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Big business is not perfect, but its essential virtues are underrated

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There's one economic bogeyman everyone across the political spectrum seemingly loves to hate: big business.

A 2014 ComRes poll reported net trust in "big business" at minus 48pc. In today's political environment that figure would surely be much worse.

For Corbynite socialists, large corporations personify capitalist inequality and injustice. They deliver extortionate chief executive remuneration and pay workers "poverty wages", and women less than men. Major companies are said to under invest in staff and dine out off government education and tax credit spending, all the while avoiding their "fair share" in taxes. Others hover, vulture-like, to "profiteer" off the NHS and other public services.

Hostilities extend beyond the hard Left. The bank bailouts undermined faith in "big finance". But discontent now runs wider. Conservatives blame major tech firms for everything from terrorism to child suicide. Brexiteers attack major businesses for seemingly opposing democratic decisions. Government policies, such as gender pay gap reporting, energy price caps and nanny state regulations, further entrench the view that, absent intervention, businesses would rip off workers and customers, ruin our health and impede "social justice."

Are we all getting a bit carried away here? In his new book, Big Business: A Love Letter to An American Anti-Hero, the American economist Tyler Cowen defends large corporations, arguing critics have lost a reasonable sense of perspective. His thought-provoking corrective doesn't argue big business is perfect, but underrated. He is right.

We take the "two straightforward and essential virtues" of business for granted, says Cowen. Companies produce stuff we enjoy and consume, and give vast numbers of us jobs. That saying this sounds so alien shows how far the anti-business zeitgeist, pushed through news and culture, permeates our psyche. Most of people's declared protestations against major companies though are on issues not unique to them or where they are clearly not "worst offenders".

For a start, large companies pay significantly higher wages than small ones. Office for National Statistics data for 2017 show median full-time earnings for businesses with more than 250 employees were 15pc higher than those with 10-49 employees.

The reason is simple: big businesses are generally more productive. They deliver goods or services demanded by others. Huge firms, such as Amazon, Google and the major supermarkets, innovate to provide us new and varied products at affordable prices. The poor benefit most from this.

Jobs provided by major businesses give our lives meaning too. Though we talk of "going to work" disparagingly, productive jobs improve life satisfaction. Evidence presented by Cowen even suggests that, for poorer people, work is a relative safe-haven from stress. This is not surprising given the challenges at home for those living in relative poverty. Far from opposing social progress too, large corporations are often the most responsive institutions to evolving norms, sometimes to the annoyance of conservatives. Consider the swift removal of the "racist" chocolate ducklings by Waitrose, social networks controversially banning "hate speech" and the Gillette TV advert denouncing "toxic masculinity". Firms respond to cultural sensitivities because profits usually require inclusivity and not offending potential customers.

Examples can and will be found of harassment, discrimination and immoral behaviour within large businesses. Enron's accounting chicanery, Goldman Sachs's manipulation of derivative markets, and VW's cheating on emissions spring to mind. But bad conduct is largely a reflection of human frailties, not inherent to big business.

There's little evidence that big businesses behave worse as a cohort than non-profit institutions or governments. Repairmen, door-to-door salesmen or distant relatives are as likely to rip you off as any large business. HMRC says small businesses as a group are responsible for the largest proportion of unpaid tax.

Yes, some large businesses are too close to politicians and benefit from unjust favours, tax breaks or privileges. But overt cronyism is a smaller problem than imagined. Corporations spend small amounts on lobbying relative to, say, advertising.

Finally, businesses' role in determining electoral outcomes is also overplayed. No Fortune 100 chief executive donated to Donald Trump's presidential campaign. The business community here overwhelmingly opposed Brexit too, although the CBI has lobbied hard for a form of customs union within Theresa May's proposed Withdrawal Agreement, contributing to today's current political turmoil.

Yet if big businesses aren't ripping off workers and customers, resisting social change, engaging in corruption and tax evasion and determining political outcomes relative to other economic groups, then why are they so resented?

Cowen argues that we tend to process thoughts about big businesses as if they are people. That means we often feel disappointed by them when they fail us or aren't as responsive to our demands as other groups.

While this may be structurally true, it doesn't satisfactorily explain big businesses' decline in status in recent decades. Better theories to fit that timeline in the UK would incorporate the financial crisis, government spending restraint alongside corporate tax rate cuts, and the business community largely vacating the pitch in arguing for free enterprise.

More uncomfortable explanations would acknowledge too that globalisation creates big businesses less obviously "British" or "American", playing into voters' long-noted economic scepticism of all things foreign. Greater demands on business from government to fulfil social policy (on pay, climate change, money laundering and much else) likewise creates more issues for business to “fail” in the public consciousness.

Whatever the reason, Cowen’s central point is undoubtedly correct: views of big business are extraordinarily harsh. We forget their positive social role at our peril.

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