



# **Business in Society**

## **Consensus and Conflict**

**Tom Burden • Reg Chapman • Richard Stead**

**Butterworths**

# **Business in Society: Consensus and Conflict**

**Tom Burden  
Reg Chapman  
Richard Stead**

*School of Accounting and Applied Economics,  
Leeds Polytechnic*

**Butterworths**

London Boston Sydney Wellington Durban Toronto

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, without the written permission of the copyright holder, application for which should be addressed to the Publishers. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

This book is sold subject to the Standard Conditions of Sale of Net Books and may not be re-sold in the UK below the net price given by the Publishers in their current price list.

First published 1981

© **Butterworths & Co (Publishers) Ltd. 1981**

**British Library Cataloguing in Publication Data**

Burden, Tom

Business in Society.

1. Business

I. Title      II. Chapman, Reg      III. Stead, Richard  
658      HF5351      80-42221

ISBN 0-408-10693-X

ISBN 0-408-10694-8 Pbk

Typeset by William Clowes (Beccles) Ltd

Printed and Bound in Great Britain by Mansell Bookbinders Ltd, Witham, Essex

---

# Preface

This book is about business in modern society and is intended primarily for students and teachers on Business Education Council Higher Level courses. It is also suitable for those on other business studies and social science courses at certificate, diploma and undergraduate levels.

The book brings together material from economics, sociology, politics and law to provide an overall view of business and the environment in which it operates. Many perspectives on business reflect deeply held beliefs and values. The distinctive approach of this volume involves using two different perspectives, one which emphasizes Consensus and the other Conflict, to analyse business in modern society.

There are questions and exercises at the end of each chapter. A number of questions require only short answers and are set to test understanding of the main points of the chapter. Other questions are set to encourage further investigation and application, frequently involving a search for relevant information using the Appendix on official sources of data. Finally, a few projects are suggested to encourage further analysis and application.

---

# Abbreviations

bn	billion (thousand million)
BL	British Leyland
BP	British Petroleum
CAP	Common Agricultural Policy
CBA	Cost benefit analysis
CBI	Confederation of British Industry
CCC	Competition and credit control
CEGB	Central Electricity Generating Board
DHSS	Department of Health and Social Security
EDC	Economic Development Council
EEC	European Economic Community
EFTA	European Free Trade Area
EIB	European Investment Bank
FIS	Family Income Supplement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GP	General Practitioner
HP	Hire purchase
IMF	International Monetary Fund
IRC	Industrial Reorganization Corporation
JP	Justice of the Peace
LAFTA	Latin American Free Trade Area
£M3	Sterling M3
MLH	Minimum List Heading
MNC	Multinational corporation
MP	Member of Parliament
MSC	Manpower Services Commission
NATO	North Atlantic Treaty Organization
NCB	National Coal Board
NCWP	New Commonwealth and Pakistan
NEDC	National Economic Development Council
NEDO	National Economic Development Office
NEB	National Enterprise Board
NHS	National Health Service
NI	National Income
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PSBR	Public Sector Borrowing Requirement
R & D	Research and Development
RSPCA	Royal Society for the Prevention of Cruelty to Animals
SEG	Socio-economic group
SIC	Standard Industrial Classification
TUC	Trades Union Congress
UN	United Nations
VAT	Value Added Tax

---

# Contents

## **Part A : Business in society: framework for analysis**

<b>1 Business and society</b>	<b>3</b>
1.1 Introduction	3
1.2 The scope of the business world	4
1.3 Business sectors	5
1.3.1 Classifying business sectors	5
1.3.2 The main business sectors	6
1.4 The environment of business	8
1.4.1 The variety of environments	11
1.4.2 Dependence on the environment	12
1.5 The plan of the book	12
<b>2 Interpreting business in society</b>	<b>15</b>
2.1 Introduction	15
2.2 Perspectives on business in society	15
2.2.1 The consensus perspective	16
2.2.2 The conflict perspective	18
2.3 Using the perspectives	20
2.4 Social science and business in society	21
2.5 Conclusion—facts, theories and perspectives	23
<b>3 The changing economy and its management</b>	<b>25</b>
3.1 Introduction	25
3.2 Economic growth	25
3.2.1 Labour resources	25
3.2.2 Capital and technology	27
3.2.3 Organization of business	28
3.2.4 International links	29
3.2.5 Consumption	30
3.2.6 What sort of economy?	31
3.3 National Income	32
3.4 Theories of the macro-economy	33
3.4.1 Monetarism	33

## **viii Contents**

3.4.2 Keynesianism	35
3.4.3 Radical theories	38
3.5 Economic policy	40

## **Part B: Business sectors and society**

<b>4 The industrial and commercial sector</b>	<b>47</b>
4.1 Introduction	47
4.2 Scope and development	47
4.2.1 Competition and concentration	49
4.2.2 Competition and industrial change	51
4.3 The role of the industrial and commercial sector	52
4.4 The performance of British industry and commerce	53
4.4.1 Overburdening the wealth creditors	55
4.4.2 Overmanning	58
4.4.3 Under-investment	60
4.5 Government and the private sector	62
<b>5 The financial sector</b>	<b>68</b>
5.1 Introduction	68
5.2 Finance for business	68
5.2.1 The flow of funds and the means of borrowing	69
5.2.2 Capital markets	70
5.3 Financial institutions	71
5.3.1 The commercial banking system	73
5.4 The role of the financial sector	77
5.4.1 Economic policy	77
5.4.2 The provision of industrial finance	79
5.5 The Bank of England and the regulation of the financial system	80
5.5.1 Keynesian policies toward money and banking	81
5.5.2 Monetarist policies toward money and banking	82
5.5.3 Radical policies toward money and banking	83
5.5.4 Recent developments	83
5.6 Conclusion	84
<b>6 The public enterprise sector</b>	<b>87</b>
6.1 Introduction	87
6.2 Forms and development of public enterprise	87
6.2.1 Nationalized industries	88
6.2.2 Mixed enterprise	89
6.3 The debate over public ownership	90
6.4 The obligations and objectives of public enterprise	93
6.4.1 Managing the nationalized industries	93
6.4.2 The public corporation in practice	94

6.5 The performance of the nationalized industries	96
6.5.1 Profitability	96
6.5.2 Pricing	98
6.5.3 Productivity and industrial change	99
6.6 The nationalized industries: evaluation and interpretation	102
<b>7 The social services sector</b>	<b>106</b>
7.1 Introduction	106
7.2 Development	106
7.3 Organizational structure	111
7.4 Role and performance	113
7.4.1 Education	113
7.4.2 Health	114
7.4.3 Housing	115
7.4.4 The welfare services	117
7.4.5 Social Security	118
7.5 Evaluation	120
7.5.1 Overall effectiveness	120
7.5.2 Economic impact	121
7.6 Conclusion	124

## **Part C: The context of business**

<b>8 The social context of business</b>	<b>131</b>
8.1 Introduction	131
8.2 Work in modern society	132
8.2.1 Occupational structure and the nature of work	132
8.2.2 Interpretation	135
8.3 Management, trade unions and industrial conflict	136
8.3.1 Management	136
8.3.2 Trade unions	138
8.3.3 Industrial conflict	141
8.3.4 Evaluation	142
8.4 Inequality in modern society	143
8.4.1 Wealth and income	143
8.4.2 The impact of the state on inequality	144
8.4.3 Secondary inequalities	145
8.4.4 Classes in modern Britain	147
8.4.5 Theories of class structure	151
8.5 Communities in modern Britain	153



**x Contents**

8.5.1	Patterns of settlement	153
8.5.2	Types of community	155
8.5.3	Conclusion	157
8.6	Values and society	157
8.6.1	Changing values	157
8.6.2	Influences on values and beliefs	159
8.7	Conclusion	161
<b>9</b>	<b>The political context of business</b>	<b>164</b>
9.1	Introduction	164
9.2	Elections and political parties	165
9.2.1	The development of the electoral system	165
9.2.2	Elections and the party system	165
9.2.3	Party origins and interests	168
9.2.4	Parties and ideologies	170
9.3	Business interests and governments	174
9.3.1	The pressure group system	174
9.3.2	The representation of economic interests	176
9.3.3	Evaluation	180
9.4	The state and business	181
9.4.1	The growth of the state	181
9.4.2	The institutions of the state	183
9.4.3	State regulation of business	188
9.5	Evaluation: democracy or class rule?	193
<b>10</b>	<b>The legal context of business</b>	<b>198</b>
10.1	The legal system	198
10.2	The legal regulation of business	201
10.2.1	The ownership and control of organizations	201
10.2.2	Dealing between organizations	202
10.2.3	Competition and monopoly	203
10.2.4	The employment of labour	203
10.2.5	The rights of consumers	205
10.2.6	Crimes against property	206
10.3	Business and the violation of law	206
10.3.1	Employers, employees and the law	207
10.3.2	Business and crimes against property	207
10.4	Evaluation	209
<b>11</b>	<b>The international context of business</b>	<b>212</b>
11.1	Britain and the changing international economy	212
11.2	Britain and the EEC	215
11.2.1	The development of the EEC	215
11.2.2	The effects of EEC membership	217

11.3	International trade	219
11.3.1	The development of international trade	219
11.3.2	Britain's international trade	220
11.3.3	Evaluation	223
11.4	International investment	224
11.4.1	The development of international investment	224
11.4.2	Multinationals and foreign direct investment	224
11.4.3	The impact of multinationals	225
11.4.4	Evaluation	227
11.5	International aid	228
11.5.1	The pattern of British aid	228
11.5.2	Evaluation	230
11.6	International migration	231
11.6.1	The pattern of immigration	231
11.6.2	Evaluation	232
11.7	Conclusion: alternative perspectives on the international economy	233
<b>12</b>	<b>The future of business in society</b>	<b>239</b>
12.1	Business and the future	239
12.2	Change in society	241
12.2.1	The economy	241
12.2.2	The social context	242
12.2.3	The political and legal context	243
12.2.4	The international context	244
12.2.5	Past trends and the future	244
12.3	Alternative views of the future	245
12.3.1	Consensus approaches	245
12.3.2	Conflict approaches	247
12.4	Conclusion	248
	<b>Appendix: Guide to official sources of data</b>	<b>251</b>
	<b>Index</b>	<b>253</b>

## **Business in society: Framework for analysis**

Part A will provide the historical and analytical background for analysing business in Britain. In Chapter 1 the broad scope of the business world will be explained together with the wide range of economic, technological, political, legal and social factors affecting business. Chapter 2 will outline the major divisions of belief and ideology about the role of business in Britain. In addition, the contribution of social science to the understanding of business is described. In Chapter 3 the main changes which have taken place in business and economic activity in Britain over the last century will be outlined. The role of government in economic matters and the various strategies available to governments for managing the economy will also be indicated.



# **Business and society**

## **1.1 Introduction**

Businesses both large and small face a rapidly changing society which continually presents them with new problems and opportunities. The changes which affect business include those in the economy, in technology, in the political and legal systems and in society at large.

Businessmen have always been concerned with changes in the economic system resulting from the behaviour of competitors, as well as in general economic conditions such as the rate of inflation or the level of demand for goods. They have likewise been concerned with the monitoring of technological changes which may transform methods of work and threaten markets for particular products. Today, however, those in business need also to take account of broader social and political factors. In recent years, for instance, there has been increasing public concern about pollution, conservation, discrimination on grounds of sex and race, health and safety at work and a range of other matters involving the social responsibilities of business. These are matters not only of public concern but also of government action.

This book will analyse the main economic, technological, political, legal and social changes that affect business. The main changes which have taken place will be described and possible future developments will be indicated. These matters are inevitably the subject of great controversy. Nor is this surprising, for any discussion of business in society should touch upon the issues of power and wealth in society—how they are distributed and how they ought to be distributed. In many discussions of business, however, these issues are largely ignored, or else the discussions are based on unstated economic, social and political judgements. It is a distinctive feature of this book that issues of power and wealth are seen as central to an understanding of business in society. Moreover, the book will make explicit the frequently unstated differences of belief and ideology about the role of business in British society.

### 1.2 The scope of the business world

In the nineteenth century a clear distinction existed between 'business' and 'government'. 'Business' was synonymous with commercial activities undertaken for profit. The benefits from business accrued directly to investors and indirectly to society by the creation of wealth. In contrast, 'government' was concerned with a very limited range of non-commercial functions such as defence, foreign relations and law and order. The prevailing ideology was one of *laissez-faire*, that is, a belief in a free enterprise economy with the minimum of government intervention. Although the government provided a stable framework for economic activity, for instance, by maintaining the value of the currency, on the whole business was left to businessmen.

Over the last century this distinction between business and government has become obscured. Government has become increasingly involved in the economic affairs of the private sector of business and there has grown up a large commercial public sector. Furthermore, the development of government social services is closely linked to economic and industrial developments. The growth of non-commercial private sector organizations also demonstrates that the private sector is no longer synonymous with organizations undertaking commercial activities for profit.

The increasing involvement of government in economic affairs over the last century has blurred the distinction between 'government decisions' and 'business decisions'. Governments need the cooperation of finance, industry and trade unions to implement policies. In turn, economic interests frequently consult governments and try to persuade them to adopt particular policies. Consequently, decisions by business on employment, wages, location and so on are often influenced by government pressures, whilst government decisions are similarly influenced by employers, unions and other business interests. This interpenetration of government and business decision-making creates a symbiotic relationship in which government and business become dependent on each other.

The growth of public enterprise has further obscured the boundary between government and business. The term 'public enterprise' is used to describe the commercial activities of organizations owned or controlled by the state. The term covers the nationalized industries, which are some of the largest businesses in Britain, government shareholdings in limited companies such as British Petroleum (BP) and British Leyland (BL), the promotional activities of such bodies as the National Enterprise Board, and the trading services of local authorities. Public enterprise organizations are not solely commercial enterprises for they have public service obligations. Nevertheless, they form a large and strategic part of the business world.

Social service organizations of government, which are not normally considered as businesses, are also closely bound up with the business world. The growth of social services, such as education, health and housing, has been profoundly influenced by changes arising from the economy. Such services emerged on a national scale following the industrial revolution and the consequent growth of towns. Continued pressure for such welfare services came from organized labour, often supported by businessmen who saw the advantages of a healthy, educated workforce. The pattern and level of social service provision today continue to be influenced by economic conditions. In addition, social service organizations are among the largest in Britain, managing resources greater than most companies and involved in complex planning and decision-making similar to that of most large organizations. Indeed, recent attempts to import more sophisticated planning methods borrowed from the commercial sector may increase the similarities between the social services and other sectors.

Within the private sector there has been a proliferation of non-commercial organizations. In cases such as churches and charities their involvement with business is peripheral to their main activities. They may, nevertheless, become involved in campaigns to influence business and government. For instance, many church bodies have campaigned to stop British investment in South Africa. More significant are those voluntary organizations set up as pressure groups to influence government and business. Trade unions and professional associations are the most important example of such groups operating from within the business world. An increasing number of groups have been formed outside business to influence the decisions of firms and governments. The environment lobby, for instance, has been active on such varied matters as nuclear energy, motorway building and recycling waste products. Similarly, the consumer movement is also now a force which government and business must take into account. Sometimes, as in housing and retailing, consumerism leads to self-help projects and cooperatives being formed as alternatives to traditional forms of business. Finally, there are many research and propaganda bodies that may influence government and business through their publications. Although not business enterprises themselves the activities of all these non-commercial organizations make them as much a part of the world of business as business itself.

## **1.3 Business sectors**

### **1.3.1 Classifying business organizations**

From the previous section it is clear that the scope of business extends beyond the commercial private sector and includes the commercial and

many of the social activities of governments. In addition, there is need to take account of the non-commercial private organizations when analysing the scope of business. Within the business world, however, it is necessary to distinguish the major types of enterprise.

There is no shortage of classifications that highlight similarities and differences among business enterprises. They have been classified according to size, technology, ownership, function, structure and many other features. For the purposes of this book it is appropriate merely to identify a few broad categories, or sectors, of business organizations. This can be conveniently achieved by using two simple criteria for classifications: type of ownership and type of dominant orientation.

**Type of ownership.** This distinction is between public and private ownership. Although the boundaries are increasingly blurred there are still major differences between organizations in the public and private sectors according to the kind of services they provide, how they are financed, who the supposed beneficiaries of their operations are, how decisions are made and to whom, and for what, they are accountable.

**Type of dominant orientation.** This distinction is between those organizations which are predominantly economic and commercial, producing goods and services for sale at a profit, and those which are mainly concerned with social and public welfare.

Using these two criteria it is possible, as *Table 1.1* shows, to divide the business world into four main sectors and also to indicate the position of the non-commercial voluntary organizations.

**Table 1.1** The main business sectors

<i>Orientation</i>	<i>Ownership</i>	
	<i>Private</i>	<i>Public</i>
<i>Commercial</i>	Industry and commerce Finance	Public enterprise
<i>Social</i>	Voluntary organizations	Social services

**1.3.2 The main business sectors**

The **industrial and commercial sector** includes all private sector commercial organizations except financial institutions. The sector includes the business enterprises that dominate agriculture, manufacturing, distribution and many service industries. The **financial sector** includes banks, insurance companies, pension funds and various markets such as the Stock Exchange and international money markets.

These two sectors share a common economic orientation, derive their



resources from charges on users and the owners or investors are expected to be the prime beneficiaries. The structure and technologies of the industrial and commercial sector differ from those of the financial sector, which is smaller, less diverse and more centralized in its ownership and decision-making. Compared to the public enterprise sector, however, firms in these two sectors have more freedom in their operations. Although accountable to investors and dependent on clients and market conditions, there is generally less government involvement and less accountability to the public as a whole than in the other two sectors.

The **public enterprise sector** includes all the trading or commercial operations of the public sector whether by central or local government, nationalized industries or joint public-private enterprises. The services are provided for the benefit of the immediate consumers and society as a whole, and are financed by charges on consumers. Public enterprise organizations use general industrial technologies and their structures and powers are usually determined by Parliament. In order to safeguard the public interest they are held accountable to Parliament or to elected local authorities.

The **social services sector** includes government organizations operating at national, regional and local levels. The main services provided are health, education, housing, welfare or personal social services, and social security. The main beneficiaries are expected to be the clients who use the services, and in most cases resources come from taxation rather than charges on clients. The main methods of provision in many social services involve direct client-official contact. This also distinguishes them from the more impersonal technologies of the other sectors. The structures and powers of social service organizations are determined by Parliament and they are accountable to local councillors or Parliament.

**Voluntary organizations** are predominantly social and welfare oriented, but there are important differences in the degree of social orientation and in the methods they use. The differences have already been noted between churches and charities and research and propaganda bodies. There are also important differences between those organizations, such as the anti-smoking body ASH, which advance a cause, and those, such as trade unions and employer associations, which are primarily concerned to advance the material interests of their members.

Voluntary bodies derive their resources primarily from members or voluntary contributors. They often have a large membership and nominally democratic decision-making. Frequently, power rests only with an active minority, rather than with the rank and file or the public who are claimed to be the main beneficiaries of the organization.

Voluntary organizations are not business enterprises and do not form