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The Social Responsibility of Big Business

H. F. R. CATHERWOOD, M.A.

The final article in the series based on studies in the IVF Industrial Group

MOST Christians have become chary of the pronouncements of those churchmen and others who attempt to ally Christian teaching to their own particular political views. It sometimes seems that all preachers have become politicians, and all politicians, preachers. For this reason, many of us have been reluctant to give time and attention to the relation of our faith to social problems and have felt that our best contribution was personal piety and the simple proclamation of essential truth. In the long run, persistence in this view would be a pity. It is necessary for every generation of Christians to make a conscious effort to disentangle the principles for which they stand from encrusted social attitudes and to restate those principles in their relation to new social forces. This is something very different from the attempts to mobilize the churches behind particular political campaigns or parties. The church cannot subscribe to broad political platforms which include many issues on which it is not qualified to comment, but it must be in a position to advise its own members on matters of conduct when they find themselves in uncharted seas, subject to stresses and strains and conflicts of loyalty for which there is no apparent precedent in church teaching. A church which does not attempt to grapple with these new situations is in danger of encouraging its members to lead two different lives, one of traditional Christian morality in the family and the church and another for weekdays when 'business is business', something the parson cannot hope to pronounce upon or even understand.

No-one has put this better than Professor Tawney:

'No change of system or machinery can avert those causes of social malaise which consist in the egotism, greed, or quarrelsomeness of human nature. What it can do is to create an environment in which those are not the qualities which are encouraged.

During the last two centuries Europe, and particularly industrial Europe, has seen the development of a society in which what is called personal religion continues to be taught as the rule of individual conduct, but in which the very conception of religion as the inspiration and standard of social life and corporate effort has been forgotten. Possessing no standards of their own, the churches were at the mercy of those who did possess them. They relieved the wounded and comforted the dying but they dared not enter the battle.

Christians are a sect, and a small sect, in a Pagan Society. But they can be a sincere sect. A good Pagan is not a Christian. The Church will not pretend that he is, or endeavour to make its own Faith acceptable to him by diluting the distinctive ethical attributes of Christianity till they become inoffensive, at

the cost of becoming trivial. It need not seek to soften the materialism of principalities and powers with mild doses of piety administered in an apologetic whisper. It will teach as one having authority, and it will have sufficient confidence in its Faith to believe that it requires neither artificial protection nor judicious under-statement in order that such truth as there is in it may prevail.'

The evangelical emphasis on personal salvation has tended to the view that this is the sole purpose of the Church and that apart from personal salvation little could be done for fallen humanity. In dealing with the world outside the Church, the Christian must balance the doctrine of original sin with the doctrine of common grace. We are told that, despite the presence of evil, God is everywhere present in the world of His creation, upholding all His creatures in both being and activity. Some divine influence is granted to all men and man is restrained from the worst effects of sin while this world lasts. Only in exceptional cases does God withdraw the restraint completely and 'give them over to a reprobate mind', allowing sin to work out its full destructive consequences here on earth. The Church is the instrument of saving grace, but both Church and State are instruments of common grace and the responsibility of the Christian in either is not limited to the work of conversion. The Church has a duty, not only to preach the gospel, but also to preach the moral law. Individual Christians who are in a position to influence the standards of society must try to indicate as best they may how the standards of the moral law should affect the issues of the day. This has seldom been as important as it is now, when standards of behaviour are lower than they have been for centuries and when most of the professing Church seems intent on having no standards of its own. The Christian should not over-estimate the power of common grace. It will not make a man regenerate. But neither should he under-estimate it. 'Thy will be done on earth, as it is in heaven' is a prayer we are commanded to make and it would be lack of faith to wonder whether God has the means to answer it.

CHURCH AND STATE

Part of our difficulty arises from the different teachings on the relation of Church and State. The Erastian view is that the Church is dependent on the State and the Roman Catholic view is that the State is dependent on the Church. The view of the majority of Protestants today is that Church and State are essentially different and rightfully independent. Both owe their origin to God, but were instituted for different objects, the State for promoting and securing the outward order and good of human society, the Church to advance their spiritual wellbeing. Their powers are different. The State has powers of coercion. It 'beareth not the sword in vain'. The Church can use instruction, reproof, censure and excommunication, but when these means have been used, its powers are exhausted. Finally and perhaps most important for our purpose, the administrations are different. The hierarchy of the Church has no authority in matters of State and the rulers of the State have no authority in the affairs of the Church. Where a matter is unmistakably spiritual, the Church has a right to speak in her capacity as a Church.

This does not mean that the voice of Christians should not be heard in political matters or that they should not influence legislation. What it does

mean is that they should enter the arena as citizens and stand or fall on their own merits without calling in aid the authority and reputation of the Church. There has been a long tradition in Britain of statesmen who have professed the Christian faith, have put forward political policies based on what they conceived as being Christian principles and have appealed for support to the consciences of individual Christians. The best known are Wilberforce and Shaftesbury, but the line must include many of those who promoted the great Reform Bill of 1832 and runs from Pym, Hampden and Cromwell to Gladstone and, in our own day, such dissimilar characters as Stafford Cripps and Viscount Hailsham. One does not have to vouch for their doctrinal purity or agree with all their views to make the limited point that they acted in this tradition, that they tried to apply what they conceived to be Christian teaching to political policy wherever they thought it relevant.

PRACTICAL ISSUES

When we come to tackle particular issues, we realize that the Church is wise to avoid squandering its collective authority by *ex cathedra* pronouncements on this problem and that. Any practical application of Christian principles must take into account a whole host of technical details. There is no point in coming to a conclusion which may be perfect academically but unattainable in practice. It was not enough to be in favour of the general principles of the abolition of rotten boroughs. The ideas had to be clothed in a series of detailed and practical proposals. If universal suffrage was not immediately practicable, then where was the line to be drawn? If the ignorance of the workers was argued against it, then how should the workers be educated?

But as soon as we get down to details, a whole series of alternatives open up. Two groups of equally sound and earnest Christians might, because they had slightly different backgrounds, information and experience, come to quite different conclusions. One might well be right and the other wrong, but the outsider would not necessarily see this. A later generation, tackling the same problem, would almost certainly modify the original proposals in the light of experience. It would be quite wrong for a Church which taught eternal truth to be identified with any particular dogma in the shifting world of political ideas. But it is both right and desirable that groups of Christians should be continuously engaged in the task of working out methods of incorporating the eternal ideals of their faith in practical proposals to meet the changing needs of daily life.

This may seem to be a rather lengthy preamble to justify our right to come out with some positive proposals about the place of the joint stock company in national life, but there have been long gaps in the tradition and it is as well to state the basis, scope and limitations of the proposals we make.

Business, in the sense of the small family business, is, of course, nothing new to the church. It is universal and age-old and its particular temptations are understood and dealt with specifically in the Bible itself which teaches, for instance, that to give short measure is wrong and to withhold wages is wrong. The world of small business is not fundamentally different in our day and although it has its problems, it is not the immediate purpose of this article to deal with them. The new forces are big business, the active

and extensive direction of economic life by strong central governments and — in certain countries — the power of organized labour. These new economic forces are more powerful than the world has ever seen and advances have been made which previously seemed impossible. In every corner of the globe people who have lived just above starvation level have had their expectations raised and demand a better life. Age-old traditions have been put under strain on a universal scale, as the prospect of high industrial wages has taken labour away from feudal estates and family small-holdings. Individual Christians are involved in these changes as pastors, missionaries, teachers and parents, but above all they are involved when they are part of the economic machine itself. They do not as 'organization men' escape from their responsibility as Christians.

In the last article we came to the conclusion that neither communism nor feudalism were economic systems which could command support, though the Christian must agree with the objective of raising the living standards of the poor, which the communists profess. We also felt that the extreme positions of capitalism and socialism were not compatible with the welfare, dignity and freedom of the individual, but that the modifications each had imposed on the other had produced a compromise which was more acceptable, if not ideal. We felt that it should be possible, however, to construct a legislative framework for our means of production which embodied Christian ideals more directly. In contrast to capitalism, where the residual benefit went to the owner, it should be explicitly aimed at the increase of the wealth of the community at large. In contrast to state ownership, it should reserve to the state only what required to be reserved and should aim for the freedom of the individual in choice of job and choice of expenditure. It should not replace the power of big business by the power of bureaucracy, but aim to limit the powers of both to what was functionally necessary for economic growth and aim to make these necessary powers more specifically responsible to society. Above all, these aims must be realizable in practice and should, therefore, be fulfilled by adapting the existing system rather than uprooting it.

WHAT MORE CAN BE DONE?

Many may feel that the existing modifications of capitalism are sufficient and that there is no need to go further. Capitalism today is hardly recognizable as being in the same species as the laissez-faire capitalism of the nineteenth century. Big business is accountable to its shareholders and lenders under company law. It is accountable to its employees under social legislation governing factory conditions, hours of employment, method of payment, right to unionize and right to strike. It is accountable to its customers under the laws of contract, the laws governing the description and sales of goods and, more recently, by legislation under the restrictive trades practices acts, which, in America, are very strictly policed and enforced. Its power is limited by acts against monopoly and by high taxation of both corporations and individuals. No-one, least of all company directors, could be blamed for the feeling that 'enough is enough'.

It is only when we look more closely that we see the gaps in the present structure and concepts of social responsibility and the relative ineffectiveness of such legislation as there now is to embody them. Whatever the theo-

retical power of the shareholder, it is now generally recognized that it is almost impossible for shareholders to call to account the actions of directors, of big business with widespread share ownership. The board of a large public company is, in practice, a self-perpetuating body. Almost all additions are made by nomination of the directors. The majority of public companies have boards composed largely or wholly of executive directors and their interests as executives and their interests as directors may not always coincide, particularly when it comes to commenting to the owners on their performance as executives. As a result, these enormous centres of economic power, containing most of the nation's productive resources and the practical outlet for its inventiveness, are in the effective control of self-perpetuating bodies. The best public companies are well aware of the dangers of inbreeding. They recruit to the board strictly on merit and bring in active, able and independent men from outside. But for every company which does this, there must be half a dozen where power is effectively retained by two or three men whose ideas and objectives can only be challenged by the long drawn out pressure of events. This is not the best formula for maximization of profits, let alone for economic growth and a rising standard of living. The answer of capitalism is the 'take-over bid' and the threat of this has no doubt done some good, but this is at best a blunt instrument and at worst disruptive if not destructive. The disappearance of shareholder control is not a plot by established business tycoons. It is the result of a combination of the competitive framework within which business operates and widespread public shareholding. If business is to compete, it must be allowed to keep private a large measure of information on its position and performance and this information cannot be kept private if it is given to thousands of shareholders whose interests are not limited to that particular company. Even if more information is given than at present, this basic contradiction cannot be resolved within the present framework.

What is true for the shareholder is also true for the employee and his representatives. Their information on the costs, competitive position and potential productivity of the company is strictly limited by the degree of secrecy necessary to the competitive system. It is difficult to believe that the settlement of wage negotiations is at the same advanced level as legislation on working conditions. The union leader does not have the information to enable him to point out in detail the methods by which management might recover wage increases by higher productivity. A weak management in non-competitive conditions will pass the increase on by raising prices. Otherwise, the bargaining degenerates into threat and bluff instead of being, as it should, a constructive negotiation between informed men seeking a reconciliation of their respective interests. As a by-product of this situation, power on the union side has tended to shift from the responsible union leaders to the activists, because when it comes to threat and bluff, the activists are usually more successful. It has been argued that the unions need to reform their leadership. No doubt many unions do not pay their leaders enough and do not obtain the calibre of leadership they should, but the question still remains as to what the unions can do with this calibre of leadership when they have it. Unless they have access to more useful information than is publicly available at the moment, it is hard to see how they can bring constructive pressure to bear on management

for improvement of productivity. But efficient and informed union leaders could do much to level up industrial productivity and compel backward management to adopt methods and machinery which would give greater revenue per worker. This should do much to restore the authority of the legitimate union leaders and to cut the unofficial activists down to size.

COMPETITION: FOR AND AGAINST

Despite its disadvantages, effective competition has considerable advantages. It is the classic method of protecting the customer. It enables the efficient firms to be the pace-setters and to attract custom, brains and capital away from the firms which are less efficient. It rewards the successful innovator and encourages enterprise. It gives freedom to move from one job to another. It minimizes the over-all effects of mistakes in judgment which any single group of men are bound to make. It is small wonder that to so many lovers of freedom, the market economy seems both right and efficient and not to be tampered with. But those who have to operate it do not always see it quite so idealistically. It is at its best in small industries with low capital investment and easily comparable products. But in large and highly capitalized industries, it is almost essential to have some form of price discipline, and pricing methods appropriate to the disposal of surplus stocks of toffee-apples are not appropriate pricing of electricity or computers. The official attitude hovers between a belief that competition is a good thing and the knowledge that strict enforcement could, in some cases, have the most destructive results. The American answer lies in massive anti-trust legislation. But legislation is a ponderous and inflexible instrument to meet a complex and changing situation and no other country has moved so far in this direction. There should certainly be legislation against both restrictive trade practices and against monopolies, and British monopoly legislation should be more effective, but a more precise and more flexible instrument is necessary to look after the public interest.

Competition has, left to itself, some less beneficial side effects. Where action is in the public interest, but expensive, it is less than likely that a company which is fighting for its place in the market will feel free to accept a burden which its competitors do not have to share. Who will fill their plants with low-priced export orders and leave competition free to take a larger share of the home market? Who will take on the burden of training and re-training to have its newly-trained men poached by competitors who have not carried the burden? Who can maintain quality when an efficient competitor cuts it? Competitive advertising expenditure must be matched, however excessive its scale. Large capital expenditure schemes of competing companies in the same industry tend to hold back and go forward together to protect each company's market share, whereas the public interest would seem to demand that they be co-ordinated and phased to avoid swings between too little capacity and too much. There seems, therefore, to be an area, too large to be comfortable, in which the market economy does not automatically look after the public interest. It must also be admitted that in the market economy, competition does not have the quick and beneficial effects which economic theory would lead us to expect. Efficient companies do not reduce their prices and put the inefficient companies into liquidation.

Movement of capital, labour and competition from inefficient to efficient is sluggish at best. Ingrained habits keep staff, labour and customers where they are long after it would pay them to move. But, in any case, our physical, and above all, our human investment in great enterprises can hardly allow us to agree that the best solution is to stand by while one or other of them, in charge of encrusted and immovable management, goes slowly downhill under the pressure of blind market forces towards the final break-up and redundancy. If our competition is to be more than half-hearted, we must feel that those who come under pressure will be made to put things right before it is too late.

These problems have been examined time and again, but very few viable solutions have been put forward. It is easy enough to see what is wrong, and we have had some brilliant analyses, but they all have faltered and fumbled before a solution. This is partly because the major political parties seemed committed to doctrinaire solutions, but largely because of the comparative novelty of big business as an institution and lack of understanding of the way in which it works. Most of the analysts have been academic economists or journalists. Few practising industrialists have had time or inclination to think out solutions. This, combined with our dependence on big business, makes responsible politicians reluctant to do anything which might interfere with its successful working. This situation is changing. Understanding of the complex affairs of industry is increasing together with an awareness that economic growth is a proper objective. Both major political parties are becoming less attached to dogma and are looking for a solution which will best combine freedom and economic growth.

British law has already accepted extensive limitations on the rights of private ownership where these go beyond personal needs, and while Christian teaching requires respect for personal property, these limitations would be agreeable to Christian teaching on the respect we must have for our neighbours. Limitations on the rights of property are particularly appropriate in the case of major economic units which are large enough individually to affect the life of the community. These should be directed in the public interest as well as in the interests of private owners. However, the public interest should be precisely defined from time to time as conditions change, so that action in the public interest is not arbitrary, unpredictable or unequal between companies in the areas defined as being of public interest, and major companies should be accountable for their actions and policies. For instance, it might be decided that policies of companies employing more than 5,000 or worth more than £3M should be accountable for their policies on exports, the amount, timing and location of investment, redundancy, training, research, wages and dividends. This would enable the government to understand the operations of those companies controlling the 'commanding heights of the economy'. They could then define the public interest and isolate the areas in which, without direction, public interest and competitive capitalism might be at variance. This would enable them to give advice, promote joint action in industry and take such legislative and fiscal measures as were necessary. It could care for the public interest without the dangers to variety, competition and personal freedom which it would incur if it assumed direct control of industrial life. A combination of freedom and accountability would seem to answer Christian principles best.

It is not enough to put these ideas forward. They have to be clothed

in a workable organizational structure. The gap between government and individual companies is too great to implement these policies without organizational change. The National Economic Development Council goes a little way, but not far enough. There must be between 500 and 1,000 companies in a great variety of different industries with assets of more than £3M. There can be little effective reconciliation of private and public interest without breaking the problems down into sections which have some common denominators. One way of doing this would be the creation of bodies of similar composition to NEDC for each major industry. Their jobs would be to understand the affairs of the industry, identify areas, such as those mentioned above, where the public interest was involved and to agree with the companies methods of dealing with these matters of public interest.

This is only one, purely personal, view of a method by which the freedom of the market economy can be modified to accord broadly with the social objectives which the Christian would consider desirable. Any concrete suggestion will raise all kinds of questions and objections. This one has, in a form more detailed than would be appropriate here, been subjected to searching examination by a variety of informed and experienced people in industry and outside it. We feel, as a result, that it is one possible solution and that all that is necessary for our purpose is to demonstrate that there is at least one solution. The more ways we find of putting our principles into practice, the more we prove our point that these principles are realistic and practical.

Wanted: *A Thousand Bookstalls*

R. INCHLEY, B.A.

BOOKSELLING in this country is on the down grade and has little future.' A somewhat startling statement, but one which sums up the present attitude of not a few booksellers and publishers as reflected in correspondence in trade journals and in special articles appearing from time to time in the national press. Generalizations are notoriously rickety on their legs. But when we examine the situation in the book-trade as a whole we see that there is much to justify the pessimism which underlies this gloomy forecast.

At home, in spite of rising prices which should mean more money being spent, the turnover of most bookshops is static. As the value of property rises and rents increase, many of them are being forced off the High Street and either give up altogether or try to make do down a side-turning. Any expansion in his business which the publisher is achieving is in his export