

Opinion **The FT View**

## Virus puts responsible capitalism to the test

State support demands business plays its part as a corporate citizen

**THE EDITORIAL BOARD**



Before coronavirus gripped economies, business leaders had promised to espouse a new, more caring type of capitalism © Yui Mok/PA

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Crises make reputations — or destroy them. One of the lasting outcomes of the 2008 financial crisis was the casting of the world's bankers as villains for their part in the collapse of the banking system. Today's health pandemic is of a different magnitude, and big business is not at fault. What matters, though, is capitalism's response to the crisis. Companies will be split into two camps: those who treated staff and others well, and those who tried to take advantage.

Before the coronavirus gripped economies, business leaders had promised to espouse a new, [more caring type of capitalism](#). The Business Roundtable, a body that represents chief executives of some of America's largest companies, said last year that it would drop the "shareholder first" creed that has driven capitalism for the past five

decades. Instead, companies should take into account other stakeholders. No one could have foreseen today's devastating health and financial emergency, but if business leaders do not step up now, then the question surely must be: will they ever?

It is early days and many businesses have already stepped up, offering affected employees sick pay. Some CEOs have agreed to cut their pay. Some villains have also emerged. In the UK, Tim Martin, founder of pubs chain JD Wetherspoon, and Mike Ashley, owner of Sports Direct, have come under fire for trying to keep their respective businesses open. Mr Ashley issued an uncharacteristic [apology](#) on Friday, conceding that his stance had been “ill-judged”. But it was a mea culpa that will not have done much to restore the company’s reputation, with Mr Ashley appearing to blame the media as much as himself. US drugmaker Gilead was also forced into a [U-turn](#), waiving all benefits of the “orphan drug” status for a potential coronavirus treatment after a fierce backlash.

It is too early to say whether these gaffes will be remembered. They do, however, underline the difficulties facing business. The speed and scale of the emergency has taken everyone by surprise. Chief executives must tread a fine line between protecting their employees and keeping their companies solvent. The hard truth is that many companies will not survive — and there is not much point in showing compassion to employees if it kills the company that employs them. There are many significant decisions that lie between the extremes. In the UK, for example, banks are under pressure to scrap dividend payouts that are due.

One of the consequences of the pandemic must be a redrawing of the relationship between business and society. The huge sums of money being committed by the UK government and others to support companies will inevitably lead to a [larger role for the state](#). This should not become the norm once the virus abates. But it does, as a new report by the [Social Market Foundation](#) think-tank says, demand reciprocity by business — one that, in time, should lead to a “new social contract” between British business, government and society. The report rightly argues that this new deal should codify the standards to which business should adhere to justify the support it receives from the public to operate — not just now, but in the future.

Business should not regard this as another burden but as a chance to re-gain the public’s trust. Paul Polman, the former chief executive of Unilever, is right [to call on business owners](#) to hold companies to a higher moral standard. The global recovery

effort will require all parts of society to work together. Business must play its part.

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