**Theme 5 – The Social Responsibility of Business is to Increase its Profits – Milton Friedman**

**Intro:**

* Businessmen believe that they are defending free enterprise when they declaim that business is not concerned merely with profits but also with promoting desirable social ends.
* Only people can have responsibilities not businesses. A corporation is an artificial person and has artificial responsibilities.
* In a freee enterprise, private property system, a corporate exe is an employee of the owners of the business. He has direct responsibility to his employers. Responsibility is to conduct the business in accordance with their desires(make money). In other cases it may be the rendering of certain services.
* In his capacity as a corporate exe, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution and his primary responsibility is to them.
* Exe has his own personal responsibilities like to family or to country. May refer to these as social responsibilities. His own money not employers. Social responsibilities of himself not the business.
* Corporate exe social responsibility? He is to act in some way that is not in the interest of his employers. Refrain from price increases, to prevent inflation.
* Spends other people’s money for a general social interest, these actions reduce returns to stockholders. His actions raise the price to customers, he is spending the customers money. Also lower the wages of employees.
* These individuals could spend the money on the action themselves. The exe is exercising a distinct social responsibility rather than serving as an agent of the other individuals, only if he spends the money in a different way than they would have spent it.
* If he does spend money differently he is in effect imposing taxes and on other hand deciding how the tax proceeds should be spent.
* This process raises political questions on two levels: principle and consequences. Impositition and expenditure of taxes is a government function. As fare as possible money being collected and spent.
* Businessman- self selected, simultaneously legislator, executive and jurist.
* Justification- selected by stockholders is that the exe is an agent serving the interests of his principal. Just disappears when he collects and spends taxes for ‘social’ purposes.- becomes in effect a public employee.
* If they are public employee should be elected through a political process.
* Consequences, keep money for himself? Leftover money? What actions to take? What should go where?
* Social responsibility brough into sharp relief when the doctrine is used to justify wage restraint by trade unions. Conflict of interest, lower wages and money goes to general purpose or other way around.
* The difficulty of exercising social responsibility illustrates 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.
* The problems being dealt with are too urgent to wait on the slow course of political processes and the exercise of social responsibility by businessmen is a quicker and surer way to solve pressing current problems.
* Situation is different of hte individual proprietor, 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 elses.
* Example: may be well in long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community.
  + May make it easier to attract desirable employees, may reduce wage bill.
* 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 free society.
* Business men tend to be incredibly shortsighted and muddleheaded in matters outside their businesses.
* 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 values, no social responsibilities in any sense other than the shared values nad responsibilities of individuals.
* Political principle that underlies the political mechanism is conformity. Must serve a more general interest.
* Unamity noramally wins but unanimity is not always feasible.