



## Are Profits the Only Business of Business?

**YES: Milton Friedman**, from "The Social Responsibility of Business Is to Increase Its Profits," *The New York Times Magazine* (September 13, 1970)

**NO: Robert Almeder**, from "Morality in the Marketplace," in Milton Snoeyenbos, Robert Almeder, and James Humber, eds., *Business Ethics*, rev. ed. (Prometheus Press, 1998)

### ISSUE SUMMARY

**YES:** Free-market economist Milton Friedman contends that the sole responsibility of business is to increase its profits.

**NO:** Philosopher Robert Almeder maintains that if capitalism is to survive, it must act in socially responsible ways that go beyond profit making.

**E**very economic society—whether it is a traditional society in Central Africa, a fossilized planned economy such as Cuba's, or a wealthy capitalist society such as those found in North America, Western Europe, and the Pacific Rim—must address the basic economic problem of resource allocation. These societies must determine *what* goods and services they can and will produce, *how* these goods and services will be produced, and *for whom* these goods and services will be produced.

The *what*, *how*, and *for whom* questions must be answered because of the problem of scarcity. Even if a given society were indescribably rich, it would still confront the problem of scarcity—in the case of a rich society, "relative scarcity." It might have all the resources it needs to produce all the goods and services it would ever want, but it could not produce all these things simultaneously. Thus, even a very rich society must set priorities and produce first those goods and services with the highest priority and postpone the production of those goods and services with lower priorities. If time is of the essence, this society would determine *how* these goods and services should be produced. And since this wealthy society cannot produce all it wants instantly, it must also determine *for whom* the first bundle of goods and services will be produced.

Few, if any, economic societies are indescribably rich. On the other hand, there are many examples of economic societies that face grinding deprivation daily. In these societies and in all the societies that fall between poverty and great affluence, the *what*, *how*, and *for whom* questions are immediately apparent. Somehow these questions must be answered.

In some societies, such as the Amish communities of North America, the answers to these questions are found in tradition: Sons and daughters follow in their parents' footsteps. Younger generations produce *what* older generations produced before them. The methods of production—the horsedrawn plow, the hand-held scythe, the use of natural fertilizers—remain unchanged; thus, the *how* question is answered in the same way that the *for whom* question is answered—by following historic patterns. In other societies, such as self-sustaining religious communities, there is a different pattern of responses to these questions. In these communities, the "elder" of the community determines *what* will be produced, *how* it will be produced, and *for whom* it will be produced. If there is a well-defined hierarchical system, it is similar to one of the former stereotypical command economies of Eastern Europe.

Although elements of tradition and command are found in the industrialized societies of Western Europe, North America, and Japan, the basic answers to the three questions of resource allocation in these countries are determined by profit. In these economic societies, *what* will be produced is determined by what will yield the greatest profit. Consumers, in their search for maximum satisfaction, will bid for those goods and services that they want most. This consumer action drives the prices of these goods and services up, which, in turn, increases producers' profits. The higher profits attract new firms into the industry and encourage existing firms to increase their output. Thus, profits are the mechanism that ensures that consumers get what they want. Similarly, the profit-seeking behavior of business firms determines *how* the goods and services that consumers want will be produced. Since firms attempt to maximize their profits, they select those means of production that are economically most efficient. Lastly, the *for whom* question is also linked to profits. Wherever there is a shortage of goods and services, profits will be high. In the producers' attempts to increase their output, they must attract factors of production (land, labor, and capital) away from other economic activities. This bidding increases factor prices or factor incomes and ensures that these factors will be able to buy goods and services in the open marketplace.

Both Milton Friedman and Robert Almeder recognize the merits of a profit-driven economic system. They do not quarrel over the importance of profits. But they do quarrel over whether or not business firms have obligations beyond making profits. In the following selection, Friedman holds that the *only* responsibility of business is to make profits and that anyone who maintains otherwise is "preaching pure and unadulterated socialism." In the second selection, Almeder, who is clearly not a "socialist," contends that business must act in socially responsible ways "if capitalism is to survive."

## The Social Responsibility of Business Is to Increase Its Profits

When I hear businessmen speak eloquently about the “social responsibilities of business in a free-enterprise system,” I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned “merely” with profit but also with promoting desirable “social ends; that business has a social conscience” and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

The discussions of the “social responsibilities of business” are notable for their analytical looseness and lack of rigor. What does it mean to say that “business” has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but “business” as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Presumably, the individuals who are to be responsible are businessmen, which means individual proprietors or corporate executives. Most of the discussion of social responsibility is directed at corporations, so in what follows I shall mostly neglect the individual proprietor and speak of corporate executives.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. Of course, in some cases his employers may have a different objective. A group of persons might establish a corporation for an eleemosynary purpose—for example, a hospital or a school. The manager of

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such a corporation will not have money profit as his objective but the rendering of certain services.

In either case, the key point is that, in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to them.

Needless to say, this does not mean that it is easy to judge how well he is performing his task. But at least the criterion of performance is straightforward, and the persons among whom a voluntary contractual arrangement exists are clearly defined.

Of course, the corporate executive is also a person in his own right. As a person, he may have many other responsibilities that he recognizes or assumes voluntarily—to his family, his conscience, his feelings of charity, his church, his clubs, his city, his country. He may feel impelled by these responsibilities to devote part of his income to causes he regards as worthy, to refuse to work for particular corporations, even to leave his job, for example, to join his country's armed forces. If we wish, we may refer to some of these responsibilities as "social responsibilities." But in these respects he is acting as a principal, not an agent; he is spending his own money or time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes. If these are "social responsibilities," they are the social responsibilities of individuals, not of business.

What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers. For example, that he is to refrain from increasing the price of the product in order to contribute to the social objective of preventing inflation, even though a price increase would be in the best interests of the corporation. Or that he is to make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law in order to contribute to the social objective of improving the environment. Or that, at the expense of corporate profits, he is to hire "hard-core" unemployed instead of better-qualified available workmen to contribute to the social objective of reducing poverty.

In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money.

The stockholders or the customers or the employees could separately spend their own money on the particular action if they wished to do so. The executive is exercising a distinct "social responsibility," rather than serving as an agent of the stockholders or the customers or the employees, only if he spends the money in a different way than they would have spent it.

But if he does this, he is in effect imposing taxes, on the one hand, and deciding how the tax proceeds shall be spent, on the other.

This process raises political questions on two levels: principle and consequences. On the level of political principle, the imposition of taxes and the expenditure of tax proceeds are governmental functions. We have established elaborate constitutional, parliamentary and judicial provisions to control these functions, to assure that taxes are imposed so far as possible in accordance with the preferences and desires of the public—after all, “taxation without representation” was one of the battle cries of the American Revolution. We have a system of checks and balances to separate the legislative function of imposing taxes and enacting expenditures from the executive function of collecting taxes and administering expenditure programs and from the judicial function of mediating disputes and interpreting the law.

Here the businessman—self-selected or appointed directly or indirectly by stockholders—is to be simultaneously legislator, executive and jurist. He is to decide whom to tax by how much and for what purpose, and he is to spend the proceeds—all this guided only by general exhortations from on high to restrain inflation, improve the environment, fight poverty and so on and on.

The whole justification for permitting the corporate executive to be selected by the stockholders is that the executive is an agent serving the interests of his principal. This justification disappears when the corporate executive imposes taxes and spends the proceeds for “social” purposes. He becomes in effect a public employee, a civil servant, even though he remains in name an employee of a private enterprise. On grounds of political principle, it is intolerable that such civil servants—insofar as their actions in the name of social responsibility are real and not just window-dressing—should be selected as they are now. If they are to be civil servants, then they must be selected through a political process. If they are to impose taxes and make expenditures to foster “social” objectives, then political machinery must be set up to guide the assessment of taxes and to determine through a political process the objectives to be served.

This is the basic reason why the doctrine of “social responsibility” involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.

On the grounds of consequences, can the corporate executive in fact discharge his alleged “social responsibilities”? On the one hand, suppose he could get away with spending the stockholders’ or customers’ or employees’ money. How is he to know how to spend it? He is told that he must contribute to fighting inflation. How is he to know what action of his will contribute to that end? He is presumably an expert in running his company—in producing a product or selling it or financing it. But nothing about his selection makes him an expert on inflation. Will his holding down the price of his product reduce inflationary pressure? Or, by leaving more spending power in the hands of his customers, simply divert it elsewhere? Or, by forcing him to produce less because of the lower price, will it simply contribute to shortages? Even if he could answer these questions, how much cost is he justified in imposing on his stockholders, customers and employees for this social purpose? What is the appropriate share and what is the appropriate share of others?

And, whether he wants to or not, can he get away with spending his stockholders', customers' or employees' money? Will not the stockholders fire him? (Either the present ones or those who take over when his actions in the name of social responsibility have reduced the corporation's profits and the price of its stock.) His customers and his employees can desert him for other producers and employers less scrupulous in exercising their social responsibilities.

This facet of "social responsibility" doctrine is brought into sharp relief when the doctrine is used to justify wage restraint by trade unions. The conflict of interest is naked and clear when union officials are asked to subordinate the interest of their members to some more general social purpose. If the union officials try to enforce wage restraint, the consequence is likely to be wild-cat strikes, rank-and-file revolts and the emergence of strong competitors for their jobs. We thus have the ironic phenomenon that union leaders—at least in the U.S.—have objected to Government interference with the market far more consistently and courageously than have business leaders.

The difficulty of exercising "social responsibility" illustrates, of course, the great virtue of private competitive enterprise—it forces people to be responsible for their own actions and makes it difficult for them to "exploit" other people for either selfish or unselfish purposes. They can do good—but only at their own expense.

Many a reader who has followed the argument this far may be tempted to remonstrate that it is all well and good to speak of government's having the responsibility to impose taxes and determine expenditures for such "social" purposes as controlling pollution or training the hard-core unemployed, but that the problems are too urgent to wait on the slow course of political processes, that the exercise of social responsibility by businessmen is a quicker and surer way to solve pressing current problems.

Aside from the question of fact—I share Adam Smith's skepticism about the benefits that can be expected from "those who affected to trade for the public good"—this argument must be rejected on grounds of principle. What it amounts to is an assertion that those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures. In a free society, it is hard for "good" people to do "good," but that is a small price to pay for making it hard for "evil" people to do "evil," especially since one man's good is another's evil.

I have, for simplicity, concentrated on the special case of the corporate executive, except only for the brief digression on trade unions. But precisely the same argument applies to the newer phenomenon of calling upon stockholders to require corporations to exercise social responsibility (the recent G.M. crusade, for example). In most of these cases, what is in effect involved is some stockholders trying to get other stockholders (or customers or employees) to contribute against their will to "social" causes favored by the activists. Insofar as they succeed, they are again imposing taxes and spending the proceeds.

The situation of the individual proprietor is somewhat different. If he acts to reduce the returns of his enterprise in order to exercise his "social responsibility," he is spending his own money, not someone else's. If he wishes to

spend his money on such purposes, that is his right, and I cannot see that there is any objection to his doing so. In the process, he, too, may impose costs on employees and customers. However, because he is far less likely than a large corporation or union to have monopolistic power, any such side effects will tend to be minor.

Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions.

To illustrate, it may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favor by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes.

In each of these—and many similar—cases, there is a strong temptation to rationalize these actions as an exercise of “social responsibility.” In the present climate of opinion, with its widespread aversion to “capitalism,” “profits,” the “soulless corporation” and so on, this is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest.

It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing because it harms the foundations of a free society. That would be to call on them to exercise a “social responsibility”! If our institutions, and the attitudes of the public make it in their self-interest to cloak their actions in this way, I cannot summon much indignation to denounce them. At the same time, I can express admiration for those individual proprietors or owners of closely held corporations or stockholders of more broadly held corporations who disdain such tactics as approaching fraud.

Whether blameworthy or not, the use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society. I have been impressed time and again by the schizophrenic character of many businessmen. They are capable of being extremely far-sighted and clear-headed in matters that are internal to their businesses. They are incredibly short-sighted and muddle-headed in matters that are outside their businesses but affect the possible survival of business in general. This short-sightedness is strikingly exemplified in the calls from many businessmen for wage and price guidelines or controls or income policies. There is nothing that could do more in a brief period to destroy a market system and replace it by a centrally controlled system than effective governmental control of prices and wages.

The short-sightedness is also exemplified in speeches by businessmen on social responsibility. This may gain them kudos in the short run. But it helps to strengthen the already too prevalent view that the pursuit of profits is wicked

and immoral and must be curbed and controlled by external forces. Once this view is adopted, the external forces that curb the market will not be the social consciences, however highly developed, of the pontificating executives; it will be the iron fist of Government bureaucrats. Here, as with price and wage controls, businessmen seem to me to reveal a suicidal impulse.

The political principle that underlies the market mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce any other, all cooperation is voluntary, all parties to such cooperation benefit or they need not participate. There are no "social" values, no "social" responsibilities in any sense other than the shared values and responsibilities of individuals. Society is a collection of individuals and of the various groups they voluntarily form.

The political principle that underlies the political mechanism is conformity. The individual must serve a more general social interest—whether that be determined by a church or a dictator or a majority. The individual may have a vote and a say in what is to be done, but if he is overruled, he must conform. It is appropriate for some to require others to contribute to a general social purpose whether they wish to or not.

Unfortunately, unanimity is not always feasible. There are some respects in which conformity appears unavoidable, so I do not see how one can avoid the use of the political mechanism altogether.

But the doctrine of "social responsibility" taken seriously would extend the scope of the political mechanism to every human activity. It does not differ in philosophy from the most explicitly collectivist doctrine. It differs only by professing to believe that collectivist ends can be attained without collectivist means. That is why, in my book "Capitalism and Freedom," I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."





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## Morality in the Marketplace: Reflections on the Friedman Doctrine

### Introduction

In seeking to create a climate more favorable for corporate activity, International Telephone and Telegraph allegedly contributed large sums of money to "destabilize" the duly elected government of Chile. Even though advised by the scientific community that the practice is lethal, major chemical companies reportedly continue to dump large amounts of carcinogens and mutagens into the water supply of various areas and, at the same time, lobby strongly to prevent legislation against such practices. General Motors Corporation, other automobile manufacturers, and Firestone Tire and Rubber Corporation have frequently defended themselves against the charge that they knowingly and willingly marketed a product that, owing to defective design, had been reliably predicted to kill a certain percentage of its users and, moreover, refused to recall promptly the product even when government agencies documented the large incidence of death as a result of the defective product. Finally, people often say that numerous advertising companies happily accept, and earnestly solicit, accounts to advertise cigarettes knowing full well that as a direct result of their advertising activities a certain number of people will die considerably prematurely and painfully. Most recently, of course, American Tobacco Companies have been charged with knowingly marketing a very addictive product known to kill untold numbers in slow, painful and costly deaths while the price of the stock of these companies has made fortunes for the shareholders. We need not concern ourselves with whether these and other similar charges are true because our primary concern here is with what might count as a justification for such corporate conduct were it to occur. There can be no question that such corporate behavior sometimes occurs and is frequently legal, or at least not illegal. The question is whether corporate behavior should be constrained by nonlegal or moral considerations. If so, to what extent and how could it be done? As things presently stand, it seems to be a dogma of contemporary capitalism rapidly emerging throughout the world that the sole responsibility of business

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is to make as much money as is *legally* possible. But the interesting question is whether this view is rationally defensible.

Sometimes, although not very frequently, corporate executives will admit to the sort of behavior depicted above and then proceed proximately to justify such behavior in the name of their responsibility to the shareholders or owners (if the shareholders are not the owners) to make as much profit as is legally possible. Thereafter, less proximately and more generally, they will proceed to urge the more general utilitarian point that the increase in profit engendered by such corporate behavior begets such an unquestionable overall good for society that the behavior in question is morally acceptable if not quite praiseworthy. More specifically, the justification in question can, and usually does, take two forms.

The first and most common form of justification consists in urging that, as long as one's corporate behavior is not illegal, the behavior will be morally acceptable because the sole purpose of being in business is to make a profit; and the rules of the marketplace are somewhat different from those in other places and must be followed if one is to make a profit. Moreover, proponents of this view hasten to add that, as Adam Smith has claimed, the greatest good for society in the long run is achieved not by corporations seeking to act morally, or with a sense of social responsibility in their pursuit of profit, but rather by each corporation seeking to maximize its own profit, unregulated in that endeavor except by the laws of supply and demand along with whatever other laws are inherent to the competition process. This, they say, is what has made capitalist societies the envy of the world while ideological socialisms sooner or later fail miserably to meet deep human needs. Smith's view, that there is an invisible hand, as it were, directing an economy governed solely by the profit motive to the greatest good for society in the long run,<sup>1</sup> is still the dominant motivation and justification for those who would want an economy unregulated by any moral concern that would, or could, tend to decrease profits for some *alleged* social or moral good.

Milton Friedman, for example, has frequently asserted that the sole moral responsibility of business is to make as much profit as is legally possible; and by that he means to assert that attempts to regulate or restrain the pursuit of profit in accordance with what some people believe to be socially desirable ends are in fact *subversive* of the common good because the greatest good for the greatest number is achieved by an economy maximally competitive and unregulated by moral rules in its pursuit of profit.<sup>2</sup> So, on Friedman's view, the greatest good for society is achieved by corporations acting legally, but with no further regard for what may be morally desirable; and this view begets the paradox that, *in business*, the greatest good for society can be achieved only by acting without regard for morality, at least in so far as moral rules are not reflected in the legal code. Moreover, adoption of this position constitutes a fairly conscious commitment to the view that while one's personal life may well need moral governance beyond the law, when pursuing profit, it is necessary that one's corporate behavior be unregulated by any moral concern other than that of making as much money as is legally possible; curiously enough, it is only in this way that society achieves the greatest good. So viewed, it is not difficult to

see how a corporate executive could sincerely and consistently adopt rigorous standards of morality in his or her personal life and yet feel quite comfortable in abandoning those standards in the pursuit of profit. Albert Carr, for example, likens the conduct of business to that of playing poker.<sup>3</sup> As Carr would have it, moral busybodies who insist on corporations acting morally might do just as well to censure a good bluffer in poker for being deceitful. Society, of course, lacking a perspective such as Friedman's and Carr's is only too willing to view such behavior as strongly hypocritical and fostered by an unwholesome avarice.

The second way of justifying, or defending, corporate practices that may appear morally questionable consists in urging that even if corporations were to take seriously the idea of limiting profits because of a desire to be moral or more responsible to social needs, then corporations would be involved in the unwholesome business of selecting and implementing moral values that may not be shared by a large number of people. Besides, there is the overwhelming question of whether there can be any non-questionable moral values or non-controversial list of social priorities for corporations to adopt. After all, if ethical relativism is true, or if ethical nihilism is true (and philosophers can be counted upon to argue aggressively for both positions), then it would be fairly silly of corporations to limit profits for what may be a quite dubious reason, namely, for being moral, when there are no clear grounds for doing it, and when it is not too clear what would count for doing it. In short, business corporations could argue (as Friedman has done)<sup>4</sup> that corporate actions in behalf of society's interests would require of corporations an ability to clearly determine and rank in noncontroversial ways the major needs of society; and it would not appear that this could be done successfully.

Perhaps another, and somewhat easier, way of formulating this second argument consists in urging that because moralists and philosophers generally fail to agree on what are the proper moral rules (if any), as well as on whether we should be moral, it would be imprudent to sacrifice a clear profit for a dubious or controversial moral gain. To authorize such a sacrifice would be to abandon a clear responsibility for one that is unclear or questionable.

If there are any other basic ways of justifying the sort of corporate behavior noted at the outset, I cannot imagine what they might be. So, let us examine these two modes of justification. In doing this, I hope to show that neither argument is sound and, moreover, that corporate behavior of the sort in question is clearly immoral if anything is immoral—and if nothing is immoral, then such corporate behavior is clearly contrary to the long-term interest of a corporation. In the end, we will reflect on ways to prevent such behavior, and on what is philosophically implied by corporate willingness to act in clearly immoral ways.

## **The "Invisible Hand"**

Essentially, the first argument is that the greatest good for the greatest number will be, and can only be, achieved by corporations acting legally but unregulated by any moral concern in the pursuit of profit. As we saw earlier, the

evidence for this argument rests on a fairly classical and unquestioning acceptance of Adam Smith's view that society achieves a greater good when each person is allowed to pursue her or his own self-interested ends than when each person's pursuit of self-interested ends is regulated in some way or another by moral rules or concern. But I know of no evidence Smith ever offered for this latter claim, although it seems clear that those who adopt it generally do so out of respect for the perceived good that has emerged for various modern societies as a direct result of the free enterprise system and its ability to raise the overall standard of living of all those under it.

However, there is nothing inevitable about the greatest good occurring in an unregulated economy. Indeed, we have good inductive evidence from the age of the Robber Barons that unless the profit motive is regulated in various ways (by statute or otherwise) untold social evil can, and *will*, occur because of the natural tendency of the system to place ever-increasing sums of money in ever-decreasing numbers of hands as a result of the nature of competition unregulated. If all this is so, then so much the worse for all philosophical attempts to justify what would appear to be morally questionable corporate behavior on the grounds that corporate behavior, unregulated by moral concern, is necessarily or even probably productive of the greatest good for the greatest number. Moreover, a rule utilitarian would not be very hard pressed to show the many unsavory implications to society as a whole if society were to take seriously a rule to the effect that, if one acts legally, it is morally permissible to do whatever one wants to do to achieve a profit. We shall discuss some of those implications of this rule below before drawing a conclusion.

The second argument cited above asserts that even if we were to grant, for the sake of argument, that corporations have social responsibilities beyond that of making as much money as is legally possible for the shareholders, there would be no noncontroversial way for corporations to discover just what these responsibilities are in the order of their importance. Owing to the fact that even distinguished moral philosophers predictably disagree on what one's moral responsibilities are, if any, it would seem irresponsible to limit profits to satisfy dubious moral responsibilities.

For one thing, this argument unduly exaggerates our potential for moral disagreement. Admittedly, there might well be important disagreements among corporations (just as there could be among philosophers) as to a priority ranking of major social needs; but that does not mean that most of us could not, or would not, agree that certain things ought not be done in the name of profit even when there is no law prohibiting such acts. Doubtless, there will always be a few who would do most anything for a profit; but that is hardly a good argument in favor of their having the moral right to do so rather than a good argument showing that they refuse to be moral. In sum, it is difficult to see how this second argument favoring corporate moral nihilism is any better than the general argument for ethical nihilism based on the variability of ethical judgments or practices; and apart from the fact that it tacitly presupposes that morality is a matter of what we all in fact would, or should, accept, the argument is maximally counterintuitive (as I shall show) by way of suggesting that we cannot generally agree that corporations have certain clear social responsi-

bilities to avoid certain practices. Accordingly, I would now like to argue that if anything is immoral, a certain kind of corporate behavior is quite immoral although it may not be illegal.

### **Murder for Profit**

Without caring to enter into the reasons for the belief, I assume we all believe that it is wrong to kill an innocent human being for no other reason than that doing so would be more financially rewarding for the killer than if he were to earn his livelihood in some other way. Nor, I assume, should our moral feeling on this matter change depending on the amount of money involved. Killing an innocent baby for fifteen million dollars would not seem to be any less objectionable than killing it for twenty cents. It is possible, however, that a self-professing utilitarian might be tempted to argue that the killing of an innocent baby for fifteen million dollars would not be objectionable if the money were to be given to the poor; under these circumstances, greater good would be achieved by the killing of the innocent baby. But, I submit, if anybody were to argue in this fashion, his argument would be quite deficient because he has not established what he needs to establish to make his argument sound. What he needs is a clear, convincing argument that raising the standard of living of an indefinite number of poor persons by the killing of an innocent person is a greater good for all those affected by the act than if the standard of living were not raised by the killing of an innocent person. This is needed because part of what we mean by having a basic right to life is that a person's life cannot be taken from him or her without a good reason. If our utilitarian cannot provide a convincing justification for his claim that a greater good is served by killing an innocent person in order to raise the standard of living for a large number of poor people, then it is hard to see how he can have the good reason that he needs to deprive an innocent person of his or her life. Now, it seems clear that there will be anything but unanimity in the moral community on the question of whether there is a greater good achieved in raising the standard of living by killing an innocent baby than in leaving the standard of living alone and not killing an innocent baby. Moreover, even if everybody were to agree that the greater good is achieved by the killing of the innocent baby, how could that be shown to be true? How does one compare the moral value of a human life with the moral value of raising the standard of living by the taking of that life? Indeed, the more one thinks about it, the more difficult it is to see just what would count as objective evidence for the claim that the greater good is achieved by the killing of the innocent baby. Accordingly, I can see nothing that would justify the utilitarian who might be tempted to argue that if the sum is large enough, and if the sum were to be used for raising the standard of living for an indefinite number of poor people, then it would be morally acceptable to kill an innocent person for money.

These reflections should not be taken to imply, however, that no utilitarian argument could justify the killing of an innocent person for money. After all, if the sum were large enough to save the lives of a large number of people who would surely die if the innocent baby were not killed, then one would

as a rule be justified in killing the innocent baby for the sum in question. But this situation is obviously quite different from the situation in which one would attempt to justify the killing of an innocent person in order to raise the standard of living for an indefinite number of poor people. It makes sense to kill one innocent person in order to save, say, twenty innocent persons; but it makes no sense at all to kill one innocent person to raise the standard of living of an indefinite number of people. In the latter case, but not in the former, a comparison is made between things that are incomparable.

Given these considerations, it is remarkable and somewhat perplexing that certain corporations should seek to defend practices that are in fact instances of killing innocent persons for profit. Take, for example, the corporate practice of dumping known carcinogens into rivers. On Milton Friedman's view, we should not regulate or prevent such companies from dumping their effluents into the environment. Rather we should, if we like, tax the company after the effluents are in the water and then have the tax money used to clean up the environment.<sup>5</sup> For Friedman, and others, the fact that so many people will die as a result of this practice seems to be just part of the cost of doing business and making a profit. If there is any moral difference between such corporate practices and murdering innocent human beings for money, it is hard to see what it is. It is even more difficult to see how anyone could justify the practice and see it as no more than a business practice not to be regulated by moral concern. And there are a host of other corporate activities that are morally equivalent to deliberate killing of innocent persons for money. Such practices number among them contributing funds to "destabilize" a foreign government, selling cigarettes while knowing that they are highly addictive killers of innocent people, advertising cigarettes, knowingly marketing children's clothing having a known cancer-causing agent, and refusing to recall (for fear of financial loss) goods known to be sufficiently defective to directly maim or kill a certain percentage of their unsuspecting users because of the defect. On this latter item, we are all familiar, for example, with convincingly documented charges that certain prominent automobile and tire manufacturers will knowingly market equipment sufficiently defective to increase the likelihood of death as a direct result of the defect, and yet refuse to recall the product because the cost of recalling and repairing would have a greater adverse impact on profit than if the product were not recalled and the company paid the projected number of predictably successful suits. Of course, if the projected cost of the predictably successful suits were to outweigh the cost of recall and repair, then the product would be recalled and repaired, but not otherwise.

In cases of this sort, the companies involved may admit to having certain marketing problems or a design problem, and they may even admit to having made a mistake; but, interestingly enough, they do not view themselves as immoral or as murderers for keeping their product in the market place when they know people are dying from it—people who would not die if the defect were corrected.

The important point is not whether in fact these practices have occurred in the past, or occur even now; there can be no doubt that such practices have occurred and continue to occur. Rather the point is that when companies act in such ways as a matter of policy, they must either not know what they do is murder (i.e., unjustifiable killing of an innocent person), or knowing that it is murder, seek to justify it in terms of profit. And I have been arguing that it is difficult to see how any corporate manager could fail to see that these policies amount to murder for money, although there may be no civil statute against such corporate behavior. If so, then where such policies exist, we can only assume that they are designed and implemented by corporate managers who either see nothing wrong with murder for money (which is implausible) or recognize that what they do is wrong but simply refuse to act morally because it is more financially rewarding to act immorally.

Of course, it is possible that corporate executives would not recognize such acts as murder. They may, after all, view murder as a legal concept involving one non-corporate person or persons deliberately killing another non-corporate person or persons and prosecutable only under existing criminal statute. If so, it is somewhat understandable how corporate executives might fail, at least psychologically, to see such corporate policies as murder rather than as, say, calculated risks, tradeoffs, or design errors. Still, for all that, the logic of the situation seems clear enough.

## Conclusion

In addition to the fact that the only two plausible arguments favoring the Friedman doctrine are unsatisfactory, a strong case can be made for the claim that corporations *do* have a clear and noncontroversial moral responsibility not to design or implement, for reasons of profit, policies that they know, or have good reason to believe, will kill or otherwise seriously injure innocent persons affected by those policies. Moreover, we have said nothing about wage discrimination, sexism, discrimination in hiring, price fixing, price gouging, questionable but not unlawful competition, or other similar practices that some will think businesses should avoid by virtue of responsibility to society. My main concern has been to show that because we all agree that murder for money is generally wrong, and since there is no discernible difference between that and certain corporate policies that are not in fact illegal, then these corporate practices are clearly immoral (that is, they ought not to be done) and incapable of being morally justified by appeal to the Friedman doctrine since that doctrine does not admit of adequate evidential support. In itself, it seems sad that this argument needs to be made and, if it were not for what appears to be a fairly strong commitment within the business community to the Friedman doctrine in the name of the unquestionable success of the free enterprise system, the argument would not need to be stated.

The fact that such practices do exist—designed and implemented by corporate managers who, for all intents and purposes appear to be upright members of the moral community—only heightens the need for effective social prevention. Presumably, if course, any company willing to put human lives into the

profit and loss column is not likely to respond to moral censure. Accordingly, I submit that perhaps the most effective way to deal with the problem of preventing such corporate behavior would consist in structuring legislation such that senior corporate managers who knowingly concur in practices of the sort listed above can effectively be tried, at their own expense, for murder, rather than censured and fined a sum to be paid out of corporate profits. This may seem a somewhat extreme or unrealistic proposal. However, it seems more unrealistic to think that aggressively competitive corporations will respond to what is morally necessary if failure to do so could be very or even minimally profitable. In short, unless we take strong and appropriate steps to prevent such practices, society will be reinforcing a destructive mode of behavior that is maximally disrespectful of human life, just as society will be reinforcing a value system that so emphasizes monetary gain as a standard of human success that murder for profit could be a corporate policy if the penalty for being caught at it were not too dear.

Fortunately, a number of states in America have enacted legislation that makes corporations subject to the criminal code of that state. This practice began to emerge quite strongly after the famous Pinto case in which an Indiana superior court judge refused to dismiss a homicide indictment against the Ford Motor Company. The company was indicted on charges of reckless homicide stemming from a 1978 accident involving a 1973 Pinto in which three girls died when the car burst into flames after being slammed in the rear. This was the first case in which Ford, or any other automobile manufacturer, had been charged with a criminal offense. The indictment went forward because the state of Indiana adopted in 1977 a criminal code provision permitting corporations to be charged with criminal acts. At the time, incidentally, twenty-two other states had similar codes. At any rate, the judge, in refusing to set aside the indictment, agreed with the prosecutor's argument that the charge was based not on the Pinto design fault, but rather on the fact that Ford had permitted the car "to remain on Indiana highways knowing full well its defects." The fact that the Ford Motor company was ultimately found innocent of the charges by the jury is incidental to the point that the increasing number of states that allow corporations to fall under the criminal code is an example of social regulation that could have been avoided had corporations and corporate managers not followed so ardently the Friedman doctrine.

In the long run, of course, corporate and individual willingness to do what is clearly immoral for the sake of monetary gain is a patent commitment of a certain view about the nature of human happiness and success, a view that needs to be placed in the balance with Aristotle's reasoned argument and reflections to the effect that money and all that it brings is a means to an end, and not the sort of end in itself that will justify acting immorally to attain it. What that beautiful end is and why being moral allows us to achieve it, may well be the most rewarding and profitable subject a human being can think about. Properly understood and placed in perspective, Aristotle's view on the nature and attainment of human happiness could go a long way toward alleviating the temptation to kill for money.

In the meantime, any ardent supporter of the capitalistic system will want to see the system thrive and flourish; and this it cannot do if it invites and demands government regulation in the name of the public interest. A *strong* ideological commitment to what I have described above as the Friedman doctrine is counterproductive and not in anyone's long-range interest because it is most likely to beget an ever-increasing regulatory climate. The only way to avoid such encroaching regulation is to find ways to move the business community into the long-term view of what is in its interest, and effect ways of both determining and responding to social needs before society moves to regulate business to that end. To so move the business community is to ask business to regulate its own modes of competition in ways that may seem very difficult to achieve. Indeed, if what I have been suggesting is correct, the only kind of enduring capitalism is humane capitalism, one that is at least as socially responsible as society needs. By the same token, contrary to what is sometimes felt in the business community, the Friedman doctrine, ardently adopted for the dubious reasons generally given, will most likely undermine capitalism and motivate an economic socialism by assuring an erosive regulatory climate in a society that expects the business community to be socially responsible in ways that go beyond just making legal profits.

In sum, being socially responsible in ways that go beyond legal profit making is by no means a dubious luxury for the capitalist in today's world. It is a necessity if capitalism is to survive at all; and, presumably, we shall all profit with the survival of a vibrant capitalism. If anything, then, rigid adherence to the Friedman doctrine is not only philosophically unjustified, and unjustifiable, it is also unprofitable in the long run, and therefore, downright subversive of the long-term common good. Unfortunately, taking the long-run view is difficult for everyone. After all, for each of us, tomorrow may not come. But living for today only does not seem to make much sense either, if that deprives us of any reasonable and happy tomorrow. Living for the future may not be the healthiest thing to do; but do it we must, if we have good reason to think that we will have a future. The trick is to provide for the future without living in it, and that just requires being moral.<sup>6</sup>

*This paper is a revised and expanded version of "Morality in the Marketplace," which appears in Business Ethics (revised edition) eds. Milton Snoeyenbos, Robert Almeder and James Humber (Buffalo, N.Y.: Prometheus Press, 1992) 82-90, and, as such, it is a revised and expanded version of an earlier piece "The Ethics of Profit: Reflections on Corporate Responsibility," which originally appeared in Business and Society (Winter 1980, 7-15).*

## Notes

1. Adam Smith, *The Wealth of Nations*, ed. Edwin Canaan (New York: Modern Library, 1937), p. 423.
2. See Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," in *The New York Times Magazine* (September 13, 1970), pp. 33, 122-126 and "Milton Friedman Responds," in *Business and Society Review* no. 1 (Spring 1972), p. 5ff.

3. Albert Z. Carr, "Is Business Bluffing Ethical?" *Harvard Business Review* (January-February 1968).
4. Milton Friedman in "Milton Friedman Responds," in *Business and Society Review* no. 1 (Spring 1972), p. 10.
5. Ibid
6. I would like to thank J. Humber and M. Snoeyinkbos for their comments and criticisms of an earlier draft.

