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Are top executives being taken in by pretty words and soft ideas? Are they letting the country in for a nightmare return to feudalism by forgetting they must be businessmen first, last, and almost always?

The Dangers of Social Responsibility

By Theodore Levitt

Concern with management's social responsibility has become more than a Philistine form of self-flattery practiced at an occasional community chest banquet or at a news conference celebrating a "selfless example of corporate giving" to some undeserving little college in Podunk. It has become more than merely intoning the pious declarations of Christian brotherhood which some hotshot public relations man has pressed into the outstretched hands of the company president who is rushing from an executive committee meeting to a League of Women Voters luncheon. It has become a deadly serious occupation — the self-conscious, soul-searching preoccupation with the social responsibilities of business, with business statesmanship, employee welfare, public trust, and with all the other lofty causes that get such prominent play in the public press.

Contrary to what some uncharitable critics may say, this preoccupation is not an attitudinizing pose. Self-conscious dedication to social responsibility may have started as a purely defensive maneuver against strident attacks on big corporations and on the moral efficacy of the profit system. But defense alone no longer explains the motive.

The Nonprofit Motive

When outnumbered by its critics at the polls, business launched a counterattack via the communications front. Without really listening to what the critics alleged, business simply denied all that they were saying. But a few executives did listen and began to take a second look at themselves. Perhaps this criticism was not all captious. And so they began to preach to their brethren.

Before long something new was added to the

ideological stockpile of capitalism. "Social responsibility" was what business needed, its own leaders announced. It needed to take society more seriously. It needed to participate in community affairs — and not just to take from the community but to give to it. Gradually business became more concerned about the needs of its employees, about schools, hospitals, welfare agencies, and even aesthetics. Moreover, it became increasingly clear that if business and the local governments failed to provide some of the routine social-economic amenities which people seemed clearly intent on getting, then that Brobdingnagian freewheeling monster in far-off Washington would.

So what started out as the sincere personal viewpoints of a few selfless businessmen became the prevailing vogue for them all. Today pronouncements about social responsibility issue forth so abundantly from the corporations that it is hard for one to get a decent play in the press. Everybody is in on the act, and nearly all of them actually mean what they say! Dedication reverberates throughout the upper reaches of corporate officialdom.

Happy New Orthodoxy

This, it is widely felt, is good. Business will raise itself in the public's esteem and thereby scuttle the political attacks against it. If the public likes big business, nobody can make capital by attacking it. Thus social responsibility will prolong the lifetime of free enterprise. Meanwhile, the profit motive is compromised in both word and deed. It now shares its royal throne with a multitude of noncommercial motives that aspire to loftier and more satisfying values. Today's profits must be merely adequate, not maximum. If they are big, it is cause for apologetic rationalization (for example, that they are needed to expand the company's ability to "serve" the public even better) rather than for boastful celebration. It is not fashionable for the corporation to take gleeful pride in making money. What *is* fashionable is for the corporation to show that it is a great innovator; more specifically, a great public benefactor; and, very particularly, that it exists "to serve the public."

The mythical visitor from Mars would be astonished that such a happy tableau of cooperative enterprise can create such vast material abundance. "People's Capitalism" is a resounding success. The primitive principle of aggrandizing selfishness which the Marxists mistakenly

contend activates capitalism does not count at all. What we have instead is a voluntary association of selfless entrepreneurs singularly dedicated to creating munificence for one and all — an almost spiritually blissful state of cooperative and responsible enterprise. We are approaching a jet-propelled utopia. And, unlike some other periods in the short and turbulent history of capitalism, today has its practicing philosophers. These are the men busily engaged in the canonistic exposition of a new orthodoxy — the era of "socially responsible enterprise."

A Lonely Crowd

Occasionally some big business representative does speak less sanctimoniously and more forthrightly about what capitalism is really all about. Occasionally somebody exhumes the apparently antique notion that the business of business is profits; that virtue lies in the vigorous, undiluted assertion of the corporation's profit-making function. But these people get no embossed invitations to speak at the big, prestigious, and splashy business conferences — where social responsibility echoes as a new tyranny of fad and fancy.

About a year ago, Frank O. Prior, then president and now board chairman of Standard Oil Company (Indiana), made a speech that was in part reminiscent of the late but apparently unlamented tycoon:

Without terminological pretensions, pseudodialectical profundity, or rhetorical subtlety, he called on his big business colleagues to run their businesses as they are intended to be run — for profit. Regarding people who publicly consider profit making a doubtful morality, he called on his colleagues to "move over to the offensive," "to stand up and fight," to talk about profits in terms of their central function, and to throw all sentiment to the wolves.

His remarks must have sounded strange and harsh to people accustomed to a decade of viewing the corporation as a sort of miniature welfare state. Good human relations, he said, makes sense only when it "rests on a foundation of economic good sense and not just on sentiment. Sentiment has a tendency to evaporate whenever the heat is on. Economic good sense is durable."

Then he said: "You aren't supposed to use language like that these times. You're supposed to talk about high ideals using high-flown words. You're expected to be mainly aware of what they call social responsibility. . . . This is fine, but I still say management's No. 1 problem is profits."

And where was this vigorous affirmation of no-nonsense capitalism made? Was it Chicago, the seat of Standard's home office and one of the few places where some think the old orthodoxy retains some semblance of primeval integrity? No. This was too unreconstructed a view even for Chicago, the city of broad shoulders. So the Chamber of Commerce of distant and isolated Casper, Wyoming, provided the platform. And even there Prior could not afford to let his forthright remarks stand as boldly as he started out. The corporation, he allowed, must develop "a fuller sense of responsibility and a much broader outlook on the facts of life" — and prices should be "fair."¹

The fact is, the profit motive is simply not fashionable today among emancipated conferees of the Committee for Economic Development or even in the National Association of Manufacturers. It has been dying a lingering, unmourned death for ten years. Rarely can a big business leader eulogize it today without being snubbed by his self-consciously frowning peers.

Things have come to a remarkable pass. And if anyone doubts it, let him contemplate the spectacle of a recent NAM convention interrupting its urgent deliberations to hear Siobhan McKenna reading Yeats's poetry, presumably to set an appropriate tone of cultural emancipation and dedication. Can anybody picture this happening 25 years ago? Or the board chairman of Sears, Roebuck & Co., stating, as he did last year, that not only is business's first responsibility social but business executives, like Secretary Benson's farmers, should look less to their pocketbooks and more to their spirits? Not even his suggestion that the top brass are overpaid ruffled any managerial feathers.²

The Self-Persuaders

There is nothing mysterious about the social responsibility syndrome. It does not reflect a change in businessmen's nature or the decay of self-interest. Quite to the contrary, often it is viewed as a way of maximizing the lifetime of capitalism by taking the wind out of its critics' sails. Under direct questioning it will be con-

fessed that activities such as supporting company intramural athletic programs, hiring a paid director for a company choral society, or underwriting employee dramatic performances (even on company time) are not charity. They are hardheaded tactics of survival against the onslaught of politicians and professional detractors. Moreover, they build morale, improve efficiency, and yield returns in hard cash.

In other words, it pays to play. If it does not pay, there is no game. For instance, when it

In HBR's pages many authors have urged businessmen to develop a sense of social responsibility and act accordingly. (See the striking views of historian Arnold J. Toynbee, who predicts that all businessmen will become civil servants, in "Thinking Ahead," p. 23 of this issue.) No doubt there will be many other articles with variations of the same theme in the future. But here is an author who strongly disagrees; Mr. Levitt says businessmen should not have any concern with such matters. This point of view also deserves full consideration — the subject is too important to leave anything to doubt or take anything for granted. — *The Editors*.

comes to choosing between the small Arkansas supplier whose town would be ruined if orders stopped and the Minneapolis supplier who can make it cheaper, there is no doubt that even the most socially responsible corporation will take the latter. It can always fall back on responsibility to its employees, stockholders, or customers, and still pretend it is being fashionable.

In some respects, therefore, all this talk is merely talk. It stops at the pocketbook. How, then, can it be dangerous? I think the answer is very simple: what people say, they ultimately come to believe if they say it enough, and what they believe affects what they do. To illustrate how innocent talk, intended in some respects simply for show, can haunt and change the very people who make it, look at what has happened to the Republican Party in the last few years. The example is only too painfully obvious to many executives: ✓

For years the party fought the New Deal tooth and claw. Ultimately, in order to turn the Democrats out, it began matching the New Deal promise for promise. Republicans, it said, were not opposed to these measures; they simply wanted to do

¹ Speech delivered May 6, 1957.

² Theodore V. Houser, 1957 McKinsey Foundation Lec-

tures, reprinted as *Big Business and Human Values* (New York, McGraw-Hill Book Company, Inc., 1957).

everything better and cheaper. The welfare state, it was emphasized, was lacking in sound business management.

Having finally ascended to office and proposing to stay in, a good many Republicans are now surprised to find themselves actually *doing* what they had promised during the election campaign. Some of the stalwarts who had lowered themselves to making expedient panegyric speeches about Modern Republicanism are now fighting a losing battle against its implementation.

The talk about social responsibility is already more than talk. It is leading into the believing stage; it has become a design for change. I hope to show why this change is likely to be for the worse, and why no man or institution can escape its debilitating consequences.

A New Feudalism

The function of business is to produce sustained high-level profits. The essence of free enterprise is to go after profit in any way that is consistent with its own survival as an economic system. The catch, someone will quickly say, is "consistent with." This is true. In addition, lack of profits is not the only thing that can destroy business. Bureaucratic ossification, hostile legislation, and revolution can do it much better. Let me examine the matter further. Capitalism as we like it can thrive only in an environment of political democracy and personal freedom. These require a pluralistic society — where there is division, not centralization, of power; variety, not unanimity, of opinion; and separation, not unification, of workaday economic, political, social, and spiritual functions.

We all fear an omnipotent state because it creates a dull and frightening conformity — a monolithic society. We do not want a society with one locus of power, one authority, one arbiter of propriety. We want and need variety, diversity, spontaneity, competition — in short, pluralism. We do not want our lives shaped by a single viewpoint or by a single way of doing things, even if the material consequences are bountiful and the intentions are honorable. Mussolini, Stalin, Hitler, Franco, Trujillo, Peron, all show what happens when power is consolidated into a single, unopposed, and unopposable force.

We are against the all-embracing welfare state not because we are against welfare but because we are against centralized power and

the harsh social discipline it so ineluctably produces. We do not want a pervasive welfare state in government, and we do not want it in unions. And for the same reasons we should not want it in corporations.

Dangerous Power

But at the rate we are going there is more than a contingent probability that, with all its resounding good intentions, business statesmanship may create the corporate equivalent of the unitary state. Its proliferating employee welfare programs, its serpentine involvement in community, government, charitable, and educational affairs, its prodigious currying of political and public favor through hundreds of peripheral preoccupations, all these well-intended but insidious contrivances are greasing the rails for our collective descent into a social order that would be as repugnant to the corporations themselves as to their critics. The danger is that all these things will turn the corporation into a twentieth-century equivalent of the medieval Church. The corporation would eventually invest itself with all-embracing duties, obligations, and finally powers — ministering to the whole man and molding him and society in the image of the corporation's narrow ambitions and its essentially unsocial needs.

Now there is nothing wrong as such with the corporation's narrow ambitions or needs. Indeed, if there is anything wrong today, it is that the corporation conceives its ambitions and needs much too broadly. The trouble is not that it is too narrowly profit-oriented, but that it is not narrowly profit-oriented *enough*. In its guilt-driven urge to transcend the narrow limits of derived standards, the modern corporation is reshaping not simply the economic but also the institutional, social, cultural, and political topography of society.

And there's the rub. For while the corporation also transforms itself in the process, at bottom its outlook will always remain narrowly materialistic. What we have, then, is the frightening spectacle of a powerful economic functional group whose future and perception are shaped in a tight materialistic context of money and things but which imposes its narrow ideas about a broad spectrum of unrelated non-economic subjects on the mass of man and society.

Even if its outlook were the purest kind of good will, that would not recommend the corporation as an arbiter of our lives. What is bad for

this or any other country is for society to be consciously and aggressively shaped by a single functional group or a single ideology, whatever it may be.

If the corporation believes its long-run profitability to be strengthened by these peripheral involvements — if it believes that they are not charity but self-interest — then that much the worse. For, if this is so, it puts much more apparent justification and impulse behind activities which are essentially bad for man, bad for society, and ultimately bad for the corporation itself.

Example of Labor

The belief that one institution should encompass the complete lives of its members is by no means new to American society. One example can be taken from the history of unionism:

In the latter part of the nineteenth century America's budding labor unions were shaken by a monumental internal struggle for power. On the one side were the unctuous advocates of the "whole man" idea of the union's function. For them the union was to be an encompassing social institution, operating on all conceivable fronts as the protector and spokesman of the workingman at large. In the process they acknowledged that the union would have to help shape and direct the aspirations, ideas, recreations, and even tastes — in short, the lives — of the members and the society in which they functioned.

Opposing this view were the more pragmatic "horny-handed sons of toil," the "bread and butter" unionists. All they wanted, in the words of Samuel Gompers, was "more, more, more." At the time it was widely believed that this made Gompers a dangerous man. Lots of pious heads shook on the sidelines as they viewed the stark contrast between the dedicated "uplifters" and Gompers' materialistic opportunism. Who would not side with the "uplifters"? Yet Gompers won, and happily so, for he put American unionism on the path of pure-and-simple on-the-job demands, free of the fanciful ideological projects and petty intellectualism that drain the vitality of European unions.

As late as the early 1930's the American Federation of Labor remained true to Gompers' narrow rules by opposing proposed Social Security legislation. And when, in the 1930's, the communists and the pseudo humanitarians pushed the "whole man" concept of unionism, they also lost. Today, however, without ideologically sustained or conscious direction, the more "progressive" unions have won the battle for what the nineteenth century ideologists lost. With all their vast might and

organizational skill, these unions are now indeed ministering to the whole man:

☐ Walter Reuther's United Auto Workers runs night schools, "drop-in" centers for retired members, recreation halls; supports grocery co-operatives; 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.

☐ David Dubinsky's International Ladies' Garment Workers' Union has health centers, citizenship and hobby classes, low-cost apartment buildings, and a palatial summer resort in the Poconos.

☐ A Toledo union promotes "respectability" in clothes and hair styles among teenagers as a way of counteracting leather-jacketed, duck-tail, rock-'n-roll delinquency.

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 ministrations.

Toward a Monolithic Society

This is the kind of monolithic influence the corporation will eventually have if it becomes so preoccupied with its social burden, with employee welfare, and with the body politic. Only, when the corporation does this, it will do a much more thorough job than the union. For it 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 is 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 has done its job first. The union is essentially a luxury institution, not a necessity.)

I think it is significant that the right kinds of appeals to workers based on the corporation's materialistic self-interest are generally more successful than vague abstractions like "People's Capitalism." This is a truth the Soviet adherents to the materialistic philosophy stubbornly refused to learn as they tried with repeated failure to intrude ideological clack where only materialistic motives could work. Their denial of their own materialistic ideology finally surrendered to hard cash, first in the form of the "new

economic policy," later through the system of "socialist competition," and now as industrial and agricultural decentralization.

If the corporate ministry of man turns out to be only half as pervasive as it seems destined to be, it will turn into a simonist enterprise of Byzantine proportions. There is a name for this kind of encircling business ministry, and it pains me to use it. The name is fascism. It may not be the insidious, amoral, surrealist fascist over which we fought World War II, or the corrupt and aggrandizing Latin American version, but the consequence will be a monolithic society in which the essentially narrow ethos of the business corporation is malignantly extended over everyone and everything.

This feudalistic phantasmagoria may sound alarmist, farfetched, or even patently ridiculous. For one thing, it will be said, not all corporations see alike on all things. At the very least there will be the pluralism of differences arising out of corporate differences in productive functions and their differences as competitors. But look at it this way: When it comes to present-day corporate educational, recreational, welfare, political, social, and public relations programs, attitudes, ideas, promotions, and preferences, how much difference is there? Are they more alike or more unlike? Are they growing more similar or more dissimilar?

It may also be protested, "What is wrong with the corporate ideology, anyway? Who will deny the material abundance, the leisure, and even the aesthetic values it has created and fostered in the United States? Nobody!" But that is irrelevant. The point is: we do not want a monolithic society, even if its intentions are the best. Moreover, a group's behavior in the pluralistic, competitive past is no guarantee of its behavior once it reaches complete ascendance.

End of Capitalism

The power which the corporation gains as a sort of commercial demichurch it will lose as an agency of profit-motive capitalism. Indeed, as the profit motive becomes increasingly sublimated, capitalism will become only a shadow — the torpid remains of the creative dynamism which was and might have been. It will thrive in name only, at the convention rostrums and the chambers of commerce — a sort of verbal remains of the real thing, shakily sustained by pomp and ceremony. Like Rome, it will never know that when it believed itself at the height

of its glory, it was undergoing its denouement. The incubus of the corporate ministry of man will be completely enthroned while capitalism withers away, a victim of its own haloed good intentions.

Power Incorporated

The trouble with our society today is not 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, all major functional groups — business, labor, agriculture, *and* government — are each trying so piously to outdo the other in intruding themselves into what should be our private lives. Each is trying to mold the whole man into its own image according to its own needs and tastes. Each is seeking to extend its own narrow tyranny over the widest possible range of our institutions, people, ideas, values, and beliefs, and all for the purest motive — to do what it honestly believes is best for society.

And that is precisely what is wrong. It is this aspect of purity and service that is so nightmarish. It is 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. The reformer whose only aim is personal aggrandizement and whose tactics are a vulgar combination of compulsive demagoguery and opportunistic cynicism is much less dangerous than the social evangelist who, to borrow from Nietzsche, thinks of himself as "God's ventriloquist." As Greek tragedies show, there is nothing more corrupting than self-righteousness and nothing more intolerant than an ardent man who is convinced he is on the side of the angels.

When the spokesmen for such causes begin to make speeches and write books about their holy mission, to canonize their beliefs into faith, conviction, and doctrine, and to develop ways of thinking by which their particular institutional ambitions are ideologically sustained — that is the time for us to begin trembling. They will then have baptized their mission with a book — still the most powerful instrument of change devised by man.

American capitalism does not yet possess a dramatic ideological statement of the kind just described. But it is getting there. During the past decade business executives' bylines have appeared under an increasing number of book and article titles connoting a sense of mission, of reaching out — for example, *A Creed for Free Enterprise*,³ " 'Skyhooks' (With Special Implications for Monday Through Friday)," ⁴ *New Frontiers for Professional Managers*,⁵ and "Business Leadership and a Creative Society."⁶ That such titles should be chosen and that they should appeal to the management community are, I believe, significant signs of the times. There is no doubt that the sense of zeal and social responsibility is increasing.

So far the movement is a young and rather unassuming one. But when it really gathers momentum, when its forms become crystallized and its primal innocence becomes more professionalized, its success should amaze us. 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 the embodiment of material welfare, of unbounded security, of decorous comfort, amusing diversion, healthful recreation, and palatable ideology. It can far surpass even the medieval Church in efficiency and power.

It may have no intention of doing this (and I firmly believe that this is the last thing that the apostles of corporate humanity want), but what we get is seldom what we want. History is fortuitous. It does not move on tracks made by rational social engineers.

Separate Functions

Business wants to survive. It wants security from attack and restriction; it wants to minimize what it believes is its greatest potential enemy — the state. So it takes the steam out of the state's lumbering engines by employing numerous schemes to win its employees and the general public to its side. It is felt that these are the best possible investments it can make for its own survival. And that is precisely where the reasoning has gone wrong. These investments are only superficially *easy* solutions, not the best.

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; and where it is not, it becomes government's job. This is the concept of pluralism. Government's job is not business, and business's job is not government. And 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 that business will run government, but rather that the two of them will coalesce, as we saw, into a single power, unopposed and unopposable.

The only political function of business, labor, and agriculture is to fight each other so that none becomes or remains dominant for long. When one does reach overwhelming power and control, at the very best the state will eventually take over on the pretense of protecting everybody else. At that point the big business executives, claiming possession of the tools of large-scale management, will come in, as they do in war, to become the bureaucrats who run the state.

The final victor then is neither government, as the representative of the people, nor the people, as represented by government. The new leviathan will be the professional corporate bureaucrat operating at a more engrossing and exalted level than the architects of capitalism ever dreamed possible.

The functions of the four main groups in our economy — government, business, labor, agriculture — must be kept separate and separable. As soon as they become amalgamated and indistinguishable, they likewise become monstrous and restrictive.

Tending to Business

If businessmen do not preach and practice social responsibility, welfare, and self-restraint, how can management effectively deal with its critics, the political attacks, the confining legislation — that is, the things which have induced it to create its own private welfare state? The answer is fairly simple: to perform its main task so well that critics cannot make their charges stick, and then to assert forthrightly its function and accomplishments with the same aroused

³ Clarence B. Randall (Boston, Little, Brown and Company, 1952).

⁴ O. A. Ohmann, HBR May-June 1955, p. 41.

⁵ Ralph J. Cordiner (New York, McGraw-Hill Book Company, Inc., 1956).

⁶ Abram T. Collier, HBR January-February 1953, p. 29.

spirit that made nineteenth-century capitalism as great as it was extreme.

Present Failures

It seems clear that today's practices fall far short of this prescription. When it comes to material things, the accomplishments of American capitalism are spectacular. But the slate is not clean. American capitalism also creates, fosters, and acquiesces in enormous social and economic cancers. Indeed, it fights against the achievement of certain forms of economic and social progress, pouring millions into campaigns against things which people have a right to expect from their government and which they seem to want their government to provide. For example:

☐ Business motives helped to create slums, and now business seems all too frequently to fight their abolition. The free operation of the profit motive has not abolished them. Indeed, it sustains them. But if abolishing slums is not a sound business proposition, business should cease its campaign against government doing a job which nobody in his right mind can deny should be done. If supporting state and federal efforts at urban renewal does not raise the public's esteem of business's good intentions, few things will. Certainly self-righteous claims of good intentions are not enough.

☐ The same is true of health insurance, pensions, school construction, and other proposals for activities which are best handled by government (for reasons of administration as well as of ability to meet the commitments) and are therefore logical government functions. Businessmen will simply have to accept the fact that the state can be a powerful auxiliary to the attainment of the good life. This is particularly so in a free enterprise economy where there is a natural division of social and economic functions, and where this division is fortified by countervailing institutional checks and balances.

Yet in both word and deed business constantly denies the potentially beneficial role of the state. Where it does not fight the public interest, it often adopts a placid air of indifference or a vapid neutrality. Its most shameful indifference is in matters of civil rights. Although business operates in a system where the guarantee of civil rights is the bedrock of its own effective existence, management seldom raises a voice in support of civil rights — whether the issue is legislation or protecting some anonymous Joe Doakes against a Congressional kangaroo-court

committee supposedly developing information for legislation.

Business must learn to speak for Joe Doakes when civil rights are involved. In doing this it would actually be speaking for itself. Civil rights are a single cloth; they cannot be curtailed for some without being curtailed for everybody. Hence to speak for Joe Doakes is to act in one's self-interest — especially in management's case, for when civil rights are gone, business loses not only freedom but also money.

Sensible Welfare

I am not arguing that management should ignore its critics. Some of them have made a good case from time to time against business's social delinquencies and against its shortsightedness in fighting practically all of Washington's efforts to provide security. (Indeed, if business had not always fought federal welfare measures, perhaps the unions would not have demanded them from business itself.)

Nor am I arguing that management has no welfare obligations at all to society. Quite to 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 or idealism ought not let it in the door. Sentiment is a corrupting and debilitating influence in business. It fosters leniency, inefficiency, sluggishness, extravagance, and hardens the innovationary arteries. 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. This is the rule of capitalism.

No matter how much business protests that saying this is redundant because it is exactly the rule being practiced, the fact is that it is *seldom* followed. Businessmen only say they practice it because it is another one of those sacred articles of the capitalist faith that must be regularly reaffirmed in speech and print. Their words are belied by some of their most common policies, such as:

- *The growing constellation of employee welfare programs* — Do they really make good economic sense for the individual firm? I say they do not. Most company welfare measures — such as retirement, unemployment, and health benefits — are forms of mass insurance. They make economic

sense only when operated on a compulsory national basis. The only conceivable basis on which it can be argued that they make economic sense when operated by individual companies is that they help attract and hold manpower. And that is seldom the primary motive. If there were adequate national mass insurance, the company that wants to attract and hold more and better manpower needs only to pay more. The whole thing would be cheaper and more efficient.

• *Stock purchase plans* — These plans, which are one of the sacred appurtenances of "People's Capitalism," are justifiable only if they provide direct incentives to differentially superior performance. They are a menace and a drag on the economy when (as is often the case) their real object is to let the corporate insiders in on some easy capital gains gravy, or to immobilize the labor market by tying people to a particular company.

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 and political pressures. We are not back in the age of the robber barons, 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. As Mao Tse-Tung once prescribed for China, "Let all flowers bloom together; let rival schools of thought contend."

Conclusion

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 dominant objective in practice as well as in theory. Business should recognize what government's functions are and let it go at that, stopping only to fight government where government directly intrudes itself into business. It should let government take care of the general welfare so that business can take care of the more material aspects of welfare.

The results of any such single-minded devotion to profit should be invigorating. With none of the corrosive distractions and costly bureaucracies that now serve the pious cause of welfare, politics, society, and putting up a pleasant front, with none of these draining its vitality, management can shoot for the economic moon. It will be able to thrust ahead in whatever way

seems consistent with its money-making goals. If laws and threats stand in its way, it should test and fight them, relenting only if the courts have ruled against it, and then probing again to test the limits of the rules. And when business fights, it should fight with uncompromising relish and self-assertiveness, instead of using all the rhetorical dodges and pious embellishments that are now so often its stock in trade.

Practicing self-restraint behind the cloak of the insipid dictum that "an ounce of prevention is worth a pound of cure" has only limited justification. Certainly it often pays not to squeeze the last dollar out of a market — especially when good will is a factor in the long-term outlook. But too often self-restraint masquerades for capitulation. Businessmen complain about legislative and other attacks on aggressive profit seeking but then lamely go forth to slay the dragon with speeches that simply concede business's function to be service. The critic quickly pounces on this admission with unconcealed relish — "Then why *don't* you serve?" But the fact is, no matter how much business "serves," it will never be enough for its critics.

The Strenuous Life

If the all-out competitive prescription sounds austere or harsh, that is only because we persist in judging things in terms of utopian standards. Altruism, self-denial, charity, and similar values are vital in certain walks of our 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. There is only one way to do that: to perform at top ability and to speak vigorously *for* (not in defense of) what business does. Prior's stand on human relations, quoted earlier, is a good point of departure. But it is only a beginning.

In the end business has only two responsibilities — to obey the elementary canons of everyday face-to-face 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. Even today, most American critics want only to curb capitalism, not to destroy it. And curbing efforts will not destroy it if there is free and open discussion about its singular function.

To the extent that there is conflict, can it not be a good thing? Every book, every piece of history, even every religion testifies to the fact that conflict is and always has been the subject, origin, and life blood of society. Struggle helps

to keep us alive, to give élan to life. We should try to make the most of it, not avoid it.

Lord Acton has said of the past that people sacrificed freedom by grasping at impossible justice. The contemporary school of business morality seems intent on adding its own caveat to that unhappy consequence. The gospel of tranquility is a soporific. Instead of fighting for its survival by means of a series of strategic retreats masquerading as industrial statesmanship, business must fight as if it were at war. And, like a good war, it should be fought gallantly, daringly, and, above all, *not* morally.

ONE looks at the broad sweep of human history and perceives only dimly the tangle of loose ends and unfinished purposes. I am more and more impressed with the importance of the non-economic — the heroic, the symbolic, and the religious elements in human life and experience. Economics provides the threads and imposes the limitations, but it is the artist who makes the pattern. If there is indeed, as I believe, a Great Artist and a Great Pattern, it is those in whom the religious sensitivities are most highly developed who are likely to be the most powerful instruments of economic development.

The world does not understand this because it is insensitive to these most subtle suggestions of reality as it floats along on the coarse wave of the senses and the sentiments. The bankers and the businessmen, the politicians and the generals, the sophisticated elite, enjoy an illusion of importance. There is a feeling that the world was made for them and they are really determining the course of events. But in reality they are determined; they are the passive instruments of the great iron laws of society, the processes of supply and demand, of ecological equilibrium and succession. These make them or break them, give them meaning for a time and then cast them aside. But the poet, the artist, and the prophet are different. They are the disturbing elements, the destroyers of equilibrium and the ultimate entrepreneurs who unleash the forces of growth within a society.

Kenneth E. Boulding, *The Skills of the Economist*

Cleveland, Howard Allen, Inc., 1958, pp. 184-185.

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