

Within the world today and its 195 countries, each has its unique history and resources to establish systems they deem fair for its citizens and economies. This fairness within its economies falls within a spectrum that businesses and private citizens get to partake in, from open markets with laissez-faire doctrines to more restrictive markets with heavy government supervision and regulation. One of the most popular systems on this spectrum, with its private ownership of production, distribution, and exchange of wealth, is capitalism. (1) For the sake of this paper, I will only be discussing the United States because it is the largest economy in the world and, therefore, the largest contemporary example of capitalism. The United States' current gross domestic product resides at \$25.66 trillion as of now. (2) The median household income as of 2021 was \$70,784, with the employment rate at 60%. (3,4)

This is comparatively high compared to the rest of the world, making an adult with this income richer than 99% of the global population. (5) While these statistics paint the United States in good standing, there is other information to consider. In the United States, 37.9 million people reside in poverty, 11.9 million being children. (6,7) 34 million people live with food insecurity, as well as 552,830 people living without homes; around 13000 of those homeless will die yearly. (8,9) These disparities beg the question of who will take responsibility for these adversities, and who should? Any modern-age issue requires a modern-day tool for solving it: money. One argument is that the government is socially responsible for this task, as it is obligated to within a system such as the United States, adhering to "of the people, by the people, for the people". (10)

However, the government can only generate money on its own with consequences, such as impacting inflation, which may exacerbate the issues above. The government also heavily depends on the private sector for funding, as 70% of its GDP derives from it. (11) Should then

businesses be socially responsible for these concerns? According to one economist, Milton Friedman, the answer is no. Businesses, according to Friedman, are vessels to maximize profits for their stockholders within the acceptable means of society. This includes avoiding "deception and fraud" to retain a fair and healthy competitive environment for all businesses. (12) This stockholder theory is what Friedman believes all businesses should subscribe to. For a business to get involved within societal problems, such as poverty, means stealing from its stockholders and their investments. If a CEO or chair members decides to provide aid to the homeless or the needy, they are autocratically deciding where the business's money is going: "the corporate executive would be spending someone else's money for a general social interest". (12)

Milton Friedman asserts that corporations pursuing these acts, such as "providing employment, eliminating discrimination, avoiding pollution" are going against a "free society" through "preaching pure and unadulterated socialism". (12) Personal beliefs of supporting society should not be married to a business, as it damages the company by focusing on something other than profits, the lifeblood of all corporations. If a company were to exert its resources to solve these social responsibilities, it would be doing so arbitrarily. What issue is more worthy of focus than another, and who is to make that decision, Friedman argues? These are questions that the overall public should be deciding on rather than individual private businesses who do not know these things. Expecting their owners to determine this thrusts upon them the additional duties of "legislator, executive and jurist". (12)

What if the owner goes too far and spends more than is available? Is this philanthropy or reckless? How much money should be allocated for these social causes, and who will dictate this? To leave the accountability of the welfare of society into the tenure of businesses misses the point of capitalism, Friedman argues. This point is that capitalism works to push society towards

a meritocracy rather than a socialistic system, as Friedman suggests with his "fundamentally subversive doctrine". (12) To evaluate Friedmans' stance on the role Businesses have within a society, it is crucial to examine what businesses already offer. Currently, the private sector employs 71% of workers within the United States. (13) The largest employer within the country, second to the federal government, is Walmart, with 1.5 million employees. (14) It is not just large corporations responsible for creating jobs for communities and the nation as a whole, as most businesses within the United States are small ones, with 500 or fewer employees. Only 0.1% of American businesses are large corporations, with 99.9% being small and responsible for employing 49.2% of the nation. (15) With smaller businesses comes smaller funding, as 75-80% of "small businesses are self financed". (15)

This is only for small businesses that remain after a few years of existence, as the first year claims the failure of 20% of all businesses and 66% within ten years. (16) Are these businesses also responsible for being public servants and working to find solutions to societal dilemmas? Is a newly established bakery, owned by a father and daughter, responsible for ensuring they provide aid to the homeless in their city? Where will the funding come from if the two decide to go this route? For any company to have the money to commit these acts of kindness and still exist, funding would have to come from its profits. According to German economist Karl Marx, this derives from the capitalist paying their workers less than their labor is worth: "the more the one gets the less will the other get and vice versa". (17) The more altruistic acts a company commits, the less it has to pay its employees. This raises the concern of if the capitalist has a right to do so, and if "he [can] get away with spending his stockholders', customers' or employees money? Will not the stockholders fire him"? (12)

While Milton Friedman concludes that social responsibility does not fall onto the businesses, economist Edward Freeman proposes his own idea: stakeholder theory. This theory states that managers of a business "bear a fiduciary relationship to stakeholders...groups who have a stake in or claim on the firm". (18) These groups include those who supply, work for, buy from, own equity, or are impacted by the business. Edward Freeman believes that if businesses were left to their own fabricated competitive environment, they would do so with a disregard for anything that is not financial gain. Evidence for this claim includes the numerous acts the government has enacted due to the recklessness of businesses acting as if their capitalistic actions exist within a vacuum with no consequence. These acts include the equal pay act of 1963, age discrimination in employment act of 1967, clean air act, and the clean water act. When asking "in whose interest and for whose benefit should the firm be managed", he states that "managerial capitalism" would answer "the stockholders, of course." (18)

However, Edward Freeman has made it evident that the government and its laws have been limiting this view. He believes businesses do have a social responsibility, but not directly to society, such as through assisting the poor. This social responsibility derives from perceiving a business as a mausoleum, with all its columns being its stakeholders. "When the firm treats the supplier as a valued member... the supplier will respond when the firm is in need". (18) The same goes for the local community, granting "the firm the right to build facilities and, in turn, it benefits from the tax base and economic and social contributions of the firm". (18) Edward Freeman asserts the benefits of mutualism between business and society. Where one benefits, so do the others. If the business or society is to betray or act tortuously, there will be consequences. "When the firm mismanages its relationship with the local community, it is in the same position as a citizen who commits a crime". (18) As Edward Freeman writes, "suppliers...are vital to the

success of the firm, for raw materials... In turn the firm is a customer of the supplier...vital to the...survival of the supplier". (18) The era of the industrial revolution saw the erection of the first unions, who fought for the authorization of an 8-hour work day: "Eight hours for work, eight hours for rest and eight hours for what you will." (19)

Businesses like the railroad companies protested this to the point where the U.S. Supreme court had to intervene in *Wilson v. New*, backing the union's desired working hours. (19) Contemporary examples of profit-driven companies can be seen today, with only "24% of the workplace saying their bosses had their best interest at heart" in February 2022. (20) When a business does not act socially responsible by putting every stakeholder alongside its mission for profits, managers, as Milton Freeman states, "treat persons as ends unto themselves, and it should come as no surprise that persons respond to such... treatment". (18) This treatment causes 57% of Americans to leave their position, as they refuse to work for a business that can not see past the interest of their stockholders. (21) When managers exhibit concern for their employees, employees are 36% "more likely to say they are thriving in their overall lives". (20) As seen in the erection of the first unions, satisfied workers are crucial for a fruitful business. When workers are happy, it can lead to a 20% increase in productivity and a 37% increase in sales. (22) Additionally, stock prices for the "100 best companies to work for" rose by 14% annually, demonstrated from 1998 to 2005. (22) These statistics show that Edward Freeman's mutualism benefits both stockholders and employees.

While exploring Milton Friedman and Edward Freeman's accounts of the social responsibility of business, it is important to understand what both agree upon. Both economists agree that businesses should acceptably participate in society. Neither economist states that a business's role is directly solving global dilemmas such as poverty or homelessness. Each

maintains their theory as the model that can lessen these issues, but both conclude that their model does not operate explicitly to eradicate them. Edward Freeman's framework exists to resolve dilemmas within businesses, such as its potential unethical actions towards the environment, its employees, or its business partners, and to cultivate a mutualistic relationship amongst all affected by the company.

Milton Friedman's theory holds that businesses should focus primarily on raising profits in a socially ethical fashion to promote a free society where competition can determine the allocation of resources, such as through supply and demand. Both economists have valid theories which do not have to exist exclusively. "Unadulterated socialism" should not have to be the immediate response to businesses promoting social well-being, just as "Owner's want[ing] higher financial returns" should not immediately label as unscrupulous. (12,18) Some of the happiest countries in the world are the most capitalistic. 20 out of the top 25 happiest countries are the world's top 30 most capitalist countries. (23,24) These countries include Finland, Australia, Czech Republic, and Canada. Evaluating both economists' accounts of the social responsibility of business as antipodal would be inaccurate. John D. Rockefeller, the wealthiest American of all time, was no less of a capitalist because of his \$540 million in donations. (25) "If your only goal is to become rich, you will never achieve it". (26) This statement criticizes Milton Friedman's theory, but shows that profits can still be a primary focus of a business, just not the only one. Economists' theories can endure at the same time. A business can focus simultaneously on matters other than profits and still be successful, as demonstrated by John D. Rockefeller. Treating those a business surrounds itself with and employs as not just a means to an end can satisfy all parties. From reinforcing the columns of the mausoleum to the business deciding to lay on new paint for its own appearance, everyone wins in the end.

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