

Business and the Plural Society

Talk about the welfare state—what about the welfare corporation?

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THE SHORT AND TURBULENT history of capitalism is a magnificent spectacle, not only because of its organizing and productive efficacy, but also because of its remarkable capacity to adjust to and thrive under the most infelicitous conditions.

From its very beginning its practitioners and advocates have countered all criticism and legislative restrictions with unrestrained alarm, anxiously contending that tinkering with the system's primeval purity would strangle and forthwith destroy it.

Yet here we are today, and nationalization and prophetic gloom notwithstanding, where capitalism survives it is stronger, more productive, more confident than ever before. There's an awful lot of talk about how compromised it has become under the onslaught of reformers and politicians, but still it thrives. Private enterprise has demonstrated not only its very considerable survival power, but perhaps as important, its astonishing ideological agility.

Look briefly at the American case. Little more than a half-century ago, a prominent tycoon is said to have answered his critics

with this famous declaration: "The public be damned." In those days businessmen apologized for nothing. John D. Rockefeller, with classic faith in a fair but firm deity, said simply: "God Almighty gave me my money." And it made a Calvinist kind of specious sense, for if God had not approved of Rockefeller's sometimes questionable business methods, he obviously would not have permitted Rockefeller to acquire all that cash. Since he acquired a great deal, he must have been greatly blessed.

In those unselfconscious days the profit motive was a perfectly respectable article of faith — simple, clear, direct, unpartisan, and amoral; perfectly suited for men of precisely those characteristics. But in recent years a great many ideological contaminations have been introduced into capitalism's simple rhetoric — and all by its own practitioners.

Indeed, today it is a hallmark of managerial progressiveness to be not simply a sound and solid executive, but a social philosopher and practicing do-gooder as well. The new orthodoxy preached by business leaders themselves is not that the business of business is profit, but rather to

serve the general welfare. In spite of all the hair-raising images that its critics are conjuring up about the knavish and materialistic extravagancies of business enterprise, the fact is that big business has become a watered-down prototype of its more outspoken past. Pure-and-simple profit-making is no longer an entirely satisfactory or respectable motive. Unless profit-seeking has a proper regard for some socially edifying antecedent value, it is simply not *de rigueur* among the emancipated spokesmen of modern capitalism.

There is something in business besides business itself, the world's most powerful executives declare. "We must recognize the human values and relationships involved," Alfred P. Sloan, Jr. said while board chairman of the General Motors Corporation, a company not noted for its utopian or socialistic propensities. Getting even more self-consciously self-searching, the vice-president of a large life insurance company declared that business is primarily an attempt to fulfill the spiritual significance of the individual and his society.

A swelling retinue of introspective corporate managers echo these sentiments all over the world. Business, it is fervently affirmed, must become socially responsible. Significantly, this talk is not merely for public relations show, designed to keep the politicians and professional detractors at bay. It is deadly serious, and it is being translated into operating policies costing hard cash.

Note the proliferating galaxy of corporate involvements in employee-welfare plans, the human relations practices, recreational programs, educational donations, and community service activities of endless variety. This is not limited to avant-garde corporations trying to get their names into the history books, or to American companies. It is general and world wide—and it

is full of ominous and frightening prospects.

WE ALL FEAR an omnipotent state because it creates a dull and oppressive conformity—a monolithic society with one locus of power, one authority, one arbiter of propriety. We want and need variety, diversity, spontaneity, competition—in short, pluralism.

But at the rate we are going there is a good chance that business, with all its statesmanlike good intentions and welfare involvements, may create the corporate equivalent of the unitary state or the medieval Church. It could eventually invest itself with all-embracing social responsibilities, obligations, and, finally, powers—ministering to the whole man and molding him and society in the image of its own narrow ambitions and its essentially unsocial needs.

The belief that one private institution should serve and thereby shape the complete lives of its members is by no means new either to American or European society. In the European experience there are numerous examples of men of the highest good-will establishing all sorts of neo-feudal communities where the reigning monarch has been a benevolent business establishment spreading its protective gospel over the entire population. Perhaps the most famous and probably most elevated of these was Robert Owen's New Lanark experiment in early nineteenth-century Britain.

Coming directly to our own time, there is the highly publicized case of the Olivetti Corporation in Italy. Here is a company that virtually dominates and shapes the lives of its employees in Ivrea, Italy. It is an emancipated version of the company town that flourished in the coal-mining areas of America until relatively recently. The mining companies built communities

from bottom up, owning everything—houses, stores, schools, and even churches, not to mention the local governments. Their immigrant-labor inhabitants lived hand to mouth, paycheck to paycheck, in constant debt to their employers, neither free nor slave, neither able effectively to protest nor to leave.

The Olivetti situation is nothing as bad as all that. The late Adriano Olivetti, former chief executive of the company, was a businessman of noble, progressive, humanitarian, and artistic temperament. While he controlled and very nearly owned Ivrea, he lifted the lives of its inhabitants to unparalleled heights of material welfare, cultural achievement, and spiritual well-being. For all this he was soundly applauded by liberals throughout the world and copied by his corporate peers. Yet it has nothing but the bleakest implications.

Like any good inventor of an uplifting social doctrine, Signor Olivetti understandably wanted to universalize his emancipating message. So there is now an Olivetti political party that controls the governments of forty surrounding communities. Yet as a political party born and rooted in the materialistic context of business, it has the makings of a quasi-feudal, pseudo-capitalist, neo-syndicalist monstrosity. The fact that it has nothing but the highest good intentions for the people's welfare is precisely where the evil lies.

In the old-fashioned company town there was at least the purifying abrasiveness of self-willed discontent. At Olivetti there is nothing but narcotic peace, magnificently sustained by attractive and comfortable corporate housing, modern corporate health services, corporate nursery schools, and the highest pay in the industry. The corporate ministration to the whole man is complete—not simply in its commendable provision of material benefits from cradle to grave, but also its more influential provision of

the less tangible amenities of cultural, educational, recreational, and ideological life. Is *this* the logical ultimate of socially responsible business enterprise?

In America and elsewhere certain labor unions are deliberately setting about doing much the same. Mr. Walter Reuther's United Auto Workers runs night schools, "drop-in" centers for retired members, recreation halls; supports grocery cooperatives; publishes and broadcasts household hints, recipes, and fashion news; and runs dozens of social, recreational, political, and action programs that provide something for every member of the family every hour of the day. Other unions are similarly occupied.

Thus the union is transformed in such cases from an important and desirable economic functional group into an all-knowing, all-doing, all-wise father on whom millions become directly dependent for womb-to-tomb ministration.

This is the kind of monolithic influence the corporations will eventually have if they become so preoccupied with their social burden, with employee welfare, community affairs, and with the body politic. But when the corporation does this, it will be much more thorough than the union, as Olivetti has so clearly shown. The corporation is more protean and potentially more powerful than any democratic union ever dreamed of being. It is a self-made incubator and instrument of strength, more stable and better able to draw and hold a following than the union. It creates its own capital and its own power by the sheer accident of doing what it is expected to do. By contrast, the union can do nothing unless the corporation successfully exists first. The union is, by comparison, an essentially luxury institution, not a necessity.

If the corporate ministry of man turns out to be only half as pervasive as it seems destined, it will turn into an elaborate en-

terprise of encompassing proportions. Whatever its animating good intentions, the crucial point is that we do not want a monolithic society, even a benevolent one. Moreover, an institution's behavior in the pluralistic, competitive past is no guarantee of its behavior once it reaches complete ascendance.

THE TROUBLE TODAY is not so much that government is becoming a player rather than an umpire, or that it is a huge welfare colossus dipping into every nook and cranny of our lives. The trouble is that all major functional groups—business, labor, *and* government—are each trying so piously to outdo the other in intruding themselves into what should be our private lives. Each seeks to extend its own narrow tyranny over the widest possible range of our institutions, people, ideas, values, and beliefs, and all for the purest motives—to do what it honestly believes is best for society.

It is, of course, perfectly legitimate for each group to fight for its survival by seeking to influence others. But somehow the past decade has produced a new twist: self-serious self-righteousness. And there is nothing more dangerous than the sincere, self-righteous, dedicated proselyte sustained by the mighty machinery of a powerful institution—particularly an economic institution.

So far the movement of big business social consciousness and social service is young and fairly unpretentious. But when it really gathers momentum and becomes thoroughly professionalized its success will be unbounded. The corporation is not handicapped by the cumbersome authority that has always characterized the church and the state. It can make its authority sweet as honey by making itself, as Olivetti has done, the embodiment of material welfare, unbounded security, decorous comfort, amusing diversion, healthful recrea-

tion, and edifying ideology. It will be far more efficient and powerful than the medieval Church.

It may have no intention of doing this (and I believe it has no such intention) but what we get is seldom what we plan. History is fortuitous. It does not move on tracks made by rational social engineers.

Welfare and society are not the corporation's business. Its business is making money, not sweet music. The same goes for unions. Their business is "bread and butter" and job rights. In a free enterprise system, welfare is supposed to be automatic. Where it is not, that becomes government's job. That is the idea of pluralism. Government's job is not business, and business's job is not government. The same goes for trade unions. Unless these functions are resolutely separated in all respects, they are eventually combined in every respect. In the end the danger is not that government will run business or labor, or that business or labor will run government, but rather that any two or three of them will coalesce into a single power, unopposed and unopposable.

But if business is not to preach and practice social responsibility, welfare, and self-restraint, it may legitimately ask: "How else can we effectively deal with our critics, the political attacks, the confining legislation?" The answer is simple: to perform its main task so well that critics cannot make their charges stick, and then to assert forthrightly its functions and accomplishments with the same aroused spirit that made nineteenth-century capitalism as great as it was extreme.

AN INDICATION OF how remarkably effective really solid devotion to the main profit-building job can be in dissuading political attack and legislative onslaught is provided by several American companies. Take the American Telephone and Telegraph Com-

pany. Here is a private enterprise enjoying what amounts to a natural monopoly in nationwide telephone service. Over fifty years ago its then president Mr. Theodore Vail recognized its vulnerability to nationalization. He determined to fight that vulnerability by something better than simply propaganda claims and denouncing the company's critics as socialist and un-American. He established a policy which has to this day kept it free of the slightest demand for nationalization. While reformers single out less eligible companies for government ownership, AT & T is *never* mentioned. The reason is Vail's successful profit-making formula of uncompromising devotion to taking care of the customer's needs. Here are the rules he laid down:

1. Dedicated, no-quibbling, all-out, and dignified service to the customer. Nothing would not be done, no excuses were to be offered, and in the company's direct contact with customers, they were to be treated with royal regard and served with dispatch.

2. AT & T was to undertake a continuous and vigorous program of product improvement and communications innovation—bringing the results to the public as fast and as cheaply as possible. While American railroads sat back, fat and self-satisfied as airlines and trucks stole their business, AT & T, with no competitors, was being restless, creative, productive, and an enormously good provider.

3. The company management was to make it an uncompromisable duty to provide service wherever it was demanded, regardless of difficulties and cost; and it was to assume the obligation of finding the necessary capital and making the necessary profit to do the job—without running to government for subsidies and handouts.

The merits of this policy are magnificently self-evident.

A similar American example is the du Pont company. Here is an enormous giant. Yet in spite of anti-trust attacks, no American can be made to believe that duPont is bad. It has helped satisfy people's material needs far beyond anything they ever expected. The evidence is all around.

By contrast, look at the banks—both in the United States and Europe. Their ubiquitous and somberly dressed officers sit imperiously behind marble pillars while patrons are expected to come grovelling up on hands and knees to beg for their favors. No wonder nobody likes bankers.

Interestingly, bankers are in the forefront of enunciating the doctrine of socially responsible business enterprise. Yet if they and their brethren in this new ideological dispensation were a little more seriously profit-oriented, perhaps they would do the kinds of sensible customer-serving, business-building things that would really keep the critics at bay. The critics attack only the vulnerable, those whom the public dislikes in the first place.

I AM NOT ARGUING that management should ignore its critics. Some of them have made a good case against business's social delinquencies and against its shortsightedness in fighting practically all of government's efforts to provide security and welfare. Nor am I arguing that management should not look to the welfare of its employees. Quite the contrary. Corporate welfare makes good sense *if* it makes good economic sense—and not infrequently it does. But if something does not make economic sense, sentiment and idealism ought not to let it in the door. Sentiment is a corrupting influence in business. It can confuse the role of the businessman just as much as the profit motive could confuse the role of the government official. The governing rule in industry should be that something is good only if it pays. Otherwise it is alien and

impermissible. That is the rule of capitalism and of good management.

If the public wants protection against the uneven consequences of all-out capitalism, let it run to its unions and to government. If business wants protection against unions and government, let it fight for its cause on the open battlefield of manful contention—on the front of economic performance and political pressures. We are not back in the nineteenth century with its uneven matching of economic and political functional groups. Business, government, and unions are now each big and powerful enough to take care of themselves.

Business will have a much better chance of surviving if there is no nonsense about its goals—that is, if long-run profit maximization is the one dominating objective in practice as well as in theory. It should let government take care of general welfare so that business can take care of the more material aspects of welfare.

If the all-out competitive prescription sounds austere or harsh, that is only because we persist in judging things by utopian standards. Altruism, self-denial, charity, and similar values are vital in certain walks of life—areas which, because of that fact, are more important to the long-run future than business. But for the most part those virtues are alien to competitive economics.

If it sounds callous to hold such a view, and suicidal to publicize it, that is only because business has done nothing to prepare the community to agree with it. That was certainly the case in Britain when the Labor Party took over fifteen years ago. But even worse, business had lost the initiative because it had ceased properly to deliver the goods. It had failed to provide itself with an adequate succession for the vigorous and venturesome generations that had made nineteenth-century Britain the magnificent economic colossus that it was.

It had become stale, soft, ingrown, content, and dead on its feet. Only its detractors thrived; and a good many of its practitioners actually felt that under the circumstances the critics had a pretty good point.

IN THE END, business has only two responsibilities—to obey the elementary canons of everyday civility (honesty, good faith, and so on) and to seek material gain. The fact that it is the butt of demagogical critics is no reason for management to lose its nerve—to buckle under to reformers—lest more severe restrictions emerge to throttle business completely. Few people will man the barricades against capitalism if it is a good provider, minds its own business, and supports government in the things which are properly government's. We live in a world of pragmatic values. It is by your accomplishments, not your protestations, that you are known.

Lord Acton has said that history sacrificed freedom by grasping at impossible justice. This may have special application to the present, where well-intentioned dogooders often refuse to recognize that the uncompromising quest for perfect justice has produced some of history's most corrosively anti-democratic consequences. It is well to remember that in the entire procession of democratic revolutions and reform, the more passionate the demands for equity and justice the more inequitable and unjust have been their consequences. The most recent example is the Castro revolution in Cuba. The Russian revolution is a more profoundly distressing example. The Jacobean nightmare to which the French revolution descended is an earlier example, and it was in part modeled after the bloody fruit of Cromwell's revolution, which was in turn modeled after a long line of predecessors.

The state can be a powerful auxiliary to the achievement of the good life. But it

must remain only an auxiliary. It can easily go too far, especially when the rest of the society is constantly groping and fumbling toward the achievement of that kind of life. In social and economic affairs, as in love, the chase yields as much satisfaction as the realization. The fact that the society is actively groping and fumbling toward the good life is better evidence of its actual existence than is its alleged realization through the benediction of the state.

The state can provide only that kind of goodness it is given to those who run the state to see as being good. It is well for reformers and businessmen who call for more socially responsible business practices to recognize that the same thing holds true for businessmen. It holds for any other kind of narrow functional group. The current preoccupation of businessmen with their social responsibility seems intent on adding its own caveat to Lord Acton's unhappy consequence. The fact is, this new gospel of business selflessness is inappropriate, ineffective, and dangerous.

A good example of the danger is what happened to the Greyhound Corporation a few years ago. A group of stockholders instituted legal action to force the management to abandon racial segregation on its buses. The Securities and Exchange Commission finally ruled that no such action could be brought because, under the law of the land, the corporation is a business run for profit, not social reform. Does man-

agement want to be saddled with a contrary ruling? How would the rest of society feel about General Motors turning itself into a reform agency? Reform for whom?

Much of today's talk of business statesmanship sounds as if top executives believe their companies are indeed instruments of social reform and humanitarian uplift. If business keeps talking the way it has for the past few years, one day it will convince the courts of its selfless purposes, and the Greyhound decision will be reversed. On that day the interpretation of the laws to which the private business corporation owes its existence will move completely from the present "enabling act" theory and to the theory of "social responsibility." From that day on social responsibility will be the inflexible law of the land. Capitalism will then be required to be motivated by goodness, not gain, by service, not selfishness.

On that fateful day capitalism will start being less a system of economic organization and more a brotherhood of welfare. But the shape of welfare will take that form which it is given to the nation's business leaders to see welfare. Moreover, since a nation's economic affairs inescapably exercise a powerful influence on the form and tone of the whole society, everything will be more forcefully brought into the narrow ideological mold of those who ran the economic system. Is this the pseudo-syndicalist disaster toward which the well-intentioned gospel of social responsibility is leading us?