Chapter 3

Business and Society

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The current management and industrial-relations literature often assumes that changes in market operations since the 1970s have been so radical as to present economic activity today as an entirely new ballgame. Whatever economic insights we might have gained before, say, the 1980s, have now been rendered obsolete by the coming of the neo-liberal political ascendancy, globalization, new information and communication technologies and other recent wonders which advocates of this view breathlessly reel off. Fundamentalist conclusions about the vanity of all political and social interventions appear to flow quite naturally from this assumption.

In this chapter I want to bring recent changes back to their true proportion. Unfashionably, I will start with George Santayana's truth that those who do not learn from history will be forced to relive it. For around four centuries, since the issue first began to make itself felt, leading minds in the West have grappled with the relationship between private enterprise, on the one hand, and, on the other, the kind of society that supports it. In particular, generations of Western thinkers have wondered how this relationship can be sustained in the long term. Throughout this period there have been business fundamentalists and utopians who have believed that business will automatically (or with God's beneficence) sustain a good economy and a good society, and that their relationship is thus entirely unproblematic. For instance, the fundamentalist slogan of the 1980s proclaimed that 'greed is good!' – both economically and socially good.

More sophisticated and sober thinkers have remained unconvinced. They have worked to produce cogent accounts of the often vexed relationship between business and society, and to contribute to policy formation on this basis. This new age of business fundamentalism calls for a quick review of the story so far. On that basis we can look at how some older insights still apply to the relationship between business and society now.

Business and community in early modernity

A 'new ballgame' did slowly emerge in Western Europe around the sixteenth century and attracted serious analytical attention in the following century. In its economic aspects, this new ballgame later came to be known as capitalism, and, still later, various euphemisms were invented such as the currently

recycled one, 'the free enterprise system'. In its social and cultural aspects the new ballgame came to be known as *modernity*. The seventeenth-century analysts, above all Thomas Hobbes (1588–1679), showed considerable vision in how they understood the change and began to mint some important terms in which to couch the pertinent questions about it.

The most immediate change, of course, was the expansion of markets and the growth of production for trade at the expense of production for local use, or economic self-sufficiency. This change brought strangers, diverse cultures and remote communities into contact with each other for the first time, while undermining the old, inward-looking solidarities that had sustained communal governance and cohesion. These older solidarities had underwritten trust and organized economic redistribution from their economically active members to their non-productive members (the very young and the aged, those without a livelihood for other reasons, and those fulfilling social, political, administrative and religious tasks). How were these vital social underpinnings – trust and redistribution – to be guaranteed in the new large-scale and impersonal world of 'commercial society'?

Some of the terms tossed around – and, indeed, form part of our core vocabulary – in the present-day debate about 'where we're headed' were invented at this time in answer to this question. Take 'civility', 'civil society' and 'civilization', for instance. 'Civility' was an entirely new form of trust that emerged to facilitate the working of commercial society. In its original, most basic meaning, civility denotes a code of conduct, including truth-telling and promise-keeping, that allows me to strike a deal with another trader who lives a long way away and who looks and speaks differently to me. Normally, I would distrust such a person, but when I know that they will be held to the same set of rules as I am, I can feel more relaxed about clinching the deal. Civility and the wealth creation it facilitates, Hobbes famously argued in his 1651 classic, *Leviathan*, depends on a powerful sovereign state which reliably and impartially imposes the same set of rules on everyone, so creating trust (Hobbes, 1996[1651]. Civility extends to the inviolability of the person and of their property, as well as to the enforcement of contractual obligations, which are also essential for markets to function at all. *Only a good society based on these principles can support a good economy*.

A *civil society*, as the name implies, is one based on civility, but the term came to be developed much more in the eighteenth century. What was then emerging in modern commercial societies was a peculiar form of governance. The Hobbesian state still hovered over this brave new world as the condition

of its existence. Within society and economy, people were organizing their own economic and social associations – joint-stock companies, stock exchanges, interest groups (including religious ones), occupational groups, parliamentary parties, political and recreational clubs and so on. It was this freedom and habit of self-organization that came to define what we mean by civil society. It included – but could by no means be reduced to – market economy. And it was the combination of this new kind of society and the high standard of living its leading class came to enjoy that was encompassed by the term 'civilization'.

How was the relationship between this powerful state and this self-organizing society to be understood? The two can seem contradictory, and indeed are presented simplistically as being contradictory by free-market fundamentalists today. In the eighteenth century, Baron Charles de Montesquieu (1689–1755) tackled this question head-on in his 1748 classic, *The Spirit of the Laws* (Montesquieu, 1989[1748]). He drew a contrast between despotic states, on the one hand, and 'moderate' or constitutional states, on the other. We might have assumed – and many still do so today – that despotisms are far more powerful than moderate states. Not so, Montesquieu tells us. Despotisms depend on terror and have no roots embedded in society; when their threats no longer convince, they blow over in the next strong oppositional wind. But constitutional states have both representative assemblies and regulatory functions, starting with the rule of law. Civil society is thus represented in the constitutional state, and the constitutional state is a constant regulatory presence in civil society. So the moderate state is in fact by far the stronger of the two, and this is because state and society mutually reinforce one another. Each is the precondition of the other's existence.

A quick glance at the history of the modern West confirms Montesquieu's insight: seemingly all-powerful dictatorships have arisen only to collapse just as quickly, while the apparently 'weak' constitutional states endure and grow richer (Krygier, 1996).

Montesquieu also draws a distinction between the public forms of deliberation appropriate to the state and the private forms of calculation appropriate to business. Because he built into his picture of the constitutional state all sorts of public processes, such as representative assemblies and open interactions between functionally differentiated parts of the state, his model is often referred to as the *deliberative state*. Its golden rule derives, in fact, from ancient Athens: what concerns the public must be publicly

debated and transacted. Later, with the coming of democracy, the deliberative state became its vital foundation.

Many of these lessons were missing or understated when, in 1776, Adam Smith (1723–90) published *The Wealth of Nations* (1996[1776]), which is still a bible of sorts for business fundamentalists today. Although Smith was a more subtle thinker than his present-day followers would have us believe, he did hold to a curiously theological view of the 'invisible hand' of the market: private actions in pursuit of personal gain, he claimed, activated it, whereupon it would somehow miraculously – and automatically – turn out to satisfy the public interest as well. Smith's market theology pioneered the idea that 'greed is good'. Like so many business fundamentalists today, Smith had a 'gee-whizz' attitude to the then new-fangled market economy and saw it as a revolutionary answer to all socio-economic problems. If this view were true, then the legitimate ambit of state regulation and intervention would be restricted to protecting persons and their property (including contractual rights) in aid of effective market transactions; the state would then be demoted to a mere nightwatchman. There would be no role for the deliberative state as the vehicle of democratic self-rule. This shrunken view of the public interest, of state functions and, later, of democracy itself came to be encapsulated in the ideal of the *nightwatchman state* – the utopia pursued not only by today's neo-liberals, but also by all economic liberals from their first appearance in early nineteenth-century Britain.

Business and Community in the Industrial Age

Smith's market theology was soon challenged. Early in the nineteenth century the German political philosopher Georg Hegel (1770–1831) adopted Montesquieu's insights about the relationship between civil society and the constitutional state as he voiced concerns about how capitalist society was developing. Significantly, he was the first major thinker to observe the beginnings of the Industrial Revolution and its social effects. Individuals and groups absorbed in the pursuit of their mutually antagonistic interests in the private economy and civil society were ill-equipped to take a societal view or understand the public interest, Hegel argued in *The Philosophy of Right* (1990[1821]). Left to their own devices, private interests would tear society apart and so destroy the social underpinnings of their self-centred economic activity as well. A bad society cannot sustain a good economy. Quite simply, commercial society had a strong self-destructive impulse. For Hegel, symptom of this was what he called the 'social exile' of the working class and other groups. In other words, the capitalist system tended to

polarize society between those who were benefiting from the steep rise in productivity, on the one hand, and those excluded by the private economy's defective distribution system, on the other. This polarization could have dire consequences for all concerned.

Under these circumstances, Hegel suggested, the constitutional state had a lot more to do than simply act as a nightwatchman. It had to assert itself as the expression of the moral unity of society, reconstituting a sense of solidarity around shared values in the much the same way as the now superseded premodern communities had done. This entailed the assertion of a public interest, which included economic regulation and redistribution in the interest of macro-economic and macro-social coordination and solidarity. By such means the state could include in the 'common wealth' those groups whom unregulated market mechanisms would otherwise socially 'exile' – that is, marginalize and impoverish.

Although he is seldom given the credit for it, Hegel foreshadowed twentieth-century social-democratic thinking and the post-Second World War concept of the mixed economy. In the latter, private enterprise is 'mixed' with significant levels of state coordination and public enterprise to compensate for market failure, especially the market's inability to reliably serve the public interest (Higgins, 1988).

From the 1870s to the end of the 1920s a school of British analysts, the 'new liberals', began to revisit these issues (Freeden, 1978, 1986). Although they had different starting-points from Hegel's, they came to similar conclusions, which they applied and elaborated in greater detail. Quite a few of the new liberals were active politicians, economists and policy-makers at a time when industrialization was well advanced in their native country, the pioneer of the Industrial Revolution. Their analysis of the missed opportunities and social and environmental distortions of industrialization, as unregulated market mechanisms shaped it, led them to propose a public-policy programme that fits neatly into Hegel's prescriptions. Their growing focus on industrialization gave their work a relevance that endures into our own time.

The new liberals celebrated industrialization as such. For them, as for other enthusiasts of modernity, it had the potential to generate enough wealth to abolish poverty, to produce the infrastructure needed for a dramatic increase in access to good housing, public recreational and cultural facilities, and quality education and health care. In the workplace, machines could take over the most brutalizing tasks, progressively overcoming drudgery and reducing the hours of work. More and more people would have

access to intellectually challenging occupations instead of being stuck in monotonous, back-breaking jobs.

But all this was precisely what was *not* happening in Britain's 'successful' industrialization. Instead, 'two nations' with drastically different living and working conditions and prospects emerged, just as Hegel had feared. While the middle class enjoyed the affluence of Victorian Britain, the 'exiled' working class knew only grinding poverty, social and economic insecurity, appalling working conditions (including long hours, occupational disease and accidents), bad housing in squalid urban neighbourhoods and dreadful standards of public health. Not only had the moral potential of industrialization not been realized, but free-market principles were killing – if also disguising the decline of – British industry itself (Tomlinson, 1981). The profits of industry were finding their way into the mighty financial houses of the City of London, which considered investment overseas more profitable than reinvestment in domestic industry, thus preventing the further modernization and rationalization of existing industry and investment in new technologies. Finally, the form of industrialization in Britain was devastating the environment. In noting these problems in the world's first example of industrialization, under the aegis of Smith's 'invisible hand', the new liberals were discovering the rationale for modern state intervention and for industry policy in particular.

At play here were two enduring and contrasting conceptions of efficiency, one of the most central values for all moderns, including for us in the twenty-first century. All definitions of efficiency are social products; none is free from ideological and value assumptions. Free-market economics recognizes one single measure of efficiency – profits returning to private hands within the shortest possible timeframe (as measured most commonly by return-on-investment calculations). For the new liberals, by contrast, industrial development should be considered efficient only if it can sustain itself over time and serve the 'social utility' of a raised standard of living and better quality of life for the populace as a whole, including higher housing, health and education standards, a constantly improving quality of work life and an undamaged environment. Their definition thus incorporated what are now called *social responsibility* and *sustainability*.

Free-market industrialization failed on each and every one of these criteria of efficiency. Some individuals grew fabulously rich (thus satisfying the single free-market criterion of efficiency), but the great majority active in industry remained impoverished, and were indeed thrown into new forms of

impoverishment, including relative deprivation and environmental jeopardy. The price of private affluence was public squalor. One of the last prominent members of this school, John Maynard Keynes (1883-1946) demonstrated that what is rational at the level of the firm – such as disinvesting and laying off workers in a recession – can produce massive irrationalities (above all, severe depressions) at the macro-economic and macro-social level (Keynes, 1936). Like efficiency, rationality is not a given. Rather, it means different things to different social interests and at different levels of analysis.

New-liberal thought came in two waves. Before the First World War it concentrated on policy initiatives to achieve the moral and macro-social aspects of efficient industrialization. In this period it sought some redistribution of the profits of industry towards the provision of social security, public education and health, and slum clearance (Freeden, 1978). In the 1920s its contributors focused much more on ways whereby public authorities could take responsibility for national manufacturing performance by providing for the recapitalization of industry (to thwart the financiers' tendency to invest elsewhere, in non-productive placements) and the public coordination of the continuous restructuring (Freeden, 1986) that every national manufacturing sector must provide for. Today one can extrapolate from the new liberals' last great product, the famous Yellow Book (Liberal Industrial Inquiry, 1928), most of the principles on which a rational industry policy would rely today, and we will return to them in the next section.

While the new liberals focused on policy, they had very little success in having their policies adopted in the 1920s because they were associated with the British Liberal Party, then in steep electoral decline for unrelated reasons. In rough and ready ways, most countries involved in the twentieth century's 'total wars', above all Britain, brushed aside free-market steering of industry and developed industry policies when industrial efficiency meant the difference between losing or winning the war. They sometimes did so by imposing tight social criteria on the distribution of food and health resources, which saw the living standards of the working class actually improve despite the overall strain on national resources, as during the First World War (Marwick, 1991).

However, it is postwar Japan that provides the most advanced peacetime example of industrial policy. The rise of the Japanese industrial phoenix out of the ashes of devastation and defeat in the Second World War attracted the attention of foreign analysts only slowly. What was obvious to the most casual observer was that Japan husbanded its manufacturing sector as a matter of national (that is, public)

priority, but it did so without compromising its private-enterprise system. In flat contradiction of free-market fundamentalists, Japan showed that private enterprise was perfectly compatible with indicative – and sometimes even mandatory – public planning. Its public-policy regime enabled its industrialists to target the key manufactures in postwar trade (cars, white goods, light engineering, process technology, electronics and, later, information technology). In this way Japan could outcompete those countries – above all the USA – that had pioneered the technological development of these products (Johnson, 1984).

Postwar Western European social democracy presents a more holistic approach to bringing business into a constructive relationship with the community. Up to the 1980s Sweden constituted the most developed example. While respecting the prerogatives of business in principle, the Swedish government required it to achieve certain popularly supported national goals for social development. These included sustained full employment, a steadily rising standard of living for all, reduction in inequality, universal access to quality free education and health, and continuous improvements in the quality of work life. To the extent that business contributed to these national goals, it would be left to its own devices. To the extent that it could not or would not do so, the state would step in to lead, coordinate and regulate socio-economic development (Higgins and Apple, 1983). Interestingly, the Swedish social democrats inherited much of the theory underpinning their policy regime from the British new liberals (Higgins, 1988).

Throughout this development, business fundamentalists never ceased to decry it as ‘dictatorship’ or ‘serfdom’, as the most important ideologue of the time, Friedrich von Hayek (1944), called it. They thus tried to enlist the horror the postwar generation felt towards fascism and communism in order to push a sectional interest that sought to subvert the vital link between a strong state, on the one hand, and a strong and free civil society, on the other. In short, these fundamentalists reissued the utopia of the nightwatchman state.

Apart from its other irrationalities, all this economic–liberal invective missed Montesquieu’s fundamental distinction between despotic and constitutional states. The political parties which implemented social-democratic reforms were the very parties that a little earlier had introduced democracy, particularly universal suffrage (often in the teeth of liberal and conservative opposition) – the finishing touch to the kind of constitutional state Montesquieu extolled. In the fully developed deliberative state that thus emerged in countries like Sweden, business took a leading role in forming

public policy and in the constant debate surrounding this process. It had nothing imposed on it by an alien, despotic power at all.

Indeed, in all the postwar Western mixed economies and welfare states, an enriched civil society emerged. Strong states nurtured free and cohesive civil societies. In striving to overcome 'social exile' they made an egalitarian inclusiveness the hallmark of modern Western civilization and of the enhanced dignity of citizenship it bestowed. Comparative studies of national economic performance show that business tended to prosper under this new dispensation (Dow, 1993; Parker, 1997: 270). The fundamentalists' constant refrain that public intervention cripples business simply does not fit the evidence.

Market failure and industry policy

In the 1970s business fundamentalists added a new myth to their collection – 'post-industrial society'. According to this myth, we in Western countries can observe the decline of our national manufacturing sectors with equanimity, even satisfaction, because the wealth of the most developed nations will henceforth depend on trade in 'invisibles', such as services and capital flows, particularly expertise and 'information'. Only poor countries will actually have to make things. A moment's reflection will reveal how silly this idea is. To a large extent we continue to measure our personal and communal affluence in material commodities, such as cars, household appliances and public amenities of many kinds (including hi-tech hospital and defence equipment) *and in the rate at which we upgrade them*. Even computers, those powerhouses of 'information', are made up of components that have to be manufactured and assembled.

The truth is, if we neglect our national manufacturing effort, we jeopardize both our standard of living and our future policy choices – our ability to choose our lines of national socio-economic development. We become relatively less affluent as a community, more bedevilled by the social exile of unemployment, poverty, relative deprivation and deregulated 'junk jobs', especially the spiritual wasteland of menial service industries that don't enrich and develop their incumbents. The community thus has an immediate legitimate interest in how well business manages the manufacturing sector.

Yet another line of fundamentalism suggests, of course, that the community can no longer influence its own economic destiny because globalization has now eroded the state's sovereignty (and thereby the efficacy of democratic self-rule) over each country's development. This issue lies outside the

limits of the present chapter, but it suffices to say that the simplistic version of the globalization thesis in question has come under formidable challenge (see Parker, 1996; Weiss, 1998). Once again, then, we find that historical experience has not magically become irrelevant.

Why can't we simply leave our industrial future in the hands of private businesses and their preferred unregulated markets? Recent economic history shows a marked rearrangement of the international division of labour in manufacturing, especially with China's rising proportion of world industrial output. But a clear pattern of winners and losers persists in international competition in the trade in manufactures. If we go back to review the conditions of industrial success since the Industrial Revolution, we also see recurring contingencies that determine success or failure. These conditions are specific to manufacturing as a particular kind of economic activity and are therefore missed in fundamentalist broad-brush theories designed to explain all forms of economic activity as reducible to financial calculations and flows. First, technologies are interdependent. Railways depended on developments in both steam and metallurgical technology; power generation depended on progress in steam, metallurgical and electrical technology; and today numerically controlled and automated process technology depends on linking information technology to mechanical engineering technology. Markets often fail to link the technologies in question (Rosenberg, 1982), and such linkages are typically the focus of successful industry policy, as in the Japanese case.

Second, like other forms of life, industries go through a life cycle, at either end of which financial markets habitually fail to provide the large inputs of external finance they need. In their infancy, industries tend to apply either process or product technologies that are commercially untried, and their markets are uncertain. Investors face high risks and can expect rewards only in the long term. At the other end of the life cycle, mature industries often face the choice between going under or radically restructuring in a process of 'de-maturation', which also requires a major input of capital with uncertain prospects for investors. From the community's point of view, innovation and restructuring are essential to the viability of a national manufacturing base, yet the market does not support these processes (Ewer, Higgins and Stevens, 1987: ch. 4). It is essential, then, that the community develops institutions that compensate for this clear type of market failure.

Third, even more clearly, each industrialized society has an interest in seeing that the constant and inevitable restructuring process, involving cutbacks and closures, does not impact unfairly on the local

communities and individuals directly affected. Such a pattern leads once again to social exile and to significant political opposition to restructuring as such, no matter how economically well motivated. Spiritually speaking, our well-being as communal beings depends on a sense of justice – of living in a moral universe – which the sudden devastation of whole working communities violates. Once again, bad societies – such as ones that leave equity issues like this unaddressed – cannot sustain good economies in the long run. Industrial and labour-market policies can neutralize the social effects of restructuring, while a developed welfare state can ensure that, if all else fails, the individuals affected by restructuring do not face a drastic disruption of their way of life (Castles, 1988). This kind of public policy, which provides for certain essential industrial mechanisms to play themselves out without social harm, exemplifies the way in which business and community can work together. Failure to do so leads to both industrial decline and social breakdown.

In sum, as Williams, Williams and Thomas (1983; see also Streeck, 1997) argue, intelligent public policy settings and the new institutions they put in place can lead firms into making morally, socially and macro-economically responsible decisions over time. The forms of calculation that underpin decision-making in any firm depend on the institutional environment it is responding to. Like it or not, every business is embedded in a particular institutional setting, of which markets are only one component. But if the community does not set up supportive institutions and policies, then firms will respond only to the market. And it constantly constrains firms to look only to short-term, purely financial outcomes and to defend its own inward-looking interest to the detriment of society, the national economy and the individuals whose lives it touches.

Business and Society Today

Since the mid-1970s, a particular economic–liberal ideology and rationality of government – neo-liberalism – has been in the ascendancy in Western countries, especially the English-speaking ones (Higgins and Tamm Hallström, 2007). As with all its fundamentalist predecessors reviewed here, it asserts that greed is good: all we need is unfettered proprietorial prerogatives and unregulated markets. In the fundamentalists' age-old doctrine, these supposed boons will produce good economy, and that will automatically sustain a good society. Neo-liberalism inspired and organized economic globalization, which the USA and UK pushed under the leadership of Reagan and Thatcher. Three decades later, neo-liberals celebrate globalization – much as Adam Smith venerated the free market – as if it were the work

of a beneficent Providence rather than achievement of their own political project. The latter crystallized in policies pushed through GATT (later the World Trade Organization), the World Bank, the International Monetary Fund and the other powerful, ideologically-driven actors that have fostered the globalization of markets and denigrated national development strategies with Mrs Thatcher's catchcry 'There is no alternative!'. As Rachel Parker (1997: ch. 7), among many others, has shown, there has indeed always been an alternative, and those countries which took it achieved better industrial, economic and social outcomes.

The present period in the globalized world can be compared to British industrialization during the ascendancy of economic liberalism from the 1840s. In his classic study of this 'great transformation' under economic–liberal auspices, Karl Polanyi (1944) pointed out that the programme to destroy the social institutions that compensated for the market's social failures led to a social catastrophe of immiseration, inhuman working conditions, a breakdown of public health and urban decay. Tomlinson (1981) showed that it also led to the world's first striking example of industrial decline. If we don't want to relive this history we have to learn from it.

Unfortunately, the reliving has already begun, and because global interdependence has indeed intensified, the social, environmental and moral damage inexorably spreads across the world. Unrestrained market operations have led to exacerbated north–south conflicts, although enthusiasts for the 'war on terror' desperately deny that the terrorist threat has its roots in the predictable fruit of global deregulation – the subversion of non-Western ways of life and the growing maldistribution of wealth, income and life-chances between developed and developing countries (Dow and Higgins, 2003; Harvey, 2005). The plundering spirit in which private corporations and their neo-liberal champions in government have conducted north–south trade constitutes one of the most spectacular failures of corporate social responsibility in recent times.

In those countries with the most pronounced neo-liberal policy regimes today, we see the telltale signs of social decay in rapidly growing inequality, relative deprivation, social exclusion, criminality, suicide and addiction. As David Harvey (2005) argues, neo-liberal policies have enormously widened the gap between rich and poor in those countries where such policies have been pursued in near-pure form – countries in which one has to go back many decades to find comparable extremes of inequality and social exclusion. The free-market response to the consequent social breakdown has taken the form of spawning

private armies of security guards and gated suburbs – those ghettoes of the worried wealthy. The latter demographic also increasingly turns to exclusive private solutions to education and health care, at the same time as they support governments that divert resources away from the public provision of these amenities. The withdrawal of their resources from public health and education further undermine citizen entitlements and exacerbate social inequity. Market-driven developments like these intensify, rather than alleviate, social breakdown. With civility itself now under pressure, how long can business expect to prosper in bad societies?

The eminent German industrial-relations specialist, Wolfgang Streeck (1997), has reissued the challenge, notwithstanding the neo-liberal ascendancy and tales of globalization, to impose 'beneficial constraints' on business in its own interest and in that of society as a whole. The constraints he refers to, such as thwarting low-wage policies and labour-market deregulation, safeguard the legitimate, democratically-chosen goals of social equity and a humane work life. But more than that, reforms like these make industry more efficient. By creating trust in business circles through the nationwide enforcement of minimum standards, the community can remove the temptation for the individual firm to seek a short-term advantage in the degradation of its own labour force. In the long term, a well-paid, secure workforce with opportunities for skill and career enhancement is going to be far more productive than one reduced to factory fodder on a deregulated labour market, as the German case shows. Once again, a good society supports a good economy. But, as we saw in the beginning, business cannot achieve these good results if it is left to its own resources. Collective preferences have to emerge out of democratic deliberation, to be implemented by supporting social institutions.

Conclusion

Those who sit at the helm of business, or who intend to do so, would do well to avoid being beguiled by fundamentalist appeals to their own sectional interests. In practice, business fundamentalism supports policy regimes that may serve the short-term financial interests of business, but always at the expense of its long-term ones. Economic activity occurs in a definite social context and in a particular institutional setting. In the last resort, business has good pragmatic reasons for defending and enhancing a good society – for shouldering its social responsibility – rather than foolishly treating the social ramifications of its actions as irrelevant. In the long run, only good societies sustain good economies.

The interest business has in maintaining the good society in fact extends into the moral values expressed in Western civilization's signature institutions of civil society and democracy. After 30 years of the neo-liberal ascendancy, both these values are now under threat. Naomi Klein (2007) has recently unfurled the spectacular example of what she calls 'disaster capitalism' – the vast (and vastly profitable) business of hi-tech snooping on private citizens that the US Department of Homeland Security simply outsources to private corporations with virtually no political accountability or financial transparency. This case exemplifies not only the squandering of public resources, but also the subversion of both democracy and citizenship through excluding the public from knowledge of, and influence over, public affairs.

The currently growing socio-economic polarization and social exclusion are morally abhorrent. They also destabilize both political arrangements and the safety of individuals and property – *civility*, to give this condition its original name – that business needs in order to be heard in public affairs and to function in the marketplace. Business fundamentalism is undemocratic in striving to reduce the ambit of public affairs, of effective, deliberative self-rule in a democratic society. Business leaders would do well to eschew it in favour of a more sophisticated view which locates them in a supportive social framework and as citizens of an enviable – but always vulnerable – democratic order.

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