

**SOCIAL RESPONSIBILITY AND SOCIAL SECURITY: THE FOUNDATION OF
*CAJA DE PENSIONES PARA LA VEJEZ Y DE AHORROS***

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Abstract

The concept of Corporate Social Responsibility (CSR) is not new. Over the course of time, many entrepreneurs have created and developed companies, with a strong sense of ethical and social responsibility. This paper presents an example of how CSR was conceived and put into practice when *Caja de Pensiones para la Vejez y de Ahorros* was created in Barcelona in 1905, following the life and ideas of its founder, Francesc Moragas, a lawyer with a deep commitment to social action and a successful conception of the technical and economic dimensions of a financial and social institution.

Keywords: Spain, savings bank, corporate social responsibility, social security, welfare state.

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Introduction¹

Corporate Social Responsibility (CSR) has undergone profound changes in recent years. However, it is not a new phenomenon. Many companies, great and small, throughout the world have been doing business for some time following the criteria currently attributed to CSR. Admittedly, past practices did not involve the outward expressions of socially responsible conduct that characterize the CSR of today: ethical, social and environmental management systems (Argandoña, 2004), rendering accounts by means of social and environmental reports, specific audits, etc. However, real concern for CSR has certainly existed for many decades.

This paper presents an example of how CSR was conceived and put into practice when *Caja de Pensiones para la Vejez y de Ahorros* ('la Caixa') was created in Barcelona in 1905.² The case is an interesting one for many reasons. First, because the founder of 'la Caixa', Francesc Moragas, had a deep feeling of social and ethical responsibility. Second, because it was a specific answer to a problem that was deeply felt by Spanish society at the time and was taken on by a private institution as if it were its own, regardless of any public reactions which did not, in fact, take long to follow, partly due to Moragas' intervention. Third, because it is a particularly interesting example of collaboration between public and private sectors to solve certain social problems. Fourth, because 'la Caixa' has maintained and developed its founder's concept of CSR throughout its more than one hundred years of existence (Nadal and Sudria, 1981). And, finally, because we feel that cases such as this have occurred in Spain and other countries over many years.³

¹ The authors wish to acknowledge the collaboration of Daniel Galland and the 'la Caixa' Department of Economic Studies for facilitating access to its archive, and particularly Jordi Gual, Teresa Sanjaume and Gloria Álcega. The report reflects the opinions of the authors and not necessarily those of 'la Caixa'.

² The institution's current name is Caja de Ahorros y Pensiones de Barcelona (in Catalan: Caixa d'Estalvis i Pensions de Barcelona). It is the result of the merger in 1990 of the Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares, founded in 1904 as Caja de Pensiones para la Vejez y de Ahorros, and the Caja de Ahorros y Monte de Piedad de Barcelona, founded in 1844. It is popularly and officially known as 'la Caixa', the name we will use most frequently in this paper.

³ According to current legislation, 'la Caixa' is a savings bank. It is the third Spanish bank by its volume, with 10.2 million clients, 5221 offices in Spain and €350 billion in operations in the first quarter of 2007.

The following section presents the economic, social and political situation of Spain at the beginning of the 20th century. After a brief biography of Francesc Moragas, his social ideas are expounded, in order to explain the founding of the *Caja de Pensiones para la Vejez y de Ahorros*. The welfare dimension of 'la Caixa' introduces the CSR ideas of Moragas that inform the new institution in its creation and development, to finish with the conclusions.

Spain at the Beginning of the 20th Century

At the end of the 19th century, Spain was a poor country with sluggish economic growth (Nadal, Carreras, and Sudria, 1987; Sánchez-Albornoz, 1987; Tortella, 1994). Industrialization arrived late in Spain, although industrial development in Catalonia – where 'la Caixa' started its operations – and the Basque Country was more advanced than in the rest of Spain (Nadal, 1975, 1985). Two thirds of Spaniards worked in agriculture, which was in a very backward state, scarcely able to feed the population and incapable of creating sufficient wealth with which to develop industry. Transport infrastructure was insufficient and the services that should have supported the country's economic growth (banking, insurance, capital market, public services) were also well behind the times. The business class was conservative in attitude and protectionist as regards competition from abroad.

The 19th century had been plagued with tax problems, monetary instability and economic policies that did little to favour economic development. Savings were low, and the high level of public debt, together with the low savings rate and an underdeveloped financial system (which was on the decline in Catalonia), contributed to high interest rates and little credit availability for private industry.

The country was also behind the times on the social front. Liberal policies had not managed to triumph in the 19th century, so modernization of Spain's social, political and cultural conditions was very slow. Healthcare, education, housing and social services standards were below those of most other European countries. Population growth was low, mortality was high, and there were plenty of incentives for people to emigrate (to the cities and other countries).

On the political front, the restoration of the monarchy in 1874 marked the start of a period of relative stability. Spain's government was alternately in liberal and conservative hands, although new political forces (republican, socialist, anarchist and regionalist parties) began to emerge and contributed to the social tension that characterized the turn of the century, also due to the fact that the more traditional parties were moving further and further away from the sentiments of the people. This distancing reached its height with the 1895-1898 war against the rebels in Spain's last colonies (the Philippines, Cuba and Puerto Rico) and the United States, as a result of which these territories were definitively lost.

At the end of the war, the country was faced with military humiliation as well as being poorer through the loss of markets (the Catalan textile industry had benefited from the colonies, which were markets closed to the textile products from other countries) and human resources (casualties in the war). Besides the material losses involved, the circumstances also affected the government's budget (the colonies were a major source of income) and left the people and their leaders demoralized and disoriented. The situation was worsened further by economic recession, increased unemployment and reductions in salaries, leaving many families in extreme poverty and financial institutions in dire straits.

The whole situation led to deep social and political unrest, which exploded in a general strike in Barcelona in February 1902, resulting in 13 dead (Nadal and Sudria, 1981, pp. 25-36). In the years that followed, rapid changes took place and conflicts multiplied: labour disturbances in urban and rural areas, the rise of anarchist movements, mass migration of agricultural workers to the cities, etc. However, a regeneration movement was also taking place among intellectuals, politicians and businesspeople, with cultural and political, but also social and economic bases. It was the Villaverde Reform (1899), so called after the minister who promoted it, which put the public accounts in order, moderated inflation and laid the foundations for economic recovery, aided by the repatriation of capital from the former colonies.

At the end of the 19th century, there was a deep concern in government circles with respect to the workers' movement and their living conditions. A series of reforms were carried out between 1881 and 1890, e.g. the 1887 Associations Act, which legalized trade unions, and the 1890 Universal Suffrage Act (Tusell, 1998, p. 537).

This concern led to the creation in 1883 of the Social Reform Commission (*Comisión de Reformas Sociales*), which was responsible for studying existing social problems and finding a solution to them. As a result, the Occupational Accident Act was passed in 1900. Moragas declared it to be in keeping with the principles of economic science and in harmony with the needs of workers (1901, p. 229).⁴ In 1903, the Commission was converted into the Institute for Social Reform (*Instituto de Reformas Sociales*, IRS) and it was then that the need to create a national insurance institution was brought up. At the proposal of the Madrid branch of the IRS, a conference on social security was held in Madrid in 1904. It was attended by twenty-four savings banks from all over Spain and members of the IRS (Nadal and Sudria, 1981, pp. 97-98). Although it was not yet open to the public, 'la Caixa' was invited to the conference and it was decided at a Board meeting that Moragas should attend in its name.

The conference concluded in favour of the creation of a national institution, which finally led to the National Institute of Social Security (*Instituto Nacional de Previsión*, INP) being founded in February 1908 with the following goals: First, to disseminate and inculcate the idea of social security, particularly in the form of retirement pensions. Second, to administer the members' voluntary mutual fund to be constituted for this purpose. Third, to stimulate and support retirement pensions and endeavour to have them paid as a generalized or special bonus for official bodies and individuals (Nadal and Sudria, 1981, p. 99). The creation of the INP was a very important step forward and Moragas and 'la Caixa' played a decisive role in the process (Pérez-Bastardas, 1999, pp. 223-375).

In the translation of social ideas into practical solutions, Spain suffered a substantial delay. Many European countries had been taking measures in terms of social security for practically a century and a half. In the European context, social security – which had been renewed as from the 18th century – acquired new structures in the 19th century, as industrial systems accentuated the working class's lack of protection. In European terms, compulsory insurance was the great novelty of the century (Nadal and Sudria, 1981, p. 60).

Bismarck's Germany introduced compulsory insurance for all wage earners without exception. German politics began to influence kindred countries such as Austria and Hungary and the influence gradually spread to the rest of Europe. In France, Belgium and Italy, the rejection of compulsory insurance was compensated for by the creation of an official fund for workers'

⁴ In quotations from Francesc Moragas' publications, the author's name is omitted.

retirement, to which membership was voluntary. The dilemma between compulsory and voluntary systems was present in European politics and also the trains of thought of Moragas, who originally rejected State intervention in the matter, although later he changed his position.

Partly as a result of the First Industrial Revolution, there was at least a seed of social concern in 18th-century Europe that gradually grew as the 19th century advanced. However, Catalonia (Termes, 1987) and Spain (Roberts, 1980; Hobsbawn, 1989) were considerably behind the rest of Europe, a situation that began to be alleviated in 1908 with the founding of Spain's social security institution, the INP.

Francesc Moragas: A Brief Biography

Francesc Moragas was born in Barcelona in 1868, into a relatively wealthy and socially prominent family. His father, an eminent lawyer, died unexpectedly in 1881, at the early age of 44, when Francesc was only thirteen. His mother got married again the following year to Juan Antonio Sorribas, also a lawyer. Rather than a stepfather, Sorribas turned out to be a true father to the young Moragas and greatly influenced the ideas of the future founder of 'la Caixa'. Sorribas had travelled throughout Germany, France and the United Kingdom, where he had studied actuarial science and the new scientific insurance products that were being used in Europe. His ability and knowledge of this subject led him to found the journal *Los Seguros* ('Insurance'), for which Moragas began to work in 1889 while he was still a student (1889a).

Sorribas' influence over his stepson's way of thinking was decisive: "Besides insurance, Sorribas was all in favour of savings, given that he understood savings and insurance to be two sides of the same coin that needed to be promoted as a modern practice that was beneficial to society in general, and particularly to the working classes. Based on this symbiosis, Sorribas opened the 1889-1890 academic year of Barcelona's Friends of Instruction Society (*Sociedad Barcelonesa de Amigos de la Instrucción*) referring to the need to promote savings, a very powerful element of civilization, and to create banks that provide advantageous savings facilities through insurance products using scientific techniques based on social statistics drawn from the mathematical tables of mortality, morbidity and life spans" (Pérez-Bastardas, 1989, p. 37).

Francesc Moragas began his law studies at the University of Barcelona in 1887 and completed them in Zaragoza in 1894, after a two-year gap which he devoted entirely to politics. Once he had obtained his degree, he began work as a lawyer and, upon his stepfather's death in 1894, he took over management of *Los Seguros*.

In 1889, something happened that radically influenced young Moragas' way of thinking: Sorribas sent him to Paris to report for *Los Seguros* on the Social Economy Section of the Universal Exhibition. This trip abroad gave Moragas an international vision of how insurance, together with savings, could serve as tools, particularly to help the working classes.⁵ In fact, many of the ideas gathered by Moragas at the Exhibition contributed to his fundamental principles for 'la Caixa' and subsequently for the creation of his welfare work. He was able to get a first-hand knowledge of some of the institutions that were operating in France and were represented at the Universal

⁵ "The trip to Paris was very important because, for the first time, Moragas caught a glimpse of a number of institutions working on things he believed it was possible to do. From then onwards, his convictions were stronger; he had seen some examples that convinced him completely" (Pérez-Bastardas, 1999, p. 76).

Exhibition. Of these institutions and associations, “some had the main goal of protecting workers, others that of preserving or creating their capital, and still others that of defending both production factors” (1889b, p. 421). His attention focused on the idea of protecting workers to preserve or create their capital, while harmonizing capital and labour.

The role of religion was decisive in the balance of relationships between employers and workers. Moragas quoted such authors as Charles Perin (*La richesse dans les sociétés chrétiennes*) and initiatives founded on Christian concern with improving society. He considered religion to be fundamental: “Religion is a moral regulator and, as such, is necessary to do one’s job properly. Without religion, no useful, productive society is conceivable, not only by capitalists but also by workers. Workers should place their hopes and seek their remedies in religion, rather than in projects based on dissolution and anarchism” (1889b, pp. 423-424). This statement by Moragas was the core of his philosophy and his future courses of action.

It is therefore not surprising that he paid special attention to “notable French economists, who founded associations to protect workers and inculcate them with the most noble moral and religious principles” (1889b, p. 422). He referred to the Saint Joseph Society for the Protection of Christian Work (*Société de Saint Joseph, Protective du Travail Chrétien*), “whose aims cannot be more praiseworthy because they propose reforming industrial workshops” (1889b, p. 422). Also the *Société de Saint Joseph* and the International Federation for the Respect of Sunday (*Fédération Internationale pour l’Observation du Dimanche*), whose objectives were “to moralize and improve the material and moral well-being of humankind; precisely the very same objectives as those of life insurance, because what does insurance do but propagate ideas of order, savings and economy? What does it do but curb people’s eagerness to spend irresponsibly?” (1889b, p. 422).

He mentioned charitable organizations such as the Cradle Society (*Société des Crèches*), “recognized as being of public usefulness”, whose aim was “to provide room and board for poor children under three during the hours their mothers have to work out of the home...” (1889b, p. 423); and a number of professional associations, including the French Millers’ Union (*Association Nationale de la Meunerie Française*), whose work he praised when referring to insurance. Moragas wrote: “France can be truly congratulated for the tremendous development achieved through the introduction of insurance into a society of this kind.” He added: “We are so far from being able to say the same for Spain!” (1889b, p. 460).

Moragas also referred to the Association for the Prevention of Industrial Accidents (*Association pour Prévenir les Accidents de Fabrique*), “whose purpose is to protect workers from occupational accidents” (1889b, p. 436). He quoted, for example, the results of the company Besselièvre (1889b, p. 438), which signified: “1. Great moral and material improvement in the situation of workers and their families; 2. Increased stability for factory personnel; 3. Complete harmony between workers; and 4. Considerably greater companionship between employers and workers” (1889b, p. 439). The Besselièvre example is significant because it effectively summarizes how France influenced Moragas.

After he had taken on responsibility as director and editor of *Los Seguros*, Moragas concentrated all his efforts on promoting private social security. His social awareness was accentuated as a result of the 1902 general strike in Barcelona, which affected him deeply (Pérez-Bastardas, 1999, p. 65).

That same year, 1902, Moragas founded the *Revista Social* ('Social Journal') as a tool to disseminate his social ideas and those of other philosophers and businesspeople. Moragas believed it was not enough to help those who had suffered from the 1902 strike. He felt calm would return when the working classes' living conditions improved. He worked to put his ideas into practice through his journal, but also through *Los Seguros* and other channels, e.g. his position in the Secretariat of *Fomento del Trabajo*, an employers' association, and co-editorship of its journal, *El Trabajo Nacional* ('National Work'). When the presidents of the business associations decided to create a technical committee to work out a plan for a retirement fund using part of the contributions to the public subscription fund, he became its most active member. He also personally drew up the basic framework and initial bylaws of the future savings bank (Pérez-Bastardas, 1999). He was entrusted with the savings bank's management and in 1904 was appointed its Managing Director and Secretary. As mentioned above, his participation in the founding of the INP was decisive.

Having been co-founder of a Catalan political party, the Regionalist League (*Lliga Regionalista*) in 1901, when, twenty years later, Catalonia was to receive the beginnings of administrative independence through the Commonwealth of Catalonia, Moragas could not refuse the position he was offered as Deputy Minister for Social Affairs. In 1932, the Executive Council of the Catalan government (*Generalitat de Catalunya*) appointed him to the Mixed Commission for State-Generalitat Transfers, together with other leading figures of the time.

Francesc Moragas died on 27 March 1935 in the clinic of the Working Women's Institute, one of the 'la Caixa' social works. He was a pioneer in the field of social security in Spain and played a crucial role in setting up the foundations for public welfare in Spain and Catalonia, and in 'la Caixa' itself.

Francesc Moragas' Social Ideas

During the last few years of the 19th century and the beginning of the 20th century, Moragas had been refining his social ideas, which led to the creation of 'la Caixa' in 1905. In brief, they were as follows:

- Social ideology with Christian roots, his inspiration being taken from the ideas of the Catalan philosopher Jaume Balmes (1810-1844) (1889b, p. 421).
- Given the dichotomy between Marxist Socialism and moderate or 'possibilist' socialism, Moragas considered that workers' plight should be improved through 'social reform,' following the example of Le Play, the founder of the Social Economy Society (*Société d'économie sociale*), which pursued social harmony through employer action. "The anti-revolutionary ideas of social harmony promoted by employers that Le Play defended formed the basis of Francesc Moragas' early views".⁶ As mentioned above, family influences and the Universal Exhibition of Paris were his main sources of inspiration.
- Rejection of paternalism: "The paternalistic response is no longer sufficient. Charity is a blessed and excellent virtue, but its results are incomplete from a social point of

⁶ These ideas are taken from an unpublished paper by Andreu Missé.

view”.⁷ Moragas held that it was time for “all socioeconomic institutions to contribute towards permanent, stable improvement of working people’s condition.”

- Moragas therefore belonged to the intellectuals of regenerationist movements. He spoke up in favour of the changes that needed to be made in Spain and defended “working hard to regenerate our country and completely modify current organization structures.”⁸
- As mentioned above, what in fact moved Moragas to progress from reflection to action was the economic, political and social crisis brought about by the war (1895-1898). “Moragas accused the government and the upper classes of a chronic lack of sensitivity. He said they only feared the proletariat for its revolutionary claims and the possibility of social change, and forgot about the permanently scanty means of subsistence of the whole proletariat class, particularly factory workers. This is fundamentally what convinced him to carry out sociological studies and promote the implementation of social insurance with all his might” (Pérez-Bastardas, 1999, p. 107).
- Social reform is a task that involves everyone: authorities, charitable institutions, the business world, the workers and the public at large. “A constant effort is required from everyone for social reorganization, based on justice and spurred by the benevolence of the rich towards the poor. This social work should be the concern of all well-meaning people” (1902e, p. 450).
- It is a matter of principle that social reform cannot be exclusively the State’s responsibility. Moragas’ liberal-conservative ideology led him to claim that “the State should only intervene in social issues to curb abuse and protect social sectors oppressed by poor legislation or specific historical situations” (1902c, p. 66). “Under no circumstances should [the State] take constant, direct action such as distributing wealth among families or managing industries; nor should it in any way attempt to curtail the principle of freedom, provided it is not taken advantage of by the strong to harm the weak” (1902c, p. 67), although “the State should exceptionally intervene with temporary aid in extraordinary circumstances such as epidemics, famine, floods and other calamities” (1902c, p. 67).
- It did not take long for Moragas to realize that social security should be compulsory. Moragas “considered the Catalan scenario to consist of a powerful middle class that was progressing on the wings of strong industrial development but was incapable of finding an answer to the growing social unrest that its own production model was generating. A middle class that was radically reluctant to allow any initiative of State intervention in the economy and, above all, unwilling to accept any regulation of labour rights. In time, Moragas realized that minimum collaboration from the State was necessary in order to further his ideas, which had been generated and developed in the private sector. In his pedagogical role, he tried to persuade the more dynamic industrial sectors to set up a network of social institutions that would be subject to certain regulations and enjoy public support.”⁹

⁷ See footnote 6.

⁸ See footnote 6.

⁹ See footnote 6.

- There were a number of reasons why the State should not take the leading role in social reform, given that “entrusting the reform to the results of a few laws that have not been properly studied and are not based on experience, and maintaining this trust precisely where the laws are not complied with, would be absolute madness” (1902b, p. 18)¹⁰. “The State must facilitate the development and implementation of the social reform ideal, but should not attempt to monopolize it” (1902b, pp. 68-69; underlining in the original).

Moragas’ social ideas summarized above were backed by an entrepreneurial dimension, which will be described below.

Founding the Caja de Pensiones para la Vejez (1902-1905)

As mentioned, the general strike that paralysed the city of Barcelona and practically the whole of Catalonia in February 1902 involved more than 150,000 workers¹¹ and caused strong repression, resulting in the death of 13 strikers (Nadal and Sudria, 1981, p. 36). It constituted a major jolt for Catalan society, particularly in business circles and the associations representing them.

The general strike did not achieve any changes in the middle class’s attitude and can be said to have failed in this respect. However, many leading Catalan figures understood that there was an urgent need to remedy the serious problems that affected the working classes. A number of appeals were made to the Congress of Deputies in Madrid, insisting that the only way was to improve social conditions (Pérez-Bastardas, 1999, p. 137). The ideas and projects developed in earlier years by Moragas made up one of the formulas considered for correcting this situation.

Moragas tried to convince the presidents of Barcelona’s business associations of “the need to publicly motivate people’s awareness and the responsibility involved in the social phenomenon of welfare, which would make it possible to create retirement funds. He considered this to be the most urgent measure needed to establish a strategy of distension” (Pérez-Bastardas, 1999, p. 145). As a result of this conviction, an appeal was made to the seven most important business and employers’ associations in Barcelona, in which the situation was analysed, a public subscription fund was opened to collect money to help the strikers, and it was suggested that “workers’ retirement funds or other charity institutions should be founded to defend the working classes” (Pérez-Bastardas, 1999, p. 147).¹² The public subscription fund collected a significant amount of money, which in the first place went to provide financial aid for the wounded strikers and the families of the strikers who had died. A committee was then formed to create a pension fund (instead of the retirement fund mentioned in the appeal).

Work went ahead quickly, and Francisco Moragas’ draft project for the creation of the savings bank was presented on 10 July 1902. On the same day, Moragas (1902d,...) expressed his satisfaction in *Revista Social*: “The negotiations carried out by the most honourable presidents of the most important business associations in Barcelona to create the *Caja de Pensiones para*

¹⁰ “In a country where the State is incapable of intelligently organizing the simplest service of public administration, it is to be feared, regrettably very deeply, that any attempted intervention on the social question will be fundamentally clumsy and sterile or perturbing in its practical manifestations” (1902b, p. 18).

¹¹ According to Pérez-Bastardas (1999, p. 134), “approximately one hundred thousand workers went on strike in the city of Barcelona alone between February 17 and 23.”

¹² Pérez-Bastardas claims that the manifesto was the work of Moragas. In point of fact, its content coincided to a certain extent with that of an article signed by Moragas in the first issue of *Revista Social*, just ten days later (1902b).

la Vejez in the Catalan capital are continuing successfully. Their initiative has been received everywhere with great interest and has been seconded by important parties. We can easily foresee that this project of welfare work will soon be a noble reality. It is a noble example of the extraordinary power of private initiative to resolve the enormous deficiencies existing in the social system as currently organized, and it is a formula through which all people of good faith can help to improve the sad plight of the proletariat classes.”

The work involved in starting up the *Caja de Pensiones para la Vejez* was by no means easy. The surplus from the public subscription fund did not amount to anything like what they considered would be necessary for the launch. In 1903, Moragas assumed responsibility for the secretariat of the *Fomento del Trabajo*, from where he continued to work on the task and obtained the support of the Spanish monarchy, which donated 25,000 pesetas. Finally, ‘la Caixa’ was officially inaugurated in April 1904, in the presence of King Alfonso XIII, who had agreed to be the institution’s Honorary Chairman.

Something very significant occurred between the official inauguration in April 1904 and the day the first branch office was opened to the public in July 1905. Moragas realized how limited his project would be if it was restricted exclusively to pensions, and he took steps to include operations involving first-degree insurance, i.e. savings. Moragas, who was already Managing Director of the new institution, proposed a change in the bylaws to include the word ‘savings’ [ahorros], hence the definitive name of the savings bank: *Caja de Pensiones para la Vejez y de Ahorros*.

The inclusion of ‘savings’ in the new institution and, especially, his in-depth knowledge of financial institutions in general and savings banks in particular, led Moragas to establish courses of action that were the basis of the savings bank’s success. The application of his technical knowledge of insurance and savings and his firm resolve to surpass the lethargic performance of the savings banks of the time were the keys to his success. In those days, savings banks focused on small-scale savings and their operations followed purely routine policies. ‘la Caixa’ broke with these sterile, unproductive policies and launched its activity as a financial and social institution with fresh enthusiasm.

The technical improvements applied in administrative processes, the expansion of the traditional transactions carried out by savings banks, the opening of branch offices in places where until then there had only been banks or small local savings banks and, in particular, his modern economic and social ideology were the keys to the initial success of ‘la Caixa’.¹³

Andreu Missé points out that “it is astonishing to see how a business that was created with so few means has become the great financial institution of Catalonia. If you compare its founding capital with those of some banks and insurance companies, the difference is abysmal. ‘la Caixa’ is clearly an extraordinary example of the importance that should be given to professionals and directors. The culture developed and the technology used were much greater determining factors than capitalization.”¹⁴ Besides the technical and economic aspects mentioned by Missé, the cultural aspects (which include the ideas of Moragas) should occupy a place of prime importance, with the focus placed on social responsibility, a factor that has played a highly significant role in the savings bank’s growth and consolidation.

¹³ In 1915, the resources of ‘la Caixa’ were one third those of the leading Spanish savings bank and ‘la Caixa’ was ranked sixth in Spain. Just five years later, it was ranked the number one Spanish savings bank. Between 1915 and 1935, its market share grew from 6% to 26%.

¹⁴ See footnote 6.

'la Caixa' as a Welfare Institution

Moragas felt that, in a modern economy, labour, together with capital and land, provided not only for the income of everyone participating in production, but also for generating a surplus (savings) that could be applied “to new production, to the reduction of arduous bodily work and to welfare or reserves” (1889c, p. 385).¹⁵ Under normal circumstances, access to a remunerated job throughout a worker’s active working life should generate sufficient income to provide for the worker’s and his family’s living expenses and to accumulate sufficient resources (savings) for his keep and also that of his family when he dies.

Certain circumstances such as illness, loss of a job, occupational accidents, old age, etc. interrupt the flow of a worker’s (and consequently his family’s) income and could cause a situation of imbalance from which he has no means of escape, starting a vicious circle that led to extreme poverty (1912, p. 27). This should not happen, given that the existence of the above-mentioned surplus should make it possible to provide coverage for these contingencies, mainly through savings and insurance.

By saving, workers can store their wealth and make it grow, particularly to make up for the loss of income that accompanies old age.¹⁶ Saving is an eminently personal affair that involves workers and their families, i.e. savings should be the result of their initiative, careful management and perseverance, and it is up to the workers themselves to act with foresight, “one of the cardinal virtues of political economy” (1889c, p. 388).

Insurance enables people to face the contingencies that may reduce the family income and which fall within the laws of statistics and mathematics.¹⁷ Insurance should be a collective task: a worker cannot accumulate sufficient resources in just a few years to cope with, for example, a long-term disability as a result of an illness or occupational accident. However, actuarial techniques enable this risk to be shared among a broad group of workers.

Nevertheless, cases of extreme poverty, destitution and absolute lack of any means of survival systematically continued to occur among workers and their families. This could have been an ethical issue if such situations were caused by the workers’ lack of the necessary frugality and foresight, for which they required training and moralizing (1902b, c). But Moragas felt that it was more likely to be a technical problem: the lack or insufficiency of means to face these problems.

In terms of savings, banks did not have sufficiently remunerated deposit accounts in which small amounts could be paid in and withdrawn at any time they needed. Savings banks did provide for remunerated deposit accounts, but the savings were insufficient to cover the requirements of old age because workers’ wages were so low, the workers themselves did not manage their money with the necessary care and foresight and, above all, because of the frequency with which an unforeseen occurrence (illness, accident, job loss) interrupted the income chain (1889c).

¹⁵ Moragas (undated) developed an interesting set of schemes, in which he tried to summarize his main lines of thought.

¹⁶ Moragas (1889c, pp. 387-388) criticized hoarding, i.e. the mere preservation of saved capital. It was important that it should yield interest (presumably at a higher rate than inflation, although Moragas did not refer to this point).

¹⁷ Moragas was an expert in the theory and techniques of insurance, which he had learnt from his stepfather. In fact, when the INP was created, the mortality tables and calculations used were the ones drawn up by Moragas and his actuarial advisers.

Credit could be the solution to a temporary loss of income when such a contingency arises in advanced societies. However, it was certainly not a solution in Spain at the beginning of the 20th century. A fall in income usually lasted some time, or the length of time was at least uncertain, so resorting to credit often only led to insolvency. Banks did not grant personal loans unless they were backed by mortgage guarantees, so this excluded all working people. Neither did savings banks offer personal loans directly. Some did provide loans through their pawnshops, where families in need could pawn their furniture and personal effects, though in these cases the financial, psychological and human price was high. Most needy people resorted to usurers who charged exorbitantly high interest rates and applied very severe conditions which frequently led debtors into even more extreme poverty.

Insurance could have covered temporary needs through collective action, but such coverage was not, in fact, offered by insurance companies owing to the problems of moral risk and adverse selection that stem from contingencies affecting the regularity of workers' incomes (illness, occupational accidents, unemployment, etc.) (Ritter et al., 1997; Howells and Bain, 1998). Nor were there any public institutions that covered these risks. Some charitable organizations did fulfil these functions, such as public assistance offices, mutual aid societies, guilds (linked to the former trade unions or created to meet the new requirements of workers in specific professions), etc. However, these organizations were not able to fulfil the function effectively due to their limited scope (they often just provided for the workers in a specific profession within a limited geographic area), their lack of resources, the difficulties they encountered to reinsure their operations, the fact that their functions were extended (many were converted into strikers' resistance funds) and, especially, the lack of technical and economic meticulousness in their management (1889a, 1904; Nadal and Sudria, 1981, Chapter 2). Moragas was deeply offended by the idea that workers' protection – which he considered to be a legitimate right – should depend entirely on charitable initiatives.

Moragas concluded, therefore, that a combination of savings and insurance was required (1889a, p. 78): savings to enable people to accumulate capital, and insurance to cover any contingencies that might arise: “When perfected by insurance, savings can now provide security in life and peace in death” (1889c, p. 391; the underlining in the original was by Proudhon). Thus, insurance is an appeal to collective saving (1889a, p. 78) that promotes individual saving by covering possible negative occurrences.

The following quotation summarizes to a certain extent Moragas' thoughts on the matter: “Social security operations are those which, inspired by a feeling of love [the ethical dimension] and based on the mathematical calculation of the laws governing the duration and transformations of people's physical lives [the technical dimension of insurance], confer savings with an application designed to compensate the economic consequences for working-class families when their capacity to work is reduced, temporarily interrupted or completely halted” (1912, p. 30).

As mentioned above, Moragas was in favour of entirely voluntary old-age insurance, which would be the responsibility of each individual worker and employer (also because he feared the tax burden of a generalized old-age insurance scheme would be very high: 1902e, pp. 129-130). However, he soon realized it would not be sufficient to guarantee the development of a social

security institution. This meant, first, that it would have to be a compulsory insurance scheme, whereby the worker or the employer paid in regular insurance premiums.¹⁸

And, second, it meant that the functions of the institution he wanted to create should also include savings, in order to ensure it had sufficient funds. This modification had not been anticipated in the 1902 project (1902d) that was approved on 5 July 1902 by the presidents of the business associations of Barcelona, who were the actual promoters of the initiative. However, it did appear in the bylaws approved on 5 April 1905 that authorized the institution “to carry out similar operations, as agreed upon by the Board of Directors, even when they do not focus on old age” (Nadal and Sudria, 1981, p. 75).

Corporate Social Responsibility in the Creation of 'la Caixa'

So far, we have discussed the social convictions of the founders of 'la Caixa', particularly Francesc Moragas. Should it therefore be understood that CSR was definitely an ingredient of the new institution? Our opinion is definitely that it should, although there was no mention of this term in the project. Some of the facts that back our opinion are as follows:

- The creation of 'la Caixa' was an exercise in social responsibility, in answer to a serious, immediate need: to carry out social reform, which “is the most important problem the human race currently has to solve” (1902b, p. 18). Moragas was mainly concerned with the social and public aspects of social reform, as illustrated by his creation of *Revista Social* and, particularly, the programme announced in the first issue of this journal (1902a). However, his early articles on combining insurance and savings (1889a,c, 1900, 1901) show that he was already thinking of a private institution to carry out his programme.
- The creation of 'la Caixa' was also an exercise of social responsibility in that the institution's goal was to solve one of the working classes' permanent problems: financing old-age insurance, the new institution's most immediate objective (1902d, p. 131). 'la Caixa' initially emerged as a reaction to a serious social, political and economic situation brought about by the colonial wars and economic recession. However, the savings bank's aim was not to offer a temporary solution, but a permanent one through the creation of a welfare institution.
- The role of welfare institutions cannot be conceived as each one having its own individual responsibility, but of their forming part of “a harmonious unit that constitutes a true moral body of a socioeconomic character, with its own substantiality, united in nature, objective and form” (1912, p. 26). Thus, there is a certain idea of social responsibility shared by the whole of this business sector.
- Responsibility also lay with the employers, who had “the moral obligation (...) to help find a way to ensure that what we judge to be our right is also a fully effective right for the people who work under our orders or on our behalf” (1902e, p. 129). It is not just a problem of charity. “Charity is a blessed and excellent virtue, but its results are incomplete from a social point of view. We are in favour of charity, but we must not

¹⁸ Compulsory insurance was not introduced in Spain until 1921. Until then, social security had taken the form of 'subsidized freedom', i.e. freedom in terms of membership and contribution, backed by public subsidies.

forget social security. We must be sure that, when examining our actions, no-one can say that we have been very charitable in helping out in cases of misfortune caused by our own social injustice. Let's be charitable, but to favour the working classes, let's not only use charity. Let's appeal to all social and economic institutions with the goal of finding a permanent, stable way of improving the situation of the working classes" (Pérez-Bastardas, 1989).

- Social responsibility was attributed first and foremost to individuals, rather than institutions or organizations. On this issue, Moragas reflected the trains of thought of his times, particularly the emphasis placed by Christian social thought on individuals' responsibilities.
- This social responsibility was attributed to people as individuals, but also as part of a social class. This became evident, for example, when it was attempted to solve social problems ("Until now, our management classes have been socially irresponsible and have not understood the mission we are called upon to fulfil; nor have they had the foresight to understand the destiny to which their egoism and real lack of Christian spirit is leading them": 1902a, pp. 1-2), but also when relations with their internal stakeholders, the workers, were approached (Employers have "almost paternal duties" towards their subordinates: 1889b, p. 422; underlining in the original).¹⁹
- The social responsibility that Moragas put into practice by creating 'la Caixa' was not only a legal responsibility. When a bill of occupational accidents was presented in 1894-1895, Moragas discussed the idea of an 'industrial responsibility' of the employer, tied to the existence of an occupational risk related to production. But this was a legal responsibility, distant from social responsibility.
- Instead, the social responsibility of 'la Caixa' was conceived as a combination of its ethical and economic dimensions: "In essence, this institution will be moral and humanitarian, but eminently economic in terms of the means it will use to achieve its purpose" (1902e, p. 450).²⁰ A third, technical dimension should be added to the above: the result of applying his scientific and technical knowledge (undated; 1929, p. 141), as well as a social dimension. Elsewhere, he talked about the 'five fundamental ingredients' of welfare institutions: "A feeling of love, a physiological element, a mathematical factor, an economic component and a social component" (1912, p. 31). The first would be the ethical dimension, the second and third the technical dimension (the application of biological and mathematical knowledge to insurance), the fourth would be the economic dimension and the fifth the social function of the welfare institutions.
- Social responsibility is an ethical responsibility.²¹ It is founded on love, "which is the spirit of welfare institutions: it is their source of existence and the spirit that gives

¹⁹ Moragas also acknowledged the advantages this responsibility offered companies: increased productivity, greater employee loyalty, companionship between employees, improved work environment, curbing doctrines contrary to the company's interests, maintaining peace in the company, etc. (1889b, p. 439; 1902a). However, these were not the main reasons for his proposal.

²⁰ When talking about social reform, Moragas also pointed out that it included different dimensions: moral, political and economic (1902b, p. 18).

²¹ On the moral dimension of social reform, cf. (1902b, c).

them life” (1912, p. 31). In other words, love is what inspired the creators of these institutions and what encouraged them in their business. This love was presented as a combination of love for themselves and for others: “So, when a man performs a welfare action in his own favour as an expression of his love for himself, he is fulfilling one of the duties imposed on him by practical morality; when a man who loves his fellow human beings sacrifices himself to put them under the protection of welfare institutions, he is paying tribute to another of his duties; and when, by merging love for himself with love for his fellow human beings, he entrusts his own and others’ interests to welfare, he is submitting himself to two orders of duties which, together with duties to God, constitute the great trilogy that human beings have to respect in their moral conduct” (1912, p. 35).²²

- Ethics should therefore preside over all action taken by welfare institutions, because they “make up a world in which there is no room for wrongdoing and where no errors are admissible; a world whose movements and manifestations focus with absolute unanimity on the individual and social good” (1912, p. 46).
- The ethics that Moragas refers to is clearly the ethics of virtues: “No society, regardless of its institutions, can function properly if it does not have a certain number of individual virtues” (1889b, p. 421, quoting Charles Perrin, *La richesse dans les sociétés chrétiennes*).
- It can therefore be deduced that welfare institutions’ responsibility is shared by their clients or beneficiaries (love for oneself),²³ the promoters of the institutions (the spirit “which is their source:” 1912, p. 31) and the people who manage them (the spirit “that gives them life:” 1912, p. 31).
- The economic dimension of social responsibility, which welfare institutions share with other businesses, consists of “applying humankind’s intelligence and efforts to matter to convert it into wealth, i.e. into means that meet people’s requirements” (1889c, p. 385).
- The specific economic dimension of a welfare institution’s social responsibility is “to compensate for the financial consequences for working-class families when their capacity to work is reduced, temporarily interrupted or completely halted” (1912, p. 30), through the application of economic and technical criteria.²⁴
- The responsibility of the new institution also had a social dimension: “Welfare institutions focus their efforts on compensating for the loss of the capacity to work and its consequences on the family; from this point of view, they take action to prolong families’ economic life and thus work in defence of one of the basic principles

²² Moragas (undated, pp. 198-109) translated these different manifestations of love as “for Myself,” “for Myself and Others” and “for Others” in the range of products offered by ‘la Caixa’.

²³ Caja de Pensiones para la Vejez “will be an eminently economic organization that will do good by using beneficiaries’ activities and efforts, thereby ennobling them by promoting their dignity and teaching them to take advantage of their own strength” (1902e, p. 450).

²⁴ It is interesting to see that “the theory of risks leads, in fact, directly to the theory of responsibilities” (1912, p. 45). What Moragas points out here is that the legal assignment of responsibilities in the area of welfare is based on the technical determination of risks.

of human society” (1912, p. 43). It is thus a social function derived directly from their activity and not an additional function.²⁵

- Therefore, these institutions’ social responsibility does not lie in their social work. ‘la Caixa’ was, in fact, a pioneer in carrying out social work, but this happened some years later.²⁶ At the beginning of the 20th century, Spanish savings banks – including ‘la Caixa’ – assigned their surpluses to building up reserves, cancelling the debts of people in dire need, granting awards for savings and occasional aid to charities (Riera, 2005; Nadal and Sudria, 1981, Chapter 4).
- In time, the institution’s social work was developed and linked to its welfare activity, given that it was based on the same principles and closely connected with savings banks’ routine activity. Moragas did not consider them to be two separate tasks, but rather that “welfare and charity are members of the same social family engendered by the same flame of life, which is the will of God; they are driven by the same engine, which is love for one’s neighbour, and address the same goal, which is to remedy the needs of human beings” (1929, p. 141).²⁷ Moragas consequently incorporated social and charity work to the organization of ‘la Caixa’ in 1918; the Extraordinary General Meeting held on 14 April 1918 resolved that 20% of the annual surplus should be assigned to these activities; this percentage was gradually increased and by 1930 had reached 75% (Nadal and Sudria, 1981, Chapter 4).
- Moragas understood savings bank in general, and specifically ‘la Caixa’, to be non-profit welfare institutions, i.e. to the exclusive benefit of the depositors (1889c, 1932). They should provide their services to workers free of charge (Ceballos, 1929), but not as though they were charities (1902e, p. 450). Their activities differed considerably from those of banks, so they were not classified as financial institutions.²⁸
- He also felt that ‘la Caixa’ should have an educational role, “given that it would introduce the proletariat classes to foresight and savings, [and] teach them to respect their own dignity” (1902e, p. 451), which was associated to workers’ awareness of their responsibility to look after their own future.

²⁵ “Savings banks as the basis of public economy for the people have the duty to ensure that the savings they accumulate are put to use in favour of the community, thereby cooperating towards the nation’s prosperity through the productivity of their investments and virtuality of their administrations,” (1932, pp. 158-159).

²⁶ The ‘la Caixa’ social work began to take form in 1915, with its Tributes to Old People (Homenajes a la Vejez). For the origins of the different initiatives, see the figure in (1963, p. 138).

²⁷ “Welfare work moves and acts around larger or smaller concentrations of economic wealth, which involve investing funds and require the attention of an administration, and in the areas of both investment and administration, powerful, effective means must be found to support the welfare work” (1929, p. 142). “Savings banks must be able to identify, in the results and productivity of their administrative management, an effective way to carry out social and welfare work that provides an outlet for their profits, replacing what in industrial and mercantile administrations would correspond to the shareholders” (1932, p. 159).

²⁸ Towards 1926, savings banks began a transformation into financial institutions, mainly as a result of the pressure exerted by the State to channel savings banks’ funds towards financing public debt or activities of special interest for the authorities. Cf. Riera (2005), Nadal and Sudria (1981).

Conclusions

The notion of corporate social responsibility is not new. Good business is always responsible business, and good management is also responsible management. The history of many old, strong and profitable companies is usually the history of an exercise of social responsibility, from their origins through their whole life until the present time. In any case, the ethical, social and human values, ideas and attitudes of their founders inspire that sense of responsibility towards its stakeholders, probably over many years – some times, more than one century, as the ‘la Caixa’ case shows.

In this paper, we have discussed the life and the social and ethical ideas of Francesc Moragas, the founder of the *Caja de Pensiones para la Vejez y de Ahorros*. We have shown the origin of his values, as the fruit of the social, religious and political ideas prevailing one century ago, as well as of the economic and political events of that troubled age. At the macro level, the ideas of men like Moragas inspired the social and political reform of the 20th Century. And at the micro level, those ideas, combined with the technical, economic and managerial capabilities of Moragas, gave rise to the creation of a new institution, the *Caja de Pensiones para la Vejez y de Ahorros*, that has supported and developed his ideal of social responsibility.

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