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Does Milton Friedman Support a Vigorous Business Ethics?

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ABSTRACT. This paper explores the level of obligation called for by Milton Friedman's classic essay "The Social Responsibility of Business is to Increase Profits." Several scholars have argued that Friedman asserts that businesses have no or minimal social duties beyond compliance with the law. This paper argues that this reading of Friedman does not give adequate weight to some claims that he makes and to their logical extensions. Throughout his article, Friedman emphasizes the values of freedom, respect for law, and duty. The principle that a business professional should not infringe upon the liberty of other members of society can be used by business ethicists to ground a vigorous line of ethical analysis. Any practice, which has a negative externality that requires another party to take a significant loss without consent or compensation, can be seen as unethical. With Friedman's framework, we can see how ethics can be seen as arising from the nature of business practice itself. Business involves an ethics in which we consider, work with, and respect strangers who are outside of traditional in-groups.

KEY WORDS: duty, ethics of business, freedom, Milton Friedman, liberty, John Stuart Mill, negative externality, profits, respect for law, society, stakeholder theory, stockholder theory

There are significant differences in the business ethics scholarship on how to read Milton Friedman's classic and provocative essay "The Social Responsibility of Business is to Increase its Profits." The most common reading of Friedman is that his analysis minimizes any moral duties beyond following the law, and thus, supports a weak version of business ethics. Colin Grant, for example, interprets Friedman as claiming that managers should "concentrate obsessively on profitability, and that ethics should be marginalized" (1991, p. 907). On a similar note, Sean McAleer asserts that Friedman articulates the position that "a business's only responsibility is to maximize wealth for its stockholders" (2003, p. 437). He claims that in Friedman's perspective, "corporate morality reduces to legality, and thus that extra-legal negative duties do not constrain profit-maximization" (2003, pp. 439–440). McAleer offers a systematic and logical analysis of Friedman's paper, in which he claims to identify six arguments from Friedman's text and show that all are unsound. He claims Friedman simply fails "to provide rationally persuasive arguments for his view" (2003, p. 450).

In a paper that offers a more friendly reading of Friedman than that by McAleer, David Silver argues that Friedman's account of the responsibilities of business "while on the right track, is incomplete" (2005, p. 4). He calls executives who would follow the ethics of Friedman, "Friedman maximizers," and claims that in focusing upon profits for his or her company, "a Friedman maximizer is tightly constrained regarding the kind of corporate code of conduct that he may advance" (2005, p. 4) to always express their motives in terms of profits. He reads Friedman as claiming that when it comes to the question of whether executives may act to advance the interests of someone in the society other than the stockholders, "they may state that the company will obey the law, will not engage in fraud or deception, or stray from free and open competition" (2005, p. 4). From Silver's perspective, Friedman would see an executive as fulfilling his moral obligations if he or she acts as a bureaucratic machine that automatically decides to make as much money as it can without lying or breaking the law. Silver then seeks to offer an improvement upon Friedman's framework by extending it with "the promotion and protection of autonomy" (2005, p. 6).

A very different way of reading Friedman was suggested prior to McAleer and Silver by Harvey James and Farhad Rassekh. James and Rassekh label

the common interpretation of Friedman as advocating that businesses do whatever is legal to maximize profits as a "textbook treatment" (2000, p. 660), and they argue that a closer study of Friedman's philosophy reveals a social ethics that are much more nuanced. They offer an extensive exploration of Friedman's other work, especially his 1962 book, *Capitalism and Freedom*, and the 1980 book he co-authored with this wife, *Free to Choose*, for indications on how to read Friedman's (1970) article on business's social responsibility. Throughout their analysis, they read Friedman as writing in Adam Smith's tradition of thinking of morality in terms of self-interest and the interests of others. They assert that "neither Smith nor Friedman considers self-interest to be synonymous with selfishness" (2000, p. 659). They directly read Friedman as having "never advocated the pursuit of one's interest to the detriment of individuals and society" (2000, p. 662), and conclude that "the overriding principle governing" Friedman's notion of self-interest is "the principle of freedom (i.e., absence of coercion)" (2000, p. 670). They quote Friedman from his 1980 book as directly recognizing that "we do live in an interdependent society" (Friedman and Friedman, 1980, p. 119 quoted by James and Rassekh 2000, p. 667). At the end of their paper, James and Rassekh offer interesting historical evidence on behalf of their reading. They note that Friedman had read and commented upon an earlier draft of their paper and had written to them "I have been very unhappy about some of the interpretations that have been placed on my position" (Friedman quoted by James and Rassekh, 2000, p. 671, Note 2). In light of Friedman's own comments, we have compelling reasons to wonder if there are important dimensions of Friedman's business ethics that have not been fully captured in analyses such has that advanced by McAleer.[1]

Friedman's formulation of business responsibility

Just how low or high of an ethical bar does Milton Friedman set for business ethics? In the analysis that follows, I will argue that if we read Friedman carefully and follow out the logic of many of his key claims, he sets an extremely high bar. A bar, which not only clearly surpasses those of the interpretations of Gant, McAleer, and Silver, but also perhaps involves a level of moral vigor and richness that even goes beyond that suggested by James and Rassekh. For while analyzing situations in terms of interests, and ensuring that one never advances his or her self-interest at the expense of others' interest provides an ethical floor, it is a floor with a robotic vision of business relationships. If we delve into the details of Friedman's text, however, we find him taking an approach to morals that are also sensitive to duties, desires, and understanding of others' perspectives.

Early in his essay, Friedman argues that the "corporate executive" has immediate responsibilities to the owners of the company, which, in the case of a publicly held company, would be its stockholders. He codifies these responsibilities as:

> 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 society, both those embodied in law and those embodied in ethical custom. (1970, p. 33)

There are two details in this sentence that many readings of Friedman either do not mention or do not give adequate weight to: executives must respect shareholders' desires and they must conform to ethical custom. Profits are not ends-in-themselves; the only reason why executives are obligated to increase profits is because that is what the stockholders desire. While there is no doubt this formulation of executive duty emphasizes money, it also indicates a duty for the executive to evaluate and consider non-monetary factors in his or her decision making. Hence, McAleer's interpretation of Friedman as holding "a business's only responsibility is to maximize wealth for its stockholders" (2003, p. 437) would not seem to be correct. The claim that the executive will "generally," but not always, be striving to make money, also requires that the executive needs to identify those "particular" situations in which the stockholders would not desire for him or her to maximize profits because of some other non-monetary desire. While it might be obvious, for example, that the stockholder would not want his or her company to make money by producing a product that the stockholder believed could lead to human extinction, and thus his or her

own demise, the consequences of decisions are seldom so clear. Hence, the executive must exercise judgment to determine when an action would displease the typical stockholder despite its profitability. At one point, for example, Friedman posits a scenario in which an executive should make "corporate charitable contributions" (1970, p. 124) to charities favored by the stockholders even if the contributions reduce profits. The bottom line for Friedman is that because the company is the shareholders' property, the executive has a responsibility to try to do with the company whatever the shareholders wish. Beauchamp describes a case in which the management of a corporation attempted to obstruct efforts of a group of shareholders to put before all shareholders the question of whether the company should stop the marketing of pâté because it was produced by force feeding geese in ways that were cruel and unethical (2004, pp. 109–113). From the framework of Friedman, the management's efforts to avoid shareholder input was unethical. They should have instead made every effort to access if it was the desire of most shareholders that they discontinue the marketing of pâté, and if so that they act as the shareholders wished. Since shareholders are people, and what people desire is, in part, a function of their moral perspective, Friedman's analysis requires a consideration of moral perspectives at a publicly held companies' core.

Friedman's assertion that any profit seeking must be done "while *conforming* to the basic rules of society" (1970, p. 33) places stringent responsibility on management to refrain from action that breaks these rules, including basic ethical principles, no matter how little the action goes beyond them, and no matter how much potential profit the actions could make.[2] While some decisions may be in ethically gray areas, so that their moral implications can be weighted along with other factors including raw profitability, other decisions may simply be illegal and/or ethically impermissible to the point that they should not even be considered. If managers in fact followed Friedman's ethic, the jobs of such entities as the FDA, EPA, SEC, and NLRB would be much easier, since a phone call or letter pointing out any legally questionable activities within a company would trigger an internal effort by management to ensure its company is conforming with the law as part of its social responsibility.

Friedman's claim that businesses have a responsibility to seek profits rests in part on a "division of labor" that he makes in his vision of societal ethics. He argues that within a free society, there are two different means by which decisions are made to invest resources for a purpose: "the political mechanism" and "the market mechanism" (1970, p. 125). The "political mechanism" is essentially government. Politicians offer alternative ways of addressing problems; voters offer their feedback through elections. The winners use their elected power to create and implement programs that are funded with tax revenues to address the social issues, as well as to pass laws and regulations that prohibit any business activities that the representatives of society can agree cause too much harm to parties outside of a business transaction. The market mechanism, on the other hand, offers members of society ways to get things they desire that might not have enough societal support or need to result in the creation of a government program. People with savings become stockholders by investing their money in businesses. The businesses use the money to acquire materials and hire employees, which in turn allows the business to provide goods or services that customers desire. The customers pay for the items in such a way that provides the employees and stockholders with resources that compensate them for their efforts and capital. The economic structure of a politically regulated market economy essentially allows various individuals to spontaneously enter into numerous co-operative relationships as stockholders, employees, and customers. The market mechanism offers a decentralized means of allocating resources that *complements* the allocations made by the political mechanism. Although Friedman does not mention it, at times, our society even uses what we can consider a hybrid mechanism in which tax incentives encourage market forces to undertake activities that elected officials deem to benefit society as a whole, enough to merit wider societal support.

Although Friedman's theory is characterized as a "stockholder theory" in contrast to "stakeholder theory," his analysis also prominently praises the market mechanism for advancing the interests of the employees and consumers, both of which are considered key "stakeholders" (Friedman, 1970, pp. 33, 122). The interests of other "stakeholders" who are outside of the market transaction, such as people

who would be affected by overall levels of pollution, would be addressed by the political mechanism as the government passes laws that all businesses must follow. Friedman claims that business professionals have neither the power nor possibly even the knowledge necessary to address larger societal problems, even if they wanted to. Business professionals are not in a position to fight inflation (1970, p. 122), for example, which requires a more centralized social institution that can address such factors as money supply and aggregate demand.

An interesting implication of Friedman's call for a separation of the market and political mechanisms is that it raises questions for the propriety and social wisdom of lobbying, where corporations use their monetary resources to influence the laws. If law makers were able to make society's laws without giving too much weight to profits, then businesses could rely upon the political mechanism to prevent them and their competitors from making profits in socially harmful ways. Efforts on the part of businesses to persuade law makers to pass laws that allow them to do an activity that would otherwise not be allowed, so that the businesses could make greater profits, undercuts the separation of powers between Friedman's market mechanism and the political mechanism. For example, in 1996 health insurance companies successfully lobbied congress to drop a bill that had passed the Senate that required them to offer the same coverage for mental and physical health (Lueck, 2008, p. A2). From Friedman's perspective we could say it was ethical for the companies to increase their profits by not covering mental health since it was legal to not do so, but once the companies interfered with the law making process they crossed a line by corrupting the political mechanism with the market consideration of profitability. You cannot rely upon the law to ensure that a profitable activity is ethical, if laws are not made in a way that prevents them from sanctioning unethical activities because they are profitable. In two of his books, we can indeed find Friedman portraying lobbying in a negative light. In the conclusion of *Capitalism and Freedom*, he sites ''the pressure of special interest groups'' (1962, p. 197), as a significant factor that limits the quality of how actual governments intervene in the economy. In *Free to Choose*, he expresses concern that a general problem faced by government is that ''diffused and widely spread interests get short shrift; the concentrated interests take over'' (1980, p. 217).

Because he is sensitive to publicity and how businesses are part of their communities, Friedman does say that the desire to make profits gives corporations financial incentive to engage in low cost projects that help their community, or even higher cost projects that benefit the community in a way that gives a high benefit back to the business as well. He points out, for example, that it may be in the interest of a business to do what it can to insure the integrity of its community and its local government if it relies upon the community to hire good workers (1970, p. 124). Beauchamp has described a case where shareholders of a utility program routinely voted to contribute between \$40,000 and \$100,000 a year to a social responsibility program in which social workers contacted and helped customers who had problems with their utility bill (2004, p. 225). Since the program got significant non-shareholder support, its total budget was \$500,000 overall, and resulted in a 20% lower debt level, the shareholder donation could be viewed as a wise business practice as well as a socially motivated decision. What management of businesses cannot do without violating their social responsibility to shareholders is invest large resources for social causes in ways that generate financial losses greater than the shareholders would want to pay. In such cases, however, Friedman would point out that the political mechanism allows the society to raise and spend the level of resources it deems desirable. If society wanted to fight global warming, for example, by having auto manufactures make very small, inexpensive, fuel efficient cars, whose profitability is too meager compared to that of SUVs to ensure their production from the pure market mechanism, congress as the political mechanism could create tax credits or breaks to provide adequate incentive.

Friedman's claim that in addition to not breaking the law, the executive needs to follow the rules ''embodied in ethical custom'' (1970, p. 33) is unambiguous. It would seem to directly contradict McAleer's interpretation, shared by many other Friedman's readers (James and Rassekh, 2000, p. 662), that for Friedman ''extra-legal negative duties do not constrain profit-maximization'' (McAleer, 2003, p. 440). The responsibility to conform to the rules of ethical custom requires that

the executive understands ethics so that he or she can judge if an action, which is profitable, should still be avoided because it violates basic ethical principles.

From ethical custom to valuing liberty

One difficulty in fully determining the scope of business ethics that Friedman is seeking to advance in his paper is that he does not entirely spell out what he believes the scope of ''ethical custom'' to be. This could be perhaps why some readers like McAleer don't even seem to be aware that he makes this stipulation. Would Friedman include such customs as Confucius' dictum ''do not impose on others what you yourself do not desire'' (Analects: XV.24), Kant's duty to ''be kind where one can'' (1785 [1985], p. 14), or even perhaps Kant's second formulation of the categorical imperative ''act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only'' (1785 [1985], p. 46)? All three dictums are central enough to the history of ethics that one could argue they should be at the core of any civilized person's notions of ethical custom. Yet, Friedman's failure to outline in detail what he sees as the core of ethical custom is perhaps the reason why some business ethicists have gone on to argue that his position is that executives should do anything that maximizes profits as long as it is legal. At the end of the essay, he states that businesses should engage ''in open and free competitions without deception or fraud'' (1970, p. 125), but this need not give the entire scope of what he means by ethical custom. If we look at Friedman's text, we can indeed identify underlying values that go beyond an etiquette of honesty.

As we have seen, a closer reading of Friedman's text reveals that he does not regard profits as ends-in-themselves, but as carrying value because of other ends that they facilitate. A more central end to Friedman would seem to be freedom. Two of his books, *Capitalism and Freedom* (1962) and *Free to Choose* (1980), identify freedom as a key social end throughout their analysis. In his paper on the social responsibility of business, Friedman uses the words ''free'' or ''freedom'' in a positive fashion eight times. Furthermore, most of the other arguments of his essay can be seen as grounded in the value of freedom as an ultimate good.[3] The basis of the title claim of the essay that executives have an ethical responsibility to ''increase profits'' can in fact be traced to his value of freedom. He argues that the executive must act as the shareholders would act, because doing otherwise would infringe upon the shareholders' freedom. Because shareholders hire and are dependent on executives to do certain things as their ''agent'' (Friedman, 1970, p. 33), their freedom of choice would be abrogated if the executive did something else. Hence, he argues that executives should not spend a company's resources on social causes the shareholders would not support, because it ''is in effect imposing taxes'' (1970, p. 33) on the stockholders with lower profits. This requires executives to eschew spending corporate resources on social causes not endorsed by stockholders. In his analysis of Friedman's framework, David Silver traces Friedman's abhorrence of deception and fraud to Friedman's value of freedom, since deception undercuts the autonomy of its victim because ''it is an instrument by which the deceiver seeks to unfairly gain control over the wills of others'' (2005, p. 4).

As an ultimate good, the value of freedom can be used to ground other principles for organizing the society. One economist and ethicist of the 19th century, John Stuart Mill, devoted a whole essay, *On Liberty* (1859 [2002]), to explaining how a free society organized on allowing each individual to pursue his or her own conception of the good would maximize the pursuit of happiness. Mill claims that as long as someone is mentally competent, ''his own mode of laying out his existence is the best, not because it is the best in itself, but because it is his own mode'' (1859 [2002], p. 56). A consequence of this principle is that if a society governs itself with laws that maximize the extent to which people can pursue their own mode of life, this would advance the greatest good of its people as utilitarians seek. From a Kantian perspective, one might argue that pursuing your own life plan is a way of treating yourself as an end, and allowing others to pursue their life objectives is a way to respect them as ends.

In order to maximize the freedom that members of a society have in choosing how to live, Mill defends the principle ''that the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others'' (1859 [2002], p. 8). Mill shows that the principle of liberty assumes to a large

extent that agents must consider their actions and determine if they have adverse effects on others. If people did not have a high level of responsibility in considering the effects of their actions on others, then, instead of enjoying liberty, people would be continually dealing with the adverse effects of other people. If one places the highest value on freedom, then he or she would want everyone in the society to at least follow Confucius' principle of not doing to people what you would not want them to do to you. Any business practice, which has what economists call a "negative externality" that requires another party to take a significant loss without compensation, can be seen as problematic from a perspective that values liberty.[4] Based on their reading of Friedman's (1962, 1980) books, James and Rassekh argue that Friedman has a strong sense that any business activity that adversely affects someone against their will is unethical (James and Rassekh, 2000, pp. 667–668).

Application of Friedman's framework

If all business professionals in the world started following the business ethics of Milton Friedman, what would happen? According to McAleer and Grant, businesses might start doing outright harm if they could make money doing so. Silver would say that they would have policies that are ethically inadequate. James and Rassekh suggest businesses would avoid harm to others by ensuring that they don't advance their interests at the expense of others. From our consideration of Friedman's principles, I think we can conclude that businesses would start thinking more consciously in terms of what is their duty to do as businesses. Throughout his analysis of responsibility, Friedman expresses a deontological temperament. Stakeholder theory, which dates to the 1930s (Stanwick and Stanwick, 2009, p. 34), holds that in making decisions, the management should calculate their implications on all parties that the business affects or is affected by (Stakeholders), and act to advance the greater interest. Responding to the stakeholder theory, Friedman offers an alternative vision of business ethics, in which managers focus on performing specific duties, including making a profit, as well as conforming to rules that protect other people from harm (Table I).

We can see the extent to which Friedman's framework for thinking about business ethics compares with main-steam intuitions by considering the commonly vented cases of Enron, Wal-Mart, and SUVs. The simple principle that a business profes-

TABLE I

Duties that Friedman argues that managers of public companies must follow with their page number and their beneficiary

Duty	Beneficiary
Respect shareholder desire (p. 33)	Shareholders
Keep costs low (pp. 33, 122)	Shareholders, employees, and customers
Conform to the law (p. 33)	Society
Conform to ethical custom (p. 33)	Society
Engage in open and free competition (p. 125)	Customers
Don't commit deception or fraud (p. 125)	Shareholders, employees, customers, and society

I list the duty to keep costs low as subservient to the overall duty to satisfy the desires of shareholders, because the responsibility to shareholders would be the primary motivation. By keeping costs low, management also benefits the employees and customers by making more resources available for wages and reducing pressure to raise prices. By following the law and ethical custom, management protects members of society external to the business's immediate activities. Free competition ensures customers pay a reasonable price, while avoidance of deception or fraud protects all parties interacting with the company. The eminent deontologist Immanuel Kant emphasizes the importance of respect for law and holds that deception is always evil (1785 [1985], p. 39). One traditional group of stakeholders that is not specifically mentioned by Friedman are suppliers, for whom the business is a customer. Their interests would be protected by businesses always conforming with law and ethical custom, and specifically, by being honest with them. Since shareholders, employees, and customers are members of the society, they benefit from all duties that benefit the society.

sional should not infringe upon the freedom of other members of society, which can be seen as underlying Friedman's framework, can be used by business ethicists to show difficulties with practices that are commonly cited in the business literature as ethically problematic.

The deceptive actions by executives at Enron clearly infringed upon the liberty of the stockholders. In an effort to make it look like the company had assets, which it did not have and thereby increase the price of the stock, executives at Enron created the false appearance of business with fictitious offshore companies (Barry and Shaw, 2001, p. 212). When the deception became public, the stock plummeted and the company went bankrupt. The well publicized suffering of people whose retirement plans were disrupted by the fall in Enron stock between 2000 and 2004 from 90 dollars to 4 cents a share puts a human face on Friedman's claim that the imperative to make profits with the shareholders' money is in fact an important ''social responsibility.'' The stockholders of many publicly held companies include ordinary people who are relying on the company to at the very least not lose the money that they have invested in it; if not, give them a greater return on it than they could get by saving it in a bank account. The events of Enron, perhaps the epitome of unethical business, go against the core values articulated by Friedman in his outline of business responsibility.

Research by Kulik et al. (2006) suggests that, at a deeper level, the debacle at Enron illustrates the extent to which Friedman's framework can ground business ethics. They use a model based on the theory of planned behavior to explore organizational implications of Enron's adoption of its ''rank and yank'' personnel policy, where each worker's job appraisal was competitively ranked against each other's, and those with less favorable rankings were released from employment. They found that there are many reasons why ''an internally, intensively competitive organization'' (2006, p. 5) such as that used by Enron would lead to widespread corruption in a company. From Friedman's perspective, one could argue that the rank and yank policy violates ethical custom, since it violates Kant's second formulation of the Categorical Imperative by treating employees as means and not ends. On the level of common sense, if a company does not treat its employees ethically, it would be naïve for the business to expect them to treat it ethically. In an analysis of organizational dishonesty, Cialdini et al. (2004, pp. 67–73) also point out that any business that tolerates and/or encourages dishonesty toward customers or vendors sets up a culture that will likely result in the company facing costs from its employees being dishonest toward the company as well. Friedman himself notes how even the demands of long term profitability require sensitivity to how policies affect the community from which it draws its employees. Hence, he directly suggests that it may be profitable for a company to spend resources helping its community or local government, because it ''may make it easier to attract desirable employees, and it may reduce the wage bill or lessen losses from pilferage and sabotage'' (1970, p. 124).

Another business that attracts the criticism of those who have concerns about socially irresponsible business practices is Wal-Mart. Although the company is at the top of the Fortune 500, according to some critics, at times, it pressures workers to work additional time after their shifts without pay and it uses coercive powers to prevent employees from organizing a union (Olsson, 2003, pp. 54–59, and McWilliams and Zimmerman, 2008, p. A6). The corporation has also been criticized because many of its full time workers need to rely upon taxpayer supported Medicaid to provide health care for their family (Olsson, 2003, pp. 55–59). From Friedman's perspective, the issue at hand is what society has decided when it made its laws on work and support for its low wage citizens. Any practice of coercing employees to work off the clock would violate labor laws, and the underlying ethic of all business that people get paid for their contributions in business transactions, and would, therefore, violate the most basic rules of the game as Friedman states them. Preventing employees from forming unions can be seen as not respecting their freedom and violating the labor laws that allow workers to organize, so it too would not be permissible in Friedman's ethics. However, the simple fact that some Wal-Mart workers qualify for government benefits, even after they have been allowed to negotiate there wages through the social system that includes a right to unionize, would not be an ethical short coming from Friedman's perspective. Society has set minimum wage laws and established programs to support people who can work but not earn enough to live, and their would be no reason why Wal-Mart should not

make its workers aware of whatever resources they are entitled to in our social system. If there are people willing to work for wages that require supplementation with government programs, then that is a problem that Friedman would suggest needs to be addressed by the policy makers of the political mechanism. Of course, it may be if Wal-Mart followed the current labor law, it would have to pay its workers a higher wage. Here, we see how Friedman's framework revolves around duty: if Wal-Mart were to do its duty by following society's laws and ethical customs, then it would have fulfilled its obligation toward its workers. Like many critics, Friedman would hold that Wal-Mart has done something wrong. For Friedman, the core problem at hand is not a question of Wal-Mart being "bad" or "not generous enough," but of not following the rules of society and everything that emanates from them.

With the increasing evidence of global warming, the decisions of auto manufacturers to produce and market the large gas guzzling SUVs has come under increasing scrutiny. Although the manufacture of these vehicles is entirely legal, the ethical basis for the decision can be at least questioned from Friedman's framework. Because the SUVs are three times more likely than regular cars to kill passengers of other vehicles (Singer, 2000, p. 14), when someone buys and drives an SUV, they are forcing the passengers of other vehicles to take on an elevated risk of death without giving them compensation or even asking for informed consent. By selling these items to individuals, the auto manufacturers are facilitating the imposition of this risk upon unwilling participants. There are few infringements on liberty that would be considered greater than requiring someone to assume a risk of death involuntarily. Thus, Friedman's line of analysis is adequate to at the least raise doubts as to the social responsibility of the manufacture of SUVs. His overall perspective on harm provides a basis that could be used at the level of our society's political mechanisms to argue that such vehicles should not be legal because of the extent to which they cause harm to others in accidents and with their pollution. To the extent that his perspective challenges lobbying, it could also be used to argue that auto-makers should not interfere with the political mechanism if law makers were to undertake debate on addressing the harm SUVs give to society by banning them.

Concluding thoughts

It is the conventional wisdom of many that there is a tension between businesses pursuing profits and being ethical. In this view, ethics is seen as something that is imposed upon business activity from outside. This view, however, I believe rests on a false dichotomy between being a good citizen and being a good business professional. As we have seen with our consideration of Friedman's analysis of business ethics, morality and profits need not be seen as distant. If we consider the social meaning of business practice, we can see ethics as internal to business. In many cultures and societies, a distinction is made between people who are members of one's "in-group" to whom one gives significant levels of respect and ethical treatment, and "strangers," who are in "out-groups" and do not receive such treatment. In the case of war, people even kill members of an "out-group." The ethics of business, in contrast, centers on a cooperation of strangers. In the practice of business, people, who do not know each other, routinely work with and rely upon each other. To be successful, business professionals must understand at least one desire of their potential customers well enough to offer a product or service that satisfies them. If a business grows to any size, it must hire different people who will work together to ensure the reliable execution of the activities necessary to make the product or service available. The very activity of business thus rests on a respect, interest, and even concern about strangers. While the ethics of this activity does not rise to the level suggested in the New Testament that we "love" strangers, as in the parable of the good Samaritan (Luke 10:25–10:37), vibrant business relationships establish cooperative interactions at levels that require lack of hostility, tolerance, basic curiosity, and respect. It would be very difficult, if not impossible, for two countries at war with each other to openly engage in business transactions at a societal level. If the destruction and violence of war is the ultimate negation for what humans value in ethics, business would thus be the antithesis. In a society where the cooperation of strangers is being carried out by means of private businesses, a company's profits are merely a social mechanism that ensures it has the resources to meet the desires of its customers, while compensating employees and investors for their efforts.

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Notes

[1] Despite the fact that we know Friedman reviewed and commented on an earlier draft of James and Rassekh, since Friedman was not a co-author, we cannot directly attribute any specific claim to Friedman.

[2] I italicize "conforming" for emphasis. I am indebted to Kathleen Monroe, a student in a course that I taught on business, ethics, and society for pointing out during class discussion how strongly the word "conforming" limits the possible actions of executives.

[3] To this extent, I agree with David Silver's (2005) reading of Friedman as trying to ground business ethics in the value of "autonomy," which is linked to freedom. Friedman, however, does not use the word autonomy, and I believe that Silver underestimates the extent to which Friedman's framework places ethical requirements that go beyond the law.

[4] In their reading of Friedman, James and Rassekh also conclude that Friedman's conception of freedom makes any adverse external effects of a business practice unethical if the affected party is not compensated or could not easily avoid the risk (2000, pp. 667–668).

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