

The Second Transition (1895 – 1920): The Corporation, the Great War, Liberalism and the Social Order

A chapter from the book *Quakers and Capitalism*
by Steven Davison

Introduction: Factors Transforming Quakerism and Quaker Economics

The double-culture period lasted roughly two hundred years, although 19th century evangelicalism weakened the intense dualism that had marked the 18th century, drawing Friends out of their isolation to a degree and helping to inspire paternalistic philanthropic attempts to ameliorate the suffering of the poor.

The first transition period had rather clearly defined boundaries, marked by the passage of new legislation designed to crush the dissenting sects, beginning in 1661, and by their repeal, concluding fairly decisively in 1695, and by George Fox's efforts to establish gospel order among Friends upon his release from prison in 1661 and by his death in 1691. This second transition period is a little less clearly defined. I have chosen 1895 as the starting point and 1920 as the end.

Externally, 1895 saw the passage in Great Britain of the final legislation legalizing the limited liability corporation. This new technology would completely transform, not just capitalism, but Quakerism, as well. Internally, 1895 was also the date for the Manchester Conference in Great Britain, which ushered in an age of liberalism in some Quaker communities and helped empower a generation of young adult Friends with new ideas about the world around them and its problems and about the nature of the human and the divine.

Other forces emerged about the same time that created a fertile environment for dramatic change within the Society:

- ✧ the origins of the what would soon become the Labour Party in Great Britain;
- ✧ the rise in America of Progressivism as an alternative response to industrialization besides the conservatism and socialism and anarchism of the day;
- ✧ the rise of in America of Pentecostalism, often dated to 1901, and of the Social Gospel movement, which had a relationship with the Progressive Party much like today's Christian right does with the Republican party; and
- ✧ the articulation for the first time of Catholic social teaching, beginning with Pope Leo III's encyclical, *Rerum Novarum*, in 1891.

All of these movements were to a degree responses to the downside of industrial capitalism, whose awesome wealth-generating capacity had outgrown society's ability to control its excesses and its ability to protect its victims.

Then came the Great War, a cataclysm that, in Europe, anyway, would reroute virtually all social energies, decimate an entire generation of men, and transform the zeitgeist of the West.

The war also brought to a climax a new zeitgeist in Quakerism that had begun with the conferences in the 1880s and 1890s. The conferences marked a turning point in the course of evangelicalism among Friends and, for many Friends, a decisive move toward liberalism. Friends General Conference formed in 1900, Three Years Meeting (later Friends United Meeting) formed in 1902. In 1893, Rufus Jones became the editor of *Friends' Review* (later, *The American Friend*), and began a lifelong effort to reunite divided Friends and modernize Quakerism. In 1897, Jones met John Wilhelm Rowntree, a kindred spirit who had played a major role in the Manchester Conference and the summer school movement that came out of it. A generation of young very gifted Friends began leading Quakers into the modern era and toward a level engagement with the world around them that had not existed since the 1650s.

Then, again for the first time in centuries, Friends faced persecution for their faith, for conscientious objection to the war. After more than a decade of liberalization and increasing involvement with social problems and institutions, this experience finally closed the door on Quaker withdrawal from the world. The American Friends Service Committee was born in 1917. In 1918, London Yearly Meeting heard and discussed the report of its Committee on War and the Social Order, charged with analyzing the causes of the war and proposing responses. The resulting Eight Principles of a Just Social Order became a major theme of the first Friends World Conference, held in London in 1920. This conference represents the climax of dynamics unleashed in the conferences of the 1880s and 1890s. Friends finally decisively emerged from their isolationist shell as a modern 'denomination' rather than as a peculiar sect.

It brought a decisive end to the 'deal' Friends cut with the powers that be regarding the social order: leave us alone and we'll leave you alone. This deal held, more or less, until the persecutions began during the War.

But it wasn't just World War I that changed Quaker minds about their quietism and withdrawal, and the War had even less to do with the momentous shift in Quaker economic fortunes (talking mostly about Britain here). Here is an outline of the forces that transformed Quaker culture between roughly 1895 and 1920 and put it on the 'liberal,' modernist path it followed through the 20th century:

1. Business law and organization—the limited liability corporation and the rise of corporate capitalism.
2. Advances in the social sciences—especially sociology and economics, and, in religion, modern biblical studies and criticism.

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3. The rise of ‘liberalism’ * in both theology and culture and a corresponding move away from evangelicalism in London Yearly Meeting and the Hicksite branch in the US.
 4. Labor unrest and the growth of organized labor—Quaker businesses (in Britain) deal with unionization.
 5. Progressive political movements organized around labor issues and against capitalism—socialism internationally, Progressivism in the US, a resurgent Liberal Party in Great Britain and the Labour Party, and general backlash against monopolies and big corporations.
 6. The birth of socially conscious religious movements—especially the social gospel movement and Pentecostalism.
 7. The Great War—industrialized warfare comes of age; the Quaker peace testimony turns activist in the face of persecution.

Together, these forces transformed Quaker economic fortunes in Great Britain, gradually transforming a community that had for centuries been upper class and upper middle class into a community of the middle class. They galvanized a new social consciousness among Friends that focused increasingly on the systemic causes of social problems. They liberalized Quaker culture and theology. And they drew Friends out of their cultural withdrawal from wider society into the modern world, bringing an end to the double-culture period of the past two centuries.

* By ‘liberalism’ here, I mean a belief that “the human and the divine are in some way parts of a single continuum”, as John Punshon puts it in *Portrait in Grey* (page 228), and the recasting of Quakerism as a mystical religion, both first articulated by Rufus Jones, and an open reading of the Bible informed by modern biblical criticism; and an increasing reliance on solving social problems by understanding them more or less scientifically, devising a strategy to address the problem and a program to implement the strategy, usually organized through a committee, rather than relying on divine prompting to service in the tradition of Quaker ministry.

Seebohm Rowntree and the End of the Double-culture Period

The second major transition in Quaker economic culture caused a dramatic shift away from the double-culture period of the 1700s and 1800s, in which Friends had withdrawn from the world around them in virtually every sphere of human activity but one—industry, commerce and the practical arts and sciences. In these areas, they played a truly significant role. Beginning around 1895, however, external forces combined with trends within Quakerism to draw (or even force) Friends out of their shell and reawaken them to responsibility for the wider social order.

In historical moments like these, key individuals often serve as a bridge into the new culture and its ethos. These Friends respond to the changes going on around them with new sensibilities. They speak and act and live in ways that lead the rest of the Society in a

new direction. In this second major transition period, a number of extraordinary individuals shine out in this regard: Rufus Jones and John Wilhelm Rowntree are perhaps the best known. Less well known but equally important, at least in his influence on Quaker economic history, is Benjamin Seebohm Rowntree.

The external forces to which he responded include the plight of the industrial poor, whose conditions remained awful, in spite of efforts throughout the 19th century to deal with the problem: the New Poor Laws of the 1830s in England, the rise of organized philanthropic giving, and attempts at reform by individual business owners, in which Friends often led the way. By 1895, these efforts at reducing poverty and helping the poor were no longer new, but something else was: the emergence of what we now call the social sciences: psychology, sociology, and the discipline of economics itself. In the field of sociology, especially, brilliant new thinkers published groundbreaking work during this period of intense social change.

Karl Marx is sometimes called the true father of sociology, though Auguste Comte and Emmanuel-Joseph Sieyes independently coined the term in the 1830s, and Herbert Spencer pushed the science along in the 1870s and 1880s, but it was Emile Durkheim who laid the foundation for the discipline as a science and set up the first sociology department in a university in 1895. Max Weber (1864-1920) began writing prolifically in the late 1880s about social policy and began work on his landmark book *The Protestant Ethic and the Spirit of Capitalism* in 1904. Weber was keenly interested in economics throughout his career. But it was a man named Charles Booth (1840-1916) who inspired Seebohm Rowntree.

Booth conducted the first scientific sociological statistical study in history, ultimately interviewing thousands of households of the poor in London, beginning in the East End. He published the first fruit of his research in 1889 and went on to publish a total of 17 volumes through 1903. He invented the concept of the 'poverty line' and proved that 35% of Londoners lived in abject poverty and that the vast majority of them worked. Here was scientific proof that the poor were poor, not because of their moral character, as had been assumed for centuries, but because they did not earn enough in their work. Poverty resulted, not from moral failure but from *systemic failure*. They may have had too many children; they may have spent some money on drink, gambling and other vices or diversions, but the real problem was that they didn't have enough money in the first place.

However, Booth's *The Life and Labour of the People of London* was inaccessible, too huge and too dense to reach any but the most interested intellectuals. Among the intelligentsia, it sparked intense debate. Were these problems confined to the capital, or were the provinces beset with similar conditions? Put another way, was capitalism the problem, or was it London? Seebohm Rowntree set out to answer this question by applying Booth's new statistical, sociological methods to his own home town of York, where only two employers controlled most of the economy: the railroad and his own family's chocolate business.

Rowntree surveyed 11,560 families, representing 46,754 of York's population of 75,812, roughly 60% of the city. He defined two classes of poverty: "primary poverty," affecting people who lacked the financial resources to provide for themselves even the basic essentials—10% of the total; and "secondary poverty," in which earnings would suffice for basics, except for "other expenditures, either useful or wasteful"—18%. In other words, close to one third of York's population was poor. More importantly, half of the people living in *primary* poverty had regular jobs!

Like Booth, Rowntree concluded that poverty resulted, not from bad character (though gambling, drink and other bad habits were often aggravating the problem), but from *low wages*. The traditional Quaker virtues that had helped to make Quakers so successful, like prudence and thrift, simplicity and moderation, and Puritan abandonment of the world's pleasures, would help these people hardly at all. And philanthropy could hardly touch their condition, let alone change it. Poverty and its ills were inherent in the character of capitalism itself, not in the character of its workers. The poor were victims, not causes, of their suffering. And paternalistic attempts to solve the problem by morally elevating the poor were ill conceived and failed to address the causes of the problem.

Rowntree's book had a tremendous impact. It was well organized, well written, it was short and accessible, and it struck a chord. It spoke to the liberal-scientific worldview that was emerging at the time and it resonated with other reformist forces at work in English and American society. Other well-received books and Parliamentary reports had sparked a lively debate about poverty and social reform in society and in the press. The suffragette movement was on the rise and so was labor and socialism and, in America, Progressivism. Reaction to the labor movement was becoming violent; the police riots against strikers in Chicago's Haymarket Square had taken place in 1896. The troubles in Ireland, too, had people wondering where society was going. The book became a bestseller.

Someone recommended it to Winston Churchill, then a young Conservative Member of Parliament, who couldn't get it out of his consciousness, calling it "a book which has fairly made my hair stand on end." He wrote and spoke about it repeatedly and reviewed it for a military journal. It ignited both his moral conscience and his creative imagination and redirected his political career. Ultimately, he joined the Liberal government that formed in 1906.

In 1908, Churchill became President of the Board of Trade and Lloyd George became Chancellor. The two men joined forces to bring sweeping reforms to the political economy and Rowntree's book, and Rowntree himself, figured prominently in their work. George, who had been an MP since 1890, had risen from humble beginnings himself and devoted his whole career to alleviating poverty. George and Rowntree became friends and George would brandish *Poverty* as he spoke to large crowds all over Great Britain campaigning for the New Liberalism that he, Churchill and others had inaugurated in 1906. Though their People's Budget and the social legislation it funded provoked a short-lived constitutional crisis in the House of Lords, in 1911 Parliament passed the National Insurance Act, providing for state-funded insurance for unemployment, sickness and old age. The modern welfare state had been born and *Poverty: A Study in Town Life* had

provided much of the prevailing argument for radical systemic change, with its clear exposition, demonstrable evidence and straightforward, scientific approach.

The book inspired more such studies in other regions of the country. It heavily influenced Churchill's own 1909 publication, *Liberalism and the Social Problem*. Rowntree was named to a government committee to study land, land tax and housing issues. The committee applied Rowntree's methodology to these problems in the years 1912-1914. Thus Rowntree became an expert on land reform and this remained an abiding concern throughout his life. He championed the creation of garden cities, in particular, in order to diversify the agricultural system and relieve some of the pressures threatening both the health of workers and the dwindling rural areas. Beginning in England in 1910 and soon spreading to the U.S., the garden city movement favored relatively low-density planned communities with lots of open space, including, usually, a green belt encircling the housing and areas with flexible zoning that could support local industry and commerce. He also came to believe that the labor movement was an essential part of economic reform.

But what did the Rowntrees do about the subject of Seebohm's book, poverty in the city of York and Rowntree's own family business? *Poverty* encouraged Seebohm's father, Joseph Rowntree, to build new rental housing, what we would call today low- and moderate-income housing. Despite his efforts to provide acceptable accommodations at the lowest possible cost, however, these apartments remained beyond the means of the very poor, the people for whom he'd intended them. According to James Walvin (*The Quakers: Money & Morals*), the welfare services provided by the company represented 0.8% of gross selling price in 1908. Joseph Rowntree kept improving the company's benefits, adding profit sharing, better sick pay, paid vacations, and convalescent facilities. But the basic problem remained: *wages*.

Rowntree laborers were paid by the piece. Joseph Rowntree set up a process for wage review every three months and he monitored wages. If someone fell below the 'poverty line' that his son's book had so popularized that he often is credited with its invention, rather than Booth, the company moved him or her to different work or encouraged them to work harder. Those who couldn't make it were dismissed or encouraged to find another job. Departments were evaluated according to the percentage of employees that were making more than the minimum wage. Meanwhile, although Seebohm Rowntree agreed with labor unions in principle, in practice, he resisted them in his own plants. Quaker paternalism was not dead yet.

Nevertheless, in both his book and his long and distinguished career in public service, Seebohm Rowntree helped lead Friends through the transition into the twentieth century and its liberal engagement with social problems. By 'liberal' I mean an optimistic faith in the ability of society (meaning, mostly, government, but also civil society) to change things by studying them, proposing solutions, developing programs, and creating institutions for implementing the programs. Rowntree came to believe in state regulation of aspects of the economy "to over-ride the immediate interests of the employer by imposing on him (sic) obligations which are to the advantage of the nation rather than his

(sic) own.”¹ This was a fundamental break from the double-culture compromise forged in the persecutions of the first transition period, that Friends would leave the state and the foundations of the social order alone, as long as they were left alone in turn. Under the leadership of Seebohm Rowntree and other young reform-minded Friends, Quaker religion once again became a public, and not just a private, affair.

Poverty: A Study of Town Life launched Rowntree on an exceedingly prolific writing career; Amazon lists 26 books. *Poverty* itself is available from Google Books for free as a download at

http://books.google.com/books?id=tzQvAAAAYAAJ&pg=PA427&dq=seebohm+rowntree&hl=en&ei=OhUSTcy8EIL58AaY86S0Dg&sa=X&oi=book_result&ct=result&resnum=1&ved=0CCwQ6AEwAA#v=onepage∓q&f=false. And here's a link to a bibliography of Rowntree's writings to give you a sense of the range of his interests:

<http://throughtheflamingsword.files.wordpress.com/2011/05/quakers-capitalism-seebohm-rowntree-bibliography.pdf>. Four main themes dominate his work: He returned again and again to the problem of unemployment and he wrote several books on housing. He wrote about the Christian and the Quaker responses to social problems. And he wrote several books trying to humanize business and industrial relations. He also applied for a patent in chocolate manufacturing.

This extraordinary man deserves our thankful remembrance for the following landmark achievements:

- ❖ **Groundbreaking work—understanding poverty.** *Poverty* is the second attempt in history to use a sociological survey (and statistical analysis) to understand a social problem (poverty) and to shape a meaningful policy response.
- ❖ **Defining the “poverty line”.** Rowntree is widely credited with inventing the idea of the “poverty line,” an income level below which a person or a family can no longer provide for the basics of food, clothing and shelter. I believe, however, that again we can thank Charles Booth for this innovation. However, Rowntree put it on the map and I believe he revised Booth's calculations to make them reflect reality a little more accurately, though most economists today agree that it still needs to be redefined. The current formula for the poverty line (at least in America) comes originally from an American economist from the Roosevelt administration named Mollie Orshansky, who based her own work on Rowntree's. The idea really caught on with the War on Poverty in the 1960s. Once a ‘scientific’ way to define poverty had been established, Rowntree (and before him Booth) came to a revolutionary and truly startling conclusion:
- ❖ **Groundbreaking conclusion—the poor are poor through no fault of their own.** Rowntree's research proved that poverty was not primarily the result of

¹ Walvin, p. 205; quoting S.R. as quoted in Asa Briggs, *Social Thought and Social Action: A Study of the Work of Seebohm Rowntree, 1871-1954*, London, 1961, p. 108-9.

personal moral failing, but was rather a systemic, structural problem endemic in the capitalist system itself. It proved that the vast majority of the poor actually worked, worked hard, too hard; they just didn't make enough money to survive—their wages were too low. It was not indolence, drink, gambling, sex (too many kids), and general wantonness that had cast them into poverty, as most people believed until then, though these factors often made things worse. The real problem for the poor was not at its root moral; it was structural—it was low wages. The poor wanted to work, they did, in fact work. It just wasn't enough to lift them up out of poverty.

- ✧ **Groundbreaking paradigm—social science and technocratic solutions.** This helped to usher in the modern social scientific approach to understanding and treating social problems. *Poverty* showed that scientific methods yielded results that you could not arrive at using moral philosophy, and it helped to pinpoint where and what the problems really were. This did not put an end to moralizing, as we well know. Conservatives, especially, have continued to cite moral failure as the cause of social ills up to the present day. Now, however, they must also downplay, discredit, bypass and obstruct scientific arguments that clearly point to structural evils in the system. Rowntree's book ushered in an age of warring paradigms in social policy. One of them was rooted in 19th century evangelical theology and the political economics it had nurtured, focused on individuals, their choices and their 'freedom' from government intervention. The other paradigm was rooted in science and focused on communities, on systemic causes and solutions to social problems, and on the roles that only government was in a position to play in addressing these issues.
- ✧ **Groundbreaking policy—the birth of the welfare system.** The book led directly to the modern welfare state in England and, by extension, everywhere else in Europe and North America.
- ✧ **The end of the 'double culture' period and the reengagement of Quakers.** Seebohm Rowntree was part of the generation of modernist Friends that remade Quaker culture around the turn of the 20th century. They included his cousin John Wilhelm Rowntree, Rufus Jones and a number of others who had been energized by the Richmond Conference in 1887 and the Manchester Conference in 1895. They were the internal force for change within the Society of Friends that met the external forces that helped shape what I call the second great transition period in Quaker history, moving us from the double culture of religious and social *withdrawal*, on the one hand, combined paradoxically, on the other hand, with energetic *engagement* with the worlds of business, industry and commerce. They pulled us out of our isolation and insulation until both our feet were planted in the modern world.

- ❖ **Quakers discover capitalism as a system.** Seebohm Rowntree's landmark book and methods opened Quaker eyes to capitalism *as a system*. Until then, Quaker testimonial life had regarded the 'social order' as a matter for individual attention; that is, on the one hand, as a matter for the discipline of personal behavior, of "right walking" over the world, while on the other hand, individual Friends and Friends' meetings had focused their efforts to address social ills like poverty on individuals. Recall Elizabeth Fry's work in Newgate Prison raising up the educational and moral levels of inmates. With *Poverty*, Friends became aware for the first time of *structural evil*, of the way that systems caused suffering. This new awareness took a long time mature. It got major reinforcement, at least in the UK, during the Great War, when London Yearly Meeting convened a Committee on War and the Social Order and approved the Eight Principles of a Just Social Order in the 1918 sessions of London Yearly Meeting, which I've discussed in an earlier post. Nevertheless, it was not until the 1960s that systemic thinking really began to shape Quaker testimonies in any meaningful way: Right Sharing of World Resources addressed global trade policy; AFSC turned increasingly from service to the suffering toward advocacy on behalf of the oppressed; and the War in Vietnam vividly illuminated the power and role of the "military industrial complex" in our economic life. The war also brought Marxism back to life; Marx and Engels had understood that capitalism *as a system* oppressed the working class way back in the middle of the 19th century. But Quakers never really warmed to Marxism, even though *Das Kapital* mentioned their own John Bellers by name, and even though a small, very active group of socialist Friends did emerge in the same period in which Rowntree was doing his work late in the 1800s.

For all these monumental contributions to the cause of a more just and compassionate political economy, Benjamin Seebohm Rowntree is one of my heroes. He also is one of the unsung heroes in the history of Friends. And so I have become one of his modern champions.

War and the Social Order

The second period of major transition in Quaker culture and economics began (as I have not-too-arbitrarily pegged it) in 1895 with the Manchester Conference and it ended with the first Friends World Conference in London in 1920. A number of significant events, both within the Quaker communities and in the world around them during this period, deserve fuller treatment than I have so far given them in [my introduction](#). Here I want to focus on British Quakers' awakening to the systemic evils of capitalism as it was brought to a climax by the Great War.

I do not say ‘evils’ lightly, for, as we shall see, that is the conclusion many British Friends came to. This story starts in 1915, when London Yearly Meeting convened a committee on War and the Social Order charged with examining the causes of the war and proposing actions the Yearly Meeting could take to try to prevent such a war from happening again.

The very act of convening such a committee was a mark of how Quakerism was modernizing and liberalizing in this period. Committees had been organized around a concern before this but, for two hundred fifty years, Friends had used the traditional faith and practice of Quaker ministry to pursue “concerns”: A Friend felt led, brought the “concern” to their meeting, traveled or served under the auspices of a minute, then laid down the work when they felt released from their call. In the early twentieth century, if I have my history right (it’s hard to research this kind of thing without combing through quarterly and yearly meeting minutes in detail, which I have not yet done), Quaker meetings increasingly turned to committees to act on behalf of the body in the way that the War and Social Order committee did, until we now take this mode of organizing corporate testimonial life for granted, and have almost totally lost the original mode of traditional Quaker ministry.

In 1916, the Yearly Meeting convened a Conference on War and the Social Order at Devonshire House that produced a remarkable document titled “[Seven Points of the Message to all Friends](#)”, asking all Friends to affirm its principles. The Seven Points were all positive in tone and offered no direct condemnation of capitalism per se. But it was strongly worded and, most importantly, it did directly address the economic system *as a system*. Notably, point number six read:

That our membership one of another involves the use of all our gifts, powers, and resources for the good of all. No system which uses these for mere money-making or private gain, alienating them from their true end, can satisfy.”

The Seven Points also focused special attention on workers and labor relations.

At its 1917 sessions, the Yearly Meeting sent the draft to the quarterly meetings and the General Meeting of Scotland for review and a new draft was presented to the Yearly Meeting in 1918. This final version consolidated the original seven principles into six and added two more. The new document, titled [Foundations of a True Social Order](#), was more concise and, in some ways though not all, it was more forceful than the Seven Points had been.

From several different angles, the Foundations defined the *purpose* of an economic system: that it should express the Brotherhood revealed by Jesus Christ that “knows no restriction of race, sex or social class”, that it should further the growth of full personhood beyond material ends, that it should be organized around mutual service, not private gain.

The Foundations also defined how an economic system (the “social order”) should *operate*: it should apply “the spiritual force of righteousness, loving-kindness and trust” to industrial relations, not the methods of outward domination and physical force. The

document was strongly anti-materialist and called for regulation of land and capital on behalf of “the need and development of man (sic)”. And it clearly recognized that serious problems plagued the current social order, that these problems were ultimately spiritual in nature, and that they demanded action.

The adoption of the Foundations of a True Social Order and the actions that followed its adoption signalled a fundamental and decisive shift in Quaker culture. At the end of the first transition period in the 1690s, with the Toleration Acts, Friends had agreed to give up their claim on the social order in return for religious toleration. Now, in reaction to the persecutions of Friends for conscientious objection to the first world war—a breach of that tacit 'agreement' by the state—and in reaction to the war’s manifest horrors, the deal was off. The double-culture period was over. Friends came out of this second transition period once again determined to change the world, ready to fully engage with the social order, led to a large degree by young Friends who had already paid a heavy price for their religious convictions—an been strengthened by the experience.

London Yearly Meeting approved the Foundations, but debate was very vigorous. Many Friends on the committee blamed capitalism directly for the war. Some pressed for a clear socialist recommendation and a few Friends actually formed communes when the meeting pulled back from so radical a move. On the other hand, many were anxious that it went too far and they succeeded in tempering the stronger language presented by some quarterly meetings.

Friends dealt with this internal conflict characteristically by convening another committee, the Committee on Industry and the Social Order. This extraordinary group produced a series of very searching pamphlets on the topics of economic and social policy and labor relations throughout the middle of the century. I’ve not been able to fully research this body of work and I’m not sure when the committee was finally laid down, if it was at all. The last clear reference I have found is from 1955.

Besides the new committee, the other major outcome of London Yearly Meeting’s exercise in 1918 was the first Friends World Conference in London in 1920, for which the eight “Foundations of a True Social Order” became a central theme.

On a parenthetical personal note, I would add that it was while reading the proceedings of the 1920 Friends World Conference and its discussion of the Foundations that I first felt led to study Quaker economic history further. I believe I was researching Right Sharing of World Resources for a project I had proposed for the Albert Cope Scholarship at Pendle Hill; Right Sharing was first brought to Friends by Young Adult Friends at the Friends World Conference at Guilford College in 1967. The 1920 Conference document was right next to the ones for 1967 on the shelf and I just picked it up out of curiosity. The debate about the limited liability corporation caught my eye first: Quakers trying to discern whether it was morally correct to use a technology whose very purpose was to divest owners and managers of culpability for a corporation’s actions. Then there was the presentation and debate about the Foundations and references to the 1918 sessions of London Yearly Meeting. I kept following this thread and eventually, the leading grew until I started writing *Quakers and Capitalism* in earnest.

The Limited Liability Corporation

When London Yearly Meeting approved the Foundations of a True Social Order after discussing the report of the Committee on War and the Social Order during the 1918 sessions, the sense of the meeting was that the social order—that is, capitalism—had played a key role in causing the war that was still crippling an entire generation. In the Foundations, one can see this relatively new awareness of capitalism as a *system* with potentially horrible social consequences reaching beyond a narrow focus on the war to include labor and industrial relations (the British Labour Party was constituted in the same year). In fact, British Friends declared that nothing less than the ‘personality’—the personhood of the human—was at risk in the ways that the system treated its participants.

Personhood was central to the discussion in part because full legal ‘personhood’ had been conferred decisively upon the limited liability corporation in Britain and America only twenty years before. In that short time, the new technology had completely transformed the capitalist system. It was also completely transforming British Quakerism.

It’s hard to exaggerate how momentous this innovation was. The modern corporation, wrote Peter Drucker, the preeminent business thinker of the 20th century, “was the first autonomous institution in hundreds of years, the first to create a power center that was within society yet independent of the central government of the national state.” * (*The Company: A Short History of a Revolutionary Idea*, John Micklethwaite and Adrian Wooldridge, Modern Library Edition, New York, 2003)

The idea was not new. The Limited Liability Act of 1855 (in Britain) had granted limited liability to companies incorporated under the Joint Stock Companies Act of 1844, subject to some capital requirements. The earlier act had done away with the need to get a special charter from Parliament to form a company, requiring only simple registration. The system was further rationalized under the Joint Stock Companies act of 1856, requiring only seven people to sign a Memorandum of Association and to put “ltd” at the end of the company’s name. However, the final block was put in place when, in 1897, in *Salomon v. Saloman & Co., Ltd.*, the House of Lords finally firmly established the separate legal identity of a company and conferred upon its directors—not just its shareholders—the ‘corporate veil’ of protection. The corporation had become the equivalent of a person before the law.

Limited liability meant that shareholders were only financially liable for the value of their own investment in the company and that, when someone sued the company, they were suing *the company* and not its owners or investors. It essentially made the company in some ways the equivalent of a person in terms of the law. This affected not just financial liability; it also simplified a host of other financial, legal and management problems: by wrapping responsibility up in the fiction of corporate ‘personhood’, a company’s business relations and transactions no longer had to be conducted with each of its individual shareholders as owners. All this made it possible to raise the capital

necessary to form the kind of large companies that the mature industrial economy required and to run them with managerial efficiency.

The proceedings of LYM's 1918 sessions reveal that some members of the Meeting were nervous about the very essence of this innovation: was it morally right to relieve the owners of a business from responsibility for its actions? This seemed inconsistent with moral principle. It struck at the heart of the Protestant Spirit that had dominated Quaker business practice for two centuries (and which had only just been defined in Max Weber's landmark book, *The Protestant Ethic and the Spirit of Capitalism*), in which one viewed one's business as an expression of one's religious calling. That only worked if you owned and ran the business yourself. It didn't work if untold numbers of people owned the business through investment shares who then relegated the business's operations to directors and managers, and whose legal responsibility for its actions were now severely limited.

But that debate about limited liability went nowhere. In the proceedings of the 1918 sessions, you see some Friends arguing forcefully for the moral contradictions involved, which even the supporters of the new technology had trouble refuting. But it was too late. The modern corporation had already completely taken over. It was obvious to everyone that it was now, not just a *fait accompli*, but also actually indispensable to the new social order.

This fact was literally demoralizing to those Friends who considered it. At just the moment when Friends had become aware for the first time of capitalism *as a system* with mixed moral consequences, they were forced to accept its amoral (was it actually *immoral*?) character. In retreat, London Yearly Meeting resolved to reform the system as best they could, responding with one of the signature acts of modern liberal Quakerism—they formed a committee. The Committee on Industry and the Social Order went on to do some of the most searching and challenging work in the history of Quaker social testimony.

But the limited liability corporation did more than challenge the moral identity of British Friends. It also destroyed their sizable fortunes. Many Quaker business owners held onto their family ownership for a long time, but eventually they virtually all went public. Quaker owners became managers in firms that had been in their families for generations. Gradually over the course of the 20th century, the great Quaker fortunes of Great Britain dwindled in size and importance. For two centuries, Quakers had been the wealthiest, or one of the wealthiest, communities in the United Kingdom. Between the triumph of the limited liability corporation and later the influx of convinced Friends from the middle middle class, the social demographics of British Quakerism dramatically changed for the second time in its history: from yeoman farmers and small trades people in the 1650s, to industrialist tycoons during the 18th and 19th centuries, and then back again towards the middle classes during the 20th.

In America, things were quite different. The United States embraced the limited liability corporation earlier and with greater enthusiasm than the Brits, seeing the innovation as democratizing and recognizing early on how it served the already famous

American entrepreneurial spirit. But corporate law was mostly a matter for the states to write, so the technology grew for a long time in a haphazard way as states variously began legalizing it and then began competing with each other for business. First New Jersey, and then, ultimately, Delaware, made corporation-friendly law a hallmark of state identity. As in Great Britain, these laws first emerged in the middle of the 19th century and finally coalesced into some sense of national policy toward the end of the century, but states have always retained the power of incorporation.

With the Sherman Act (1890) and subsequent anti-trust legislation, the federal government began finally to seriously regulate corporations for the first time and these efforts figured prominently in the rise of Progressivism in America. Then came the New Deal. But these developments hardly affected Quakerism in America, which had always been more economically diverse than in Great Britain. The rich Quakers of Philadelphia had not played the central role in creating capitalism that their British brethren had, they were not by and large industrialists, and they represented only a small portion of the American Quaker population, let alone of the American wealthy and power elite. Even as early as the War for Independence, Philadelphia Quakers had ceased to be very important to the nation's economy. By the time of the second transition in Quaker economics at the end of the 19th century, the final codification and rationalization of corporate law had no real impact on Quaker culture in America.