earlier centuries. However, they were soon surpassed in terms of numbers by the proliferation of the *casse di risparmio*: in 1823, the Milan-based *Cassa di Risparmio delle Province Lombarde* was established; the neighbouring region of Piedmont, in 1827, witnessed the establishment of the *Cassa del Regno di Sardegna*; and soon after, cities in central Italy - Florence (1829) and Rome (1836) - formed their own *casse di risparmio*. By 1850, there were 70 *casse di risparmio* in the Northern and Central regions of Italy, with 20 of these located in the regions of Lombardy and Veneto. For the Southern regions, where patterns of sociability had been stifled, it was only after the Unification of Italy that the first savings bank was formed in the *Mezzogiorno* (ACRI, n.d., p. 5).

The significant point about the *casse di risparmio*, from our point of view, is that they continued the tradition of social and

philanthropic banking (Magini, 1992). The aims of the original sponsors was for the banks to cultivate a system of welfare assistance, whereby funds would be distributed to the needy and indigent. The funding of hospitals, recovery homes, schools, and art conservatories for the poor were among the social and philanthropic causes that occupied the *Cassa di Risparmio di Roma*. Indeed, when the regulation for instituting the bank was passed in 1836, much was made of the need for the bank to partake in social and charitable action (Varni et al., 1991, p. 13). In addition to these philanthropic interventions, the *casse di risparmio* contributed to the economic and commercial well-being of their localities: they provided didactic advice to depositors on the practice of saving; investments and loans were furnished to artisans and landed proprietors to assist local economies. These commercial policies, however, left the *casse di risparmio* open to accusations that those benefiting most from their services were small capitalists, merchant landowners and public employees, rather than the underprivileged or the poor. Those who most required easy access to cheap loans - the poor and labourers - did not possess the financial wherewithal to build up savings and, hence, deposits in the banks. Consequently, the banks lowered their rates of interest from 4% to 3% in 1830 to attract less prosperous customers. With the lower rate of interest producing the desired effect, six years later, the maximum limit for a single account was reduced from 300 to 75 lire (Neufeld, 1961, p. 56).

The Austrian regime might have been able to retain a semblance of administrative efficiency in its rule over Italy and

prove instrumental in forming the *casse di risparmio*, but there was a strong undercurrent of dissatisfaction against Austrian occupation. Hearder observes that there was particular 'resentment against the Austrian imposition of a censorship of a kind far more rigorous than anything Napoleon's officials had imposed' (1983, p. 31). The begrudging acquiescence of the Italians towards foreign occupation soon spilled over into active opposition by disaffected troops and underground societies that had been formed originally to undermine the Napoleonic regime in Italy. The *Adelfi* sect (later called 'Sublime Perfect Masters'), led by Filippo Buonarroti, and the later *La Giovine Italia* (Young Italy), formed by Giuseppe Mazzini, pursued republican objectives. These societies, amongst others, proved to be important precursors of the *Risorgimento* movement, and their leaders - such as Mazzini - made vital contributions to the Unification of Italy in 1861 (Hearder, 1983).

These politically-motivated societies, though, seemed more than epiphenomena of the ground swell of opposition against the Austrian regime: they were manifestations of the surge of associative and civic behaviour at the turn of the century. The associative life of the nineteenth century assumed diverse forms of sociability: civic, charitable and educational associations emerged in most cities and towns (see Putnam, 1993). This resurgence of associative life witnessed new forms of charitable and associative action. Despite the formation of the *casse di risparmio*, the traditional conduits of charity and welfare - the ecclesiastical authorities and the *Monti di Pieta* - were in some disarray (Clark, 1984). Subsequently the mutual aid societies

rose to prominence in order to promote new benevolent associations that were in demand during this period. Although these associations could be found in the fourteenth century, they only became widely established after the mid-1800s. Between 1800 and 1849, the number of mutual aid societies stood at 38, but this total increased to 174 during the years from 1850 to 1859 (Neufeld, 1961). In terms of geographical dispersion, the North of Italy was the prime area for their operations. The Kingdom of Sardinia (incorporating the region of Piedmont), in the 1850-60 period, held over two-thirds of the mutual aid societies in Italy - a characteristic that was facilitated by the Kingdom's adoption of a liberal constitution that guaranteed the freedom of association (Neufeld, 1961, p. 61).

The rehabilitation of associative life, as was demonstrated by the mutual aid societies, brought to the fore a number of new commercial organisations with definite benevolent leanings. These institutions gained prominent support from members of the middle-class, who, due to a religiously inspired spirit of humanitarianism, found themselves moved to alleviate indigence (Neufeld, 1961, p. 56). Prominent among this new wave of socially inclined business institutions were the cooperatives. As commercial institutions, the cooperatives acted more as benevolent associations for workers than orthodox profit-making enterprises. They grew out of the conservative principle - similar to that advocated by the mutual aid societies - of facilitating the process of self-help through mutual solidarity. The inspiration for the Italian cooperatives, and major advocates of the movement, such as Mazzini, could be linked to the

Equitable Pioneers of Rochdale and G.J. Holyoake - a prominent spokesman of the English cooperative movement. However, the movement in Italy lacked the commercial acumen and solidarity found in its English counterpart. But if Italian movement had a distinctive feature, it was the sheer variety of industrial and commercial organisation that came under the cooperative umbrella.

The exact temporal appearance of the cooperatives can be traced to the post-revolutionary period of 1848. Here, groups of craftsmen and artisans, mainly in the North-West of Italy, collaborated to form small workshops. The formation of cooperatives was facilitated by a statute of King Charles Albert of Turin, in 1848, that permitted freedom of association. According to leading authorities on the early history of the Italian cooperative movement, the first true producer-cooperative was the *Associazione Artistica Vetraria* (Society of Artistic Glassware) of Altare, a village located in the Ligurian hills. The cooperative was formed in 1856 when, in the wake of a cholera outbreak and local economic downturn, the village doctor, Dr Giuseppe Cesio, persuaded 84 labourers to form a glass-making association as a way of securing their own future and the revival of the village economy (Earle, 1986). As a clear indication of their affinity with the traditions of the medieval commune, the glass-makers marked their agreement with a ritual that revived the traditions of the guild of Altare, which had sustained successive attempts of repression by ruling monarchs. By the 1870s, the *Associazione Vetraria* had doubled its membership.

Like the *Associazione Vetraria*, many of the formative producer-cooperatives could be found in the North of Italy: the

Printing House of Compositors founded in 1859 in Turin; the stonemasons of Milan (1860); the Tailors of Genoa (1856); and the wool-carders in Milan (1862) (Earle, 1986, p. 13). All these fledgling producer-cooperatives drew on the most immediate cultural resources available - the tradition of civic responsibility and associative social action of the Middle Ages - as a pragmatic response to changing economic conditions in nineteenth Italy. Por observes: 'There is then, in Italy, a well-pronounced general tendency among the workers, originating perhaps in the traditions of medieval guilds, to fight against the sabotage of production by the present economic system' (1923, pp. 3-4).

The producer-cooperatives performed the important social functions - mainly for their members - of providing secure employment and insurance services. The cooperative credit societies, on the other hand, emerging after the producer-cooperatives, served a wider constituency within communities. The first cooperative banks or people's banks (*banche popolare*) were founded at Lodi near Milan in 1864 by the Venetian polymath, Luigi Luzzatti, who adapted them from the German model of the Schulze-Delitzsch. Using this model, members would buy shares, normally with a small deposit, and loans would be made in proportion to these deposits. Under Luzzatti's leadership, cooperative banks subsequently appeared in Milan and Brescia. The movement extended beyond the Northern cradle and spread rapidly, with the number of credit societies growing from four to 64 between 1865 and 1871. By 1881, there were 171 cooperative banks,

and subscribed capital had nearly doubled within a ten year period (Earle, 1986).

Many of the new benevolent institutions that were founded during the 1880s tended to converge around the Centre and North of Italy, whereas the South was still shackled to century-old, feudalised, authority structures, which were responsible for economic underdevelopment and the rise of powerful crime syndicates (Gambetta, 1988). On the other hand, by the 1870s, according to Caracciolo (1977), the Northern and Central regions of Italy had already cultivated a wealth of new associations - savings banks, cooperatives, rural credit societies, people's banks - encompassing different facets of social life and the economy. What needs to be explored in further detail is the impact of modernising forces, such as industrialisation, on these new civic and business institutions. This will dominate our analysis in the next section, as we consider the industrialisation of Italy and its repercussions for the wider social and philanthropic interests of business enterprises.

Commercial philanthropy in the age of modernisation

Industrialisation and philanthropy

The modern period naturally begins with the industrialisation of Italy - a pivotal moment in the peninsula's history, for it brought about a fundamental transformation of a society based around agrarian production. Our aim now is to examine how the transition from traditional to modern forms of economic production effected the social and philanthropic commitments of the new industrial class and semi-public commercial entities,

like the savings banks and cooperatives, that emerged during the early part of the nineteenth century.

Significantly, Italy delayed her entrance into the industrial age. It was not until the early 1890s - by which time the most powerful states in Europe were fully industrialised - that Italy's economic base made the leap from traditional to industrial mode of production; the years between 1896 and 1908, as one commentator has described them, were those of 'the great push' towards industrialisation (Gerschenkron, 1962, p. 77). The reason why Italy lagged behind the rest of Europe can be partly attributed to the weakness of the Italian entrepreneurial class and its inability to build a hegemonic base, independent of pre-industrial landed elites from which it could transform Italy's agrarian economy. There were small groups of businessmen, influenced by what was taking place in other European states, who advocated the adoption of industrial production methods. In response, societies and institutes were established to promote industrialisation, and schools for instructing workers in modern production methods emerged in Milan and Turin (Cafagna, 1973, pp. 284-5). These modest advances took place in a climate still dominated by agrarian production, and where influential opinion, that of the Catholic Church and the landowning classes, was pitted against industrialisation. Eventually, it was only through a heavy dependence on state intervention that the bourgeoisie was able to transform Italy's tardy economy.

Direct state intervention was integral to the industrialisation of many European nations. The level of government involvement in economic affairs tended to vary across

societies, as different national configurations approached the process of industrialisation in a distinctive manner. Prodi makes a telling statement with reference to Italy on this point:

Italy's industrial development has been supported by the public sector to a degree that has few equals among the nations that operate on the basis of a market economy. Italian capitalism was born and developed through a continuous series of privileged relations with the state...In the history of all the European industrial systems, there have been periods of strong state intervention. But these have usually alternated with periods of pronounced 'laissez faire'. In Italy, on the other hand, the close tie between the public and private sectors developed permanent elements even though there were continuous institutional changes. (1974, p. 45)

From the late 1880s onwards, as the economy began to take faltering steps towards industrialisation, the government capitulated to the demands of the pro-industrial lobby - led by the woollen manufacturer, Alessandro Rossi - to intervene on behalf of the nascent industrial sector. Thus, from this point onwards, the state used a whole panoply of political and economic instruments at its disposal - tax concessions, investment and tariffs - to prioritise industrial production, mainly in expanding areas such as shipbuilding, steel and cotton production. Government intervention proved equally significant when it came to modernising the infrastructure, such as the railways. As other European states had already demonstrated, a fully operating railway system was vital to economic and industrial growth (Toniolo, 1990).

By the late nineteenth century, Italy had achieved tangible growth and was beginning to industrialise, mainly as a result of what Saraceno (1976) terms the guaranteed model of development, where banks and companies depended extensively on public sector

support. Much of this expansion was concentrated in sectors like cotton production, which had a limited market, and the high cost industry of steel production, often at the expense of potentially dynamic chemical and engineering industries (Toniolo, 1977). And even though Italy's economy grew considerably during the late 1890s, this was confined to the North, while the South remained underdeveloped (Eckaus, 1961). There is no doubt that the overall economic performance of the peninsula still lagged behind many of Europe's leading nations.

Two of the dominant features of industrialisation - the weakness of the business class, and its concomitant dependence on the public sector - held significant repercussions for the social and philanthropic commitments of entrepreneurs and business institutions.

It is clear that, due to the tardiness of the industrial sector and the limited economic capabilities of the entrepreneurial class, business owners were not in a position, in the late nineteenth and early twentieth centuries, to emulate the level of social action demonstrated by commercial institutions like the guilds of the city-republics. Indeed, the extent of entrepreneurial support for voluntary and charitable agencies - largely responsible for providing poverty relief in Italy during the nineteenth century (Woolf, 1991) - was limited by the fact that charities were brought under state control through Crispi's charity reform law of 1890. This law reflected state concern over the effectiveness of charity work, and the general distrust, emanating from the influence of Napoleonic law

in Italy, displayed towards non-state agencies (Farrell-Vinay, 1989).

The centralisation of the Italian economy and society did not, altogether, prove a hindrance to philanthropic action on the part of commercial enterprises. The ubiquitous presence of the state in Italian society helped to safeguard the communitarian business institutions that had emerged during the pre-industrial period, namely, the cooperatives and the public service banks. Although they were structured as business agencies, their main function, as we have seen, was to fulfil public duties, such as the provision of cheap loans to the poor and the creation of small-scale enterprises to support local economies. Special government regulations enabled these institutions to remain firmly within the public domain and to continue furnishing various services, even though economic expansion in the industrial age was now at a premium. For instance, the savings banks (*casse di risparmio*), though privately owned in most cases, were officially recognised as public service and charitable institutions by a series of regulations passed in 1888. In 1890, Law no. 6972 publicly confirmed the charitable and public service functions performed by the *Monti di Pietà* (Senin, 1976, p. 911). These financial institutions still prevailed in this period, albeit on a much reduced scale since the halcyon days of the fifteen and sixteen hundreds. As for the cooperative movement, it continued to proliferate and expand into new areas of the economy during the early years of the twentieth century (see Costanzo, 1923). The Liberal government of Giovanni Giolitti helped secure the position of the cooperatives by granting these

institutions access to public contracts and facilities for dealing with banks. In addition, the government set up the *Istituto Nazionale di Credito per la Cooperazione* in 1904 (State Bank for Cooperatives), as a common fund to invest in, and assist the creation of cooperatives (Lloyd, 1925, pp. 25-4; Cohen, 1967).

While the period of industrialisation witnessed vital functions of the economy and society coming under state control, there were opportunities for private capital to be involved in social action. However, the most conspicuous social intervention by business owners and firms was the establishment of welfare facilities for the workplace. As the most fully industrialised sector of the economy, the textile industry demonstrated precocity in introducing paternalistic strategies as a response to the social consequences, both for employees and wider society, of industrialisation. Being a sector that was largely owner-controlled - even at the turn of the century, only 18 of the 727 cotton factories operating in 1900 were shareholder-owned companies (Cafagna, 1973, p. 295) - employers enjoyed a high degree of discretion in procuring a variety of social and welfare facilities for their employees. One of the most notable paternalists in the textile industry was Alessandro Rossi, a company owner reputed for his far-sightedness with regard to economic policy and the improvement of the factory environment (Baglioni, 1974). In the Milan area, employees at the Crespi textile firm benefited from social services, including a factory village which housed workers and the local police station. The paternalism of these early textile factory owners has generated

some interest among Italian socio-economic historians (see Merli, 1972; Guiotto, 1979). However, practitioners who have studied the benevolent endeavours of early industrialists generally equate paternalism with an ebbing away of autonomy for labouring groups. An underlying characteristic of paternalism is that social relationships in the workplace are based on vertical principles of patronage and deference to the owner's authority (Pollard, 1965; Joyce, 1982). Wilson notes: 'Paternalist employers were basically benevolent dictators, providing facilities for their workers and in turn hoping for their loyalty and affection. Their employees benefited from their "generosity" but remained entirely dependent on the goodwill of the management, for paternalism implied no rights to welfare' (1987, p. 190).

The main features of Italian industrialisation and business-led social action contrast markedly with those that prevailed in Britain during the same period. For a start, Britain was the first state to industrialise, an achievement that took place with the minimum of *direct* state intervention. For Supple, the proximate causes of British industrialisation are to be found in the market rather than the government: 'Compared with the continental experience...the British Industrial Revolution was a triumph of individualism...because its mechanisms of supply and demand and resource allocation were geared to the decisions of individual economic agents' (1973, p. 314). Furthermore, the economic position of industrialists was not undermined by the opposition to modern economic trends of pre-industrial interest groups. In fact, the industrial class augmented its political and social authority in the last third of the nineteenth century by

fusing with already powerful landed and financial classes (Scott, 1985, p. 253). Thus, industrialists and entrepreneurs held sufficient levels of wealth and the necessary political autonomy to engage in generous acts of munificence and philanthropy. Indeed, entrepreneurial and free market ideals were so prevalent that there was strong opinion against government intervention, even with regard to ameliorating the social and physical impacts of industrialisation. We saw in Chapters 2 and 3 how it was the responsibility of private charities and business philanthropists, throughout the eighteenth and nineteenth centuries, to deal with the prevailing social problems of the day. In contrast to Italy, there was minimal interference with the private system of welfare, as the main regulatory body for charities, the Charity Commission, had very few statutory powers at its disposal. From this, it seems that the political and economic structures of nineteenth century Britain were favourable to the social and philanthropic involvement of business owners. Even when there was an emerging consensus over the necessity for state intervention to relieve poverty, sections of the business community, particularly at municipal level, helped to improve and extend the range of social and welfare services provided by local government (see Frazer, 1979).

In contrast to Britain, Italian capital was in a position of relative weakness, enjoyed a less autonomous position and was dependent on direct state intervention. This economic and political subservience of Italian entrepreneurs to the state curtailed the social role of the private sector. By comparison, the free market played a more central contribution to the

industrialisation of Britain, and private capitalists possessed the financial wherewithal and political standing to organise grand philanthropic gestures.

It appears, then, that, following industrialisation, the economic achievements of the emergent bourgeoisie in Italy were generally unremarkable and dependent on direct state intervention. Such was the socio-economic standing of the Italian business class in this period that its social activities were confined mainly to the provision of social and welfare services for factory workers. It was only during the early years of the twentieth century, as the economic situation in the peninsula improved, that advances in commercial philanthropy and social action began to appear very gradually.

The changing status of private capital

In the immediate years leading up to the First World War, the position of private capital changed markedly in several respects. Economically, private industry consolidated some of the limited gains of the late nineteenth century, as Italy embarked on a second phase of industrial development. Central to this later phase was the ready availability of hydroelectricity, an energy source that was integral to the growth of modern engineering industries. This enabled Italy to achieve a modicum of success in emerging consumer industries, such as motor vehicle production, and new commercial ventures in the chemicals industry and typewriter manufacturing (Clark, 1984). In addition, private capital started to organise political representation through the establishment of employers' associations, allowing industrialists

to attain a degree of independence from the paternal tendencies of the state. Employers associations developed at a much later date in Italy than other European countries, because of the general weakness of the industrial class and its reliance on state support (Martinelli and Treu, 1984). As the industrial economy expanded during the first half of the twentieth century, business owners in Milan and Turin gained the confidence to establish the first representative associations for employers, culminating, eventually, in the foundation of the Italian Confederation of Industry in 1910. As private capital achieved some advances in terms of economic expansion and political representation isolated, yet conspicuous, examples of social involvement of the type demonstrated by the Victorian philanthropists in Britain began to emerge.

Out of these new industries, Olivetti, the typewriter and office equipment manufacturer, was the most renowned for its social interventions. The company was founded by Camillo Olivetti in 1908, who chose the town of Ivrea, within the region of Valle D'Aosta, as the location for his firm. He followed the tradition of Italy's textile sector by providing a range of welfare and after-work facilities for his workforce (Olivetti, 1983). However, it was Camillo's son, Adriano, who acted as the main inspiration behind Olivetti's social policies after joining his father in the management of the firm in 1926.

Once Adriano Olivetti began to assume control over the company in the 1930s, he organised an ambitious plan to develop the infrastructure and services for the entire town of Ivrea. Using the increased wherewithal of the company, generated by a

threefold increase in production between 1929 and 1937, under Adriano's direction Olivetti built hospitals, roads, schools, libraries, housing and recreational facilities (Martin, 1991). This philanthropic programme touched many of the inhabitants of Ivrea, including those not directly involved with the Olivetti company. Adriano also gathered a group of young architects - Figini and Pollini - who followed the progressive ideas of Le Corbusier to design company buildings that would not violate the natural beauty of the area, and which would furnish a pleasant working environment for employees, averting the impression of a closed and hostile institution. Kicherer notes:

In contrast to other socially conscious companies like Zeiss or Bosch, Adriano did not restrict himself to the limits of his company. Starting from the narrow integration of industry and the surrounding regional social structure, he asked for an industrial development plan which took into consideration the effects on the social and cultural structure. (1990, p. 15)

These social interventions extended to areas outside Ivrea. The company contributed resources and ideas towards the development of the South, urban planning, and art (see Fabbri and Greco, 1988). Adriano Olivetti also launched a political and cultural think-tank and pressure group known as the *Movimento Comunita*, a vehicle for stimulating public and intellectual debate about a wide range of politico-cultural issues such as architecture, the role of the firm in society, local politics and urban planning. As part of this movement, Adriano Olivetti gathered a coterie of artists, philosophers, psychologists, publishers, academics and politicians to examine how work and the quality of life could be improved in an industrial society. Many of these discussions found their way into articles, company

periodicals and books: Abbagnano and Bobbio's *Rivista di Filosofia*, Raghianti's art tome, *Sele Arte* and Adriano Olivetti's political oeuvre, *Citta dell'Uomo*, all of them came under the *Movimento Comunita's* own publishing house, *Edizioni di Comunita* (Ronci, 1980, pp. 50-1).

The Fascist period and the dopolavoro

Adriano Olivetti was the most significant industrial philanthropist to emerge from the industrialisation and modernisation of Italy's economy. The company showed how the economic and political confidence attained by private capital enabled firms to engage more fully in communitarian action than in the late nineteenth century.

The political and social position of private capital was subject to further vicissitudes as the Fascists led by Benito Mussolini came to assume control of the government in 1921. This was initially thought to be a fleeting phenomenon, but Mussolini remained in power for over 20 years. This period in Italy's history subsequently proved to be relevant in terms of dealings between private capital and the state, and the social expectations surrounding business enterprises.

During the Fascist period of rule, there was a continuation of the extensive interventionist approach in economic and civil life that had been a characteristic feature of Italy since the late nineteenth century. The direct interventionist strategy was in many ways born out of necessity: in the ensuing industrial crisis at the end of First World War, the government was at hand to salvage industries and faltering credit institutions (Posner

and Woolf, 1967). The Fascist regime continued along this vein, establishing the *Istituto per la Ricostruzione Industriale* (hereafter, IRI) to operate as a financial investment body for industry. Initially, IRI was formed as a temporary remedial measure, providing managerial and financial assistance to banks and joint-stock companies in danger of collapse. But by 1937, IRI had become a permanent industrial holding company, and was used to increase military production for the impending war effort.

The creation of IRI was symptomatic of the regime's control over considerable areas of the economy; even the savings and cooperatives were brought under state control. While this divested them of their autonomy, it ensured their survival throughout the Fascist period. Despite these centralising tendencies, the regime was generally supportive of the private sector, and granted major businesses and the *Confindustria* a degree of autonomy from the state machinery. At the same time, the Fascists provided favourable conditions for intensive capital accumulation by suppressing the trade unions (Martinelli and Treu, 1984, p. 265).

As the Fascist government was keen to fill the void left by the subjugation of the trade union movement, it used these close ties with the business community to cajole industrialists into adopting enlightened practices in the workplace. The origins of this campaign can be traced back to the *dopolavoro* scheme (after-work) introduced by Mario Gianni, a former manager at the Westinghouse subsidiary in Vado Ligure. His original plan for the scheme was to improve work conditions by encouraging employers to provide welfare services and leisure facilities for after-work

activities, which would also be open to the wider community. Being an opportunist, Mussolini seized upon the *dopolavoro* as an expedient measure to divert labour unrest and engender support for the regime among factory workers. The *Duce* made the following comment, during a series of strikes organised by metallurgical workers in 1925: 'Intelligent capitalists gain nothing from misery; that is why they concern themselves not only with wages, but also with housing, hospitals and sports fields for their workers' (quoted in De Grazia, 1981, p. 62). To expand the scheme, Mussolini created an umbrella organisation in 1923, the *Opera Nazionale Dopolavoro* (hereafter, OND). The OND enjoyed relative independence as a charitable body. It had the power to confer, on work-based institutions and committees, various fiscal privileges in support of local initiatives. It was given a modest grant of one million lire, which it was expected to supplement by organising sponsorship deals and attracting private donations.

The level of private sector support for the OND began to increase after 1925, as economic depression induced unemployment and labour unrest. Furthermore, employers were using welfare services to ease the introduction of rationalised production techniques, which came into force after the mid-1920s because of the quadrupling of joint-stock companies between 1913 and 1928 (De Grazia, 1981). The clearest indicator of the scheme's popularity was the number of firms that had joined the OND or were providing *dopolavoro* programmes: according to De Grazia, between 1929 and 1931 the number of firms claiming to be *dopolavoro* subscribers rose from 1,660 to 2,938. A 1927 survey of firms in Milan showed that 40 companies provided industrial

housing, a further 10 had dormitories for their staff and 13 supplied libraries (Wilson, 1987).

The regime expected firms to extend these services to the wider community because of the concessions that had been granted to businesses (De Grazia, 1981, p. 68). To overcome any resistance to these plans, the Fascists began using a mixture of outright threats and propaganda to ensure business owners incorporated welfare and social schemes into their factories and made these facilities available to local communities. The pressure exerted by the regime helped elicit charitable donations from companies in order to finance services outside the commercial domain: the *Ente Opera Assistenziali* - a Fascist-operated welfare agency - benefited from these solicited donations, as did construction projects, and holiday camps for children. When economic conditions were less favourable, some employers raised the necessary funds for their benefactions by surreptitiously cutting workers wages.

The *dopolavoro* showed that, while the scheme was organised as a service for workers, it also gave companies the opportunity to become involved in activities of a social nature. Much of this expansion, as we have seen, resulted from the promotion of the *dopolavoro* by the Fascist regime. The campaign was successful to the extent that the *dopolavoro* and the OND survived the demise of Fascism in 1945. By this time, the OND was mainly preoccupied with the organisation of after-work leisure pursuits. In a bid to divest the organisation of its Fascist origins, in 1945 the OND was renamed as ENAL (the National Organisation for Worker Assistance). What is relevant from our point of view, however,

is that after the Second World War, ENAL and the *dopolavoro* did not place a great emphasis on company involvement in society. Consequently, our task in the next chapter is to examine how philanthropic activities fared in the postwar period and to elucidate the dominant expressions of business-led social action.

7 State-Private Enterprises and Social Action

The objective of this chapter is to examine the social role of enterprises in contemporary Italian society, defined here as spanning the immediate postwar period to the present. Italy has not witnessed a general surge of interest in corporate social responsibility similar to that which took place in Britain throughout the 1980s. This, however, does not rule out the possibility of commercial organisations being able to perform social functions: one of the main features concerning the expansion of state control over the economy in the postwar period is that commercial units, under government ownership, were used for social just as much as economic purposes. Indeed, the state enterprise sector has throughout the years cultivated an important social ethos, one that continues to this day. In the sections below, we shall try to account for the expansion of state intervention in the postwar economy and detail how the state enterprises have contributed to the well-being of society.

Throughout the postwar period, the growth of state ownership in the commercial sector cannot be disassociated from attempts by the ruling political bloc to construct an alternative power base to that of the private sector. Hence, for much of the postwar period, the private sector was divided and marginalised from mainstream power. However, the dominant position of the state did not remain unrivalled, as in later decades some of the most powerful sections of corporate Italy endeavoured to gain more effective political representation. This certainly

legitimated greater corporate involvement in social action; but, when compared to developments in Britain, the examples of social involvement by Italian companies has proved to be limited in nature. On the other hand, the state holding sector, although rocked by scandal and criticised for its inefficiency, continues to perform a significant economic and social role in Italy. Hence, our aim in this chapter is to show how a different balance in the respective functions of the private and public sectors has resulted in modes of commercially-led social action that are distinct from dominant expressions of corporate responsibility in Britain. This demonstrates that, despite the movement towards economic integration across the world, there are still economic and political variations between capitalist countries, underlined by distinctive patterns of historical and economic development. Thus, the general nature and level of involvement by the private sector in wider society is shaped by actions and decisions taken within specific social configurations.

The enlightened state enterprises in the postwar period

Any examination of the involvement of enterprises in social and philanthropic action in contemporary Italian society is inextricably linked to the operations of state-owned industries in the postwar years. We saw, in the previous chapter, how the industrialisation of Italy's economic base was dependent on the public sector - a common feature throughout many European states in the nineteenth century. The intervention of the public sector in Italy was by its very nature unique: such involvement during and after the period of industrialisation proved to be extensive,

albeit lacking in proper administrative coordination. At the same time, owing to the inability of the Italian bourgeoisie to bring about a mature industrial society and maintain a position of political authority, private business was very much dependent on public intervention to secure capital accumulation in a rapidly industrialising world. During the Fascist period, these features, if anything, were exacerbated: the state sector grew considerably as a result of military production and the business class managed to attain a position of economic and political authority through its guarded allegiance to the regime. With the collapse of Fascism at the end of the war, there might be some justification for thinking that the new political leaders would have brought about a decisive break with the economic and political configurations that existed under Mussolini. The disbanding of the monarchy and the modernisation of political institutions, including a new constitution, suggested that postwar Italy seemed to be entering a new epoch; but the mechanisms of state intervention, utilised by Mussolini specifically for the task of preparing Italy for colonial conquest and war, were left intact, extended throughout the postwar period, and fundamentally reorganised for the purpose of social and political reform. Much of this took place, as we shall demonstrate, because of economic necessity and political expediency.

Following the armistice, the economy was in turmoil: much of Italy's industrial capacity was either destroyed by allied bombers, or predominantly geared to military production, rather than the pressing needs of peacetime reconstruction. The Italian administrator for the American European Recovery Programme (ERP),

otherwise known as the Marshall Aid Plan, suggested that the government should endeavour to coordinate public intervention and finance public works to reconstruct the economy and the wider social infrastructure (Castronovo, 1975). Even though the level of aid was dependent upon a systematic plan of intervention, the Italian authorities failed to put forward a coherent policy for reconstruction. Indeed, the American government looked upon Italy with some bemusement, for the government controlled vital sectors of the economy through the state holding company, IRI, but it seemed reluctant to embark on a planned reconstruction of the economy. Contributing to this period of inertia was the emergence of distinct positions on state intervention in the Italian polity: those in favour of central economic planning could be found on the left of the Christian Democrat Party (Ezio Vanoni and Amintore Fanfani) and the Republican Party, while the bulk of the Christian Democrat Party, the employers' confederation (*Confindustria*) and powerful industrialists represented by Fiat, and leading wool producer, Gaetano Marzotto, rallied against interventionism (see Amato, 1972).

These divergent views were articulated in a number of public inquiries conducted on state planning and the future of IRI. The conclusions of the Economic Commission to the Constituent Assembly provided the pro-interventionist lobby with a significant fillip. The Commission ruled out the return of IRI to the private sector, as the postwar markets could not absorb this huge industrial conglomerate and many of its companies were, as a matter of course, simply too unprofitable. With high levels of unemployment (19%), the disbanding of IRI, which had

maintained pre-war employment figures (in 1942 IRI had 210,000 employees) would have exacerbated the acute economic crisis of the postwar years (Sassoon, 1986). In the end, the prospect of disbanding IRI was fraught with such dangers that there was bipartisan agreement for the company to be kept under state ownership. Thus in 1948, IRI gained a number of new statutes, securing its position. Although the reconstruction of IRI and the general recovery of the Italian economy faced several obstacles, due to the extent of war damage and administrative incompetence, IRI managed to recover its pre-war capacity by 1948 in all sectors and the conditions were emerging for healthy growth in the economy (Allen and Stevenson, 1974, pp. 222-3).

It appears, then, that Italy's political leaders found convincing economic and social arguments for not dismantling the state economic sector. However, the prospect of expanding the state sector, favoured by some political factions in the Christian Democrats, still elicited stern opposition, much of it vanquished by political developments following the demise of the anti-Fascist coalition.

The anti-Fascist coalition government made up of Communists and the Christian Democrats proved untenable at the end of the Second World War. Pressures from the powerful Southern gentry, business leaders, the Catholic Church, and even the American government forced the hand of De Gasperi, leader of the Christian Democrats. Consequently, in May 1947, De Gasperi excluded the Communists and their Socialist allies from the coalition government. This eventually forced an election in 1948, where the Christian Democrats won an outright majority (48% of the vote).

The Christian Democrats - formed in 1942 by members of Catholic Action and leaders of the old Catholic Popular Party to organise Catholic opposition against the Fascist regime - gained support from the Catholic Church, big business and the Southern gentry to win the election, for it was seen as the main political guardian of the status quo and the political force best able to contain the Communist Party. Events show that once in power, the Christian Democrats, with the left gaining influence, did not implement the sort of reform programme expected by the Italian establishment.

The Christian Democrat Party was not a typical liberal-bourgeois configuration; it maintained strong popular sentiment, and did not strictly represent the aspirations of a single class. The Catholic origins of the Party made it appeal to wide sections of society (Maraffi, 1980). The stated aim of the Christian Democrats, as revealed in numerous Party documents in the forties and fifties, was to create a broad alliance of workers, peasants and middle classes by breaking down antagonism between capital and labour, landowner and peasant. This populist strategy spilled over into parliament where the Christian Democratic Prime Minister, De Gasperi, permitted alliances with the three centre parties, even though his Party had an absolute majority in the Chamber between 1948 and 1953 (Webster, 1961, p. 181). In terms of economic strategies, the Christian Democrats, particularly those on the left, were positively disposed - once the realities of postwar reconstruction became clear - towards planning and state intervention in the economy to create or maintain employment. But this caused some consternation among interest

groups, such as big business - the steel industry is a case in point. The IRI owned company, Finsider, put forward a plan after the war - a modified version of the Sinigaglia plan of 1937 - to expand steel production and to lower steel prices by adopting new production techniques. The proposals encountered stern opposition from the *Confindustria* and Giorgio Falck, a leading private sector steel producer (Villari, 1975). After gaining aid from the ERP, the plan was eventually carried and, by 1950, it helped Finsider reach pre-war levels of steel production of one million tons.

While the Finsider plan was eventually implemented, the opposition that it evoked from the private sector highlighted the problems faced by the Christian Democrats in trying to carry through democratic and populist reforms. Indeed, Christian Democrat proposals for expanding welfare services and progressive industrial relations strategies were similarly obfuscated by private industrialists. From 1950 onwards, the Christian Democrats introduced a range of welfare reforms and new spending schemes, such as the extension of health insurance funds and old age pensions to selective occupational categories, and local and national welfare agencies were brought under government control. The *Confindustria* criticised these measures and insisted on the formation of a strong right-wing government, prepared to eschew popular measures (Weiss, 1988, pp. 142-3).

The inter-class strategy of the Christian Democrats was also threatened by the emergence of militant trade unionism, under the auspices of the Communist affiliated CGIL union, during the early years of the postwar period. With the Communist Party absent from

government, CGIL became the organisational vanguard for protests against the government and deteriorating economic and work conditions. The preponderance of political strikes between 1947 and 1954 led political leaders to consider ways of curtailing and suppressing union action. Such a course of action would have only further marginalised the working class and the government's programme of democratic reform (Sabel, 1981, p. 237).

Whilst the Christian Democrat government denounced these political strikes, it was equally quick to single out industrialists and private employers in general as partly responsible for the spread of worker militancy and for leading workers actively to support the Communist Party. The Christian Democrat demands for a responsible and progressive approach to industrial relations were generally ignored by Italian employers. The *Confindustria* relinquished nothing on employee rights to deliberate work-related issues with managers and owners, and few concessions were given on wage increases (Weiss, 1988). Such intransigence against the adoption of enlightened industrial relations practices led to bitter acrimony between the business community and Christian Democrat leaders, thus undermining the close relations that had existed between both sectors in the immediate aftermath of the war. By the early 1950s, the Christian Democrats began to subject the industrial relations practices of employers to critical scrutiny. As several documents emanating from central Party organs reveal, references were made 'to the disorder provoked by the "antisocial selfishness of certain capitalist strata", and employers were criticized for attempting to escape their social responsibilities' (ibid., p. 132). Other

prominent members of the Party - mainly those associated with the centre-left faction and members of the Christian Democrat affiliated CISL union - and church leaders reverted to direct action: campaigns were organised in the provincial press throughout the country, attacking employers over their evasion of statutory obligations and for placing oppressive regimens within factories (Abrate, 1981). The campaign was so successful that the *Confindustria* pleaded with the Vatican to intervene on behalf of the business community.

The level of private sector opposition over progressive industrial relations, together with its public criticisms of welfare provisions and state intervention in the economy, led to a widening chasm between the Christian Democrats and the Italian business class. The Christian Democratic government was thus left with a perplexing decision: 'either to abandon its "interclass" objectives or to acquire greater organizational and financial independence' (Weiss, 1988, p. 141). It is clear that the Christian Democrat government would have been unable to implement popular social reforms while aligned to dominant class interests, as represented by major private employers. In response, it embarked on a policy of *sottogoverno* (subterranean government), involving a systematic effort to place key areas of society under public control through government spending, political appointments and the establishment of ersatz government agencies (Clark, 1984). The expansion of the state economy was a vital element in the *sottogoverno* stratagem. In addition, it gave the Christian Democrats political and financial independence from external interest groups in order to realise social-democratic

reforms (Cottino, 1978). These political developments partly explain why the state economic sector, as we shall see, came to be both extensive and guided by a strong social ethos.

The gradual disposition of the Christian Democrats towards state intervention in the economy was reinforced when the Party's seasoned leader, Alcide De Gasperi, died, leading to the election of Amintore Fanfani to the position of Secretary General in 1954. As a candidate from the left, Fanfani, in line with other like-minded colleagues, wanted to reduce the economic power of private capital, whilst increasing the level of public planning to fulfil a variety of political and social goals. Pasquino writes: 'Realising that financial independence is an important prerequisite of an independent policy, Fanfani, in the late 1950s, decided it was preferable to disengage the party from an excessive reliance on the Confindustria...through access to funds to be provided by the public sector of the economy' (1979, p. 100). A vital element in building the public sector economy was the establishment of new state holding corporations and the expansion of existing state holding firms, namely IRI.

Of the new state holding businesses, the formation of ENI (*Ente Nazionale Idrocarburi*) was a pivotal event, as it came to rival IRI in significance and economic dimensions. ENI was created by an Act of Parliament in February 1953, and its responsibilities centred on the exploration and supply of natural gas and petroleum for Italy's economy. Prior to the creation of ENI, a number of companies - both private and public-owned - jostled for a place in the energy market after successful gas and oil explorations in the peninsula. Such was the lack of

coordination between businesses that, through the creation of ENI, the bulk of energy production was brought under government control. In addition to the economic rationale, the involvement of the state in the energy market was guided by a political rationale: the Christian Democrat Finance Minister, Vanoni, in his speech to the Senate in 1953, outlined that ENI was established to circumscribe private sector control over vital areas of energy production. Moreover, it was envisaged by ENI's president, Enrico Mattei, that the company, as a public enterprise, would allow the benefits of economic growth and advancement to be spread throughout the peninsula (Frankel, 1966). After being formed, ENI expanded into areas of strategic interest to private capital, which led to vociferous criticism of the government's activities from the larger sections of the business community (Sassoon, 1986, p. 40).

Under the astute presidency of Mattei, ENI achieved a vital *coup d'état* over the private sector when it gained control over oil exploration in the Po Valley. This gave ENI the financial wherewithal to obtain dominant stakes in several energy companies and achieve rapid growth: AGIP, ANIC, ROMSA and SNAM became ENI operating subsidiaries; fixed investment between 1954 and 1962 rose eightfold, sales by 170% and employment by 250% (Allen and Stevenson, 1974, pp. 233-4). Following Mattei's untimely death in 1962, the company began to overstretch its resources as a result of ambitious investments made in the early 1960s. But the energy holding company gained extra government endowments, bringing a general recovery during the mid-1960s. Hence, between 1966 and 1972, sales increased by 130% and employment by 43%; by

1972, ENI employed nearly 80,000 workers and controlled more than 180 operating firms.

According to Sassoon the expansion of ENI forced its older state holding counterpart, IRI, 'to adopt a more dynamic posture' (1986, p. 40). In practice, this meant higher investment to increase employment and growth levels. Although IRI had dominant interests in iron and steel production, public banks and the engineering sector, the company diversified into new sectors of the economy: in 1957, the Italian airline company Alitalia was bought up by IRI; it moved into transport, as it managed and owned the stretch of motorway running from Milan to Naples. As well as this, IRI took control of Italian radio broadcasting (1952) and telephone service companies (1958).

These postwar developments in the state holding sector - as represented by the establishment of ENI, the diversification of IRI and the foundation of new, though smaller, holding entities such as EFIM (*Ente Partecipazione e Finanziamento Industrie Manifatturiere*) - saw many significant areas of the economy placed under government ownership. The figures bear this out: a sample of some of the largest manufacturing firms found that, in the 1963-72 period, public sector output increased from 19% to 24%, while investment capital went up from 28% to 35% (Weiss, 1988, p. 139). During the same period, public sector firms accounted for 30% of all workers employed in large industrial companies (Sasso, 1978, cited in Weiss, 1988).

The enlargement of the state holding sector and the intrusion of the state in crucial areas of the economy enabled the government to undermine the ability of the private sector to

represent its interests through the *Confindustria*. This was clearly born out in 1953 when the left wing of the Christian Democrat Party advocated that the state holding sector should withdraw from the employers association (La Palombara, 1966, p. 28). It was not until necessary legislation was passed in 1956 that the state holding entities were removed from the *Confindustria* and placed under newly-created employers' organisations. Consequently, Intersind was established as the employers' organisation for IRI and EFIM, and ASAP for ENI. Both bodies were given the responsibility of bargaining with relevant trade unions, which endowed the labour movement, after a period of militant activism, with a degree of legitimacy.

The formation of breakaway employers' organisations for the state holding companies enabled the public sector economy to gain further autonomy and influence. Organised business attempted, through various agencies, to oppose state colonisation of the economy, including an unsuccessful bid to press its claims in parliament by sponsoring the pro-free market Liberal Party and business candidates at elections (the *Confintesa*, see Weiss, 1988, p. 144). Yet, the Christian Democrat government still managed, with consummate ease, to assume control over significant areas of the economy. This was partly due to the relative weakness of the private sector at this historical juncture (Martinelli et al., 1981), but also to a number of political developments towards the end of the 1950s and early 1960s, which facilitated and gave impetus to the enlargement of the state sector.

Central to this was the dissolution of the alliance between

the Communists and Socialists, conferring on the moderate left a new-found respectability. Towards the end of the 1950s, as the centrist coalition became difficult to maintain, the Christian Democrats sought an alliance with the Socialists (PSI). The centre-left government coalition was finally formed in 1963, and was committed to planning and social interventions in the economy. One of the most notable reforms to emerge during the course of this dalliance between the Christian Democrats and the Socialists was the nationalisation of the electricity industry through the creation of ENEL. These policies, together with the centre-left coalition, were given all important, ecclesiastical support with the accession to the Papacy of the progressive-thinking John XXIII - the so-called 'red' Pope. The interventionist strategy of the government was reinforced by the rejuvenation of Italy's economy and the general success of the state holding sector (Weiss, 1988, p. 151). In the 1959-63 period, the economy grew at a faster rate than at any point in Italy's history: the average growth rate in the years from 1958 to 1963 stood at 6.6%, a rate only surpassed by Germany (Podbielski, 1974). All of this allowed the public sector to consolidate effectively its presence in the economy. Hence, in 1959 one-fifth of all investments came from this sector and in 1962 this figure rose to one-third (Sassoon, 1986, p. 40).

The Christian Democrats, however, did not build up the state sector just to obstruct the operations of the private sector. The Party had an important social agenda when it came to power, but it was often scuppered by business and other interest groups. Hence, it built up the state economy not only as a source of

finance and an organisational platform for undermining the private sector, but also to spearhead social reforms. This was evident in the managerial appointments made by the government to the state holding sector. Although the new managerial class was, like the Christian Democrats, committed to free enterprise, economic efficiency and growth, it was equally sympathetic to the Christian Democratic emphasis on managed capitalism and state planning (Petrilli, 1967). As Prodi notes, the managers recruited by the government were radically different from their private sector counterparts: 'This new public manager, while a match for private industry in his entrepreneurial instincts, has had a more highly developed social conscience as well as stronger ties with the political structure of the country' (1974, p. 56).

By cultivating a managerially enlightened class and in placing the state sector under political control, the Christian Democrats ensured that the public firms brought social considerations both to their own operations and to commerce generally. In particular, these holding companies were used to overcome the social deficiencies of the free market system. Significantly, the state holding sector helped alleviate plant closures and mass redundancies by supplying financial and managerial assistance to ailing firms (King, 1985). Because its commercial interests are located in the heavy industrial sector, IRI dominated the task of rescuing firms on the brink of collapse. In 1956, it gave various forms of managerial and financial assistance to the largest cotton establishment in the South (see Lutz, 1962); and three years later, it assumed control of the Taranto shipyard. There have been occasions when IRI has

built up some of the firms on its casualty list into profitable concerns - ATEC (electronics) and *Costruzioni Metalliche Finsider* (steel structures) have been two success stories (Allen and Stevenson, 1974, p. 256). ENI, on the other hand, was less involved in rescue operations because it had few interests in the heavy industrial, which was subject to decline in the postwar era. Nevertheless, it did take over one of Italy's major textile concerns, Lanerossi, and the engineering firm Pignone.

The social contribution of the state holding sector has gone beyond sectoral or individual business recovery operations to include the long-standing plight of Southern Italy. The *Mezzogiorno* refers to all the regions - Abruzzi, Molise, Campania, Apulia, Calabria, Sicily, Sardinia, Basilicata - found south of Rome. These regions, according to such indicators as employment, income, industrialisation, literacy and poverty, have not thrived and prospered to the same extent as the Northern and Central areas of the peninsula. In order to reduce the sharp economic disparities and bring an end to the dualism between North and South, the state holding sector was required, following a 1957 law, to locate 60% of its investments in new industrial plants and 40% of its aggregate investments in the regions of the South. Prior to the law, the state holding sector was disproportionately concentrated in the North of Italy, with only 17% of its total investments located in the South. In accordance with the socially responsible animus that guided this sector, the holding groups closely adhered to these legislative provisions. Consequently, between 1958 and 1971, 49% of this sector's manufacturing investment was placed in the South (Allen and

Stevenson, 1974, p. 259). By 1971, 49% of the state holding sector's total investment was in the South. The IRI holding company went beyond the spirit of the law as it placed nearly all of its new industrial plants, after 1957, in the *Mezzogiorno*.

It appears, then, that if we are to understand the communitarian functions of enterprises in contemporary Italian society we need to focus on the state sector. This is a reflection of both the magnitude of the state holding sector and the political control to which it has come under. In addition, throughout the postwar years to the present, the state sector has both expanded and colonised key areas of the economy, enabling it to implement social reforms. Although the public firms were established to fulfil vital economic functions, they operated according to progressive criteria and were imbued with a public service ethos, a characteristic reinforced by the managerial personnel installed to administer the state holding sector. Our objective now will be to analyse in some depth the recent social interventions and programmes of the state holding companies that form part of Italy's labyrinthine public economy.

The state holding sector and social action

It is our argument that the expansion of the state holding sector in the postwar period is central to understanding the nature of contemporary corporate social action in Italy; the state sector, due to various historical and political factors, has been at the forefront in bringing social considerations to Italian commerce.

In recent years, the state sector has incurred considerable losses, which has resulted in attempts to privatise state holding

companies. However, the systematic dismantling of the public sector through privatisation has been opposed by parties and government interest groups in order to avoid the vast economic power of these companies being transferred to the three main private corporations - Fiat, Olivetti, and Fininvest - that dominate the Milan Stock Exchange (Gianni and Giuliani, 1990). According to Prodi and De Giovanni (1993), privatisation measures have transpired to be, as we shall demonstrate in Chapter 8 when we examine the public banking sector, intermittent and superficial. Instead of wholesale privatisation, the likes of IRI and ENI have been restructured to restore profitability. The former head of IRI in 1986, Romano Prodi, managed to overturn the company's considerable losses into a modest profit while keeping IRI under state control (Ward, 1990). Hence, the state holding companies, by resisting systematic privatisation measures, are still subject to political control and have retained a social ethos.

To ensure that state firms comply with political and social requirements, the state holding sector is structured according to a descending hierarchy of control, starting from central government. At the top of this pyramid structure of control are the Interministerial Economic Planning Committee (CIPE) and the Ministry of State Holdings. Below this political tier, there are five state holding entities under the control of the CIPE and the Ministry of State Holdings. This coterie of holding companies is dominated, in terms of size and importance to the economy, by ENI and IRI. In turn, these companies have controlling stakes in private, as well as state, owned subsidiaries. The state holding

firms, though, are financially speaking wholly owned by the government, as the government furnishes all the necessary equity capital.

The maintenance of political control means that there is still considerable latitude for state holding companies to use their equity funding - supplied by government endowments - for pursuing social goals. In some cases, such as in the development of the Southern economy, the companies specifically invest their funds according to social rather than commercial criteria. The point is that the state holding sector, because of its ownership structure (the essential subservience to political control) and historical origins, has played possibly the most influential part in bringing social considerations into the commercial sphere and providing a model for business intervention in wider society. This is particularly evident if we examine the specialist subsidiaries under the ownership of holding companies.

State subsidiary and specialist enterprises

The state-owned economy has a number of specialist enterprises, normally the subsidiaries of larger holding companies, that perform socially relevant functions or public services on behalf of the state holding sector. These agencies, often structured like commercial enterprises or financial institutions, have played an important part in reinforcing the social objectives of the state sector. The activities of these specialist agencies can range across a variety of areas: a prominent example of this type of state company is GEPI, which was established in 1971 to assume from IRI and ENI certain responsibilities for rescuing ailing

firms. More recently in 1991, ENEA was established as a subsidiary of the national electricity company, ENEL, to research and develop new energy-saving and environmentally clean technologies, with a view to transferring the results to Italian industry. Our concern now is to focus on the socially useful role that such specialist enterprises can perform by examining the contribution made by the IRI owned SPI company in promoting the small firm sector.

Although it is often portrayed as being a transitory institution in the inexorable drive towards a mature economy, the small, artisan-based enterprise continues to figure prominently in the Italian economy. The micro-sector, as a geographical phenomenon, is concentrated in the North East and Central regions of the peninsula. In the '*Terza Italia*' (the third Italy), as this distinctive geographical configuration around the regions of Emilia-Romagna, Tuscany, Umbria, Veneto and Trentino is known, around 80% of the working population is employed in commercial units with less than 200 employees (Bamford, 1987, p. 15). Authors such as Piore and Sabel (1984) argue that the proliferation and vitality of small firms in these districts is due to the mutual support networks, or 'industrial districts', involving agreed specialisation and productive divisions between enterprises.

But in addition to the socio-geographical features of Central Italy, the small firm sector gained an important boost from the state in the immediate postwar period. It seemed rather anachronistic that the government in these years should choose to enlarge the micro-sector when major capitalist economies were

attempting to centralise and concentrate the means of production. Nevertheless, a vibrant network of small enterprise units made some economic sense for Italy's beleaguered postwar economy: such firms required only small quantities of investment capital, they would bolster export potential and help stimulate internal demand for goods. Significantly, the small firm sector was an integral part of the Christian Democrat Party's inter-class strategy and reform programme. The small enterprise fitted in with the Party's *solidaire* conception of dispersing property ownership to all classes (Weiss, 1984, p. 235). Hence, the government, in this period, made available extensive and generous provisions to effect dramatic increases in the number of small business units, particularly in the Central regions where the small firm network was already well-developed. The cornerstone of this legislative support was the Artisan Statute of 1956. The Artisan Statute, more than any other piece of legislation, signalled the government's intent to promote the small business sector. It provided various benefits to establishments with less than twenty employees: cheap loans, lower taxes, exemptions from keeping accounts and reduced premiums. The favourable legal and financial position of artisans, understandably, produced a significant expansion in the small workshop economy throughout the 1950s and the 1960s (Barberis, 1980). In the years from 1951 to 1971, the number of units with under 100 employees increased by 16% from 636,500 to 737,700; and of the 744,725 industrial enterprises censused in 1971, 99.5% had fewer than 100 employees (Weiss, 1984, p. 216).

To assist the distribution of financial support for the

small firm sector and generally focus state assistance on the development of this sector, a number of specialist credit institutions were formed, such as the *Cassa per il Credito alle Imprese Artigiane* (1947) and GEPI (1971). In recent years, one company that has operated as a conduit of state support for the small business sector is SPI (*Promozione e Sviluppo Imprenditoriale*). Originally established in 1955 as an industrial credit institution, SPI in the mid-1980s, during a period of reorganisation, was transformed into a small credit company (IRI, 1992). Although in legal terms SPI is a joint-stock company, a *Societa per Azioni* (SpA), it is wholly owned by IRI. The company's main objectives are social rather than economic: it promotes small firm development, predominantly in areas that have undergone industrial or general economic decline. This is reflected by the geographical locations of its 19 local offices. They are, in the main, based in the North West, where industrial decline has been evident, and the underdeveloped South (SPI, n.d.). In many ways, SPI has started to redress the imbalance in government funding for the small firm sector; Weiss has calculated from official statistics of funding bodies, such as the *Artigiancassa*, that artisans from the third Italy absorbed over nine-tenths of the total loans and investment funds available between 1953 and 1976 (1988, p. 63). Within these regions of industrial decline, most of the company's financial assistance is directed to small enterprises in the industrial manufacturing and high tech sectors. These financial subsidies and investments are based on the provision of mixed forms of risk capital - the acquisition of minority holdings, the setting up

of joint ventures and subscribing to ordinary bonds. SPI also acquires shares in firms, and it currently has stakes in 55 enterprises, such as the Genoa-based textile company SLAM, in which it has a 15% holding, and the information technology company, Spectrum Umbria, where it has a 30% stake (IRI, 1992). Normally, SPI provides around 30% of total investments, but interest repayments are below the prime rate, as the company does not seek to make a profit from its loans.

In addition to its role as a conduit for financial subsidies, SPI provides a range of non-financial support services to small firms, including those where it does not necessarily have a financial stake. Entrepreneurs are given assistance in devising comprehensive business plans and in locating external sources of investment and finance. As part of these support services, the company has established a number of specialised workshop units known as Business Innovation Centres (BICs) and CISI (*Centre Integrati per lo Sviluppo dell'Imprenditorialita*). The BICs are found in various locations of interest, such as the industrial crisis areas in the North and Centre of Italy (Trieste, Genoa, Massa Carrara, Terni, Teramo) and cities in the South (Naples, Taranto, Cosenza, and Catania).

Small enterprises are able draw upon a number of services furnished directly by the BICs. Each BIC has a specialist department that performs various functions on behalf of small enterprises. These direct services include a range of support functions, from marketing to legal assistance. The Genoa-based BIC Liguria, for example, has around 20 companies housed in its workshops, and a further 67 companies located around the city are

part of the BIC support network (*le aziende del network*). All these enterprises have access to personalised tutorial assistance whilst they are devising business plans, as well as professional assistance in starting and maintaining commercial links (BIC Liguria, n.d.). Enterprises attached to BIC Liguria, whether in the workshops or in the network, also enjoy the facility of being able to contract out various administrative functions to the services department, such as tax accounting, PAYE tax declarations, and legal affairs, at a nominal cost. In a similar fashion to BIC Liguria, the BIC based at Trieste offers administrative and management services, including budget control, tax and fiscal assistance, consultancy in marketing and patents, and a range of secretarial functions (BIC Trieste, n.d.). A senior official of BIC Trieste observed: 'In February 1989 we opened our workshops to the first companies. We also offered services - telephone, fax and so on. In the second year we began to offer accounting services, wages, salary and so on. Now we can operate like an internal department of the companies themselves' (*Fieldwork Interview, BIC Trieste, 8.6.93*). In terms of direct services, one of the most important functions performed by the BIC agencies is that of tracing new market outlets for small entrepreneurs. Apart from making sense commercially, these market outlets, particularly those located abroad, have enabled small industries to resist dependency on the large firm sector (Piore and Sabel, 1984). Hence, in the region of Liguria, where steel and shipbuilding industries have figured prominently, the local BIC centre has assisted those small supplier firms affected by the downturn in steel production during the late 1980s to find

alternative market outlets in Europe (*Fieldwork Interview, BIC Liguria, 21.2.93*).

According to Jones and Saren (1990), this form of direct assistance is not just confined to SPI, but is prevalent throughout Italy, especially in areas where there is a high concentration of small firms. The artisan association, *Confederazione Nazionale dell'Artigiano* (CNA) provides a range of key services, bookkeeping and advice on export finance. Moreover, provincial and regional governments can provide finances for support services, and coordinate relations between banks, trade unions and central government. Small firms are able to entrust significant functions to external organisations like CNA or regional authorities, because such bodies closely represent the interests of small enterprises and are, according to Jones and Saren (1990), politically accountable to the artisans. The process of rendering the BICs accountable for the services they provide is secured by the fact that they are essentially public agencies. Indeed, the BICs also attempt to involve other public bodies or local institutions - regional government, public banks, the state sector and chambers of commerce - in the support process.

The function of external support for the small enterprise sector provides a useful point of comparison on the issue of corporate involvement in the small firm sector between Britain and Italy. In Britain, there have emerged a whole panoply of support agencies - local enterprise agencies, Technical and Enterprise Councils, and urban development corporations - and legislative measures to stimulate the creation and growth of

small firms. These external support agencies, argue Jones and Saren (1990), primarily furnish advice, information and training to small business owners than with direct forms of assistance. In addition, as seen in Chapter 4, many of these support agencies have been established specifically to harness expert resources and personnel from private corporations, because they are viewed as best able to improve the competence and abilities of owner-managers to perform business functions. For Jones and Saren, such involvement may prove to be detrimental rather than beneficial to the small firm sector: 'In Britain the relationships are often dependent rather than representative through direct ownership or contractual ties with larger companies; or, indirectly, through various forms of patronage on the part of larger companies' (1990, p. 289).

Some authors have perceived the preponderance in Britain of corporate support for the small micro sector to be part of the wider dependency of small firms on their larger counterparts (see Shutt and Whittington, 1987). For example, in the metal engineering sector, small firms have found themselves dependent upon the contracts of larger firms, which have practical control over their smaller subcontractors. This is particularly true in the vehicle component industry of the West Midlands (see Jones and Saren, 1990). In Italy, on the other hand, small businesses have attained relative autonomy from larger companies. This was evident during the early 1970s when many large Northern firms responded to the economic crisis of this period by subcontracting to small firms; but these enterprises were able to achieve some independence from their larger contractors by recourse to

'flexible specialisation' (Brusco, 1982). The ability of the small firm sector to assert its autonomy has also been facilitated by the fact that large corporations do not feature prominently in the small business support network. This external support network, dominated, as it is, by small business associations, regional government and public companies, such as SPI, is likely to empathise and relate to the needs and predicaments of the small and medium firms they are assisting.

The mobilisation of private capital

In the previous sections, our analysis has shown how the state holding sector, from the early 1950s to the present, has made an important contribution to the economic, political and social life of Italian society. However, the early confidence placed in the state holding sector as the harbinger of industrial democracy and social reform was unsettled by economic and political circumstances. While this did not lead to the dismantling of the state sector, it had the effect of transforming relations between private corporations and the government - a factor that had repercussions for the social function of private capital.

The immediate threat to the state sector came as Italy's economic fortunes began to falter. The 'economic miracle' of the years 1950 to 1963 provided the state companies with an important fillip, but indicators showed that, by the mid-1960s, the economy was entering a period of recession: GNP fell, and productive investment dropped, while the level of unemployment and unit wage costs in manufacturing rose dramatically. According to Podbielski (1974), the economy moved into a situation where high inflation

and low demand emerged as near permanent features. In response, the Christian Democrats, who at this point were the dominant partners in a centre-left coalition government, were forced to deflate the economy. Thus, in September 1963, two months after the formation of the centre-left government, the neo-liberal personnel in the Bank of Italy imposed a harsh credit squeeze. Central to the deflationary strategy were the curbs on public expenditure. Overall, this limited the intended social policies of the government. For instance, in its agricultural policy, the coalition government concentrated on existing entrepreneurs in rural areas rather than impoverished agricultural labourers, leading to a decrease in the numbers employed in this sector (Sassoon, 1986). The credit squeeze imposed by the Bank of Italy had a detrimental social impact by contributing to reductions in investment, leading to a 2.5% fall in employment by 1965. In addition, the government was unable to implement the Pieraccini Plan, approved by parliament in 1967, with its provisions for state intervention to achieve full-employment. Although there was some respite when the semblance of a recovery emerged after 1966, the profits generated were exported abroad and public spending was increased through higher levels of taxation, which proved detrimental to lower-income groups. This upturn in the economy was also a short-lived affair. The historical achievements of the labour movement in gaining significant concessions over pay and working conditions during the 'hot autumn' of 1969 precipitated another economic crisis, as profits and economic growth were increasingly difficult to secure. After 1969, wages increased at a higher rate than productivity, inflation increased in line with

other developed countries, and the growth rate decreased from an average of 6.56% in the 1959-63 period to 3.36% during the years from 1974 to 1970 (Sassoon, 1986, p. 73).

The state sector, though it still maintained an important presence in the economy, was not immune from commercial difficulties caused by the general economic crisis of the late 1960s and early 1970s. The achievements of the state holding companies in this period were mediocre: in the late 1960s, IRI's net profits averaged 0.1%, while ENI's reached 0.2% (Allen and Stevenson, 1974, p. 252). IRI managed stable profit levels in 1973, but the company's losses after 1975, particularly in the steel, shipping and telecommunications sectors, spiralled upwards, reaching 900 billion lire (around £2 billion) in 1977. Typifying the fall in profitability was IRI's Alfa Romeo plant near Naples, which experienced a fall in profit that was greater than any other car plant in the world (Clark, 1984, p. 380).

These economic difficulties were compounded by allegations of corruption surrounding the state enterprises. As the Christian Democrats held controlling majorities in most postwar coalitions up to the late 1980s, the Ministry of State Holdings, remaining in Christian Democrat hands, functioned as a source of patronage, whereby Party supporters and activists were rewarded with lucrative jobs and careers. Indeed, there have been public pronouncements alluding to this point by a former Christian Democrat Minister for the state holding sector, Ciriaco De Mita, and Marcello Colitti, a manager from the public sector (Pasquino, 1979).

Martinelli argues that the crisis of the public sector

'reversed the situation of the late fifties and early sixties, when public firms represented innovation and industrial democracy' (1979, p. 84). In contrast, a number of the largest private sector companies - Fiat, Pirelli, and Italcementi - responded to the economic crisis by attempting to consolidate their respective positions in the economy: these enterprises embarked on mergers and buy-outs that led to industrial concentration. Hence in 1967, 29 private firms owned 34% of all shares, while the top ten firms (out of a total 60,000 firms in manufacturing industry) controlled 40% of all exports (Castronovo, 1981, cited in Weiss, 1988). This, in turn, created favourable conditions for the *Confindustria* to reassert its position, as it had been weakened by divisions in the organisation and the government's decision to form separate employers' organisations for the state holding companies. The 'hot autumn', which highlighted the *Confindustria's* lack of direction and the fact that it was riddled by factional infighting, eventually led a coalition of private sector representatives to sponsor Gianni Agnelli, the head of Fiat, as a presidential candidate for the *Confindustria* - a move that was not opposed. Under Agnelli's presidency, the employers' association began to challenge the Christian Democratic-dominated government, and assumed an explicit political stance in representing the interests of private capital. The main elements of Agnelli's strategy was to transform the *Confindustria* into an autonomous political force, modernise the organisation's internal structures and embark on a dialogue with trade unions. Martinelli and Treu argue that, with Agnelli at the helm, the *Confindustria*

sought to unite the private sector and regain a key political and bargaining role (1984, p. 286).

The enhanced political stature of the *Confindustria*, under Agnelli's leadership, was helped by set-backs to the Christian Democrat government. The Christian Democrats experienced significant defeats in the referendum on divorce in 1974 and the general election of 1975, resulting in key positional changes within the Party - Benigno Zaccagnini was made the new Secretary and Giulio Andreotti returned to head the government. The difficulties of the state holding sector, together with the growing power and assertiveness of the *Confindustria* and the private sector, led the Christian Democrats to modify their relations with the private sector. In contrast to the strategy of containment during the 1950s, the Party used the economic and political leavers at its disposal to mediate on behalf of private capital. There is the case of the *Cassa Integrazione Guadagni*, a state insurance fund designed to cover the costs of redundant workers for a period of time, that has allowed companies such as Fiat to gain the upper hand in industrial relations disputes (Chiesi and Martinelli, 1989).

These developments contained repercussions for the social operations of the state sector. Throughout the 1950s and early 1960s, the state holding sector was utilised to enact public policies and they helped tinge commercial activities with social considerations. We have already outlined how one of the most sustained and important social interventions made by public firms was in the industrialisation of the South. As we shall outline in the next section, it was symptomatic of the changing balance

of power and realities of the new economic situation that the private sector gradually began contributing to this area of social policy. This was in contrast to the 1950s and early 1960s where the state holding companies dominated Southern policy.

The Mezzogiorno and private industry

We have seen how the state holding sector was deliberately harnessed to bring about economic prosperity in the South by investing in new plants, infrastructure and services. The rise in investment from public companies proved to be impressive: Southern manufacturing investment rose ninefold in the 1958-61 period and sevenfold between 1968 and 1971. Such financial backing had a considerable impact on the structural arrangement and growth rates of the Southern economy; they helped to restructure the long-standing bias of the Southern economy from agricultural production - a contributory factor in the underdevelopment of the South - in favour of industrial production. Thus, in the 1951-71 period, the contribution made by agricultural production to the GDP of the Southern economy went down from 34% to 18%, whereas it increased from 24% to 39% for industry (Allen and Stevenson, 1974).

These figures tend to belie the difficulties faced by the state holding businesses in addressing the deep-seated structural problems of the *Mezzogiorno*. Despite increasing levels of investment in the South, the state holding companies were still unable to bridge the age-old disparities between the North and South of Italy. Although its economic structure had become weighted towards industry, the levels of agricultural production

and employment in the South during the postwar years have, on the whole, been far higher than the North. By the early 1970s, agriculture represented 30% of employment in the South compared to around 13% in the North (Allen and Stevenson, 1974, p. 34). On the other hand, the converse was true for industry. In addition, the relocation of firms to the South did not absorb the unemployment created by the gradual reduction of agricultural production and population growth. Although construction and public works had created 350,000 extra jobs in 1975, these could not compensate for the 2.1 million who had given up agricultural work (Clark, 1984, p. 359).

It was evident, by the early 1970s, that the endeavours of the state holding firms had not brought about the intended economic rejuvenation of the South. In response, the government introduced tax and credit concessions, in a 1971 law, to attract private sector investments and factory relocations to the South (Graziani, 1972). Although legislation in 1965 admitted loans to large businesses investing in the South, the actual fiscal incentives were limited, as the government was wary of allowing this area of policy to escape from political control and into the hands of private sector companies. But by the early 1970s, the continued spectre of underdevelopment in the South, together with the fundamental changes in the political and economic standing of the private sector, led the government to introduce a generous array of loans to attract private sector investment in the South. The subsequent legislation passed in 1971 meant that large firms were eligible to receive grants worth between 7% to 12% of their investment expenditure in plants, buildings and equipment, and

between 30% and 50% of loans for establishing new plants in the South. However, the law also added the proviso that firms would have to obtain authorisation from CIPE (Interministerial Committee for Economic Planning) for investment programmes worth upwards of seven billion lire (£1.5 million) - an indication that government officials intended to maintain a semblance of political control over Southern policy (Amato, 1976).

The process of providing fiscal incentives to attract capital investment in underdeveloped economies is common to most Western states. The inclusion of the private sector, as a partner in Southern economic expansion, has marked an important shift in the direction of policy; up to the mid-sixties, these interventions were mainly the preserve of the state holding sector. There are distinct commercial advantages in relocating plants because of the subsidies involved and the new markets which are opened up. However, the private sector has emerged as an important partner with government in this area of social policy and as such, for companies involved, this form of engagement can be perceived as an important contribution to the overall vitality and standing of the national economy. A notable example of this joint approach in Southern investment was Fiat's recent decision to construct a high-tech, Japanese-style car plant (*Fabbrica Integrata*) at Amalfi near Naples (Fiat, n.d.(a)). While consideration was given to other locations, such as Portugal and Eire, the company eventually decided it would be favourable to the national interest of Italy and socially responsible to locate the plant in the South, where it already had considerable interests (*Fieldwork Interview*, Fiat, 2.2.93).

Subsequently, Fiat negotiated with both central government and local authorities to obtain subsidies and services towards the construction of the plant. As part of the agreement reached between various parties, Fiat committed itself to creating over 7,000 jobs over a five-year period. The company also agreed that 80% of the workforce would be hired and trained from the locality of Amalfi.

These attempts by the government to involve the private sector in the South are based on the idea of servicing capital, whereby financial incentives and institutional support is provided for private investment in order to regenerate the economy of the South and create jobs. However, such endeavours to harness the private sector in the South have contained rather than solved the problem of Southern underdevelopment. By 1973, industrialisation was mainly confined to the coastal areas of Apulia, Sardinia and Sicily. According to Clark (1984), this created around 150,000 jobs in modern industries such as engineering. But these were secondary jobs in branch factories, and the operational sites did not produce the ancillary production in the surrounding localities. Indeed, between 1951 and 1975 the actual number of jobs in the South went down by over 500,000, and unemployment by the mid-1970s was three times the Northern rate (Clark, 1984, p. 359). There are other general political objections levelled at the strategy of economic rejuvenation based on the servicing of capital. Governments and local authorities, in their determination to attract inward investment for deprived local areas, render the local polity, economy and trade unions subordinate to the dictates of the

private firms they are trying to attract (Crowther and Garrahan, 1988). Fiat's investment at the Amalfi plant was agreed by the company on the understanding that *competitive* and *flexible* working arrangements, such as six-day week, twenty-four hour operations and the just-in-time system, would be instituted in the plant.

Despite these shortcomings, the government still uses fiscal incentives to attract investments from Northern firms. Nevertheless, one recent legislative initiative - Law no. 44 of 1986 - has seen a conspicuous change in emphasis towards harnessing private sector resources for the purpose of promoting small firm development in the South. What is interesting, from our point of view, is that this scheme has involved companies in the more socially active capacity of providing advice and managerial training for entrepreneurs and firms indigenous to the South.

Law no. 44 of 1986 established a small business development scheme specifically for young entrepreneurs between the ages of 18 and 35. The main purpose of Law no. 44 has been to create long-term growth and employment in the South. The provision of funding by the *Comitato per lo Sviluppo di Nuova Imprenditorialita Giovanile* (Committee for the Development of Young Enterprise, hereafter, the Comitato) - the public agency responsible for implementing and monitoring the progress of this legislation - is highly selective, restricted only to those young entrepreneurs or owners with feasible business plans. Recipients also have to comply with demographic and age requirements; that is, they have to reside in the South and be within the age range

mentioned above (Comitato, 1988). If selected, the Comitato provides grants for initial capital outlays and subsidies for running costs, and thus far, 826 business proposals out of the 3,707 submitted have obtained assistance (Comitato, 1993).

As the scheme specifically targets fledgling entrepreneurs and artisans in the South, those who have been accepted for funding enter a period of training, organised and administered by the Comitato. Following this initial phase, and for a period of two years, the Comitato assigns a team of consultant tutors to the entrepreneurs being supported. It is here that private and public sector businesses, such as Elea-Olivetti, Agnesi, Isvor-Fiat, Comerint, Snamprogetti and Bonifica, feature prominently as suppliers of tutorial services in the scheme (Comitato, 1991, pp. 38-9).

Once assigned to a particular entrepreneur, tutors perform three main functions: firstly, they provide specialist advice on production and managerial issues to enhance the capabilities of young entrepreneurs. The Olivetti managerial consultancy company, Elea, has tutored around 15 enterprises for the Comitato. Since becoming involved with the Comitato in 1987, the company has provided entrepreneurs under its tutelage with general instruction on business management and specialist advice on artificial intelligence, information systems and the location of foreign markets. For this specialist training, Elea has recourse to various experts from Olivetti (*Fieldwork Interview*, Elea, 20.5.93). The company tutors, as part of their work, are enlisted to help cultivate relations within and without the commercial establishment. The tutor can act as an external arbiter during

conflicts between the personnel of new firms. The relational function of the tutor extends to establishing contacts with markets, potential partners and other enterprises. Finally, those providing tutorial services are expected to monitor closely the progress of the young entrepreneurs under their tutelage. According to one tutor from the Isvor-Fiat company, over a two year period this will involve regular visits by the tutoring company, with the aggregate consultancy time totalling between 70 to 100 days (*Fieldwork Interview, Isvor-Fiat, 14.5.93*). In fact the tutors, by working closely with the young entrepreneurs, are in a position to feed back information on the progress of the enterprises to the Comitato (Comitato, n.d.).

Although those contributing to the tutorial service are reimbursed by the Comitato, the nature of this pedagogic service - the level of monitoring, training and advice required by new businesses - means that the companies provide a social service. Indeed, the social dimension of the scheme is further underlined by the fact that tutoring companies are promoting the small firm economy in the South that has been diminishing since the early sixties. One senior member of the Elea consultancy team notes:

You...become part of the [company]. Consultancy is a matter of providing advice and then leaving those who require assistance in the first place to act upon it themselves. Tutoring involves integrating with the young entrepreneur, doing it in partnership ...I don't tell the entrepreneurs what to do, but I perform the task with them. (*Fieldwork Interview, Elea, 20.5.93*)

The service is monitored by the Comitato, as it tries to ensure that the companies involved are effectively assisting the young entrepreneurs. This careful scrutiny, together with the screening of applicants, has helped to achieve a considerable

success rate for the scheme. Of the 826 new enterprises supported since 1987, only 15 - 1.8% of successful applicants - have been disbanded or dropped out from the scheme (Comitato, 1993). But while the scheme has a low failure rate, it would be another issue to presume that it could help the South to reproduce the dynamic network of small enterprises found in the Central and Northern regions; for this to happen in the South, the government would have to systematically address the decline of the small business sector - a situation partly resulting from the disproportionate level of government subsidies and financial assistance received by companies in the regions of the 'third Italy' since the fifties.

It appears then that the private sector has come to play an important role - whether through investing in the South or assisting the small business sector - alongside the state holding companies in trying to deal with the endemic dualism between the North and South. It must be noted that the growing involvement of the private sector in the Southern question since the early 1970s has not diminished the importance of the state holding sector in this area of social policy. The IRI owned SPI company, as we have seen above, has extensive interests in the small business sector, and the number of state owned firms involved in the tutoring service of the Comitato far outweigh private sector firms participating in the scheme (Comitato, 1991). However, the involvement of the private sector in an area of social policy previously dominated by the state holding companies is significant. Our aim now is to examine whether the private sector has assumed a responsible policy in other areas of society.

A more expansive social role for business?

Official information - statistical or narrative - on corporate social action in Italy is very thin on the ground. There is evidence, though, of private sector firms making active, non-profit contributions towards the betterment of various aspects of social life. Some of Italy's largest private corporations have engaged in social action over the years. The Fiat company provides a notable illustration: although the company does not have a central department for dealing with social interventions, there are various functions spread across the company structure that administer and manage community based interventions on behalf of Fiat. For instance, the *Fiat per i Giovani* (Fiat for the Young) programme forms part of the company's vocational education facility that has been operating since 1922 (see International Labour Office, 1932, pp. 53-8). The scheme was unveiled in 1986 to inform schools in the Turin area about the company's activities, and, at the same time, recruit school-leavers for the company. With the company reducing its intake of new employees from local schools in recent years, this recruiting function has become less important. The *Fiat per i Giovani* is now mainly involved in organising seminars and work-experience placements for pupils (*Fieldwork Interview, Fiat, 2.2.93*). Another significant social initiative has been encapsulated by Fiat's interest in environmental protection. In 1989, the company appointed an environmental officer, based at Fiat headquarters in Turin, to coordinate and improve performance in this area across different sectors of the company. To ensure uniformity in different sectors, Fiat, in 1990, launched an environmental

policy statement, which committed the company to an assortment of environmentally-friendly practices such as waste management and the recycling of disused cars (Fiat, 1992a).

These social interventions are not only the preserve of Italy's larger corporations: there is still a preponderance of medium-sized, family-owned businesses that, mainly through the work of their owners, have built up philanthropic reputations of significance. For example, the family-owned pharmaceutical company Angelini has a charitable giving scheme that generates funds through direct contributions from employees. The funds accumulated by these contributions are matched by the Angelini family and then distributed to a chosen cause. Senior managers within the company have also helped a local charity for handicapped children, *Lega del Filo D'Oro*, to raise funds by organising local and national campaigns (*Fieldwork Interview, Angelini Pharmaceuticals, 12.2.93*).

Regarding the interventions of smaller businesses, Fratelli Dioguardi, the Bari construction company, has gained a notable reputation for its social and philanthropic work. The director and owner of the company, Gianfranco Dioguardi - who is also an author and a professor at the University of Bari - has used his business to promote social-democratic and progressive ideals in the world of commerce. The most significant action to date has been Dioguardi's adoption of a local secondary school in Bari - *Scuola Media Statale Lombardi* - located in the notorious San Paolo district, which has all the problems associated with inner-city areas. To support the school and assist the education of its pupils, the company has bestowed computers, videos, televisions

and telecommunications equipment to establish a multi-media learning centre in the school. For Gianfranco Dioguardi, who brokered this link in the first place, the rationale for helping the school has been to steer pupils away from criminal activities and demonstrate the rewards and potential of the world of work and education (Villa, 1991). Dioguardi's involvement with the school has generated a great deal of curiosity throughout Italy, as testified by the number of articles which have appeared in both local and national newspapers. However, the government has made no attempt to coordinate or engage non-state participation, such as the private sector, in the education system, that largely remains under strong centralised administration (Monasta, 1994).

We can conclude from these examples that, in addition to participating in the Southern economy, private sector companies have cultivated interests across a range of modern social problems and issues. While these instances of social action provided by Fiat, Angelini and Fratelli Dioguardi are significant in their own right, they do not form part of a comprehensive movement in terms of private sector involvement in society. General evidence suggests that socially active businesses operate in isolation, with little support from external agencies or coordination by the government. Indeed, while a number of private company owners have attempted to develop social action programmes, there has not been a surge of general interest in corporate social responsibility among private operators, as there was in the States from the mid-1950s onwards, and in Britain during the 1970s. Certainly, in contrast to Britain, there have not emerged the same provisions, in terms of coordinating

agencies, information sources and fiscal mechanisms, furnished by the government or the business community to consolidate the isolated and scattered instances of social involvement that prevail in Italy.

To this, we should add some rejoinders relating to the nature of corporate social activism in Italy. Throughout the postwar period, the state holding companies, rather than the private sector, were at the forefront of pursuing socially responsible practices. In fact, many of the innovations in progressive work methods and socially responsible action in wider society tended to rest with state holding firms. The expectations surrounding the state companies have been deflated by poor economic performances and accusations of corruption. Despite these problems, the state sector still remains largely intact and features prominently in the economy. Moreover, sections of the state sector continue to fulfil the social expectations that surrounded the expansion of the state holding companies in the postwar period. The other point is this: while the social interventions have been ad hoc, and coordination of a limited nature, it is a conspicuous feature that Italian businesses have begun to assume an active part in supporting the cultural sphere of society. This will form the subject of our analysis in the next chapter.

8 The Aesthetic Motive: Corporate Patronage of Cultural Heritage in Italy

Article 9 of the Italian Constitution, which came into force in January 1948, committed the Republic to the principle of protecting the nation's artistic heritage. In the main, it has been the state's responsibility for safeguarding this Article of the Constitution, as much of Italy's cultural and artistic assets are legally under the auspices of the government.

Since the mid-1960s, however, there has been increasing public speculation over the condition of Italy's vast cultural patrimony. This not only resulted in direct and coordinated action by the government, but it also gradually created channels of opportunity for local government to become involved in the task of preserving cultural patrimony. By the 1980s, there was a general surge of interest, particularly among the larger corporations and public service banks, with regard to supporting the preservation and restoration efforts of central and local public agencies. One of the distinctive features of this growing interest is that a number of companies have become active patrons of the arts. Therefore it appears that, while there has not been the same level of corporate community involvement as in Britain, the task of preserving Italy's cultural heritage has mobilised corporate engagement in social action, albeit of a highly specialised nature. Our task in what follows is to examine the factors behind these developments, and to elucidate what they

tell us about the corporate philanthropy and social action in contemporary Italian society.

The state and the preservation of cultural heritage

In Italy, as in most modern societies, cultural and artistic activities can either form part of a profit-making industry or a publicly financed service for the collective well-being and education of society. The actual balance between public and private sector involvement will fluctuate according to specific areas of the arts: cinema, popular music, television and publishing are mainly funded by private means of advertising and consumer expenditure. The 'traditional' features of cultural life - museums, libraries, art galleries, archaeological sites and historical archives - are, on the whole, financed and administered by the public sector. The state covers over 80% of the expenditure incurred by the traditional cultural sector, including nearly 36 million pieces of artistic and cultural heritage, many of them the most important and prestigious cultural treasures in the world (Antonini, 1991, p. 50). The concentration of cultural heritage in Italy has come about as a consequence of the renowned art movements and different civilisations that have influenced Italian society since antiquity.

The state, as the chief mainstay of cultural and artistic treasures, has, over time, had chequered results in safeguarding and promoting cultural heritage in the peninsula. In terms of legislative provisions, it was just over 40 years after Unification before the Italian state passed its first law for the

maintenance of the nation's cultural heritage. Law No. 185 of June 1902 was soon superseded by a more comprehensive piece of legislation, Law No. 364 of 1909. The 1909 Law was very much the legal standard bearer, establishing definitive guidelines for protecting cultural heritage: all objects under state ownership of historical, artistic and archaeological value were declared inalienable. Law no. 364 also empowered the government to issue compulsory purchase orders for valuable objects on the private collectors' market, and the export of moveable cultural treasures was permitted only on condition that they did not constitute a 'serious loss' to the collection of national cultural treasures. On the whole, such provisions reinforced declarations about the inalienable status of cultural assets under public ownership.

These legislative measures, according to major public inquiries conducted during the 1960s, were failing to provide sufficient protection for cultural and artistic heritage. The Franceschini Commission (1966) and the Papaldo Commission (1968) pointed out in their final reports that, despite the lofty attempts by governments down the years, Italy's cultural and artistic heritage had been neglected and left to decay (Palma and Clemente, 1987). To rectify the situation, both Commissions recommended a coherent policy of government intervention through the establishment of a specialised government department for culture. It was not until 1975, however, that these recommendations were implemented. The Ministry of Cultural and Environmental Heritage (*Ministero per i Beni Culturali e Ambientali*) was solely responsible for maintaining heritage and art treasures - a function previously under the Ministry of

Public Education (*Ministero della Pubblica Istruzione*). The Ministry of Cultural and Environmental Heritage had financial resources, a vast administrative network of specialist offices, and advisory councils at its behest. But in addition, it established several local supervisory offices (*Soprintendenze per i Beni Artistici e Storici*) to oversee maintenance and restoration programmes (Antonini, 1991).

This specialist government department was a welcome and much needed innovation. Yet the geographical dispersal of artistic treasures across several Italian cities - Florence, Rome, Milan, Bologna, Venice - all of which are major world centres of culture in their own right, meant that the systematic upkeep and protection of cultural and artistic artefacts was logistically a very difficult task. The establishment of a system of regional government in 1972, however, added a vital new agent to the heritage process. At first, the cultural responsibilities of regional governments were restricted to managing local museums and libraries. From the mid-1970s onwards, a number of regional authorities overstepped this limited remit and began contributing to the preservation of heritage in their own locality; consequently, from 1976 to 1981, regional authority spending on culture quadrupled, with 50% of this new expenditure being allocated to conservation projects (Bodo, 1984). In qualitative terms, the cultural budgets have been subject to greater democratic control: the discretionary powers of regional governments to fund restoration works were in many cases regulated by regional councils, often with the assistance of representative bodies (*consulte per la cultura*).

The establishment of public machinery for culture by central and local government helped to redirect and concentrate financial resources towards the preservation of heritage. In the decade prior to the formation of the Ministry of Cultural and Environmental Heritage, most of the state's cultural expenditure had gone into the performing arts (Campa and Bises, 1980, cited in Palma and Clemente, 1987). Figures from the Ministry of Culture and Environmental Heritage for 1989 show that nearly 98% of its budget went on restoration and maintenance work (see Brosio and Santagata, 1992, p. 232). The emphasis on placing resources into preserving the vast cultural patrimony in Italy was sustained by the mobilisation of the environmental lobby during the 1980s - a common feature in many societies during this period (see Chapter 5). The green movement initially comprised of those disaffected with traditional politics and former left-wing activists (Biorcio, 1988), but by the mid-1980s, there was a shift in popular opinion towards green awareness. Between 1983 and 1986, the League for the Environment doubled its membership from 15,000 to 30,000; the membership of the World Wide Fund for Nature went up from 30,000 to around 200,000 from 1983 to 1989 (Diani, 1990, p. 162). As the green movement mobilised popular support, the message of environmental pollution was equated, by practitioners, with the degradation of cultural and historical patrimony (see Alibrandi et al., 1983; Moratto, 1986). For Lumley, 'there was increasing awareness that threats to natural life were also threats to cultural artefacts, so the idea of conservation was broadened...' (1990, p. 125).

The generic appeal of conservation influenced the business and industrial community to take ameliorative action. The energy company ENEA developed technologies to be used as diagnostic tools for safeguarding artistic and cultural artefacts. The company has made techniques, such as neutronic activation, gammagraphy, and various chemical processes, available to the Central Institute for Restoration. The *Istituto Bancario San Paolo* of Turin has funded research by the *Consiglio Nazionale delle Ricerche* (National Research Council) into new methods for protecting monuments damaged by pollutants in the atmosphere (Fondazione Sanpaolo di Torino, 1991). Moreover, the municipal electricity company for Milan, *Azienda Energetica Municipale Milano* (AEM), has made available specialist technology to protect exhibited art works in galleries (*Fieldwork Interview*, AEM, 29.1.93).

While the green movement has helped sustain and broaden interest in the preservation of cultural heritage, the percentage of total government spending on this area has remained low. In 1955, expenditure on the arts rose to 0.74% of total government spending. However, available statistics show a marked decrease, from 0.75% to 0.62% of total government spending, for the years between 1976 and 1981 (Bodo, 1984, p. 43). Research has also shown that, due to the lack of administrative efficiency, government bodies have problems in actually utilising the funds available to them. According to Palma and Clemente, from 1945 and 1982, between 43% and 66% of available funds for culture and the arts were expended (1987, p. 95). The lack of administrative planning over the disbursement of funds is exemplified by the

fact that the dispensing of available funds tends to vary from year to year (Palma and Clemente, 1987). This situation is not helped by the frequent changes in government, which have bedevilled the Italian polity. This feature of political life often results in specialist ministries, like the Ministry of Cultural and Environmental Heritage, being assigned to coalition partners from minority parties that have little technical competence in this field (Bodo, 1989). Not all public agencies for culture have been characterised by such limitations: the devolution of responsibility for preserving cultural heritage to local regional government was a positive step. But at the beginning of the 1980s, as public concerns over the condition of cultural patrimony heightened, the government seemed to accept the need to generate funding and resources for the maintenance of cultural heritage from outside the public sector.

The willingness of the Ministry of Cultural and Environmental Heritage to open up the cultural sphere to new partners was made evident by its attempts to harness corporate support through the introduction of fiscal incentives. In order to encourage private sector involvement, Law No. 512, approved in 1982, gave unlimited tax concessions for expenses incurred in the maintenance of specific cultural treasures and for donations made towards the restoration of artistic and cultural artefacts (Casiccia, 1989, p. 294). A further change in the fiscal system in 1985 allowed tax deductions of up to 2% of income for gifts made to musical, film and theatrical productions. Although VAT deductions had been in place since 1978, these two laws constituted the first attempts by the Italian legislature to

attract new patrons, especially private enterprise, in the protection of artistic and cultural patrimony - an area of social policy traditionally the terrain of state agencies. The government introduced further provisions in 1988, whereby businesses making contributions to the arts would receive deductions of up to 20% of taxable income, but this was available for only three years.

The legislation seemed successfully to fulfil its intended objectives: during the 1980s there occurred a surge of corporate involvement in the arts and culture. Significantly, according to a report commissioned by the EEC in 1986, the contributions by Italian corporations towards the support of culture and the arts surpassed corresponding totals for France and Britain, and was one of the highest in the European Community (De Chalander and De Brebisson, 1987). However, we would have to question whether adjustments to the fiscal system were directly responsible for the augmentation of corporate endowments for preserving cultural heritage. As Bodo (1989) observes, these fiscal provisions were seldom made available due to the lack of enforcement regulations. In addition, the incentives made available proved to be uneven, as heritage donations enjoyed more tax relief than the performing arts. Even if the tax deductions had been more generous and efficiently distributed, there is little certainty whether these indirect mechanisms would be able to attract external funding.

O'Hagan and Duffy (1989) found that, despite popularity of indirect fiscal measures among European governments, these policies have failed to attract the level of private sector investment for the arts envisaged by policy makers. For example,

while British governments in recent years have provided numerous incentives to attract private sector involvement in supporting the arts, including a matching grant scheme launched in 1984, the results, in terms of actual increases in business support, have overall been fairly modest (see Allen and Ward, 1990; Arthur Andersen, 1991, p. 5). A survey by the Association for Business Sponsorship of the Arts found a 13% decrease in real terms of corporate donations to the arts between 1991 and 1993, despite the many fiscal provisions implemented throughout the 1980s in Britain, (ABSA, 1993, p. 3). Davidson Schuster writing about private arts sponsorship in Europe notes that tax incentives on their own cannot guarantee consistent and lucrative benefactions from the private sector:

A charitable deduction or a deed of covenant alone is not sufficient to ensure a healthy stream of private support for the arts, even if the financial incentives are generous and the field of application broad...Although technical adjustments may be of primary interest in establishing a fair and efficient system of tax incentives, these adjustments will have little effect in a system with little precedent for private support. Many of the Western European countries are currently struggling with the problem of how to increase private support for the arts...For them, the key does not lie in the implementation of tax incentives; most of them already have tax incentives for charitable contributions in their national tax laws. The key lies ultimately in a changing view of the relative roles of the private and public sectors, a much more difficult problem to address. (1986, p. 331)

In the context of Italy, there was a growing appreciation, certainly among larger firms, that the private sector could assume a significant role not only as benefactors to the arts, but also as active patrons of cultural and artistic heritage. As we have already asserted, the involvement of the corporate sector in the cultural sphere cannot be attributed to either concerted

government coordination or adjustments to the fiscal system. An important factor in the shifting balance of responsibilities for the traditional arts between the public and private sectors can be located to the contemporary advancement of the media industry.

The advertising industry and cultural heritage

In the mid-1970s, there was a gradual concentration of ownership within various sectors of the media industry, and significant advances were made by advertising companies. This reflected, as we saw in the previous chapter, a general improvement in the political and economic position of the private sector in this period. These are important considerations in attempting to account for the general boom in corporate support for the arts.

Prior to the 1980s most of Italy's private television stations were locally based and funded by small-scale advertising; the state broadcasting company, RAI, dominated the national networks and, through a special accord with the newspaper and publishers association, FIEG, it vigorously regulated broadcast advertising - its form and quantity. The private media lobby campaigned vigorously for deregulation of the air waves in the early 1970s when RAI's exclusive concession came up for renewal. In 1976, the Constitutional Court ruled RAI's monopoly of local networks to be unlawful, but its monopoly at national level was upheld (Forgacs, 1990, pp. 143-4). For those seeking privatisation, this was a significant step towards launching national advertising through the television networks. The local stations, however, did not possess a high level of technical and commercial competence in selling advertising space.

This gap in the market was seized upon by specialist advertising concessionaries, many of them under the ownership of publishing houses (Forgacs, 1990). These agencies plugged the gap in the market by sending out ready-made video packages with programmes and advertising space to television channels. Since the spin-offs of national advertising allowed private television to develop on an industrial scale, the obvious move was for local stations to form into a national network (Forgacs, 1990). By the early 1980s two television stations constituted the network: Canale 5, composed of 27 local stations, and Italia 1 made up of 18 stations.

As we have pointed out, the advertising agencies, which distributed programme-advert packages, made a significant contribution to this general expansion of the television industry. In the sphere of private television and advertising, the building tycoon and media mogul (and former Prime Minister of Italy) Silvio Berlusconi, through his Fininvest company, became the pre-eminent operator. Berlusconi opened new viewing slots and increased audience figures, but his greatest skills were reserved for the sale of advertising. Initially, Berlusconi created Publitalia in 1979 for the acquisition and sale of advertising slots, and introduced smaller firms to television advertising on his Canale 5 (Forgacs, 1990, pp. 182-3). But once these programmes increased their audience figures, Berlusconi roped in a number of large corporations, attracting the likes of Procter & Gamble, Unilever, Fiat and Nestle. The success of this strategy is demonstrated by the profit margins: Publitalia's revenues grew from \$9 million in 1980 to \$630 million in 1984

(Caraman, 1993, p. 7). From this position of power, Fininvest proceeded to acquire controlling stakes in other channels, such as Italia 1. In Machiavellian fashion, Berlusconi pressurised the government into passing relevant laws that would legitimate his commercial operations, particularly the concentration of media ownership under Fininvest.

The pre-eminence attained by Berlusconi's Fininvest group in the broadcast media world held important repercussions for cultural heritage. From 1986, the media entrepreneur used his three national channels to promote cultural exhibitions through the medium of popular television advertising. Several events benefited from television exposure: the 1988 Van Gogh exhibition in Rome; Miro at the Rivoli Castle in the same year; and the Caravaggio and Michelangelo exhibitions of 1992 in Florence and Rome. From actually promoting exhibitions, it was a logical step for Fininvest to promote cultural sponsorships as a new advertising forum for business. Publitalia, Fininvest's advertising company, began to advise businesses on how to run cultural sponsorships and made available advertising space on television and in publications to promote such campaigns. The Fininvest company recently created the specialist *Grande Eventi* department within Publitalia to organise cultural sponsorships on behalf of companies, and to liaise between cultural institutions and possible commercial benefactors. For instance, the *Grande Eventi* department was commissioned by Cremona City Council to find sponsors and organise a series of events to celebrate the work of musician Claudio Monteverdi (*Fieldwork Interview*, AMI, 11.5.93). From this analysis we can see how

Fininvest has helped to raise cultural awareness in the business community by pioneering a form of support for cultural heritage guided by the commercial dictates of corporate advertising.

Considering Fininvest's unique contribution towards involving the private sector in promoting Italian art, it was no coincidence when Berlusconi's media group co-founded, together with Italy's Foreign Minister and the director of the Italian Association of Banks, the first association for commercial patrons of art and culture in 1991. The organisation known as *Associazione Mecenate Italiani* (Italian Association of Patrons, hereafter, AMI) was founded to orchestrate and encourage private sector participation in supporting the arts. Its significance does not pertain only to the arts world, as it is the first modern associative forum for socially active corporations in Italy.

In different ways AMI and Fininvest subsidiaries, such as Publitalia, have attempted to coordinate and organise corporate involvement in the arts. Certainly, this process has gained partial assistance from the growth and deregulation of television advertising. But one of the features regarding corporate involvement in cultural preservation is the tendency for companies to act autonomously as cultural agents in their own right. According to Bodo, 'major corporations now aspire to produce culture on their own and often prefer to take their own autonomous decisions with the least interaction with public authorities' (1989, p. 146). This may partly explain why since its inception in 1991 only 14 organisations have joined AMI (*Fieldwork Interview*, AMI, 18.5.93). Our objective in the

following sections is to examine this trend in detail by referring to the current cultural interventions of prominent Italian enterprises. Two factors stand out: firstly, an important feature of this trend is the influential role played by the Olivetti company; secondly, publicly-owned banks, such as the *casse di risparmio*, have emerged as generous benefactors and supporters towards the preservation of cultural heritage.

Commercial enterprises as the new cultural patrons

In the past twelve years, major Italian corporations have aspired to contribute towards the maintenance of traditional cultural patrimony on their own autonomous terms. The main influence regarding this proactive engagement in the preservation of heritage is the Olivetti company: since the late 1960s, the typewriter and office equipment manufacturer, turned information technology multinational, has developed a thorough and systematic form of intervention in the traditional arts. Even before this period, the original owners of Olivetti demonstrated a sensitivity to the cultural world around them. Such cultural sensibilities were made manifest when Camillo Olivetti restored a series of frescoes at the Church of San Bernardino, located in the vicinity of the company's first factory site in Ivrea. Camillo's son Adriano, as seen in Chapter 6, had a pronounced interest in industrial architecture, and was highly influenced by Le Corbusier. The special emphasis placed on industrial design infused Olivetti's products with a certain amount of cultural significance in their own right; during the 1950s the company was

occasionally approached to provide information and exhibits for museum collections (Olivetti, 1983).

It was during a critical period of transition in the 1960s that Olivetti's modern cultural policies took shape. In the wake of Adriano Olivetti's untimely death in 1960, the company was plunged into a financial crisis, mainly because of Adriano's earlier acquisition of the American typewriter company, Underwood, which at the time of purchase was a liability. The decline in Olivetti's fortunes were not helped by the general economic depression that overwhelmed the Italian economy after the boom years of the 1950s. After a directionless four years under the control of Adriano's son Roberto Olivetti, the company found itself submerged in debts and was bailed out by a syndicate of state-owned industries and private enterprises; effective control of the company now passed from the Olivetti family to the board of directors. The syndicate take-over was not entirely successful and failed to diversify into the fledgling electronic equipment market. However, it succeeded in overhauling the company's organisational structure from a centralised system, as it had been under Adriano, to a devolved structure of separate autonomous divisions (Kicherer, 1990, p. 51).

During this period of transition, Renzo Zorzi - an Adriano Olivetti acolyte since 1948 and editor of the company's newspaper *Comunita* - was given a free hand by the main board to reorganise Olivetti's external relations policy. Zorzi's main organisational contribution to the business involved the establishment of a Corporate Image Department, responsible for conveying specific ideas about the company and its philosophy through products,

sales, advertising and cultural activities (Kicherer, 1990). In the transition from owner to board management, the Corporate Image Department provided a certain amount of continuity between the old and new regimes. More importantly, the board and its chairman - Bruno Visentini - gave the Corporate Image Department autonomous status within the Olivetti organisation structure (ibid.).

Following the establishment of the Image Department, the company, under new management, made its first purposeful incursion into the cultural field. This intervention was specifically precipitated by a serious flood of the river Arno in Florence during the mid-1960s that threatened to destroy much of the city's vast collection of artistic treasures, especially the world famous frescoes that adorned Florence's churches. The flood led to a major relief operation, involving volunteers, technicians and specialists from all over the world. Once the restoration had been completed, it was planned that the frescoes should be returned to their original sites, but with Olivetti's influence, a travelling exhibition of the restored artefacts was planned as an expression of Italy's gratitude for the international assistance. Hence, in 1967 Olivetti helped organise an exhibition of 'Florentine Frescoes Saved from the Flood'. The travelling exhibition opened at the Metropolitan Museum in New York and then went on to the capital cities of Europe. Since then, the company's Cultural Activities Division has organised around 52 exhibitions worldwide in collaboration with institutions such as the Metropolitan Museum, British Museum and Royal Academy. Out of all these exhibitions, 33 have been

organised since 1980, coinciding with the general expansion of cultural intervention by the private sector.

With the expansion of its Cultural Activities Division, the company has diversified into new areas of cultural interest. The most conspicuous advancement in recent years has seen Olivetti becoming involved in the restoration of artistic patrimony. This has led the company to collaborate, on a number of occasions, with the Ministry of Cultural and Environmental Heritage, local superintendent offices, and cultural institutes. A number of illustrious cultural artefacts in need of restoration have benefited from Olivetti's interventions: the frescoes of Masaccio, Masolino and Lippi at the Brancacci Chapel of Florence; the Baroni room at the Castle of Manta, Piedmont; and frescoes by Masolino at the Castiglione Chapel in Rome. Since 1982, Olivetti has financed the ongoing restoration work being done on Leonardo Da Vinci's 'The Last Supper' under the direction of the Central Art Restoration Institute (Olivetti, n.d.). In all these restoration projects, the company has gone beyond mere financial contributions: it has placed computer-operated electrophotographic equipment at the disposal of restorers and scientists. For Leonardo's masterpiece, X-ray and specialist microscopic technology was made available to recover the original surface of the painting. Furthermore, the Cultural Activities Division is co-publisher with the Ministry of Cultural and Environmental Heritage of an academic journal, *Quaderni del Restauro*, dedicated to examining the progress made in restoring cultural monuments and works of art.

Most of these cultural interventions have taken place under the auspices of Renzo Zorzi, one of the main influences behind the company's modern aesthetic policies. Through his direction, Olivetti's participation in the cultural sphere has not been one of a distant and passive sponsor: the Cultural Activities Division, now a sub-unit of the External Relations Department, is actively involved in the exhibitions and heritage restorations that the Olivetti company supports. One senior manager of the division noted thus: 'The aim of supporting art exhibitions is not to provide sponsorship: we are directly involved with the project and the museum, but without any other agency' (*Fieldwork Interview*, Olivetti, 9.2.93). As part of this collaborative approach, the Cultural Activities Division draws upon various in-house resources. The staff responsible for corporate design materials have occasionally contributed equipment for exhibitions. In a similar vein, the Graphic Design Department has worked on catalogue designs for Olivetti sponsored art events. Renowned Olivetti designers Ettore Sottsass and Mario Bellini have contributed their own work to exhibitions or designed the layouts for conferences and museum displays (*Fieldwork Interview*, Olivetti, 28.5.93). The former director of the Corporate Image Department, Renzo Zorzi, maintains that such a comprehensive system of in-house support is the distinguishing feature of Olivetti's cultural policy.

Today, a very great many companies and organisations from every area of business promote the arts, but, in my opinion, providing financial support or sponsoring an event from the outside is one thing; 'doing' is quite another, by which I mean having ideas, planning, organising, directing studies and special projects, coordinating research, in a word, being an active part of an event. If anything distinguishes us, it is not

the quantity of resources employed but this propulsive, non-passive involvement, which has made Olivetti a significant and recognisable participant in this field. (Olivetti News, 1992, p. 34)

Although Zorzi retired from his position as director over Corporate Image Department in 1987, he is still employed as a freelance consultant and has special responsibilities for cultural publications. Subsequent directors of the Corporate Image Department have not wavered from his vision of a distinctive and all-embracing cultural strategy to promote Olivetti as a commercial entity, and so bolster its reputation for social responsibility.

It would be fair to argue that Zorzi's lengthy involvement with Olivetti not only had a formative influence on the company's cultural interventions, but also helped safeguard its cultural programme, even during the 1970s when it faced financial ruin in the face of foreign competition. In 1978, entrepreneur Carlo De Benedetti bought a controlling stake in Olivetti, injecting much needed capital into the company. In addition, De Benedetti streamlined the corporate organisation, restored profitability and overhauled its corporate image: Olivetti was forced to abandon its relaxed and friendly style, and instead prioritised, in contrast to the company philosophy fostered by Adriano Olivetti, the twin objectives of efficiency and profit (Martin, 1991, p. 145). While many of the company's traditional social commitments have receded under De Benedetti's reign, Olivetti, partly through Zorzi's influence, has continued to be one of the most influential corporate patrons of the arts. This may also be attributed to the fact that patronage of the arts, as research has shown (Useem, 1984), is considered by corporate executives

as an effective way of reaching a wider and influential audience. Although there is no tangible evidence that corporate patronage of the arts can develop a positive company image or bolster sales in the long-term, those who are likely to be influenced, according to Useem (1987), will be other company executives. The example of Olivetti is a case in point: as a leading Italian corporation and among one of the first modern private sector firms to champion the arts and culture, Olivetti's active involvement in this area has set an influential precedent that has been followed by a number of corporations during the 1980s, Fiat among them.

During the early 1980s, when corporate support of the arts underwent rapid expansion, the Fiat company emerged as one of the most prolific exponents in this new movement of corporate patronage of the arts. The company dedicated extensive financial and technical resources to cultural activities. These were portrayed not only as a contribution to the protection of Italian culture, but also as an outward demonstration of its sensitivity to the needs of society: 'Its [Fiat] involvement in this area stems from the awareness that a corporation's mission in modern times must not be limited to its basic economic responsibilities. It is imperative, in fact, that corporations help to promote the general progress of society and try to meet the ever-increasing needs of a community which ascribes greater importance to culture' (Fiat, 1992b, p. 4).

The company's cultural activities are wide-ranging; they encompass exhibitions, architectural restoration, and urban rejuvenation. Echoing Olivetti, Fiat's cultural policy is

characterised by the same independent determination to make a purposeful and active contribution towards the preservation of artistic heritage. Fiat, though, has also participated in joint cultural ventures with government departments, specialist bodies and private companies. In 1985, the company, together with the Tuscan regional government and the public bank, *Monte dei Paschi di Siena*, became involved in the Etruscan Project. The event composed of a series of exhibitions on the various aspects of Etruscan civilisation (Bodo, 1989). Moreover, the Group construction subsidiary Fiatengineering joined IBM in 1987 in the 'Neapolis Consortium' - a project to catalogue the information on the artistic and archaeological resources around the Vesuvius area.

More typical of the cultural projects embraced by Fiat throughout the 1980s was its restoration of the *Palazzo Grassi* in Venice. In 1984, the Fiat Group purchased the neglected palace - a notable creation of the eighteenth century architect Giorgio Massari - for \$6 million. Fiat used its own engineering and electronics subsidiaries to renovate and transform the former aristocratic residency into a modern museum and exhibition centre. After 14 months, the restoration of the palace was completed at a total cost, according to Fiat reports, of \$12 million (Fiat, n.d.(b)). The Grassi Palace, since 1986, has housed eight travelling international exhibitions from 'Futurism and the Futurists' to a celebration of the work of Andy Warhol, and formed links with august cultural institutions such as the Museum of Modern Art in New York, the State Museum of Berlin and Spain's Museum of Contemporary Art.

The company has been careful to restore cultural monuments and historical architecture in the area around Turin, where Fiat has its central headquarters. In accordance with the pattern established by the *Palazzo Grassi* project, the company financed the refurbishment of a number of renowned buildings in Turin, because of their social and historical importance to the city. For instance, in 1986 the company employed architectural specialists Roberto Gabetti and Aimaro Isola to improve and extend visiting facilities for the public at the Royal Palace of Turin. In the same period, plans were initiated to transform the disused Fiat Lingotto factory into an exhibition centre. At the start of 1991, Renzo Piano, the renowned Italian architect, was commissioned to oversee the planned reconstruction of the Lingotto factory - a project seen by Fiat as an opportunity to revitalise the surrounding urban zone.

From this, it is clear that Fiat has strived, like Olivetti, to be an influential and autonomous cultural agent in its own right. Significantly, in recent years, a plethora of companies - Benetton, Parmalat, Galileo Industrie Ottiche, Generali, and ENI - have adopted similar cultural policies. This has resulted in a prominent role for the private sector in maintaining cultural heritage - an area still dominated and controlled by government finances and public institutions. According to Bodo (1989), while there has been a discernable increase in active corporate support, much of this patronage is directed towards prestigious cultural events and monuments that are best able to generate kudos for those involved. Examining the field of corporate patronage, Useem maintains that 'company giving in culture and

the arts is strongly skewed toward the most prestigious organisations in the region. Corporate patronage of the arts is undertaken with discretion, but it is a discretion exceedingly well placed' (1987, p. 349).

While this may be a legitimate claim to make for larger corporations, our analysis so far has not taken into account the participation of the public service and social banks in the cultural sphere. One of the most conspicuous features surrounding the expansion in business support of the traditional arts and cultural institutions is the contribution made by Italy's public banks, particularly the socially-orientated savings and cooperative banks. Because the public service banks have retained a strong social ethos which can be traced back historically to their founding statutes (see Chapter 6), we might expect that the cultural interventions of these institutions are guided less by matters of public profile and corporate image-construction than by the needs of preserving heritage, regardless of how illustrious the cause.

The public banks and their cultural responsibilities

The Italian banks have played a central part in the general increase in commercial support for the traditional arts and heritage during the 1980s. A 1991 survey of the level of private sector endowments to the arts in Piedmont found that 86% of the aggregate total given by companies to artistic and cultural endeavours originated from banking and financial institutions based in the region (IRES, 1992). Although the situation in Piedmont may not be entirely representative of all Italian

regions, the banking sector is now widely regarded by cultural practitioners and commentators as a major commercial benefactor of the traditional arts. This situation has come about because several banking institutions - around 80% of which are under public ownership - are for various historical and legal reasons obliged to furnish part of their profits to social and charitable causes. In recent years, public banks have used the *erogazione sociale* (social donations) to assist the maintenance of cultural and artistic heritage.

The Bank of Italy has over the years classified the myriad of Italian banking institutions into five main categories. Out of these five categories, it is the *casse di risparmio* (the savings banks) that have amassed a notable reputation for funding the traditional arts. The communications company Gruppo Prospettive carried out a cursory examination of 210 culturally active enterprises. Of those enterprises included in the survey, 45% came from the banking sector, while just under half of this number were savings banks (Gruppo Prospettive, 1992). As recounted in Chapter 6, historically - in the tradition of the *Monti di Pieta* - the savings banks came to be formed as philanthropic institutions in the early nineteenth century, a feature subsequently safeguarded by a number of government regulations. Most worthy of note was the Fascist Banking Law of 1936 that regulated the ability of deposit banks to provide long-term industrial credit (Ceriani, 1962). The 1936 Law, at the same time, placed the savings banks under public control, which confirmed the philanthropic status of these institutions. This

entailed a legal obligation to divide operating profits between reserves and gifts to charity organisations.

As the government still had effective control of the financial sector after the Second World War - a legacy from the Fascist period - banks were able to open up new branches only with government authorisation. In an effort to extend banks into areas with limited financial services, mainly rural localities, and to small business establishments, the government tended to grant such authorisation to institutions like the savings banks, as they often served single localities and generally dealt in small credit loans. Thus, 83% of the new bank offices and branches opened between 1948 and 1960 belonged to the smaller categories of savings, cooperative and credit banks (Ceriani, 1962). For the savings banks, this phase of expansion, in geographical terms, was by no means even: much of it took place in the Northern and Central regions of Italy. The distinctive nature of the savings banks, over time, has become less pronounced; they have exploited the opportunities for commercial expansion, and now operate throughout the peninsula and the economy. But despite modernisation, they continue to operate as public corporations, possessing constitutional and legal obligations to donate part of their profits to causes of a social nature.

The savings banks, though, are not the only financial institutions that operate as public corporations. Of the five main banking categories operating in Italy, the public law banks and cooperative people's banks are in legal terms essentially philanthropic commercial institutions or 'foundations' as they

are known. For example, the public law banks - the *Banca Nazionale del Lavoro*, *Banco di Napoli*, *Banco di Sicilia*, *Monte dei Paschi di Siena* and the *Istituto San Paolo di Torino* - are mainly involved in dealing with small business operations, but they also engage in long-term credit operations. All these institutions, in addition to their ordinary commercial activities, finance local public bodies, charitable and social organisations.

Since the mid-1980s, these socially-oriented public banks have been increasingly subject to modernising forces. To begin with, the centralised control over commercial outlets was scrapped by a special regulation. The most radical break with past orthodoxies was encompassed in Law no. 218 of 1990, otherwise known as the Amato-Carli Law. It was passed to authorise the privatisation of all public banks, including the savings banks and the public law banks. The Amato-Carli privatisation is less a doctrinaire response to current neo-liberal economic fads than a pragmatic response to the Single European Market and the competitive pressures this will create for Italy's indigenous banks. Those who framed Law no. 218 envisaged that the rationalisation and commercial efficiency afforded by privatisation would better equip financial institutions to sustain competition from their powerful European neighbours. The Amato-Carli Law also aimed to remove various restraints from banks in order to facilitate their commercial expansion. Hence, these banks now have easier access to capital markets; there is the possibility of forming strong strategic alliances with other banks; and it encourages the philanthropic

banks to establish organisational provisions that concentrate on commercial activities.

To ensure that these former public banks would be able to retain their philanthropic and social characteristics, the Amato-Carli Law decreed that the newly privatised institutions would have to place 51% of their shares into the ownership of specially created foundations within the corporate organisation or under the control of external public institutions. In effect, it attempted to create a dual structure within these public corporations: the privatised section of the banks would control all banking and commercial activities, while the foundations would distribute part of the profits to social causes on behalf of the bank. What has taken place since the Amato-Carli Law is a superficial form of privatisation; most of the newly privatised banks have reverted simply to being controlled by their own internal foundation organisations. In one notable instance, Cariplo (*Cassa di Risparmio delle Provincie Lombarde*), Italy's largest savings bank, placed all the shares from its newly privatised banking company under the ownership of a specially created social foundation (*Fieldwork Interview, Cariplo, 2.6.93*). The *Istituto Bancario San Paolo di Torino* managed to privatise 20% of its capital, dispersing it between 65,000 investors, which allowed the bank to increase its equity base. However, the *Compagnia di San Paolo*, which has inherited the function of the ancient charitable institution, holds the remainder of the shares contained in the holding Sanpaolo banking group (Sanpaolo, n.d.). Although the *Banca di Roma* was one of the few joint ventures to result from the privatisation law, all of the bank's shares are

equally divided between two public institutions - *Ente Cassa di Risparmio di Roma* and IRI (Banca di Roma, 1992). Hence, at present, there has only been a nominal privatisation of the banking system; the public-dominated status quo of the banking system has, for all the efforts made by Law No. 218, remained. The limited privatisation of the public banking sector reflects the general reluctance of the state to sell public industries. Although privatisation would produce receipts worth \$10-15 billion (Davidson and Roche, 1993), many politicians are unwilling to carry out extensive privatisations, as the investors would be dominated by the handful of under-capitalised family-owned firms - Olivetti (De Benedetti), Fiat (Agnelli), Fininvest (Berlusconi) - that dominate Italy's private sector and stock market (The Economist, 1993).

The moribund privatisation of the banking sector has meant that many public banks can still be legitimately categorised as non-profit institutions. Hence, savings and cooperative banks are still obliged by their legal statutes and articles of association to distribute a proportion of their yearly profits to charitable works or social initiatives that promote the wider public good, including such things as charity work and cultural heritage. The actual amount donated against the level of profits retained for reinvesting in banking and commercial activities tends to vary from year to year. Some banks have definite percentages that they are obliged to use as social benefactions, but even here some flexibility is employed. The statute of the *Monte dei Paschi di Siena*, reputed to be the oldest bank in the world, stipulates that the bank must give up to 50% of its yearly pre-tax profits

to social causes, but its yearly endowments never reach this exacting level (Monte dei Paschi di Siena, n.d.). However, in 1992 the bank gave 20% of its profits to social causes (*Fieldwork Interview*, Monte dei Paschi di Siena, 4.6.93). The cooperative bank, *Banca Popolare di Milano*, has been committed to giving up to 6% of its profits, but when the bank's statute was modified in April 1990, this was reduced to 2% (*Banca Popolare di Milano*, 1990). For most of these socially-orientated banks, the arts and cultural heritage present varied and worthwhile outlets for their community donations. The savings banks, often regional or provincial in character, use their contributions to support the maintenance of cultural and historic patrimony, as distinctive contributions to the communities in which they are located.

The limited number of studies on the cultural policies of the public banks (see *Confindustria*, 1988; *Gruppo Prospettive*, 1992) show that banking institutions tend to favour the traditional arts and the maintenance of historically significant artefacts in their cultural benefactions. The statutes of certain banks proscribe that cultural endowments must be directed at traditional areas. *Cariplo's* (*Cassa di Risparmio delle Provincie Lombarde*) cultural policy is mainly concerned with the maintenance of antiquarian forms of art, and excludes the possibility of supporting the work of living artists (*Fieldwork Interview*, *Cariplo*, 2.6.93). The *Cassa di Risparmio di Firenze* (Savings Bank of Florence) has an unwritten code that precludes it from sponsoring exhibitions or acquiring paintings by contemporary artists (*Fieldwork Interview*, *Cassa Risparmio di Firenze*, 1.6.93). However, there are some exceptions regarding

the emphasis placed on supporting the traditional arts and cultural heritage. The *Banca Popolare di Milano* organises art exhibitions of contemporary artists, photographers and sculptors (Banca Popolare di Milano, n.d.). The *Cassa di Risparmio di Reggio Emilia* has financed exhibitions of the contemporary local artist Gino Gandini as well as the renowned Joan Miro (*Fieldwork Interview*, Cassa di Risparmio di Reggio Emilia, 3.6.93).

The sums dedicated to supporting Italian culture and the type of projects adopted tend to vary between banking institutions. Generally, the level and quality of support for the cultural sphere is determined by the size, geographical location and internal milieu of the banks. A notable development among the larger public banks concerns their tendency to emulate the active cultural interventions made by large private corporations such as Olivetti and Fiat. The public law bank, *Istituto Bancario San Paolo di Torino*, has since the mid-1980s gained a reputation for organising a number of prominent and long-term restoration projects. Originally, the bank was established in 1563 in Turin by seven local notaries to perform charitable acts and is now one of Italy's largest domestic banks: it has assets worth 200,000 billion lire, a presence across all principal financial areas, and 782 branches in all twenty regions, including 200 operations abroad (Sanpaolo, n.d.). Although the *Istituto Bancario San Paolo* underwent restructuring and selective privatisations during the 1980s, the bank still remains a public institution. *Istituto San Paolo* shares are wholly owned by the *Compagnia di San Paolo*, which is a public foundation that has inherited the social obligations of the old institution. The *Compagnia di San Paolo*

administers the cultural and public policies of the bank. Towards this, it operates through the *Fondazione dell'Istituto Bancario San Paolo di Torino per la Cultura, la Scienza, e l'Arte* (the Sanpaolo Foundation for the Promotion of Culture, Science and Art). The Foundation was established in 1985 by the bank's president, Gianni Zandano, in order to create a clear demarcation within the organisation between those areas responsible for banking and those involved in social operations. The central objective of the Sanpaolo Foundation 'is to engage in major projects...supervising all the stages from the planning to actual completion, not limiting its role to that of mere provider of funds' (Fondazione Sanpaolo di Torino, n.d.). The Foundation has 15-20 full-time staff. With these organisational resources, it is able to organise major cultural projects on behalf of the bank and develop its reputation as a cultural patron of the arts.

The Foundation's first intervention has proven to be its most prolific: in 1985, it signed an agreement with the Ministry of Cultural and Environmental Heritage to restore the Schiaparelli Wing of the Egyptian Museum in Turin. In accordance with its proactive strategy, the Foundation did not pass on the necessary funds to either the Museum or the Ministry of Cultural and Environmental Heritage to carry out the restoration work, but used its own organisational facilities to employ construction firms and technical experts for the project. Although plans for its restoration were hatched in 1985, work on the Museum did not begin until 1988 and was eventually completed in August 1990 at a cost of £5 million (Fondazione Sanpaolo di Torino, 1991). The hiatus between signing the actual agreement and completing the

restoration was mainly down to the inertia of the public bureaucracy. However, the *Istituto San Paolo* and other sponsors of restoration projects have no choice but to collaborate with the Ministry of Cultural and Environmental Heritage, because it owns much of the cultural treasures in the peninsula. For senior personnel of the *Istituto San Paolo*, the bank's involvement in the Egyptian Museum was an opportunity to bring commercial values into the arena of government: 'In practical terms we intervened with the intention of bringing private experience into the public sector. In Italy, there are great problems in the sense that state interventions are always very long. Instead, we want to be characterised as having a timed agenda that we can keep to. In our cultural interventions, we set out a particular time schedule, which we make public and try earnestly to keep' (*Fieldwork Interview*, Fondazione Sanpaolo di Torino, 20.5.93). In addition to its work with the Egyptian Museum, the Turin based bank has, since 1986, organised the restoration of the Abbey of San Fruttuoso and its village houses at Camogli, near Genoa (Fondazione Sanpaolo di Torino, 1991). The project lasted three years - from 1986 to 1989 - at a cost of £1.5 million. In July 1987, the *Istituto San Paolo* helped restore the Basilica of Superga of Turin at the cost of £2.5 million.

The *Cassa di Risparmio delle Provincie Lombarde* (Cariplo), like the *Istituto San Paolo*, is one of Italy's biggest public banks. As the largest savings bank operating in the peninsula, Cariplo has 711 branches across ten regions - a unique feature, as the savings banks normally operate in single regions or provinces. Like the *Istituto Bancario San Paolo*, Cariplo,

subsequent to the Amato-Carli Law, created a separate foundation that is the sole owner of the newly created joint-stock banking company, Cariplo Spa. The foundation has a specialist department responsible for organising cultural activities. With the financial resources at its disposal, Cariplo in recent years has funded the restoration of 35 different artefacts of historical and cultural significance, mainly in the region of Lombardy (Gruppo Prospettive, 1992, pp. 98-100). One of the most ambitious schemes adopted by the bank was its support of the restoration of Milan's prestigious library, the *Biblioteca Ambrosiana*. The bank came up with £6.5 million, spread over a four year period, for a structural refurbishment programme to preserve the library's building structure, which at the time was being threatened by humidity. The vast financial resources for cultural projects at the hands of the larger public banks is exemplified by the *Banca di Roma*. In what is the bank's most prestigious intervention to date, it has agreed to sponsor restoration work on the Colosseum in Rome, following direct intervention by the Ministry of Cultural and Environmental Heritage and the former Prime Minister, the now disgraced Giulio Andreotti. Work on the Colosseum began in September 1992, and is projected to last a total of four years. The *Banca di Roma*, by the time the project is completed, will have donated around £16 million towards the restoration, a financial commitment which, according to the bank's president, Pellegrino Capaldo, could not be refused because it would act as an important reminder of the bank's humanitarian origins (Banca di Roma, 1992).

The above cases outline the interventions of the largest public banks and they very much emulate the high-profile cultural programmes found in the corporate sector. However, many of the public banks in Italy, such as the savings banks (*casse di risparmio*), where there are over 100 separate organisations, operate on a provincial or regional basis, and thus have only limited funds at their disposal. Although the smaller banks do not possess the organisational and financial wherewithal to finance prestigious cultural programmes, they are in the position, because of their confinement to single provinces or regions, to provide support for the preservation of less prominent monuments or artefacts that are often overlooked by larger institutions. The *Cassa di Risparmio di Prato* has contributed finances towards the restoration of local monuments, including unspectacular, though practical tasks like renewing the electrical circuiting of the local *Duomo* (cathedral). The *Cassa di Risparmio di Reggio Emilia* has funded restoration work on the *Battistero di Reggio Emilia*, helping to remove humidity that had built up in its foundations (*Cassa di Risparmio di Reggio Emilia*, 1991). While these interventions are generally more parochial and less noteworthy than those of some of the metropolitan-based public banks, this should not diminish their importance. As one senior executive from the *Cassa di Risparmio di Prato* observed:

The large companies involve themselves in great restoration programmes, which gives them publicity returns. The *casse di risparmio* are involved in smaller interventions in the local community where they are based...It is important to restore these larger monuments, but it is probably more important to restore all the smaller monuments in a city or town because this would render the city more habitable. This is one of the merits of the *casse di risparmio*.

(*Fieldwork Interview, Cassa di Risparmio di Prato, 1.6.93*)

From this analysis, it seems that the public banks have made a range of contributions towards supporting cultural heritage: large banks such as the *Istituto San Paolo* have been able to replicate the type of proactive cultural interventions demonstrated by conglomerates like Fiat and Olivetti. The banks have come to treat culture as an integral part of their contributions to the community. However, most of the public service banks do not have the same organisational or financial wherewithal to sustain the type of cultural programmes adopted by their larger counterparts. Be that as it may, the smaller public banks, like many of the *casse di risparmio*, have made unspectacular though important contributions in supporting traditional cultural heritage.

We have seen how the traditional arts and the cause of preserving cultural heritage has attracted wide-ranging support from Italy's commercial sector in recent years. Indeed, the cause of supporting cultural patrimony has, in contrast to other areas of government policy or society, witnessed a general and active mobilisation of commercial enterprises behind voluntary social action. This has come about with little systematic government coordination; and where the government has attempted to coax and encourage corporate intervention through fiscal incentives, the provisions made have had little effect. Of greater import has proven to be the growth of the advertising industry and the cultural activities of prominent corporations such as Olivetti. Moreover, the social banks - *casse di risparmio, Monti di Pieta*

and *banche popolari* - have emerged as generous patrons of the arts. Because such banks are largely under public ownership and have retained their charitable statutes, these institutions, in recent years, have made extensive and active contributions towards the support of cultural heritage. Although the government has passed measures to sanction the privatisation of these institutions, the social banks have resisted these measures and retained their philanthropic functions. This not only reflects how pervasive the public sector economy is in Italy, but also its importance to business philanthropy and in sustaining the social ethos of commercial institutions that predate industrialisation.

9 Conclusion

In the preceding chapters, we have analysed the philanthropic role of commercial enterprises, and the contribution that they can make to the well-being of society, especially in tackling social problems. Within the context of a capitalist economic system, this has involved companies, executives and business owners going beyond narrow commercial objectives and the sectarian interests of shareholders to pursue wider communitarian, social goals.

As part of this analysis, we have focused specifically on the incidence of business participation in social action in the context of Britain and Italy. There are, in both societies, notable historical and contemporary demonstrations of business philanthropy and social action. During the course of this analysis it was found that, in historical terms, the dominant expressions of industrial and commercial philanthropy proved to be distinct in both societal contexts - a feature linked to the development and organisation of modern society. Our analysis of this progression begins in the Middle Ages.

During the Middle Ages in Europe, commerce was organised, on the whole, within self-contained provincial and regional locations. The guilds, which were essentially organisations that provided collective representation on behalf of traders and craftsmen, were responsible for administering commercial transactions. These organisations were not wholly responsible for regulating trade, for, as the guilds of medieval Britain and

Italy demonstrated, they also functioned as benevolent institutions, a legacy of their religious origins. Hence, the guilds subjected economic activities to moral scrutiny, and became actively engaged in the organisation of welfare and poverty relief for town inhabitants. Eventually, the advance of modernising forces in the economy after the sixteenth century, together with the emergence of new socio-economic interest groups, led to the abrogation of the guild system in Britain and Italy. But from this point, the progress of both societies towards economic modernisation assumed distinct courses, which had a bearing over the communitarian role of business owners and dominant expressions of commercial philanthropy.

The development of corporate philanthropy

Central to Britain's economic advancement from the fifteenth to the seventeenth century were the small band of urban-based merchants. Despite the size of this new socio-economic grouping, it actively contributed to the dismantling guild regulations, and expanding trade. Historical evidence shows that the merchant class also gained prominence in the social sphere, as merchants assumed much of the responsibility for supporting private welfare services and poverty relief. Here, commercial philanthropy, in contrast to the communitarian impulse of the Middle Ages, was predominantly shaped by the beliefs, whims and interests of individual merchants, who were increasingly influenced by Protestant doctrines.

From the expansion of economic trade through the activities of merchants, Britain, by the eighteenth century, was preparing

for further economic growth, principally as a result of industrialisation. There are several factors that account for the process of industrialisation, but significant contributions were made by individual economic agents - business owners, entrepreneurs and traders - and the mechanisms of the free market. Although government assistance was a vital factor in the move towards industrialisation, the role of the public sector was indirect, as it established a framework - in terms of political, legal, social and imperial ambitions - whereby the efforts of individual entrepreneurs and business owners could bring about the Industrial Revolution. From this position of economic power, the business and industrial class augmented its status in wider society by fusing with already powerful landed and financial classes. What is relevant from our point of view is that the early industrialisation of Britain gave business owners the wealth and standing in society to undertake major acts of philanthropy. In addition, business involvement in wider society was facilitated by the fact that the system of poverty relief and social care was dominated by the efforts of private charity, to which industrialists were munificent contributors. At the same time, the prevailing influence of Liberal thought, and the proliferation of Nonconformist, humanitarian religious denominations provided moral and political sanction for those business owners engaged in philanthropic action.

As we saw in Chapter 2, the inexorable advance of industry brought with it a whole panoply of social problems, such as urban blight and poverty, that could not be contained and resolved by private philanthropy and the selective largesse of business

owners. The realisation of the deficiencies surrounding private charity as the basis for relieving poverty and deprivation, during the late nineteenth century onwards, led public authorities, mainly at municipal level, to assume responsibility for the provision of welfare and social services. The intervention of the public sector into the area of welfare provision began to gain decisive momentum during the twentieth century. The interwar period, characterised by high levels of unemployment and economic turbulence, witnessed major strides in state services, like unemployment benefit and health insurance. But it was as a result of the welfare reforms after the Second World War that a proper system of universal provision, across many essential areas, was established. Although the state came to assume control over essential welfare services previously administered by private institutions, after the Second World War, the voluntary sector continued to flourish, diversifying into new areas and pioneering modern charitable techniques. As Prochaska (1988) argues, even public institutions like the national health service, in its formative years, were reliant on voluntary effort. Hence, industrialists still had opportunities to be involved in social action or to support charitable action during the early and middle part of the twentieth century.

In Chapter 3, we argued that the nature of business philanthropy and the extent of business involvement in society throughout the twentieth century was influenced by the new structure of ownership that was emerging during the early years of the twentieth century. What proved most significant at that time was the gradual replacement of the small family-owned

business unit by the oligopolistic commercial organisation under the impersonal proprietorship of shareholders.

The concentration and expansion of commercial institutions, which gained considerable momentum in the interwar period, meant that philanthropic action and charitable giving became increasingly problematic. As a result of the changing structure of business ownership - the move from individual to shareholder owned entities - those running enterprises, in legal terms, could not easily expend resources for purposes which were not directly related to the interests of shareholders. Hence, there are isolated examples where shareholders attempted to bring injunctions, such as the *Evans v Brunner Mond* case (1921), against their companies for making charitable donations. Nevertheless, there were some outlets for industrial philanthropy, such as the cause of higher education, that seemed to combine self-interest with charitable motives. But as the twentieth century progressed, resulting in greater industrial concentration, company directors enjoyed less autonomy when it came to organising support for philanthropic activities. Thus, throughout the early postwar years, corporate involvement was mainly characterised by companies making formal donations to the subscription lists of large charitable and voluntary organisations such as the National Council of Social Service. This situation concerning the nature of corporate philanthropy in Britain began to change during the early 1970s.

It was then that the political and economic situation started to alter dramatically, and with it the social expectations surrounding the business community. Central to all

this was the economic recession during the second half of the 1970s, in the wake of the OPEC induced oil crisis of 1974, which undermined the social-democratic consensus of the postwar period. This, in its turn, helped create the institutional and political conditions for the type of modern interest in corporate social involvement and responsibility that had been prevalent in America since the 1950s. Out of the economic recession came an increase in discussions about the limits of state intervention in society and the need for non-governmental involvement, especially the private sector, in forming policies and tackling social problems. Thus, there was a conspicuous increase regarding the interlocation between government and business - mainly among the larger and powerful sections of the business community - in response to escalating economic and political difficulties. The links between both sectors created the necessary institutional opportunities for business involvement in areas of social policy, such as inner-city rejuvenation, the promotion of small firms and environmental protection.

Further momentum was given to corporate social involvement in the 1980s by the changing nature of politics in Britain, as the electorally-dominant Conservative Party pursued a New Right political agenda and a monetarist economic strategy. In this new political climate, corporate social involvement proved to be an objective for Conservative governments in its own right and an important part of the policy-making process. The emphasis on private sector engagement was deemed to be necessary in order to compensate for the perceived deficiencies and limitations of state intervention. Because the prevailing policy orthodoxy came

to conceive of modern social problems overwhelmingly in economic terms, the need to harness private resources and expertise in the formation and implementation of policy strategies was increasingly stressed. For instance, we saw in Chapter 4 how the private sector contributed to inner-city and local economic policies through initiatives like City Challenge and the urban development corporations. The growth of corporate social responsibility in Britain throughout the 1980s was exemplified by the expansion of organisations - like Business in the Community - that coordinated corporate social involvement. More importantly, companies were making concerted efforts to insert measures within their corporate organisations for directing social intervention. In our research, we found how, in the decade under discussion, companies like Shell, BAT Industries, Unilever, and BT all established or expanded existing institutional provisions for community and social affairs.

In the above we have tried to summarise the main arguments covered in our text relevant to contemporary interest in corporate philanthropy in Britain. Certainly, it would seem that the involvement of companies in activities of a communitarian nature has been intimately linked to the specific route assumed by this society towards economic and social modernity, and the vicissitudes regarding the arrangements of state-business relations. The importance of these processes became evident when we turned to the case of corporate philanthropy in Italy. A similar analytical strategy was adopted as we examined business in philanthropy in Italy. Here, we looked at how the new social and institutional arrangements, brought about by Italy's

transformation into a modern economic entity, shaped the dominant expressions of commercial engagement in social action, which were influenced less by the aspirations and undertakings of individual business owners, and more by the growth of public institutions and state enterprises.

When compared to other major European states, the industrialisation of Italy's economy was relatively late, coming, as it did, in the latter stages of the nineteenth century. It was shown in Chapter 6 that the comparatively slow rate of modernisation can be located in the weakness of the Italian entrepreneurial class. As a group looking to promote economic growth, it was shackled by the opposition on the part of landowning classes and the Catholic Church against industrial development. Subsequently, it was through extensive reliance on state intervention that Italy's business class could transform a predominantly agrarian economy into an industrial power. Italian business owners, who due to their relative weakness were dependent on the state to bring about economic growth, did not emulate the philanthropic achievements of the British industrial and business classes. On the whole, social intervention by these industrialists was mainly based around parochial and paternalistic welfare schemes within the workplace.

These features of Italian industrialisation, however, did allow certain opportunities for philanthropic action on the part of commercial entities. The far-reaching intervention of the state in the economy and society did help to preserve communitarian institutions that had emerged prior to industrialisation during the mid-nineteenth century. Regulations

and laws were passed, helping maintain the essential social and philanthropic status of the savings banks and cooperatives.

By the beginning of the twentieth century, private capital was able to advance its position in both commercial and political terms, as Italy underwent a second phase of industrialisation. This phase of economic growth, which brought with it new commercial and industrial innovations such as engineering, chemical production and car manufacturing, witnessed some notable instances of business-led social action. The most significant social achievements in this period were those of the typewriter company, Olivetti. As a result of successes in the commercial market, the owners of Olivetti implemented and administered a number of significant social programmes in Ivrea, where the firm was located. These interventions shared an affinity with the civic achievements of industrial and entrepreneurial philanthropists in Britain, like the Rowntree family, Samuel Morley, William Hesketh Lever, George Cadbury and Josiah Mason.

The expansion of private industry and the philanthropic endeavours of the Olivetti family were of historical import for the peninsula. Yet, the spectre of the state continued to have a profound influence over society - a fact that was compounded by the Fascist *coup d'état* in 1922. Throughout the Fascist period, there was a continuation of the far-reaching interventionist measures that had typified Italian society since the late nineteenth century, because of the urgent need for planned and centrally directed reconstruction following the First World War. But the regime also intervened on behalf of private industry in order to secure the necessary conditions for capital

accumulation. However, Mussolini's Fascists were keen to build a mass support base through all sections of society, including the working class. Hence, Mussolini and a variety of Fascist apparatchiks became involved in the *dopolavoro* campaign. Here, employers and industrialists were advised to adopt enlightened practices in the workplace, and to assume social responsibilities. The *dopolavoro* scheme was very much symptomatic of the way the private business sector had become subservient to the centralising tendencies of the government.

We might have expected, with the demise of the Fascist government and the end of the Second World War, that a radical break with past institutional arrangements and policy orthodoxies would ensue. The Christian Democrat Party, as the dominant electoral force in postwar Italy, was relied upon by the Italian establishment, as well as business interests and Western powers, to safeguard the interests of private business and the Church, mainly against the perceived threat of Communism. But we saw in Chapter 7 how the Christian Democrats cultivated a strong inter-class and social reform agenda that they ventured to pursue in government. But it was obvious that, while the Party was tied to interest groups such as the private sector, landowners and the Catholic Church, it would be unable to implement this reform agenda, involving new landholding schemes, welfare provision and public intervention in the economy to safeguard jobs. Gradually, the Party moved in favour of the continuation and reinforcement of state planning in the economy. Hence, from the early 1950s, the Christian Democrats, influenced by those on the left of the Party, began a campaign against the poor employment practices of

private sector employers. In addition, it assumed control, against the wishes of company owners, over vital areas of the economy through the expansion of the state holding system. For companies such as ENI and IRI, the government established separate employers organisations' so that trade unions could enjoy an equitable bargaining position.

Although the enlargement of the state holding sector enabled the Christian Democrats to undermine the capability of private capital to monopolise areas of the economy, the government used the state sector to spearhead enlightened reforms in the workplace and society. During the 1950s and early 1960s, the state holding companies - mainly ENI and IRI - were used to rescue ailing firms in order to avoid mass redundancies and stimulate economic and social rejuvenation in the deprived regions of the South. It is our contention that the state sector and its expansion in the postwar period is central to the social contribution of businesses in contemporary Italian society. Indeed, the major state holding companies own specialist subsidiaries which perform social rather than profit-making functions. For example, as we saw in Chapter 7, there are firms involved in promoting small business growth, such as SPI, and, as shown in Chapter 8, there is the ENEA company, a subsidiary of the nationalised electricity company, ENEL, that specialises in creating environmentally-sensitive technologies to be used by industry. Indeed, these businesses have largely remained intact despite recent efforts to introduce privatisation measures.

The colonisation of vital areas of the economy by the state holding sector did not rule out the possibility for private

sector involvement in socially useful programmes. In the 1970s, as the economy and the performance of the state holding sector began to falter, the government attempted to develop the South by involving private sector firms, which by this time had begun to reorganise themselves politically and economically. Throughout the 1950s and 1960s, the issue of modernising the South was a policy area dominated by the state, namely ENI and IRI. The fact that the government by the 1970s was beginning to provide various fiscal and structural incentives to involve private capital in the South demonstrated how far relations between the state and business community had changed. Indeed, as the private sector began to assert its position throughout the 1970s and 1980s, resulting in the government making concessions to industrial capital, the private sector organised support for the environment, the voluntary sector, and small enterprise promotion in the South. But, on the whole, the private sector has operated in isolation, in a limited range of fields, and with little coordination by either business or government agencies. Overall, it is the state holding institutions which continue to play a leading position in bringing social considerations into commerce. However, the recent surge of active involvement by both private sector and state firms in supporting the maintenance of artistic and historical heritage, as recounted in Chapter 8, provides one instance where the Italian business sector has come to assume some of the features that have characterised corporate responsibility in Britain or the United States.

In the above, we have attempted to outline the main findings from our research of corporate social involvement in Britain and

Italy. The whole rationale behind this analysis has been to identify general factors at a societal and political level that are responsible for setting the agenda for and extent of corporate social involvement. Previous theoretical propositions, such as those offered by managerial theorists and those advocating a contingency approach, have proven to be, as was shown in Chapter 1, unsatisfactory. As such, it was reasoned that an alternative model of analysis would be required.

In this analysis we have attempted to trace the origins and nature of modern society and how this has influenced the communitarian role of the business community. In order to achieve this, it has been necessary to place corporate social involvement in the wider political and social context. In terms of the organisation of modern societies, these social and political influences are often mediated through the structure of the state and its links with the business sector. To a varying extent in the contemporary Western world, the state has some influence across many areas in society. The relationship between the state and business across capitalist societies is not constant but subject to political, economic and social vicissitudes. In turn, this can influence the wider social responsibilities expected of business institutions. With regard to contemporary Britain, throughout the 1980s governments very much acted as the enablers for corporate social responsibility. As demonstrated in Chapters 4 and 5, they created numerous institutional opportunities, spurred on by ideological commitments, for corporate engagement in society and public policy, spanning across the areas of urban development and environmental protection. The Italian state,

however, has played a limited role in terms of harnessing the private sector behind social action. It was shown in Chapter 7, though, that postwar governments amassed extensive interests in the economy that have allowed the state to spearhead social reforms through publicly-owned holding companies. Indeed, state-owned businesses, such as ENI and IRI, have played a major role in bringing social considerations to the commercial arena.

Affirmative social action versus the negative injunction

The search for a general framework to understand why companies engage in philanthropy has demonstrated the importance of placing this phenomenon in its wider historical context. In addition, contemporary interest in corporate responsibility is better understood by recourse to the analysis of specific political and social factors surrounding the emergence of these business concerns - an observation reinforced by analysing corporate social involvement across societies. In making such an assertion, though, we are not suggesting that our study of corporate social responsibility is so context or socially specific that it precludes us from making general pronouncements about the nature of corporate participation in social and philanthropic activities. One area of discussion, especially when the characteristic features of the modern era of corporate responsibility in Britain are taken into account, is the extent to which businesses can contribute towards the good of society. The expansion of interest surrounding corporate social responsibility in Britain during the 1980s gained considerable momentum as prevailing orthodoxies in political thinking were

radically transformed: increasing emphasis was placed on the need to involve companies, market mechanisms and business representatives within the ambit of constructing public policy in order to improve the functioning of society, and in dealing with contemporary social problems. In Britain, many of these measures were symptomatic of the political hostility that had built up against the public sector.

In our study - specifically Chapters 4 and 5 - we examined some of the predominant areas where businesses have made social and communitarian interventions in recent years. From this analysis, it was concluded that a note of caution has to prevail in assessing the ability of the private sector to address public problems. It seems that the advocates of corporate social involvement, both those within government and in the business community, have made exaggerated claims about the capabilities of firms to devise private led solutions to public problems.

To begin with, private enterprises are constrained financially by what they can achieve in the social sphere. As the modern corporate economy came into being from the late nineteenth century up to the end of the Second World War, the family or individually owned enterprise was replaced by the large, shareholder-owned firm. This has introduced considerable restrictions over how company resources can be expended. The executives who administer corporations are legally bound to use the resources at their disposal primarily to advance the interests of those who own the company, that is, the shareholders. However, charitable giving is generally seen as justifiable by shareholders and the courts alike, on the grounds

that they can bring goodwill to the companies making donations. Since the 1970s, as interest in corporate social responsibility expanded, the social contributions of corporations have also increased: in 1977 the contributions of the top 200 company donors amounted to £13.9 million; by 1991, 213 out of the 400 largest corporate donor furnished around £190 million to social and non-profit activities (Lane and Saxon-Harrold, 1993, p. 24). These increases in corporate giving, though, prove to be of marginal significance when compared against the profit margins of these companies. Figures show that corporate support for the non-profit and voluntary sector as a percentage of pre-tax profits fluctuated from 0.54% in 1989 to around 0.69% in 1992 (Lane and Saxon-Harrold, 1993, pp. 25-6).

Such corporate support may be vitally important to some areas of voluntary and charitable work, but the level of resources is unlikely to make serious inroads when it comes to tackling public problems like unemployment and urban deprivation. Thus, Shell's Community Relations Department in 1992 received a budget of £6 million, which was placed into the Enterprise Unit, the Education Service, funds for environmental projects and donations (*Fieldwork Interview*, Shell UK, 12.11.92). This total, though, should be compared to the Shell Group's pre-tax profits, which reached £7.4 billion in 1989. BT's community and social budget for 1992 reached an impressive £15 million, but this had to be spread across five different causes and 10 regional offices (*Fieldwork Interview*, BT, 4.12.92). However, the company did make a pre-tax profit of over £2 billion in 1990 (Adams et al., 1991, p. 187). Moreover, for organisations that depend on corporate

benefactions, the limited supply of corporate funding may jeopardise their operations. For instance, it was shown in Chapter 4 how the local enterprise agencies, which emerged in the early 1980s as non-profit support bodies for the small enterprise sector, have faced difficulties in attracting corporate funds. It was the government's intention, as the main backer of the local enterprise agencies, that these organisations should be able to obtain private sector resources in order to expand their operations. However, research has shown that long-term corporate funding is not necessarily guaranteed, and corporate funds tend to be concentrated in the most successful and largest agencies. This uncertainty over private funding and the prospect of businesses withdrawing their support can restrict the work of the agencies. In some cases, they have either tried to rely on generating profits through private consultancy work, or they have been forced to rely on public assistance to avoid insolvency.

Though the actual extent of corporate funds and resources set aside for social and community projects may be limited, in the past 15 years, the corporate sector has assumed a certain degree of influence in society and government. The efforts of recent governments to reduce the function and scope of the state have gradually seen public services replaced by state-sponsored private provision (Grant, 1993). Of interest have been the attempts to create opportunities for private sector involvement in policy-making. Specialist agencies, such as the urban development corporations (Chapter 4), local enterprise agencies (*ibid.*), the Advisory Committee on Business and the Environment (Chapter 5) and wide-ranging reforms in the public provision of

social services have enabled companies and their representatives to make a telling contribution towards shaping policies across a wide variety of areas - urban rejuvenation, small firm creation and the environment. These policies have partly come out of an ideological commitment to the private sector, but also from an emerging perception that inputs from the business community can help find solutions to social problems. Research has shown, though, that commercial mechanisms and agencies may be ill-suited to dealing with public and social issues: the environment in which executives operate does not necessarily provide the specialist skills and knowledge for dealing with complex social matters, where solutions tend to be long-term.

A greater concern for some practitioners is that private sector involvement in government policy-making has undermined democratic institutions, especially local authorities. In certain policy initiatives, the interests of business were equal, sometimes predominating over those of other social groups that may have a stake in the intended strategy. As was shown in Chapter 4 regarding the field of urban policy, certain responsibilities for implementing local economic strategies have been devolved from local government to unelected agencies, such as the urban development corporations and City Action Teams, often dominated by corporate representatives. Again, there are definite limits as to how far companies can influence and control public services. Indeed, there are some company executives who are critical of the way normal democratic agencies and institutions have become eroded by government efforts to privatise public policy (see Chapter 4). Nevertheless, such

points must not detract from the fact that considerable changes have taken place in the provision of public services. These transformations, in turn, have expanded the opportunities for the private sector engagement in public policy. But, as we have seen, they do have a number of limitations.

From this, we might justifiably argue that corporate engagement in wider society is problematic. Nevertheless, there is no doubt that the private sector should be contributing in some way towards safeguarding the well-being of wider society. The pertinent question though is what form this contribution should take. Some commentators argue that corporate resources should not be placed in affirmative social action - one of the dominant characteristics surrounding the modern era of corporate social responsibility in Britain - but in the careful scrutiny and adjustment of, when required, the impact of their commercial strategies on wider society. Simon *et al* (1972) argue that this process involves the placing a negative injunction against social injury. Parkinson makes a similar point: 'It might be argued...that the need for companies to observe moral as well as legal constraints on their conduct is more pressing than the need for them to use their resources to provide private solutions to public problems' (1994, p. 16). There are decision-making areas where certain strategic and commercial options may not be illegal, but they will have socially detrimental consequences. Those companies that implement mass redundancies, transfer investment from one area to another to maintain profit, needlessly pollute the environment and reduce their in-house skills and occupational training schemes are culpable of

activities that are deleterious to employees and, ultimately, wider society. In recent years, there are well-documented cases where companies have actively infringed social considerations. On occasion this has resulted in human disaster on a considerable scale, such as the capsizing of the P&O-owned *Herald of Free Enterprise* off Zeebrugge, and the Union Carbide explosion at Bhopal, killing 2,5000 people (Crainer, 1993). In addition, there have been criticisms levelled against the long-term impact of certain industries, especially on the environment. Thus, if enterprises devise community interventions and engage in social action, yet are unwilling to subject their commercial decisions to social considerations, this can lead to stark contradictions and paradoxes. Moore et al write: 'The contributions are undoubtedly seen as significant by the companies concerned... without really impinging on the strategic decisions of companies in areas like purchasing and contracting, employment and training, or the development of new products' (1989, p. 149).

The process of shaping commercial decisions according to social considerations may require enterprises to restrict profit levels; for social and economic goals, as we have seen, are not necessarily congruent: 'the solutions to many of contemporary society's critical needs will require us to choose between those solutions and profitability, and to reorder our priorities in the market system, even to the extent of accepting a cutback in the private standard of living' (Simon et al., 1972, p. 36). But the exigencies of the modern economy are likely to limit the extent to which enterprises will integrate social matters within their mainstream commercial objectives. For example, it was

demonstrated in Chapter 5 that, while an increasing number of businesses have attempted to monitor their impact on the environment through green reporting, audits and product analysis, these provisions for improving environmental performance, though, have proven to be of limited value. Overall, they have not resulted in a substantial shift from commercial to environmental objectives, as these measures are implemented within a context where the commercial and financial objectives are prioritised above other points of interest. Hutton notes in a recent article that the search to maintain high financial rates of return and the growth of dividends, which are among the highest in the industrialised world, has forced British corporations to be ruthless in the maximisation of profit opportunities (Hutton, 1994, p. 2). This, according to a number of economists, has led to an overemphasis on short-term gain to the neglect of the longer term interests of both business and society.

Even though there are difficulties in making private businesses willing to subject their operations to social scrutiny, this does not preclude the possibility of having commercial enterprises, operating in capitalist societies, that can fulfil communitarian objectives and avoid social harm in their decisions. In Italy, for instance, some of the state holding entities and savings banks exemplify this mode of commercial organisation. In Chapter 5, it was shown how, despite the financial strictures of finance capital, there have emerged in recent years a variety of ethical and environmental financial institutions. These organisations are not merely guided by objectives centred around the maximisation of profit. They also

attempt to instil within their commercial activities a negative injunction to avoid social injury, and an endeavour to pursue activities that are beneficial to the wider social good.

Perhaps the debate over corporate social responsibility should focus as much upon the need for companies to avoid socially harmful consequences emanating from their commercial operations as upon socially positive interventions. These discussions should also begin to consider the type of institutional structures required which might allow social objectives to be more firmly integrated within business operations.

Appendix: Research Materials

General details on fieldwork interviews

As part of the research and assessment of company involvement in society, a total number of 114 interviews were conducted with personnel from British and Italian-based organisations. The interviews generally can be separated into two categories: firstly, representative practitioners from companies that are involved in administering and coordinating social and community programmes. Secondly, interviewees representing non-profit or semi-government agencies that are either supported by companies or work alongside businesses, assisting their social interventions. Regarding company personnel, multiple interviews were conducted, in a number of cases, within the same company, particularly the larger enterprises that have several operational subsidiaries. The decision to conduct multiple interviews within single organisations was taken in order to gain a detailed picture of the social and community activities organised by companies.

These interviews were conducted over a period of some 18 months, spanning the years 1992 (September) to 1994 (February). This period of interviewing included two separate, month-long research trips to Italy between January and February 1993, and May to July 1993. In all cases, the interviews were informal, often lasting 45-60 minutes; they followed a semi-structured question schedule of topics and analytical issues that was

different for each respondent, depending on the type of organisation/company being represented.

The general aim of these interviews was to obtain detailed information on the social action programmes of companies, especially details which are not furnished by official company reports. The following issues were of particular interest: the historical development of social responsibility policies; the organisational structure of departments responsible for implementing social programmes; the type and level of resources put into social action programmes; the expectations surrounding social interventions of company managers and executives. When interviewing respondents attached to organisations directly benefiting from corporate benefactions, especially those emanating from the businesses in our study, efforts were made to elicit information about the nature and quality of these collaborations with the private sector.

Each interview was tape recorded, transcribed verbatim and committed to computer disc. The Italian interviews were translated by the author, using his working knowledge of the language. Due to limitations of space, only a few extracts are included from the copious interview transcripts, and many of those interviewed were not quoted directly whatsoever. None of the respondents requested to approve the material from their interviews that was intended to be used in our text. Nevertheless, the identities of each respondent is kept anonymous, as the listing of names was viewed to be unnecessary; only the organisation represented by the interviewee and the date of when the interview was conducted are indicated in the extracts

included in the text. Below we provide a list of all the organisations and companies from which relevant personnel were interviewed. For the sake of simplicity, Italian and British organisations involved in the study are listed separately. Moreover, a list of details concerning the interviews are provided: the dates of when they were conducted, together with the position, duties, and representative companies/agencies of respondents.

List of British companies and organisations that partook in the study and brief descriptions of their activities

ABSA (Association for Business Sponsorship of the Arts): business funded body to attract private sector support for the arts and culture.

Age Resource: organisation based at Age Concern offices, which attempts to promote voluntary work among 'active elders'. Shell UK played an integral part in the setting up of this organisation.

Allied Dunbar: insurance subsidiary of BAT Industries.

ARC (Action Resource Centre): agency that brokers secondments and placements of business personnel and professionals to community or voluntary organisations.

BAT Industries: one of Britain's largest companies, which has its main interests in tobacco products and financial services.

Brixton Enterprise Centre: former department store (Bon Marche) on the Brixton Road, which was redeveloped by BAT Industries into workshops, offices and studios for around 100 small and medium-sized businesses.

Brooke Bond: Croydon-based Unilever tea and soft drinks subsidiary.

Brunswick Enterprise Centre: Liverpool-based centre that houses workshops and offices for 120 small and medium-sized enterprises; the centre was established by BAT Industries.

BT (British Telecommunications): formerly the publicly-owned telecommunications company, which was privatised in 1984.

BT North-East Regional Centre: regional headquarters based in Leeds.

BT Northern Home Counties Regional Centre: regional headquarters based in Bedford.

BT Southern Home Counties Regional Centre: regional headquarters based in Canterbury.

Business in the Community: organisation established to coordinate business action in all aspects of society. The organisation currently has around 400 member companies.

Charities Aid Foundation: organisation set up by the NCVO to provide support for charities and generate funds from private donors, particularly companies.

City Technology Colleges Trust: organisation established to promote and find sponsors for the City Technology Colleges.

Corporate Social Responsibility Group: London-based discussion forum for large corporations involved in social action. There are some 30 companies involved.

Elida Gibbs: London and Leeds-based Unilever operational subsidiary involved in the production of cosmetics and personal hygiene commodities.

Groundwork Foundation: national environmental body, part funded by the government, which oversees a number of local trusts involved in helping companies redevelop derelict sites near factories and in trying to involve enterprises in general environmental conservation.

John West: Liverpool-based Unilever subsidiary involved in the export of sea food products.

Lambeth City Challenge: cross-representative group from Lambeth Council to organise the bid for DOE City Challenge scheme.

LENTA (London Enterprise Agency): privately-funded London-based local enterprise agency that channels private sector expertise into the tasks of tackling unemployment, encouraging enterprise awareness, and assisting small businesses.

Lever Brothers: Port Sunlight and Kingston-based Unilever subsidiary which produces domestic cleaning products.

Macmillan College: the Teesside City Technology College. This is one of fifteen secondary schools outside the state system, partly funded by the private sector, that provide a greater emphasis on technological and scientific education. This college was founded with financial assistance from BAT.

Norfolk and Waverley TEC: one of 80 quasi-public agencies managed by representatives of the private sector, which were established to organise training and school/industry links on a local basis.

PSI (Policy Studies Institute): independent social research body. Most of its research contracts are with government departments.

Shell UK: main British subsidiary of the Anglo-Dutch petroleum company, the Royal Dutch Petroleum Company.

South London Business Initiative: local enterprise agency for the south London area, providing support, through the private sector, for small businesses in areas such as Peckham and Brixton. The chairman of the organisation is the BAT Industries supremo, Sir Patrick Sheehy.

THORN EMI: electrical and technology multinational.

Unilever: British parent company of the Anglo-Dutch branded consumer multinational; Europe's largest non-oil company.

List of Italian companies and organisations that partook in the study and brief descriptions of their activities

ABI (Associazione Bancaria Italiana): the association of Italian banks.

ACRI (Associazione fra le Casse di Risparmio Italiane): representative association of the *casse di risparmio* (savings banks) and *Banche del Monte*.

AEM (Azienda Energetica Municipale Milano): the municipal electricity company for Milan, which supplies electricity for the municipal services and private consumers.

AGIP: petroleum holding company, which is owned by ENI.

Amersham Italia: Italian subsidiary of the British biotechnology and health science group.

AMI (Associazione Mecenati Italiani): support agency for companies involved in the arts and culture.

Angelini Pharmaceuticals: Ancona-based pharmaceutical company, which is still owned by the Angelini family.

Associazione Italiana per la Ricerca sul Cancro: the association for cancer research.

Banca Popolare di Milano: the cooperative bank of Milan.

Banca di Roma/Cassa di Risparmio di Roma: the public sector bank which is part owned by IRI and the foundation of the savings bank for Rome. The *Cassa di Risparmio di Roma*, which part owns the *Banca di Roma* together with IRI, distributes social funds on behalf of the bank on a yearly basis.

BIC Liguria: Genoa-based SPI subsidiary involved in the promotion and creation of small enterprises.

BIC Trieste: Trieste-based SPI subsidiary involved in the promotion and creation of small enterprises.

Cariplo (Cassa di Risparmio delle Provincie Lombarde): the savings bank for the region of Lombardy.

Cassa di Risparmio di Firenze: the savings bank of Florence.

Cassa di Risparmio di Prato: the savings bank for Prato, located near Florence.

Cassa di Risparmio di Puglia/Fondazione Cassa di Risparmio di Puglia: the savings bank for the region of Apulia and its social foundation.

Cassa di Risparmio di Reggio Emilia: the savings bank of Reggio Emilia, located near Parma.

Cirio Bertolli de Rica (Societa Generale delle Conserve Alimentari): IRI owned company involved in the production and marketing of foodstuffs.

CITER (Centro Informazione Tessile dell'Emilia-Romagna): limited liability service company for small and medium-sized textile firms in the region of Emilia-Romagna.

Comerint: training and management consultancy company owned by ENI.

Comitato (Comitato per lo Sviluppo di Nuova Imprenditorialita' Giovanile): government committee for the development of young entrepreneurs in the South of Italy. Its main function has been to implement the provisions of Law no. 44.

COMOI (Compagnia Mobiliare Investimenti): Milan based investment and portfolio company.

Coop Nordemilia: the consumer cooperative for the region of Emilia Romagna.

Coopsette: a manufacturing cooperative based in Reggio Emilia.

Elea: training and management consultancy company owned by Olivetti.

ENEA: the national agency for new technology, energy and the environment.

ENI (Ente Nazionale Idrocarburi): state energy company involved in the extraction and distribution of gas, petroleum and chemicals.

Fiat: motor vehicle manufacturer and engineering multinational, predominantly owned by the Agnelli family.

Fondazione Adriano Olivetti: cultural foundation established in memory of the former owner, Adriano Olivetti.

Fondazione Giovanni Agnelli: the cultural and social foundation established in 1966 by Fiat in memory of Giovanni Agnelli, one of the original founders of the company.

Fondazione Italiana per il Volontariato: agency established by the *Banca di Roma* to support and provide services to the voluntary sector and charities in Italy.

Fratelli Dioguardi: family-owned construction company, based in Bari.

Istituto Bancario San Paolo di Torino/Fondazione Sanpaolo di Torino (Fondazione dell'Istituto Bancario San Paolo di Torino per la Cultura, La Scienza e l'Arte): Turin-based public law bank and the charitable foundation attached to the *Istituto*, which owns the majority of shares in the commercial bank.

Isvor Fiat (Istituto per lo Sviluppo Organizzativo): a Fiat-owned company providing services in education, training and consultancy.

Main Management: Milan-based management consultancy centre.

Monte dei Paschi di Siena: the Siena-based public law bank.

Olivetti: the Italian typewriter company, now a multinational involved in the information technology market.

Procter & Gamble Italia: Italian subsidiary of the American laundry and cleaning products manufacturer.

SIP (Societa Italiana per l'Esercizio delle Telecomunicazioni): the IRI-owned telecommunications company.

SNAM: ENI-owned holding company involved in the supply, transmission and sale of natural gas.

SNAMPROGETTI: ENI-owned holding company involved in the design and construction of petrochemical refinery and gas treatment plants.

SPI (Promozione e Sviluppo Imprenditoriale): IRI Group holding company, which promotes the development of small enterprises.

Studio Lentati: Milan-based fund raising and charity consultancy company.

Telethon - Combatti la Distrofia Muscolare e le altre Malattie Genetiche: telethon event charity established to raise funds for research into genetic diseases.

List of fieldwork interviews for the British phase (dates of when they were conducted, and the representative company or organisation of the interviewees, together with their position or departmental responsibilities)

ABSA: senior official (22.4.93).

Age Resource: seconded official from Shell UK (13.12.92).

Allied Dunbar: senior manager from the community affairs department (6.10.92).

ARC: senior manager (4.11.92).

BAT Industries: head of community affairs (25.9.92).

Birds Eye Wall's: senior company manager who is the chairman of the Norfolk and Waverley TEC (21.1.94).

BITC: official that performs the role as the national information officer for education (7.4.93).

Brixton Enterprise Centre: senior manager of the centre and former BAT manager (15.9.92).

Brooke Bond: senior corporate/external affairs manager (3.12.92).

Brunswick Enterprise Centre: senior manager (4.1.93).

BT: non-commercial sponsorship manager, mainly responsible for sponsorship of the arts (23.9.92).

BT: general discussion with representatives from the Community Affairs Division (23.9.92).

BT: central education liaison officer (23.9.92).

BT: Community Affairs Division officers responsible for community and economic regeneration projects (23.9.92).

BT: external promotions manager (23.9.92).

BT: manager of Action for Disabled Customers (23.9.92).

BT: senior manager of the Community Affairs Division (4.12.92).

BT: senior Community Affairs Advisor (30.4.93).

BT: senior manager from the Environmental Policy Unit (30.4.93).

BT: Community Affairs Division officer (economic regeneration) (7.1.94).

BT North-East Regional Centre: Community/Public Affairs manager (7.1.93).

BT Northern Home Counties Regional Centre: Community Affairs manager (14.12.92).

BT Southern Home Counties Regional Centre: Corporate Relations manager (21.6.93).

CAF: senior manager (24.3.93).

Corporate Social Responsibility Group: senior representative (26.10.92).

CTC Trust: chief executive (4.5.93).

Department of the Environment Official: former senior DOE civil servant, who was involved in the setting up of BITC (23.3.93).

Elida Gibbs: national accounts manager seconded to community projects (16.12.92).

Groundwork Foundation: senior official (7.5.93).

John West: public relations officer (5.1.93).

Lambeth City Challenge: seconded official from Eagle Star Insurance, a BAT subsidiary, who promoted the Lambeth City Challenge bid (17.12.92).

LENTA: senior manager involved with the local enterprise agency movement and BITC (16.11.92).

Lever Brothers: social and public affairs officer based in Kingston (18.11.92).

Macmillan College: principal of the Teesside City Technology College (11.2.94).

Manchester Business School: environmental management expert (6.1.93).

PSI: senior researcher (24.11.92).

Shell UK: Community Relations Department manager for the environment and arts sponsorship (1.10.92).

Shell UK: management consultant of the Shell Enterprise Unit (8.10.92).

Shell UK: Community Relations Department head manager for the Shell Education Service (28.10.92).

Shell UK: head manager of the Community Relations Department (12.11.92).

Shell UK: senior official of the Shell Enterprise Unit (23.4.93).

Shell UK: former head of the Community Relations Department (30.6.93).

South London Business Initiative: executive director (5.10.92).

THORN EMI: public affairs manager (30.9.92).

Unilever: Unilever education liaison officer (8.9.92).

Unilever: head manager of Community Affairs (5.1.93).

Unilever: secretary of the Unilever Appeals Committee that administers the company's charitable giving programme (23.6.93).

Unilever: deputy head of Safety and Environment Assurance, the in-house department that oversees environmental practices (30.6.93).

List of fieldwork interviews for the Italian phase (dates of when they were conducted, and the representative company or organisation of interviewees, together with their position or departmental responsibilities)

ABI: senior official from the Italian Association of Banks (3.2.93).

ACRI: senior manager (11.2.93).

AEM: manager for the public communications department (29.1.93).

AGIP: manager from the social activities and security department (17.5.93).

Amersham Italia: director general and administrator (1.2.93).

AMI: seconded official from the Fininvest company (11.5.93).

AMI: secretary general (18.5.93).

Angelini Pharmaceuticals: senior manager involved in organising charity giving (12.2.93).

Associazione Italiana per la Ricerca sul Cancro: director general (25.5.93).

Banca di Roma/Cassa di Risparmio di Roma: senior official responsible for the distribution of charitable and social benefactions (5.2.93).

Banca Popolare di Milano: bank official and expert on the cultural and social activities of the bank (2.6.93).

BIC Liguria: senior manager responsible for providing assistance and consultancy to small enterprises (21.2.93).

BIC Trieste: senior controller and advisor to small enterprises (8.6.93).

Cariplo (Cassa di Risparmio delle Provincie Lombarde): expert on social and cultural activities (2.6.93).

Cassa di Risparmio di Firenze: external relations manager responsible for cultural and artistic activities (1.6.93).

Cassa di Risparmio di Prato: senior manager (1.6.93).

Cassa di Risparmio di Puglia: senior bank official (15.2.93).

Cassa di Risparmio di Reggio Emilia: official responsible for organising cultural activities (3.6.93).

Cirio Bertolli de Rica: senior external relations manager (11.5.93).

CITER: senior consultant involved with the Committee for Young Entrepreneurs (Comitato) (27.5.93).

Comerint: senior manager involved with the Committee for Young Entrepreneurs (Comitato) (21.5.93).

Comitato per lo Sviluppo di Nuova Imprenditorialita' Giovanile: senior official (18.2.93).

Comitato per lo Sviluppo di Nuova Imprenditorialita' Giovanile: senior official involved in liaising with companies (13.5.93).

COMOI: senior manager that has organised fund raising events for the company (26.1.93).

Coop Nordemilia: senior manager for consumer and social activities (3.6.93).

Coopsette: official from the Employee Services Department (3.6.93).

Elea (Olivetti): senior manager involved with the Committee for Young Entrepreneurs (Comitato) (20.5.93).

ENEA: senior scientist and researcher into fuel cell plants (12.5.93).

ENI: external relations manager responsible for publications and education links (5.2.93).

ENI: human resources manager responsible for administering social programmes for employees (*Iniziativa Sociale Centralizzate*) (5.2.93).

ENI: senior officials of the *Sicurezza sul Lavoro, Igiene, Qualita e Ambiente* (Environmental Safety Department) (11.2.93).

ENI: external relations managers involved in art and cultural sponsorships (19.5.93).

Fiat: public affairs manager (29.9.92).

Fiat: senior manager form the Human and Industrial Relations Department (2.2.93).

Fiat: official involved in the education liaison scheme (*Fiat per i Giovani*) (2.2.93).

Fiat: senior external relations manager responsible for environmental policy (14.5.93).

Fondazione Adriano Olivetti: executive director (26.5.93).

Fondazione Cassa di Risparmio di Puglia: director of the foundation (17.2.93).

Fondazione Giovanni Agnelli: senior manager (14.5.93).

Fondazione Italiana per il Volontariato: manager responsible for external relations (19.2.93).

Fondazione Sanpaolo di Torino (Istituto Bancario San Paolo di Torino): senior official of the foundation attached to the Turin public law bank (20.5.93).

Fratelli Dioguardi: senior manager (17.2.93).

Fratelli Dioguardi: senior manager engaged in coordinating social affairs (7.6.93).

Istituto Bancario San Paolo di Torino: official responsible for cultural support (20.5.93).

Isvor Fiat: senior manager that has contributed to the Committee for Young Entrepreneurs (Comitato) (14.5.93).

Isvor Fiat: researcher involved with the Committee for Young Entrepreneurs (Comitato) (14.5.93).

Italian Communist Party: expert on the cooperative movement in Italy and Emilia-Romagna (8.2.93).

Main Management: senior consultant (27.1.93).

Monte dei Paschi di Siena: senior representative of the office of the secretary general and expert on the banks social and cultural activities (4.6.93).

Olivetti: senior manager involved in organising cultural activities for the company (9.2.93).

Olivetti: cultural and social activities manager for Ivrea (26.5.93).

Olivetti: external relations manager and expert on Olivetti's cultural activities (28.5.93).

Procter & Gamble Italia: manager involved in charitable fund raising campaigns (4.2.93).

SIP: higher education liaison officer (4.2.93).

SIP: senior manager from the External Relations, Communications and Publicity Department (11.2.93).

SIP: officials involved in establishing links with higher education institutions in Apulia (17.2.93).

SIP: industrial relations, research and projects manager (19.2.93).

SIP: senior manager for external relations responsible for social telecommunications initiatives (21.5.93).

SIP: external relations for the region of Apulia, responsible for liaising with schools (31.5.93).

SNAM: senior manager involved in social activities (17.5.93).

SNAMPROGETTI: senior manager for administering social activities (24.5.93).

SPI: executive director (4.2.93).

SPI: executive director (12.5.93).

Studio Lentati: head of the management consultancy group (29.1.93).

Telethon: organisational director (18.5.93).

University of Ancona University: expert on the Italian voluntary sector (18.2.93).

References

(For clarity, business documents are separated from non-business related texts, mainly references to academic and government publications)

British company documents and publications

Bowtell, M. (1991), 'BT environmental policy', typescript of address to the National Communications Union Environment Conference, 10 April 1991.

BT (British Telecommunications) (1991), *BT in the Community* (London: BT).

BT (1992), *BT and the Environment: Environmental Performance Report 1992* (London: BT).

Groundwork Today (1992), *Groundwork Today*, Issue 19 (Winter) (Birmingham: Groundwork National Office).

Lambeth City Challenge (1992), *Lambeth City Challenge* (Brixton, London: Lambeth City Challenge Team).

Livewire Bulletin (1992), *Livewire Bulletin* (Winter) (Newcastle: Livewire).

Livewire (1992/93), *The Link - Newspaper for the Youth Enterprise Network from Livewire*, Issue 16 (Winter) (Newcastle: Livewire).

Livewire (1993), *The Link - Newspaper for the Youth Enterprise Network from Livewire*, Issue 17 (Spring) (Newcastle: Livewire).

PNE (Project North East) (1990), *Project North East - 10 Years* (Newcastle: Project North East).

Shell Better Britain Campaign (1988), *Getting Help for Community Environmental Projects* (Birmingham: SBBC).

Skelly, B. (1993), 'Throwing a lifeline to the environment', *Unilever Magazine*, no. 87, pp. 18-21 (London: Unilever External Affairs).

Tuppen, C. (n.d.), 'Devising and implementing a corporate environmental policy for BT', environmental briefing typescript for BT.

Unilever (n.d. (a)), *Unilever and the Environment* (London and Rotterdam: Unilever External Affairs).

Unilever (n.d. (b)), *Unilever Worldwide* (London and Rotterdam: Unilever External Affairs).

Unilever (1992a), *Review 1992: Research, Engineering and Patents* (London and Rotterdam: Unilever).

Unilever (1992b), *Annual Review 1992 and Summary Financial Statement* (London and Rotterdam: Unilever).

Italian company documents and publications

Banca di Roma (1992), 'Il restauro del Colosseo', *Gli Speciali della Lettera Finanziaria* 29 November 1992, pp. 21-3.

Banca Popolare di Milano (n.d.), *A Profile of Group Activities* (Milan: Banca Popolare di Milano).

Banca Popolare di Milano (1990), *Statuto: Aggiornato con le Modifiche Deliberate dalla Assemblea Straordinaria dei Soci del 28 Aprile 1990* (Milan: Banca Popolare di Milano).

BIC Liguria (n.d.), *B.I.C. Liguria: Business Innovation Centre* (Genoa: BIC Liguria).

BIC Trieste (n.d.), *BIC Trieste S.p.A: Business Innovation Centre* (Trieste: BIC Trieste).

Cassa di Risparmio di Reggio Emilia (1991), *Il Battistero di Reggio Emilia* (Reggio Emilia: Cassa di Risparmio di Reggio Emilia).

Fiat (n.d.(a)), *La Fabbrica Integrata a Melfi*, typescript.

Fiat (n.d.(b)), *Fiat Group's Cultural Policy*, internal Fiat document.

Fiat (1992a), *Fiat Policies for the Environment* (Turin: Fiat External Relations and Communications Department).

Fiat (1992b), *Fiat and the Arts* (Turin: Fiat External Relations).

Fondazione Sanpaolo di Torino (n.d.), *The Sanpaolo Foundation for the Promotion of Culture, Science and Art*, promotional document (Turin: Sanpaolo).

Fondazione Sanpaolo di Torino (1991), *La Fondazione* (Turin: Sanpaolo).

IRI (Istituto per la Ricostruzione Industriale) (1992), *IRI Gruppo: 1991-92 Yearbook* (Rome: IRI General Administration and Public Relations Office).

Monte dei Paschi di Siena (n.d.), *Historical Notes* (Siena: Monte dei Paschi di Siena).

Olivetti (n.d.), *A Story of Patronage in the Arts: Olivetti* (Ivrea: Olivetti Cultural Relations).

Olivetti (1983), *Design Process: Olivetti 1908-1983* (Milan: Olivetti Direzione di Corporate Image).

Olivetti News (1992), 'A company in the arts', *Olivetti News - International Edition*, vol. 32, no. 1, pp. 33-6.

Sanpaolo (n.d.), *A Profile* (Turin: Istituto Bancario San Paolo di Torino).

SPI (Promozione e Sviluppo Imprenditoriale) (n.d.), *Promozione e Sviluppo Imprenditoriale Gruppo IRI* (Rome: SPI).

References of texts, articles and government publications

Aaronovitch, S. (1955), *Monopoly: a Study of British Monopoly Capitalism* (London: Lawrence and Wishart).

Abrate, M. (1981), 'La politica economica e sindacale della Confindustria', in S. Zaninelli (ed.), *Il Sindacato Nuovo: Politica e Organizzazione del Movimento Sindacale in Italia negli Anni 1943-55* (Milan: Fondazione Agnelli).

Ackerman, R. W. (1975), *The Social Challenge to Business* (Cambridge, Mass.: Harvard University Press).

Adams, R., Carruthers, J., and Hamil, S. (1991), *Changing Corporate Values: a Guide to Social and Environmental Policy and Practice in Britain's Top Companies* (London: Kogan Page).

Adamson, C. (1975), 'The CBI view', *CBI Review*, no. 18, pp. 34-42.

Advisory Committee on Business and the Environment (1992), *Second Progress Report to and Response from the President of the Board of Trade and the Secretary of State for the Environment* (London: DTI and DOE).

Advisory Committee on Business and the Environment (1993), *Third Progress Report to and Response from the Secretary of State for the Environment and the President of the Board of Trade* (London: DTI and DOE).

Aldag, R. J., and Bartol, K. M. (1978), 'Empirical studies of corporate social performance and policy: a survey of problems and results', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 1 (Greenwich, Conn.: JAI Press).

Alibrandi, T., Natoli, G., and Silvestro, E. (1983), *I Beni Culturali ed Ambientali: Legislazione Statale ed Organizzazione Regionale* (Florence: Le Monnier).

Allen, K., and Stevenson, A. (1974), *An Introduction to the Italian Economy* (London: Martin Robertson).

Allen, M., and Ward, A. (1990), *Sponsoring the Arts: New Business Strategies for the 1990s*, special report, no. 2069 (London: Economist Intelligence Unit).

Amato, G. (ed.) (1972), *Il Governo dell'Industria in Italia* (Bologna: Il Mulino).

Amato, G. (1976), *Economia, Politica e Istituzioni in Italia* (Bologna: Il Mulino).

Andrews, F. E. (1950), *Philanthropic Giving* (New York: Russell Sage Foundation).

Antonini, E. (1991), 'Italy - cultural heritage', in A. Cutrera (ed.), *European Environmental Yearbook* (London: Docter International).

Armytage, W. H. G. (1955), *Civic Universities: Aspects of a British Tradition* (London: Ernest Benn).

Arthur Andersen (1991), *Business Support for the Arts in Europe: a Guide through the Fiscal Maze* (London: Arthur Andersen and CEREC).

Ashley, W. J. (1894), *An Introduction to English Economic History and Theory: Part 1 - the Middle Ages* (London: Longmans, Green and Co.).

Ashley, W. J. (1914), *The Economic Organisation of England: an Outline History* (London: Longmans, Green and Co.).

ABSA (Association for Business Sponsorship of the Arts) (1993), *A Survey of Arts Sponsorship in the UK 1992/1993* (London: ABSA).

ACRI (Associazione fra le Casse di Risparmio Italiane) (n.d.), *Il Sistema delle Casse di Risparmio e delle Banche del Monte Italiane* (Rome: ACRI).

Baglioni, G. (1974), *L'Ideologia della Borghesia Industriale nell'Italia Liberale* (Turin: Einaudi).

Bamford, J. (1987), 'The development of small firms, the traditional family and agrarian patterns in Italy', in R. Goffee and R. Scase (eds), *Entrepreneurship in Europe: the Social Processes* (London: Croom Helm).

Barberis, C. (1980), *L'Artigianato in Italia e nella Comunita' Economica Europea* (Milan: F. Angeli).

Barnekov, T., Boyle, R., and Rich, D. (1989), *Privatism and Urban Policy in Britain and the United States* (Oxford: Oxford University Press).

Beck, J. (1983), 'Accountability, industry and education - reflections on some aspects of the educational and industrial policies of the Labour administrations of 1974-79', in J. Ahier and M. Flude (eds), *Contemporary Education Policy* (London and Canberra: Croom Helm).

Becker, H. S. (1973), *Outsiders* (New York: Free Press).

Becker, M. B. (1981), *Medieval Italy: Constraints and Creativity* (Bloomington: Indiana University Press).

Beesley, M. E. (1974), 'The context of social responsibility in business', in M. E. Beesley (ed.), *Productivity and Amenity: Achieving a Social Balance* (London: Croom Helm/New York: Crane Russak).

- Beesley, M. E., and Evans, T. (1978), *Corporate Social Responsibility: a Reassessment* (London: Croom Helm).
- Benn, C. (1992), *Kier Hardie* (London: Hutchinson).
- Benn, T. (1989), *Against the Tide: Diaries 1973-76* (London: Hutchinson).
- Bennett, R. (1990), *Leadership in the Community: a Blueprint for Business Involvement in the 1990s* (London: BITC).
- Berle, A. A. (1959), *Power Without Property: a New Development in American Political Economy* (New York: Harcourt, Brace and Company).
- Biorcio, R. (1988), 'Ecologia politica e liste verdi', in R. Biorcio and G. Lodi (eds), *La Sfida Verde* (Padua: Liviana).
- Birch, R. C. (1974), *The Shaping of the Welfare State* (Harlow: Longman).
- Birnie, A. (1955), *An Economic History of the British Isles* (London: Methuen).
- Board of Trade, (1909), *Railway Companies (Charitable and Other Contributions, 1908): Showing in Detail the Amounts Contributed by the Railway Companies of the United Kingdom, during the Year 1908, to Institutions and Associations of Various Character, not Directly Controlled by the Companies, and not for the Exclusive Benefit of the Companies' Servants*, Parliamentary Papers, 19 Aug, 1909, vol. LXXVII (London: HMSO).
- Bodo, C. (1984), 'Financing the arts and culture in Italy', in J. Myerscough (ed.), *Funding the Arts in Europe*, Studies in European Politics 8 (London: Policy Studies Institute).
- Bodo, C. (1989), 'The boom of cultural sponsorship in Italy', in C. R. Waits, W. S. Hendon and J. M. Davidson Schuster (eds), *Cultural Economics 88: a European Perspective* (Ottawa: Association for Cultural Economics).
- Booth, C. (1902-03), *Life and Labour of the People in London*, 17 Volumes (London: Macmillan).
- Bosquet, M. (1977), *Capitalism in Crisis and Everyday Life* (Brighton: Harvester).
- Bowen, H. R. (1953), *Social Responsibilities of the Businessman* (New York: Harper and Brothers).
- Boyle, R., and Rich, D. (1984), 'Urban policy and the new privatism in the United States and Britain', *Public Administration Bulletin*, no. 45, August, pp. 22-36.
- Bradley, I. C. (1987), *Enlightened Entrepreneurs* (London: Weidenfeld and Nicolson).

- Bremmer, R. H. (1988), *American Philanthropy*, 2nd edition (Chicago: University of Chicago Press).
- BIM (British Institute of Management) (1974), *The British Public Company: its Role, Responsibilities and Accountability*, Occasional Paper - New Series OPN 12 (London: BIM).
- Brosio, G., and Santagata, W. (1992), 'Beni e stili culturali', in G. Brosio and W. Santagata (eds), *Rapporto sull'Economia delle Arti e dello Spettacolo in Italia* (Turin: Fondazione Giovanni Agnelli).
- Brown, E. J. (1953), *The Private Donor in the History of the University* (Leeds: The University of Leeds).
- Browne, A. (1983), *Tony Benn: the Making of a Politician* (London: W. H. Allen).
- Brusco, S. (1982), 'The Emilian model: productive decentralisation and social integration', *Cambridge Journal of Economics*, vol. 6, no. 2, pp. 167-84.
- Bruyn, S. T. (1987), *The Field of Social Investment* (Cambridge: Cambridge University Press).
- Bunce, J. T. (1882), *Josiah Mason: a Biography* (Birmingham: The 'Journal' Printing Works - printed for private circulation).
- BITC (Business in the Community) (1987), *Small Firms: Survival and Job Creation - the Contribution of Enterprise Agencies - a report by Enterprise Dynamics for Business in the Community* (London: BITC).
- Cafagna, L. (1973), 'The industrial revolution in Italy 1830-1914', in C. M. Cipolla (ed.), *The Emergence of Industrialised Societies: The Fontana History of Europe* (London: Collins/Fontana Books).
- Campa, G., and Bises, B. (1980), *La Spesa della Stato per Attivita Culturali in Italia* (Milan: Giuffre).
- Campbell, C. (1987), *The Romantic Ethic and the Spirit of Modern Consumerism* (Oxford: Basil Blackwell).
- Cannon, T. (1992), *Corporate Responsibility* (London: Pitman Publishing).
- Caracciolo, A. (1977), *Stato e Societa Civile: Problemi dell'Unificazione Italiana* (Turin: Einaudi Editore).
- Caraman, M. (1993), 'Silvio Berlusconi', typescript research paper, Harvard Business School.
- Carley, M. (1991), 'Business in urban regeneration partnerships: a case study in Birmingham', *Local Economy*, vol. 6, no. 2, pp. 100-15.

Carmichael, S., and Drummond, J. (1989), *Good Business: a Guide to Corporate Responsibility and Business Ethics* (London: Business Books).

Carpanetto, D., and Ricuperati, G. (1987), *Italy in the Age of Reason 1685-1789*, trans. C. Higgitt (London and New York: Longman).

Casiccia, A. (1989), 'Lo sponsor privato di arte e cultura', in G. Bechelloni (ed.), *Il Mutamento Culturale in Italia 1945-1985* (Naples: Liguori Editore).

Castronovo, V. (1975), *La Storia Economica Storia d'Italia*, volume IV, part I (Turin: Einaudi).

Castronovo, V. (1981), 'Cultura e sviluppo industriale', in C. Vivanti (ed.), *Storia d'Italia. Annali 4. Intellettuali e Potere* (Turin: Einaudi).

Ceriani, L. (1962), 'Italy: the commercial banks and financial institutions', in R. S. Sayers (ed.), *Banking in Western Europe* (Oxford: Clarendon Press).

Chapman, A. W. (1955), *The Story of a Modern University: a History of the University of Sheffield* (London: Oxford University Press).

Chiesi, A., and Martinelli, A. (1989), 'The representation of business interests as a mechanism of social regulation', in P. Lange and M. Regini (eds), *State, Market, and Social Regulation: New Perspectives on Italy* (Cambridge: Cambridge University Press).

Christie, I., Carley, M., Fogarty, M., and Legard, R. (1991), *Profitable Partnerships: a Report on Business Investment in the Community* (London: Policy Studies Institute).

Clark, J. M. (1957), *Economic Institutions and Human Welfare* (New York: Alfred A. Knopf).

Clark, M. (1984), *Modern Italy 1871-1982* (London and New York: Longman).

Clune, G. (1943), *The Medieval Gild System* (Dublin: Browne and Nolan).

Clutterbuck, D. (1981), *How to be a Good Corporate Citizen: a Manger's Guide to Making Social Responsibility Work - and Pay* (London: McGraw Hill).

Clutterbuck, D., and Snow, D. (1990), *Working with the Community: a Guide to Corporate Social Responsibility* (London: Weidenfeld and Nicolson, in association with Kingfisher Plc).

Cochrane, E. (1988), *Italy 1530-1630* (London: Longman).

- Cohen, J. S. (1967), 'Financing industrialisation in Italy, 1894-1914: the partial transformation of a late-comer', *The Journal of Economic History*, vol. XXVII, no. 3, pp. 363-82.
- Colenutt, B. (1988), 'Local democracy and inner city regeneration', *Local Economy*, vol. 3, no. 2 (August), pp. 119-25.
- Comitato (Comitato per lo Sviluppo di Nuova Imprenditorialita' Giovanile) (n.d.), Tutoring, internal typescript document.
- Comitato (1988), *Building the Future: Youth Enterprise Creation in Southern Italy* (Rome: Istituto della Enciclopedia Italiana).
- Comitato (1991), *Nuove Imprese e Rapporti tra Imprese: l'Esperienza della Legge 44* (Turin: ISEDI Petrini Editore).
- Comitato (1993), Dati Generali, internal document 19.1.93.
- CBI (Confederation of British Industry) (1973), *The Responsibilities of the British Public Company*, final Report of the Company Affairs Committee (London: CBI).
- CBI (1988), *Initiatives Beyond Charity: Report of the CBI Task Force on Business and Urban Regeneration* (London: CBI).
- Confindustria (1988), *Il Matrimonio fra Impresa e Cultura* (Rome: Confindustria).
- Costanzo, G. (1923), 'The principal types of agricultural co-operative society in Italy', *International Review of Agricultural Economics*, vol. 7, no. 1, pp. 50-80.
- Cottino, G. (ed.) (1978), *Ricerca sulle Partecipazioni Statali*. vol. II, *L'ENI da Mattei a Cefis: La Politica del Petrolio tra Mito e Realta* (Turin: Einaudi).
- Cragg, G. R. (1968), 'Introduction', in G. R. Cragg (ed.), *The Cambridge Platonists* (New York: Oxford University Press).
- Craig, G., Mayo, M., and Sharman, N. (1979), *Jobs and Community Action* (London: Routledge and Kegan Paul).
- Craig Smith, N. (1990), *Morality and the Market: Consumer Pressure for Corporate Accountability* (London: Routledge).
- Crainger, S. (1993), *Zeebrugge: Learning from Disaster: Lessons in Corporate Responsibility* (London: Herald Charitable Trust).
- Crowther, S., and Garrahan, P. (1988), 'Corporate power and the local economy', *Industrial Relations Journal*, vol. 19, no. 1, pp. 51-9.
- Cunningham, W. (1922), *The Growth of English Industry and Commerce During the Early and Middle Ages*, 5th edition (London: Cambridge University Press).

- Currie, D. (1983), 'World capitalism in recession', in S. Hall and M. Jacques (eds), *The Politics of Thatcherism* (London: Lawrence and Wishart).
- Cutrera, A. (ed.) (1991), *European Environmental Yearbook* (London: DoCTer International).
- Davidson, R., and Roche, D. C. (1993), *Global Strategy and Economics: European Privatisation, International Investment Research 21 May* (London: Morgan Stanley).
- Davidson Schuster, J. M. (1986), 'Tax incentives as arts policy in Western Europe', in P. J. Di Maggio (ed.), *Nonprofit Enterprise in the Arts: Studies in Mission and Constraint* (New York: Oxford University Press).
- Davies, P., and Freedland, M. (1993), *Labour Legislation and Public Policy: a Contemporary History* (Oxford: Clarendon Press).
- Deakins, D. (1993), 'What role for support agencies? A case study of UK enterprise agencies', *Local Economy*, vol. 8, no. 1, pp. 57-68.
- De Chalander, J., and De Brebisson, G. (1987), *Mecenat en Europe* (Paris: La Documentation Francaise).
- De Grazia, V. (1981), *The Culture of Consent: the Mass Organisation of Leisure in Fascist Italy* (Cambridge: Cambridge University Press).
- De Groot, L. (1992), 'City challenge: competition in the urban regeneration game', *Local Economy*, vol. 7, no. 3, pp. 196-209.
- DOE (Department of the Environment) (1977), *Policy for the Inner Cities*, Cmnd. 6845 (London: HMSO).
- DOE (1980), *Anglo-American Conference on Community Involvement: Papers and Proceedings*, Sunningdale 9-10 April 1980 (London: DOE).
- DOE (1990), *This Common Inheritance*, Cmnd. 1200 (London: HMSO).
- DOE (1991), *City Challenge*, Action for Cities (London: DOE).
- DTI (Department of Trade and Industry) (1973), *Company Law Reform*, Cmnd. 5391 (London: HMSO).
- Diani, M. (1990), 'The Italian ecology movement: from radicalism to moderation', in W. Rudig (ed.), *Green Politics* (Edinburgh: Edinburgh University Press).
- Dierkes, M. (1980), 'Corporate social reporting and performance in Germany', in L. E. Preston (ed.), *Research in Corporate Social Performance: a Research Annual*, volume 2 (Greenwich, Conn.: JAI Press).

- Ditchfield, P. H. (1904), *The City Companies of London and their Good Works: a Record of their History, Charity and Treasure* (London: J. M. Dent and Co.).
- Dobkin Hall, P. (1989), 'Business giving and social investment in the United States', in R. Magat (ed.), *Philanthropic Giving: Studies in Varieties and Goals* (New York: Oxford University Press).
- Donnelly, G. (1987), *The Firm in Society*, 2nd edition (London: Pitman).
- Dunham, R. (1988), 'Virtue rewarded?', *Accountancy*, June, pp. 103-5.
- Dunham, R. (1990), 'Ethical funds no bar to profit', *Accountancy*, June, p. 111.
- Earle, J. (1986), *The Italian Cooperative Movement: a Portrait of the Lega Nazionale delle Cooperative e Mutue* (London: Allen and Unwin).
- Eckaus, R. S. (1961), 'The North-South differential in Italian economic development', *The Journal of Economic History*, vol. XXI, no. 3, pp. 285-317.
- The Economist (1993), 'On sale in Italy', *The Economist*, 16 October, p. 17.
- Economist Intelligence Unit (1957), *Business and the Community: a Study of Industry's Contribution to Science, the Arts, Education and the Nation's Welfare* (London: The Economist Intelligence Unit).
- Eden, F. M. (1928), *The State of the Poor: a History of the Labouring Classes in England, with Parochial Reports* (London: George Routledge and Sons).
- Elkington, J. (with Burke, T.) (1987), *The Green Capitalists: Industry's Search for Environmental Excellence* (London: Victor Gollancz).
- Elkington, J., and Hailes, J. (1988), *The Green Consumer Guide: High Street Shopping for a Better Environment* (London: Victor Gollancz).
- Elkington, J., Knight, P., and Hailes, J. (1991), *The Green Business Guide* (London: Victor Gollancz).
- Engels, F. (1969), *The Condition of the Working Class in England* (London: Panther).
- Epstein, E. M. (1976), 'The social role of business enterprise in Britain: an American perspective: part I', *The Journal of Management Studies*, vol. 13, no. 3, pp. 213-33.

Epstein, E. M. (1977), 'The social role of business enterprise in Britain: an American Perspective: part II', *The Journal of Management Studies*, vol. 14, no. 3, pp. 281-316.

Epstein, E. M. (1989), 'Business ethics, corporate good citizenship and the corporate social policy process: a view from the United States', *Journal of Business Ethics*, vol. 8, no. 8, pp. 583-95.

EIRIS (Ethical Investment Research Service) (1989), *Choosing an Ethical Fund: the EIRIS Guide*, 2nd edition (London: EIRIS).

EIRIS (1993), *Ethical Funds*, typescript (London: EIRIS).

Evans, K. (1975), *The Development and Structure of the English Educational System* (London: University of London Press).

Ewing, B. (1970), 'The good goldfish: a case study in the corporate conscience', in C. Perrow (ed.), *Organisational Analysis* (London: Tavistock).

Fabbri, M., and Greco, A. (eds) (1988), *La Comunita Concreta: Progetto ed Immagine, I Pensiero e le Iniziative di Adriano Olivetti nella Formazione della Cultura Urbanistica ed Architettonica Italiana* (Rome: Fondazione Adriano Olivetti).

Farooq Khan, A., and Atkinson, A. (1987), 'Managerial attitudes to social responsibility: a comparative study in India and Britain', *Journal of Business Ethics*, vol. 6, no. 6, pp. 419-32.

Farrell-Vinay, G. (1989), *The Old Charities and the New State: Structures and Problems of Welfare in Italy 1860-1890*, PhD thesis, University of Edinburgh, 1989.

Fogarty, M. (1966), 'Wider business objectives: American thinking and experience', *Political and Economic Planning*, vol. 32, no. 495, pp. 42-76.

Fogarty, M. (1975), *Company Responsibility and Participation: a New Agenda*, PEP Broadsheet, vol. XLI, no. 554 (London: PEP).

Fogarty, M., and Christie, I. (1990), *Companies and Communities: Promoting Business Involvement in the Community* (London: Policy Studies Institute).

Forester, T. (1978), 'How Labour's industrial strategy got the chop', *New Society*, vol. 45, no. 822, 6 July, pp. 7-10.

Forgacs, D. (1990), *Italian Culture in the Industrial Era 1880-1980: Cultural Industries, Politics and the Public* (Manchester: Manchester University Press).

Forrester, S. (1990), *Business and Environmental Groups: a Natural Partnership?* (London: Directory of Social Change).

- Fothergill, S., and Guy, N. (1990), *Retreat from the Regions: Corporate Change and the Closure of Factories* (London: Jessica Kingsley Publishers and Regional Studies Association).
- Frankel, P. H. (1966), *Mattei: Oil and Power Politics* (London: Faber and Faber).
- Frazer, D. (1979), *Power and Authority in the Victorian City* (Oxford: Basil Blackwell).
- Friedman, M. (1962), *Capitalism and Freedom* (Chicago: University of Chicago Press).
- Fry, L. W., Keim, G. D., and Meiners, R. E. (1982), 'Corporate contributions: altruistic or for-profit?', *Academy of Management Journal*, vol. 25, no. 1, pp. 94-106.
- Galbraith, J. K. (1974), *The New Industrial State*, second edition (Harmondsworth: Penguin).
- Gambetta, D. (ed.) (1988), *Trust: Making and Breaking Cooperative Relations* (Oxford: Basil Blackwell).
- Gerschenkron, A. (1962), *Economic Backwardness in Historical Perspective: a Book of Essays* (Cambridge, Mass.: Harvard University Press).
- Gianni, F., and Giuliani, A. (1990), 'Italy', in J. C. F. Lufkin and D. Gallagher (eds), *International Corporate Governance* (London: Euromoney Books).
- Gibb, A. A., and Durowse, H. (1987), 'Large business support for small enterprise development in the UK', *Leadership and Organisation Development Journal*, vol. 8, no. 1, pp. 3-16.
- Gillies, C. S. (1992), *Beyond Charitable Giving: Board Policy on Community Involvement* (London: BITC).
- Gist, R. R. (1971), *Marketing and Society: a Conceptual Introduction* (New York: Holt, Rinehart and Winston).
- Goldsmith, E., and Hildyard, N. (1986), 'Introduction', in E. Goldsmith and N. Hildyard (eds), *Green Britain or Industrial Wasteland?* (Cambridge: Polity Press).
- Goss, D. (1991), *Small Business and Society* (London: Routledge).
- Goyder, G. (1987), *The Just Enterprise* (London: Andre Deutsch).
- Grant, W. (1993), *Business and Politics in Britain*, 2nd edition (Basingstoke: Macmillan).
- Gray, R., Bebbington, J., and Walters, D. (1993), *Accounting for the Environment (The Greening of Accountancy, Part II)* (London: Paul Chapman Publishing).

Gray, R., and Morrison, S. (1992), 'The physical environment, accounting and local development', *Local Economy*, vol. 6, no. 4, pp. 336-50.

Gray, R. H., Owen, D. L., and Maunders, K. T. (1987), *Corporate Social Reporting: Accounting and Accountability* (New Jersey: Prentice-Hall).

Graziani, A. (1972), *L'Economia Italiana, 1945-70* (Bologna: Il Mulino).

Green, I., and Murphy, G. W. (1954), 'The income of voluntary social services of Manchester and Salford in 1951 and a comparison with 1938', *Social Welfare*, vol. 9 (IX), no. 4, pp. 78-96.

Green, M. (1973), 'The corporation and the community', in R. Nader and M. J. Green (eds), *Corporate Power in America* (New York: Grossman Publishers).

Gruppo Prospettive (1992), *Arte & Sponsor: Manifestazione Nazionale delle Sponsorizzazioni Culturali* (Rome: Edizioni Gruppo Prospettive).

Guiotto, L. (1979), *La Fabbrica Totale: Paternalismo Industriale e Citta Sociale in Italia* (Milan: Feltrinelli).

Hambleton, R. (1981), 'Implementing inner city policy: reflections from experience', *Policy and Politics*, vol. 9, no. 1, pp. 51-71.

Hammersley, M. (1992), *What's Wrong with Ethnography? Methodological Explorations* (London and New York: Routledge).

Handel, G. (1982), *Social Welfare in Western Society* (New York: Random House).

Hannah, L. (1983), *The Rise of the Corporate Economy*, 2nd edition (London and New York: Methuen).

Harding, A. (1990), 'Public-private partnerships in urban regeneration', in M. Campbell (ed.), *Local Economic Policy* (London: Cassell Education Ltd.).

Hargreaves, J., and Dauman, J. (1975), *Business Survival and Social Change: a Practical Guide to Responsibilities and Partnership* (London: Associated Business Programmes).

Harris, N. (1983), *Of Bread and Guns: the World Economy in Crisis* (Harmondsworth: Penguin).

Harrison, B. (1982), *Peaceable Kingdom: Stability and Change in Modern Britain* (Oxford: Clarendon Press).

Hart, P. E., and Prais, S. J. (1956), 'The analysis of business concentration: a statistical approach', *Journal of the Royal Statistical Society, Series A (General)*, vol. 119, part 2, pp. 150-91.

Harte, G., Lewis, L., and Owen, D. (1991), 'Ethical investment and the corporate reporting function', *Critical Perspectives on Accounting*, vol. 2, no. 3, pp. 227-53.

Harte, G., and Owen, D. (1991), 'Environmental disclosure in the annual reports of British companies: a research note', *Accounting, Auditing and Accountability Journal*, vol. 4, no. 3, pp. 51-61.

Hartridge, R. A. R. (1930), *A History of Vicarages in the Middle Ages* (London: Cambridge University Press).

Harvey, B., Smith, S., and Wilkinson, B. (1984), *Managers and Corporate Social Policy: Private Solutions to Public Problems?* (London: Macmillan).

Harvey, D., and Swyngedouw, E. (1993), 'Industrial restructuring, community disempowerment and grass-roots resistance', in T. Hayter and D. Harvey (eds), *The Factory and the City: the Story of the Cowley Automobile Workers in Oxford* (London: Mansell).

Hawkins, K. (1983), 'Bargaining and bluff: compliance strategy and deterrence in the enforcement of regulation', *Law and Policy Quarterly*, vol. 5, no. 1, pp. 35-73.

Hayek, F. A. (1969), 'The corporation in a democratic society: in whose interest ought it and will it be run?', in H. I. Ansoff (ed.), *Business Strategy: Selected Readings* (Harmondsworth: Penguin).

Heald, D. (1983), *Public Expenditure: its Defence and Reform* (Oxford: Martin Robertson).

Heald, M. (1970), *The Social Responsibilities of Business: Company and Community, 1900-1960* (Cleveland and London: The Press of Case Western Reserve University).

Header, H. (1983), *Italy in the Age of the Risorgimento 1790-1870* (London and New York: Longman).

Header, H. (1990), *Italy: a Short History* (Cambridge: Cambridge University Press).

Header, H., and Waley, D. P. (1963), *A Short History of Italy: from Classical Times to the Present Day* (Cambridge: Cambridge University Press).

Heseltine, M. (1987), *Where there's a Will* (London: Hutchinson).

Hickson, C. R., and Thompson, E. A. (1991), 'A new theory of guilds and European economic development', *Explorations in Economic History*, vol. 28, no. 2, pp. 127-68.

Hodder, E. (1887), *The Life of Samuel Morley* (London: Hodder and Stoughton).

Hodson, H. V. (1991), 'Introduction', in H. V. Hodson (ed.), *The International Foundation Directory 1991* (London: Europa Publishers).

Humble, J. (1976), 'Social responsibility: the heart of business', *Unilever Topics*, no. 4, November/December, pp. 1a-2a.

Hutton, W. (1994), 'Bad times for the good life', *The Guardian* 2, Tuesday, August 2, pp. 2-3.

Hyde, J. K. (1973), *Society and Politics in Medieval Italy: the Evolution of the Civil Life, 1000-1350* (London: Macmillan Press).

Inglehart, R. (1977), *The Silent Revolution: Changing Values and Political Styles among Western Publics* (Princeton, NJ: Princeton University Press).

Ingram, R. W., and Frazier, K. B. (1980), 'Environmental performance and corporate disclosure', *Journal of Accounting Research*, vol. 18, no. 2, pp. 614-22.

Institute of Business Ethics (1990), *Ethics, Environment and the Company: a Guide to Effective Action* (London: IBE).

International Labour Office (1932), *The F.I.A.T. Establishments*, Studies in Industrial Relations II, Studies and Reports Series A, no. 35 (Geneva: International Labour Office, League of Nations).

Irvine, S. (1989), *Beyond Green Consumerism*, discussion paper, no. 1 (London: Friends of the Earth).

Irvine, S. (1991), 'Beyond green consumerism', in C. Plant and J. Plant (eds), *Green Business - Hope or Hoax?* (Devon: Green Books).

IRES (Istituto Ricerche Economico-Sociale del Piemonte) (1992), *Relazione sulla Situazione Economica, Sociale e Territoriale del Piemonte 1992* (Turin: Rosenberg and Sellier).

Ivens, M. (ed.) (1970), *Industry and Values: the Objectives and Responsibilities of Business* (London: George G. Harrap).

Jeremy, D. J. (1991), 'The enlightened paternalist in action: William Hesketh Lever at Port Sunlight before 1914', *Business History*, vol. 33, no. 1, pp. 58-81.

Johnson, D. A. (1986), 'Confronting corporate power: strategies and phases of the Nestle boycott', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 8 (Greenwich, Conn.: JAI Press).

Jones, B., and Saren, M. (1990), 'Politics and institutions in small business development: comparing Britain and Italy', *Labour and Society*, vol. 15, no. 3, pp. 287-300.

Jones, K. (1974), *The Human Face of Change: Social Responsibility and Rationalization at British Steel* (London: Institute of Personnel Management).

Jones, T. M. (1980), 'Corporate social responsibility revisited, redefined', *California Management Review*, vol. 22, no. 3, pp. 59-67.

Jones, T. M. (1983), 'An integrating framework for research in business and society: a step toward the elusive paradigm?', *The Academy of Management Review*, vol. 8, no. 4, pp. 559-64.

Jordan, W. K. (1961), 'The English background of modern philanthropy', *The American Historical Review*, vol. 66, no. 2, pp. 401-8.

Jordan, W. K. (1964), *Philanthropy in England 1480-1660: a Study of the Changing Pattern of English Social Aspirations*, 2nd edition (London: George Allen and Unwin).

Joyce, P. (1982), *Work, Society and Politics: the Culture of the Factory in Late Victorian England*, 2nd edition (London: Methuen).

Judge, D., and Dickson, T. (1987), 'The British state, governments and manufacturing decline', in T. Dickson and D. Judge (eds), *The Politics of Industrial Closure* (Basingstoke: Macmillan).

Kavanagh, D. (1990), *Thatcherism and British Politics: the End of Consensus?*, 2nd edition (New York: Oxford University Press).

Kaysen, C. (1957), 'The social significance of the modern corporation', *American Economic Review*, vol. 47, no. 2, pp. 311-19.

Kelly, A. (1991), 'The enterprise culture and the welfare state: restructuring the management of the health and personal social services', in G. Burrows (ed.), *Deciphering the Enterprise Culture: Entrepreneurship, Petty Capitalism and the Restructuring of Britain* (London: Routledge).

Kempner, T., MacMillan, K., and Hawkins, K. (1974), *Business and Society: Tradition and Change* (London: Allen Lane).

Kicherer, S. (1990), *Olivetti: a study of the Corporate Management of Design* (London: Trefoil Publications).

- King, D. S. (1987), *The New Right: Politics, Markets and Citizenship* (Basingstoke and London: Macmillan Education).
- King, R. (1985), *The Industrial Geography of Italy* (London: Croom Helm).
- Kitsuse, J. I., and Spector, M. (1989), 'The labeling of social problems', in E. Rubington and M. S. Weinberg (eds), *The Study of Social Problems: Six Perspectives*, 4th edition (New York and Oxford: Oxford University Press).
- Knox, J., and Ashworth, M. (1985), *An Introduction to Corporate Philanthropy* (London: BIM/CAF).
- Kropotkin, P. (1907), *Mutual Aid: a Factor of Evolution* (London: William Heinemann).
- Lane, F. C. (1966), *Venice and History: the Collected Papers of F. C. Lane* (Baltimore: John Hopkins Press).
- Lane, J., and Saxon-Harrold, S. K. E. (1993), 'Corporate philanthropy in Britain', in S. K. E. Saxon-Harrold and J. Kendall (eds), *Researching the Voluntary Sector* (Tonbridge: Charities Aid Foundation).
- La Palombara, J. (1966), *Italy: the Politics of Planning* (Syracuse, N.Y.: Syracuse University Press).
- Lawless, P. (1987), 'Urban development', in M. Parkinson (ed.), *Reshaping Local Government* (Hermitage: Policy Journals).
- Lawrence, D. (1988), *The Third Way: the Promise of Industrial Democracy* (London: Routledge).
- Law Reports (1883), *Hutton v. West Cork Railway Company*, *Law Reports*, vol. 23, Chancery Division, pp. 654-84 (London: Council of Law Reporting).
- Lawson, N. (1992), *The View from No. 11: Memoirs of a Tory Radical* (London: Bantam Press).
- Lentati, B. (1991), 'Company giving in Italy: an overview', in B. Dabson (ed.), *Company Giving in Europe: a Survey of Different Approaches to Community Involvement by Companies in each of the Member States of the European Community with Case Studies of Good Practice* (London: Directory of Social Change).
- L'Etang, J. (1994), 'Public relations and corporate social responsibility: some issues arising', *Journal of Business Ethics*, vol. 13, no. 2, pp. 111-23.
- Levitt, T. (1979), 'The dangers of social responsibility', in T. L. Beauchamp and N. E. Bowie (eds), *Ethical Theory and Business* (Englewood Cliffs, NJ: Prentice-Hall).

Lipson, E. (1937), *The Economic History of England, Volume 1: the Middle Ages* (London: Adam and Charles Black).

Lloyd, E. A. (1925), *The Co-operative Movement in Italy, with reference to Agriculture, Labour and Production* (London: Fabian Society and George Allen and Unwin).

Logsdon, J. M. (1985), 'Organizational responses to environmental issues: oil refining companies and air pollution', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 7 (Greenwich, Conn.: JAI Press).

Logsdon, J. M., Reiner, M., and Burke, L. (1990), 'Corporate philanthropy: strategic responses to the firm's stakeholders', *Nonprofit and Voluntary Sector Quarterly*, vol. 19, no. 2, pp. 93-109.

Lowe, P., and Goyder, J. (1983), *Environmental Groups in Politics* (London: George Allen and Unwin).

Lowe, P. D., and Rudig, W. (1986), 'Review article: political ecology and the social sciences - the state of the art', *British Journal of Political Science*, vol. 16, part 4, pp. 513-50.

Lumley, R. (1990), 'Challenging tradition: social movements, cultural change and the ecology question', in Z.G. Baranski and R. Lumley (eds), *Culture and Conflict in Postwar Italy: Essays on Mass and Popular Culture* (Basingstoke: Macmillan).

Lutz, V. (1962), *Italy: a Study in Economic Development* (Oxford: Oxford University Press).

McAdam, T. W. (1973), 'How to put corporate social responsibility into practice', *Business and Society Review*, no. 6, pp. 8-16.

McCarthy, K. D. (1982), *Noblesse Oblige: Charity and Cultural Philanthropy in Chicago 1889-1929* (Chicago: University of Chicago Press).

McCartney, G. (1991), 'Environmental enforcement', in R. A. David (ed.), *The Greening of Business* (Aldershot: Gower).

MacKenzie, D. (1989), 'It makes money, being green', *New Scientist*, 7 October (Special Greening of Industry Supplement), pp. 6-7.

Magini, M. (1992), *La Cassa di Risparmio di Firenze: Breve Compendio di Una Lunga Storia* (Florence: Leo S. Olschki Editore).

Maraffi, M. (1980), 'State/economy relationships: the case of Italian public enterprise', *British Journal of Sociology*, vol. 31, no. 4, pp. 507-24.

- Martin, J. (1991), 'Information technology: Ing. C, Olivetti and C., S.P.A.', in A. Hast (ed.), *International Directory of Company Histories*, volume III (Chicago and London: St. James Press).
- Martinelli, A. (1979), 'Organised business and Italian politics: Confindustria and the Christian Democrats in the postwar period', *West European Politics*, vol. 2, no. 3, pp. 67-87.
- Martinelli, A., Chiesi, A. M., and Chiesa, N. D. (1981), *I Grandi Imprenditori Italiani: Profilo Sociale della Classe Dirigente Economica* (Milan: Feltrinelli).
- Martinelli, A., and Treu, T. (1984), 'Employers associations in Italy', in J. P. Windmuller and A. Gladstone (eds), *Employers Associations and Industrial Relations: a Comparative Study* (Oxford: Clarendon Press).
- Martines, L. (1979), *Power and Imagination: City-States in Renaissance Italy* (New York: Alfred A. Knopf).
- Marx, K. (1976), *Capital: a Critique of Political Economy Volume 1* (Harmondsworth: Penguin Books/ New Left Review).
- Massey, D., and Meegan, R. (1982), *The Anatomy of Job Loss: the how, why and where of Employment Decline* (London and New York: Methuen).
- Mauksch, M. (1982), *Corporate Voluntary Contributions in Europe* (New York: The Conference Board).
- Meakin, B. (1905), *Model Factories and Villages: Ideal Conditions of Labour and Housing* (London: T. Fisher Unwin).
- Melrose-Woodman, J., and Kverndal, I. (1976), *Towards Social Responsibility: Company Codes of Ethics and Practice*, Management Survey Report, no. 28 (London: British Institute of Management).
- Merenda, M. J. (1981), 'The process of corporate social involvement: five case studies', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 3 (Greenwich, Conn.: JAI Press).
- Merli, S. (1972), *Proletariato di Fabbrica e Capitalismo Industriale*, volume 1 (Florence: La Nuova Italia).
- Metcalf, H., Pearson, R., and Martin, R. (1989), *Stimulating Jobs: the Charitable Role of Companies* (Brighton: Institute of Manpower Studies).
- Middlemas, K. (1991), *Power, Competition and the State. Volume 3. The End of the Postwar Era: Britain since 1974* (London: Macmillan).
- Milbrath, L. W. (1984), *Environmentalists: Vanguard for a New Society* (Albany, NY: State University of New York Press).

- Miller, A. (1992), 'Green investment', in D. Owen (ed.), *Green Reporting: Accountancy and the Challenge of the Nineties* (London: Chapman Hall).
- Mitchell, B. R. (1988), *British Historical Statistics* (Cambridge: Cambridge University Press).
- Mitchell, F., Sams, I., and White, P. (1990), 'Ethical investment: current trends and prospects', *The Accountant's Magazine*, January, pp. 12-15.
- Mitchell, N. J. (1989), *The Generous Corporation: a Political Analysis of Economic Power* (New Haven: Yale University Press).
- Mitchell, N. J. (1990), 'The decentralization of business in Britain', *Journal of Politics*, vol. 52, no. 2, pp. 622-37.
- Monasta, A. (1994), 'Italy', in C. Brock and W. Tulasiewicz (eds), *Education in a Single Europe* (London and New York: Routledge).
- Moore, C. (1988), 'Enterprise agencies: privatisation or partnership?', *Local Economy*, vol. 3, no. 1, pp. 21-30.
- Moore, C., and Booth, S. (1986), 'Urban policy contradictions: the market versus redistributive approaches', *Policy and Politics*, vol. 14, no. 3, pp. 361-87.
- Moore, C., Richardson, J. J., and Moon, J. (1985), 'New partnerships in local economic development: a case study of local entrepreneurship', *Local Government Studies*, vol. 11, no. 5, pp. 19-33.
- Moore, C., Richardson, J. J., and Moon, J. (1989), *Local Partnership and the Unemployment Crisis in Britain* (London: Unwin Hyman).
- Moratto, G. (ed.) (1986), *L'amministrazione dei Beni Culturali ed Ambientali* (Naples: Simone).
- Moskow, M. H. (1978), *Strategic Planning in Business and Government* (New York: Committee for Economic Development).
- Mueller, A. (1985), 'A civil servant's view', in D. Englefield (ed.), *Today's Civil Service* (Harlow: Longman).
- Murray, R. (1983), 'Pension funds and local authority investments', *Capital and Class*, no. 20, Summer, pp. 89-102.
- Myers, K. (1991), 'Selling green', in C. Squiers (ed.), *The Critical Image: Essays on Contemporary Photography* (London: Lawrence and Wishart).
- Neubeck, K. J. (1974), *Corporate Response to Urban Crisis* (Toronto: D. C. Heath and Company).

Neufeld, M. F. (1961), *Italy: School for Awakening Countries: the Italian Labour Movement in its Political, Social and Economic Setting from 1800 to 1960* (Ithaca: New York State School of Industrial and Labour Relations, Cornell University).

New Society (1973), 'Loaning pros.', *New Society*, vol. 25, no. 568, 23 August, p. 463.

Nichols, T. (1969), *Ownership, Control and Ideology: an Enquiry into Certain Aspects of Modern Business Ideology* (London: George Allen and Unwin).

Niven, M. N. (1978), *Personnel Management 1913-63: the Growth of Personnel Management and the Development of the Institute*, 2nd edition (London: Institute of Personnel Management).

Norton, M. (1987), *The Corporate Donor's Handbook* (London: Directory of Social Change).

Norton, M. (1989), *Major Companies and their Charitable Giving* (London: Directory of Social Change).

Oakey, R. P. (1985), 'Innovation and regional growth in small high technology firms: evidence from Britain and the USA', in D. J. Storey (ed.), *Small Firms in Regional Economic Development: Britain, Ireland and the United States* (Cambridge: Cambridge University Press).

Ogus, A. (1983), 'The regulation of pollution', in G. Richardson, A. Ogus and P. Burrows, *Policing Pollution: a Study of Regulation Enforcement* (Oxford: Clarendon Press).

O'Hagan, J. W., and Duffy, C. T. (1989), 'Tax concessions to the arts: importance and impact', in C. R. Waits, W. S. Hendon, J. M. Davidson Schuster (eds), *Cultural Economics 88: a European Perspective* (Ottawa: Association for Cultural Economics).

Orpen, C. (1987), 'The attitudes of US and South African managers to corporate social responsibility', *Journal of Business Ethics*, vol. 6, no. 2, pp. 89-96.

Owen, D. (1964), *English Philanthropy 1660-1960* (Cambridge Mass.: The Belknap Press of Harvard University Press).

Owen, D. L. (1990), 'Towards a theory of social investment: a review Essay', *Accounting, Organisations and Society*, vol. 15, no. 3, pp. 249-65.

Owen, D., Gray, R., and Maunders, K. (1987), 'Researching the information content of social responsibility disclosure: a comment', *British Accounting Review*, vol. 19, no. 2, pp. 169-75.

Palma, G., and Clemente, G. (1987), 'State intervention in the arts in Italy from 1945 to 1982', in M. C. Cummings and R. S. Katz (eds), *The Patron State: Government and the Arts in Europe, North America, and Japan* (New York and Oxford: Oxford University Press).

Parkinson, J. (1994), 'The legal context of corporate social responsibility', *Business Ethics - A European Review*, vol. 3, no. 1, pp. 16-22.

Parkinson, M. (1988), 'Urban regeneration and development corporations: Liverpool style', *Local Economy*, vol. 3, no. 2, pp. 109-18.

Pasquino, G. (1979), 'Italian Christian Democracy: a party for all seasons?', *West European Politics*, vol. 2, no. 3, pp. 88-109.

Payne, P. L. (1967), 'The emergence of the large-scale company in Great Britain, 1870-1914', *The Economic History Review*, Second Series, vol. 20 (XX), no. 3, pp. 519-42.

Peacock, A. (1984), *The Regulation Game: how British and West German Companies Bargain with Government* (Oxford: Basil Blackwell).

Penrose, E. T. (1968), *The Theory of the Growth of the Firm* (Oxford: Basil Blackwell).

Perks, R. W., Rawlinson, D. H., and Ingram, L. (1992), 'An exploration of ethical investment in the UK', *British Accounting Review*, vol. 24, no. 1, pp. 43-65.

Petrilli, G. (1967), *Lo Stato Imprenditore: Validita e Attualita di una Formula* (Bologna: Cappelli).

Piore, M. J., and Sabel, C. F. (1984), *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books).

Plant, C., and Albert, D. H. (1991), 'Green business in a grey world - can it be done?', in C. Plant and J. Plant (eds), *Green Business - Hope or Hoax?* (Devon: Green Books).

Podbielski, G. (1974), *Italy: Development and Crisis in the Postwar Economy* (Oxford: Clarendon Press).

Pollard, S. (1965), *The Genesis of Modern Management: a Study of the Industrial Revolution in Great Britain* (London: Edward Arnold).

Por, O. (1923), *Guilds and Cooperatives in Italy*, trans., E. Townshend (London: The Labour Publishing Company).

Posner, M. V., and Woolf, S. J. (1967), *Italian Public Enterprise* (London: Gerald Duckworth).

Post, J. E., and Andrews, P. N. (1982), 'Case research in corporation and society studies', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 4 (Greenwich, Conn.: JAI Press).

Prochaska, F. (1988), *The Voluntary Impulse: Philanthropy in Modern Britain* (London: Faber and Faber).

Prodi, R. (1974), 'Italy', in R. Vernon (ed.), *Big Business and the State: Changing Relations in Western Europe* (London: Macmillan).

Prodi, R., and De Giovanni, D. (1993), 'Forty-five years of industrial policy in Italy: protagonists, objectives and instruments', M. Baldassarri (ed.), *Industrial Policy in Italy 1945-90* (Basingstoke: Macmillan/ New York: St. Martin's Press/ in assoc. Rome: Rivista di Politica Economica).

Pullan, B. (1971), *Rich and Poor in Renaissance Venice: the Social Institutions of a Catholic State to 1620* (Oxford: Basil Blackwell).

Putnam, R. D. (1993), *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NJ.: Princeton University Press).

Raistrick, A. (1993), *Quakers in Science and Industry: Being an Account of the Quaker Contributions to Science and Industry During the Seventeenth and Eighteenth Centuries*, 2nd edition (York: Sessions Book Trust).

Rey, F. (1980), 'Corporate social performance and reporting in France', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 2 (Greenwich, Conn.: JAI Press).

Richardson, J. J. (1983), *The Development of Corporate Responsibility in the UK*, Strathclyde Papers on Government and Politics, no. 1 (Glasgow: Department of Politics, University of Strathclyde).

Richardson, J. J. (1989), 'Britain: changing policy styles and policy innovation in response to economic crisis', in E. Damgaard, P. Gerlich, and J. J. Richardson (eds), *The Politics of Economic Crisis: Lessons from Western Europe* (Aldershot: Avebury).

Roberts, C. B. (1991), 'Environmental disclosures: a note on reporting practices in mainland Europe', *Accounting, Auditing, and Accountability Journal*, vol. 4, no. 3, pp. 62-71.

Robertson, J. (1974), *Profit or People? The New Social Role of Money* (London: Calder and Boyars).

Robinson, F., and Shaw, K. (1991), 'Urban regeneration and community involvement', *Local Economy*, vol. 6, no. 1, pp. 61-73.

- Robinson, M. (1992), *The Greening of British Party Politics* (Manchester and New York: Manchester University Press).
- Rockness, J., and Williams, P. F. (1988), 'A descriptive study of social responsibility mutual funds', *Accounting, Organizations and Society*, vol. 13, no. 4, pp. 397-411.
- Roll, E. (1992), *A History of Economic Thought*, 5th edition (London and Boston: Faber and Faber).
- Ronci, D. (1980), *Olivetti, Anni '50: Patronalsocialismo, Lotte Operaie e Movimento Comunita* (Milan: Franco Angeli Editore).
- Rowntree, B. S. (1922), *Poverty: a Study of Town Life* (London: Longmans, Green and Co.).
- Rudig, W. (1993), 'Wilting greenery', *The Times Higher Education Supplement*, September 17, p. 17.
- Sabel, C. F. (1981), 'The internal politics of trade unions', in S. Berger (ed.), *Organising Interests in Western Europe: Pluralism, Corporatism and the Transformation of Politics* (Cambridge: Cambridge University Press).
- Sanderson, M. (1972), *The Universities and British Industry 1850-1970* (London: Routledge and Kegan Paul).
- Saraceno, P. (1976), 'Le radici della crisi economica', *Il Mulino*, no. 243, January/February, pp. 3-26.
- Sasso, G. (1978), 'Partecipazioni statali e politica del lavoro', in G. Cottino (ed.), *Ricerca sulle Partecipazioni Statali*, vol. I: *Studi sulla Vicenda Italiana* (Turin: Einaudi).
- Sassoon, D. (1986), *Contemporary Italy: Politics, Economy and Society since 1945* (London and New York: Longman).
- Schoyen, A. R. (1958), *The Chartist Challenge: a Portrait of George Julian Harney* (London: Heinemann).
- Scott, J. (1985), *Corporations, Classes and Capitalism*, 2nd edition (London: Hutchinson).
- Scott, J. (1986), *Capitalist Property and Financial Power: a Comparative Study of Britain, the United States and Japan* (Brighton: Wheatsheaf).
- Senin, A. (1976), 'Monte di pegno', in *Enciclopedia del Diritto: Estratto dal Ventiseiesimo Volume* (Milan: Giuffre Editore).
- Sheikh, S. (1990), 'Judicial policy on corporate giving', *The Law Society's Gazette*, no. 25, 4 July, pp. 16-18.
- Shenfield, B. (1969), *Company Giving* (London: PEP).

Shenfield, B. (1971), *Company Boards: their Responsibilities to Shareholders, Employees, and the Community* (London: George Allen and Unwin/Political and Economic Planning).

Shimmin, A. N. (1954), *The University of Leeds: the First Half Century* (Cambridge: Cambridge University Press).

Shutt, J., and Whittington, R. (1987), 'Fragmentation strategies and the rise of small units: cases from the North West', *Regional Studies*, vol. 21, no. 1, pp. 13-23.

Siegfried, J. J., Maddox McElroy, K., and Biernot-Fawkes, D. (1983), 'The management of corporate contributions', in L. E. Preston (ed.), *Research in Corporate Social Performance and Policy: a Research Annual*, volume 5 (Greenwich, Conn.: JAI Press).

Simon, J. G., Powers, C. W., and Gunnemann, J. P. (1972), *The Ethical Investor: Universities and Corporate Responsibility* (New Haven: Yale University Press).

Simpson, A. (1991), *The Greening of Global Investment: how the Environment, Ethics and Politics are Reshaping Strategies*, special report, no. 2108 (London: The Economist).

Smallbone, D. (1990), 'Enterprise agencies in London: a public private sector partnership?', *Local Government Studies*, vol. 16, no. 5, pp. 17-32.

SSRC (Social Science Research Council) (1976), *The Social Responsibilities of Business*, a Report to the Social Science Research Council by an SSRC Advisory Panel (London: SSRC).

Staley, E. (1906), *The Guilds of Florence* (London: Methuen).

Storey, D. (1982), *Entrepreneurship and the New Firm* (London: Croom Helm).

Storey, D. (1985), 'The implications for policy', in D. J. Storey (ed.), *Small Firms in Regional Economic Development: Britain, Ireland and the United States* (Cambridge: Cambridge University Press).

Storey, D., Keasey, K., Watson, R., and Wynarczyk, P. (1987), *The Performance of Small Firms: Profits, Jobs and Failures* (London: Croom Helm).

Strong, P., and Robinson, J. (1990), *The NHS - Under New Management* (Milton Keynes: Open University Press).

Supple, B. (1973), 'The state and the industrial revolution 1700-1914', in C. M. Cipolla (ed.), *The Industrial Revolution: Fontana Economic History of Europe* (London: Fontana/Collins Books).

- Tabacco, G. (1989), *The Struggle for Power in Medieval Italy: Structures of Political Rule*, trans., R. Brown Jensen (Cambridge: Cambridge University Press).
- Tawney, R. H. (1920), *The Acquisitive Society* (New York: Harcourt Brace Jovanovich).
- Tawney, R. H. (1967), *The Agrarian Problem in the Sixteenth Century* (New York: Harper Torchbooks).
- Tawney, R. H. (1984), *Religion and the Rise of Capitalism: a Historical Study*, Penguin Books reissue (Harmondsworth: Penguin).
- The Times (1968), 'Less high street money for charities', *The Times*, September 3, p. 2.
- Toniolo, G. (1977), 'Effective protection and industrial growth: the case of Italian engineering, 1898-1913', *The Journal of European Economic History*, vol. 6, no. 3, pp. 659-73.
- Toniolo, G. (1990), *An Economic History of Liberal Italy 1850-1918* (London: Routledge).
- Tudor, A. (1989), *Monsters and Mad Scientists: a Cultural History of the Horror Movie* (Oxford: Basil Blackwell).
- Ullmann, A. A. (1985), 'Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms', *Academy of Management Review*, vol. 10, no. 3, pp. 540-57.
- Useem, M. (1984), *The Inner Circle: Large Corporations and the Rise of Business Political Activity in the U.S. and U.K.* (New York: Oxford University Press).
- Useem, M. (1987), 'Corporate philanthropy' in W. W. Powell (ed.), *The Nonprofit Sector: a Research Handbook* (New Haven: Yale University Press).
- Usher, A. P. (1934), 'The origins of banking: the Primitive bank of deposit, 1200-1600', *The Economic History Review*, vol. 4, no. 4, pp. 399-428.
- Utton, M. A. (1982), *The Political Economy of Big Business* (Oxford: Martin Robertson).
- Varni, A., Gobbo, F., and Mosconi, F. (1991), *La Cassa di Risparmio di Cesena 1841-1991* (Rimini: Bruno Ghigi Editore).
- Villa, M. L. (1991), 'Adesso l'industria sponsorizza la voglia di studiare', *Corriere della Sera* 16 November.
- Villari, L. (ed.) (1975), *Il Capitalismo Italiano de Novecento* (Rome and Bari: Laterza).

- Vogel, D. (1986), *National Styles of Regulation: Environmental Policy in Great Britain and the United States* (Ithaca: Cornell University Press).
- Wagner, G. (1987), *The Chocolate Conscience* (London: Chatto and Windus).
- Waley, D. (1969), *The Italian City-Republics* (London: Weidenfeld and Nicolson).
- Walton, C. C. (1967), *Corporate Social Responsibilities* (California: Wadsworth).
- Walton, C. C. (1982), 'Corporate social responsibility: the debate revisited', *Journal of Economics and Business*, vol. 34, no. 2, pp. 173-87.
- Ward, S. (1991), *Socially Responsible Investment: a Guide for those Concerned with the Ethical and Social Implications of their Investments* (London: Directory of Social Change).
- Ward, W. (1990), *Getting it Right in Italy: a Manual for the 1990s* (London: Bloomsbury).
- Weber, M. (1985), *The Protestant Ethic and the Spirit of Capitalism* (London: Counterpoint).
- Webley, S. (1974), *Corporate Social Responsibility: Report on a Survey Conducted on Behalf of the Public Relations Consultants Association* (London: PRCA).
- Webster, R. A. (1961), *Christian Democracy in Italy 1860-1960* (London: Hollis and Carter).
- Weiss, L. (1984), 'The Italian state and small business', *The European Journal of Sociology*, vol. XXV, no. 2, pp. 214-41.
- Weiss, L. (1988), *Creating Capitalism: the State and Small Business since 1945* (Oxford: Basil Blackwell).
- Williams, I. A. (1931), *The Firm of Cadbury 1831-1931* (London: Constable).
- Willmott, P., and Hutchison, R. (eds) (1992), *Urban Trends 1: a Report on Britain's Deprived Urban Areas* (London: PSI).
- Wilson, P. R. (1987), *Women Workers, Scientific Management and Workers Welfare: the Magneti Marelli in the Fascist Period*, PhD thesis, University of Essex, 1987.
- Windsor, D., and Greanias, G. (1982), 'Strategic planning systems for a politicized environment', in L. E. Preston (ed.), *Research in Corporate Social Performance: a Research Annual*, volume 4 (Greenwich, Conn.: JAI Press).

Woolf, S. (1979), *A History of Italy 1700-1860: the Social Constraints of Political Change*, 1991 edition (London and New York: Routledge).

Woolf, S. (1991), 'The poor and how to relieve them: the Restoration debate on poverty in Italy and Europe', in J. A. Davis and P. Ginsborg (eds), *Society and Politics in the Age of the Risorgimento: Essays in Honour of Denis Mack Smith* (Cambridge: Cambridge University Press).

Woollett, S. (1993), *Environmental Grants: a Guide to Grants for the Environment from Government, Companies and Charitable Trusts* (London: Directory of Social Change).

Worsley, P. (1983), 'One world or three? A critique of the world-system theory of Immanuel Wallerstein', in D. Held, J. Anderson, B. Gieben, S. Hall, L. Harris, P. Lewis, N. Parker, B. Turok (eds), *States and Societies* (Oxford: Martin Robertson in association with The Open University).

Yearley, S. (1992), *The Green Case: a Sociology of Environmental Issues, Arguments and Politics* (London: Routledge).