Lesson 9 — Do Businesses Have A Social Responsibility?

The students debate whether a business best serves society’s interests by maximizing profits or by pursuing policies it believes promote social justice, the environment and other causes.

OVERVIEW

Economics
Many workers are employees of companies. These workers agree to do what the companies’ owners tell them to do. In return, the companies pay the employees a wage or salary. This relationship, or contract, is an example of a principal-agent agreement: The company is the principal and the worker is the agent. The principal-agent agreement is the most common employment contract in capitalist countries. It is the basis of the economic model for businesses, most of which consider their sole purpose to be maximizing profits for owners. In a publicly traded company, the owners are the company’s shareholders.

Ethics
Advocates of corporate social responsibility argue that profit is essential to a business’s well-being and continued existence, but profit should not entirely define the business’s purpose. These advocates believe the principal-agent agreement also has a trust or fiduciary aspect that includes a set of expectations related to honesty, loyalty, obedience and the full disclosure of relevant facts. Workers have a fiduciary duty to their employer, for example, to obey the firm’s rules. A company has a fiduciary duty to its shareholders to report financial data honestly. But advocates of corporate social responsibility believe that a firm’s fiduciary duty extends beyond its shareholders to other stakeholders: employees, suppliers, customers and the community.

LESSON DESCRIPTION
The students read two viewpoints on the social responsibility of business: Milton Friedman, a Nobel laureate in economics, argues that businesses best fulfill their social responsibilities to society by focusing on increased profits. John Mackey, founder of Whole Foods Market, believes that a business’s social responsibility goes beyond maximizing profits. The students evaluate these arguments and then decide whose opinion they support.

CONCEPTS
Fiduciary duty
Principal-agent agreement
Profit
Shareholder
Social responsibility of business
Stakeholder

CONTENT STANDARDS
10. Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and well enforced property rights, is essential to a market economy.

14. Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. Profit is an important incentive that leads entrepreneurs to accept the risks of business failure.
OBJECTIVES
The students will:
1. Describe the principal-agent agreement that governs most employment.
2. Compare and contrast two views on the social responsibility of business.
3. Analyze the reasoning behind different views on social responsibility of business.

TIME REQUIRED
60 minutes

MATERIALS
1. Visuals 9.1 and 9.2
2. One copy of Activity 9.1 for each student
3. Five sheets of paper with “1” written on one, “2” on another, “3” on another, “4” on another and “5” on another.

PROCEDURE
1. Tell the students they are going to investigate whether businesses have a social responsibility beyond making profits for the company owners, or shareholders. Some people believe businesses best serve society by increasing profits — as long as they adhere to the laws and ethical customs of society. Others believe businesses have an obligation beyond maximizing profits: to improve the economic and social lives of the communities in which they operate.

2. Give each student a copy of Activity 9.1. Tell the students that the authors they are going to read are notable figures in the debate about corporate social responsibility. Milton Friedman won the 1976 Nobel Prize in economic sciences. John Mackey is the founder of Whole Foods Market, a business that has billions of dollars of sales each year. Have the students read the articles and write the answers to the questions. To save time, you may want to assign the reading as homework.

3. Discuss the answers to the questions in Activity 9.1. Do not expect the students’ answers to be as complete as the answers below. However, you can use some of the points in these answers to move the discussion along.

   Question 1: According to Milton Friedman, what is the responsibility of corporate executives? To conduct the business in accordance with owners’ (shareholders’) desires, which generally will be to make as much money as possible without violating society’s basic rules and ethical customs.

   Question 2: Beyond making a profit, what ethical responsibilities does Friedman say businesses have to society in general? Friedman believes businesses have no ethical responsibilities to society in general except to follow the rules society expects businesses to follow. Only people can be ethical. People who work for a business owe general ethical duties to society such as being honest with customers and suppliers. However, it is only as a private person, not as an employee, that one has obligations to family, clubs and country.

   Question 3: Does Friedman’s emphasis on maximizing corporate profits mean that he is not concerned with the welfare of society? No. The search for greater profits causes corporations to reallocate resources from low-value products to high-value products. If a product is earning a large profit, this signals to producers that consumers desire more of it and encourages producers to increase output and satisfy this demand. Profits also create incentives for firms to search for new products, technologies and inventions. Profits are an incentive to produce more efficiently. Competitive markets are dynamic. They meet society’s need for efficiency, growth and freedom. Corporate executives benefit society more by responding to market signals than by indulging their own causes with shareholders’ money.
Question 4: Why does Friedman believe a corporate executive should be socially responsible as an individual but not in his or her corporate role? The executive is an agent of the business owner and therefore is responsible only to the goals of the owner. This is the principal-agent system. The owner is the principal, and the executive is the agent. As an individual, the corporate executive has many responsibilities, but in these cases the executive acts as a principal, not an agent.

Question 5: What is the difference between a shareholder and a stakeholder? A shareholder is a person or group that owns stock in a company. This gives the shareholder part ownership of the company. A stakeholder is anyone who is affected by the company. This goes beyond shareholders to include workers, customers, suppliers and the wider community in which the company operates.

Question 6: Who are the stakeholders in John Mackey’s conception of the corporation? What ethical duties does the corporation owe to each stakeholder? Mackey identifies his stakeholders but does not clearly address what Whole Foods owes them, since he says this will change over time. Ask the students to guess what Mackey believes his company would owe each of these stakeholders:

- Customers — honesty, service, reasonable price
- Team members (employees) — honesty, reward, recognition
- Shareholders — return on capital, profits, psychic income
- Suppliers — honesty, loyalty, stable business relationship with a fair financial reward
- Communities — giving 5 percent of profits to community causes
- Environment — stewardship

Question 7: What motives besides money does Mackey argue are important in understanding human nature? How might these motives be relevant in running a business? Mackey focuses on Adam Smith’s notion of moral sentiments that arise from mutual sympathy. Moral sentiments exist for self-interest and also for generosity and justice. While modern economists have focused on sentiments of self-interest, Smith argues that people act out of all three instincts. If so, Mackey argues that tapping into instincts for generosity and justice can also act as powerful motivators, creating loyalty in workers, suppliers and other stakeholders.

Question 8: Are Mackey’s views on the social responsibility of business inconsistent with maximizing profits? Why? Not necessarily. On the one hand, a company can have higher costs and lower profits by using revenue for socially responsible purposes. On the other hand, if consumers believe that Whole Foods is a good corporate citizen, they may be more willing to buy groceries at its stores, increasing business and profits.

Question 9: Corporations have provided billions of dollars in aid to victims of Hurricane Katrina, the South Pacific tsunami and AIDS in Africa. In some cases, these contributions have been more effective than government aid. Would Friedman and Mackey support these types of donations? Both men would want to understand the reasons behind the aid. They would approve if the donations generated good public relations and advertising for the firms and caused sales and profits to rise. But Mackey would approve even if the donations had no positive impact on the company’s finances. He would say that corporations have an ethical duty to use some of their profits for the public good, as long as shareholders can question executives about such programs at the company’s annual meetings. Friedman would oppose philan-
thropic donations if a company’s executives used them only to support their own personal causes or improve their personal reputations. He would say that the company should take the aid money and instead give it to shareholders by, say, raising the dividend on company stock. Then the shareholders could use the money to support their own favorite charities.

4. Display Visual 9.1 to summarize Friedman’s and Mackey’s different points of view. Make sure the students note that the key difference is in rows two and three. Friedman says only one stakeholder counts: the owners of company stock (shareholders). Mackey argues that the company owes an ethical duty to shareholders and to other stakeholders: customers, employees, suppliers, the community and the environment.

5. Spread the five sheets of paper with numbers 1-5 written on them across the front of the room in the following order.

   1 2 3 4 5

   Mackey Friedman
   Social responsibility Profits only

Tell the students that No. 1 represents agreement with Mackey and his commitment to social responsibility. No. 5 represents Friedman and his commitment to profits. Ask the students to think about how much they agree with Friedman or Mackey. Say: “On a scale of 1 to 5, how much do you want firms to focus on making a profit for shareholders?” Have the students stand by the number they agree with. Students who agree with Friedman should stand by No. 5; those who agree with Mackey should stand by No. 1. Students who are in the middle should stand by No. 3.

6. Tell the students: “Now pick a student you disagree with, have a five-minute discussion and prepare to report to the class on your discussion. Then return to your seats.” When all the students have returned to their seats, ask the pairs to briefly describe their discussion. Did either participant’s opinion change? An alternative is to conduct a class discussion with the students standing by each number defending their position to the class.

CLOSURE

7. Display Visual 9.2. Read the quotation aloud, and then ask the students to answer the questions.

   Question 1: What do you think Smith means when he says that a merchant who strives only for his own gain unwittingly promotes the interests of society? What are society’s interests, and how does the merchant promote them? This quotation highlights the role that profit plays in allocating resources toward goods and services consumers desire. The merchant is seeking only profits, and this leads him to produce products that best satisfy consumer tastes and preferences for food, clothing, shelter and amusements.

   Question 2: Whose position on the social responsibility of business does Smith’s quotation support: Friedman’s or Mackey’s? This quotation supports Friedman’s view. However, other quotations from Smith support Mackey’s view. Smith was concerned about social relations and particularly with ethical codes of conduct. Smith distinguished between legitimate self-interest and greed, which is excessive concern for self over others. (See Lesson 2.)

   Question 3: Do you agree or disagree with this statement by Adam Smith? Why? Answers will vary.

The bottom line: Profits play a vital role in allocating resources into areas that serve society. No business can survive without profits. This does not mean that profits need to be the only goal of a company. Companies may have other goals that attract and inspire great
workers, keep customers loyal and maintain reliable suppliers. These attributes can make a business very successful. Exactly how this is done is open to debate, and the articles in this lesson suggest two very different approaches.

**ASSESSMENT**

**Multiple-Choice Questions**

9.1 Which of the following is true of fiduciary duties?

A. They are very unprofitable.

B. They bind employees to an expectation of honesty and loyalty to the employer.

C. Employees must adhere to them, but not employers.

D. Employers must adhere to them, but not employees.

9.2 According to John Mackey,

A. a company has an ethical duty only to its shareholders.

B. achieving short-run profits is a company’s principal goal.

C. communities have obligations to employers.

D. businesses have obligations to community stakeholders.

9.3 According to Milton Friedman,

A. businesses should share their profits with customers and the community.

B. neither individuals nor businesses have a social responsibility beyond making profits.

C. a company executive has a direct responsibility only to the company’s owners (shareholders).

D. maximizing profits is not consistent with improving the welfare of society.

**Essay Questions**

9.1 Compare and contrast the views of Milton Friedman and John Mackey on corporate social responsibility. Which view do you find more compelling and why? *Answers will vary. Friedman emphasizes the fiduciary duties of business managers to run the company to maximize profits for shareholders, who in Friedman’s view are the only stakeholders. Mackey emphasizes the fiduciary duties of managers to many stakeholders, including workers, suppliers, customers and the community. Moreover, he supports the concept of a company as a beneficial social force beyond the profits it creates.*

9.2 Imagine that you are the CEO of a corporation. The mayor of the city where your corporate offices are located asks your corporation for a major donation to build a new community park and swimming pool. How would you respond? Explain your answer. *A weak answer would be based on whether or not the student liked the cause. A good answer should reflect the student’s position on the social responsibility of business. From the Friedman perspective, the corporation should give the donation only if it increases the corporation’s profits. From the Mackey perspective, making the donation would depend on whether it contributes to the common good of stakeholders such as consumers, employees and citizens of the city.*

**GOING FURTHER**

**Stakeholder Theory**


- For additional background on stakeholder theory, see Robert Phillips, *Stakeholder Theory and Organizational Ethics* (San Francisco: Berrett-Koehler, 2003).

**Obliquity:** John Kay, former dean of the business school at Oxford University and a consultant to many companies, advocates an “oblique” approach to strategic management. He believes that a business can enhance its
profit when it focuses on its intrinsic objectives (for example, quality, service and value) rather than directly on its extrinsic objective (profit). He believes this is particularly so within the complex environment of a multinational firm. For details, see Culture and Prosperity: The truth about markets — Why some nations are rich but most remain poor (New York: HarperBusiness, 2004).


• To read the full text of Mackey’s article in Reason magazine and responses from Milton Friedman and T.J. Rodgers, founder, president and chief executive officer of Cypress Semiconductor Corp., go here: http://www.wholefoods.com/blogs/jm/archives/2005/09/rethinking_the.html


Fortune 500 Companies and Corporate Philosophy: Ask the students in advanced classes to research companies, some of which are listed below, that reportedly follow Mackey’s approach and compare them with companies that do not.

• McCormick & Company Inc., a worldwide leader in spices, has a famous slogan, “Think Twice for the Company and Once for Yourself and the Company Will Think Twice for the Employee and Once for Itself.” (http://www.mccormick.com/content.cfm?ID=11285)

• Owens & Minor Inc. is a worldwide distributor of medical supplies to hospitals. Its teamwork philosophy involves many stakeholders. (http://www.owens-minor.com/teammates/)

• Johnson & Johnson, a Fortune Top 50 company, has a special section on its Web site about corporate social responsibility. (http://www.jnj.com/community/index.htm)

Local Companies and Corporate Philosophy: Ask the students to interview business leaders in their community to see whether their corporate philosophy matches that of Milton Friedman or John Mackey.
VISUAL 9.1
SUMMARY OF FRIEDMAN’S AND MACKEY’S VIEWS

<table>
<thead>
<tr>
<th>Role of profit</th>
<th>Friedman</th>
<th>Mackey</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Profit is the sole reason for the firm to exist.</td>
<td>• Profit provides incentives for efficiency and dynamic growth. It ultimately raises living standards by providing customers with goods and services they want.</td>
<td>• Profit is necessary for business survival, but other goals are also important to the firm. • Profit provides incentives for efficiency and dynamic growth. It ultimately raises living standards by providing customers with goods and services they want.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethical duties</th>
<th>Friedman</th>
<th>Mackey</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fiduciary duties of employees to <em>shareholders</em></td>
<td>• Employees should follow all laws and treat people honestly, courteously and ethically.</td>
<td>• Fiduciary duties of employees to a wide range of stakeholders</td>
</tr>
</tbody>
</table>

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<tr>
<th>Stakeholders (Duty owed)</th>
<th>Friedman</th>
<th>Mackey</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Shareholders only (profit)</td>
<td>• Customers (honesty, service, price) • Team member or employees (honesty, reward, recognition) • Shareholders (return on capital, profits, psychic income) • Suppliers (honesty, loyalty, reward) • Communities (giving 5 percent of profits to community causes) • Environment (stewardship)</td>
<td></td>
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</tbody>
</table>
VISUAL 9.2
THE INVISIBLE HAND

“[A merchant] intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.”

— Adam Smith, *The Wealth of Nations*

Questions

1. What do you think Smith means when he says that a merchant who strives only for his own gain unwittingly promotes the interests of society? What are society’s interests, and how does the merchant promote them?

2. Whose position on the social responsibility of business does Smith’s quote support: Friedman’s or Mackey’s?

3. Do you agree or disagree with this statement by Adam Smith? Why?
ACTIVITY 9.1
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

Directions: Read the articles below on the social responsibility of business. Then write the answers to the questions. Milton Friedman won the Nobel Prize in economic sciences in 1976. John Mackey is co-founder and chief executive officer of Whole Foods Market Inc.

The Social Responsibility of Business Is to Increase Its Profits (excerpt)
By Milton Friedman
© 1970, Milton Friedman, reprinted with permission

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
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

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 proprietors 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 [charitable] purpose — for example, a hospital or a school. The manager of 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 . . . .
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

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.

Rethinking the Social Responsibility of Business: Putting Customers Ahead of Investors (excerpt)
By John Mackey
*Reason* 37 no. 5, October 2005, 28-32. Reprinted with permission

In 1970 Milton Friedman wrote that “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.” That’s the orthodox view among free market economists: that the only social responsibility a law-abiding business has is to maximize profits for the shareholders.

I strongly disagree. I’m a businessman and a free market libertarian, but I believe that the enlightened corporation should try to create value for all of its constituencies. From an investor’s perspective, the purpose of the business is to maximize profits. But that’s not the purpose for other stakeholders — for customers, employees, suppliers, and the community. Each of those groups will define the purpose of the business in terms of its own needs and desires, and each perspective is valid and legitimate.

My argument should not be mistaken for a hostility to profit. I believe I know something about creating shareholder value. When I co-founded Whole Foods Market 27 years ago, we began with $45,000 in capital; we only had $290,000 in sales our first year. During the last 12 months we had sales of more than $4.6 billion, net profits of more than $160 million, and a market capitalization over $8 billion.
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY
OF BUSINESS

But we have not achieved our tremendous increase in shareholder value by
making shareholder value the primary purpose of our business. In my mar-
riage, my wife’s happiness is an end in itself, not merely a means to my own
happiness; love leads me to put my wife’s happiness first, but in doing so I also
make myself happier. Similarly, the most successful businesses put the cus-
tomer first, ahead of the investors. In the profit-centered business, customer
happiness is merely a means to an end: maximizing profits. In the customer-
centered business, customer happiness is an end in itself, and will be pursued
with greater interest, passion, and empathy than the profit-centered business is
capable of.

. . . At Whole Foods, we measure our success by how much value we can cre-
ate for all six of our most important stakeholders: customers, team members
(employees), investors, vendors, communities, and the environment . . . .

There is, of course, no magical formula to calculate how much value each stake-
holder should receive from the company. It is a dynamic process that evolves
with the competitive marketplace. No stakeholder remains satisfied for long. It
is the function of company leadership to develop solutions that continually work
for the common good.

Many thinking people will readily accept my arguments that caring about cus-
tomers and employees is good business. But they might draw the line at believ-
ing a company has any responsibility to its community and environment. To
donate time and capital to philanthropy, they will argue, is to steal from the
investors . . . .

This position sounds reasonable. A company’s assets do belong to the investors,
and its management does have a duty to manage those assets responsibly. In
my view, the argument is not wrong so much as it is too narrow.

First, there can be little doubt that a certain amount of corporate philanthropy
is simply good business and works for the long-term benefit of the investors. ... That said, I believe such programs would be completely justifiable even if they
produced no profits and no P.R. . . . .
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

The shareholders of a public company own their stock voluntarily. If they don’t agree with the philosophy of the business, they can always sell their investment, just as the customers and employees can exit their relationships with the company if they don’t like the terms of trade. If that is unacceptable to them, they always have the legal right to submit a resolution at our annual shareholders meeting to change the company’s philanthropic philosophy. A number of our company policies have been changed over the years through successful shareholder resolutions.

Another objection to the Whole Foods philosophy is where to draw the line. If donating 5 percent of profits is good, wouldn’t 10 percent be even better? Why not donate 100 percent of our profits to the betterment of society? But the fact that Whole Foods has responsibilities to our community doesn’t mean that we don’t have any responsibilities to our investors. It’s a question of finding the appropriate balance and trying to create value for all of our stakeholders . . . .

“If donating 5 percent of profits is good, wouldn’t 10 percent be even better?”

That doesn’t answer the question of why we give money to the community stakeholder. For that, you should turn to one of the fathers of free-market economics, Adam Smith. The Wealth of Nations was a tremendous achievement, but economists would be well served to read Smith’s other great book, The Theory of Moral Sentiments. There he explains that human nature isn’t just about self-interest. It also includes sympathy, empathy, friendship, love, and the desire for social approval. As motives for human behavior, these are at least as important as self-interest. For many people, they are more important . . . .

The business model that Whole Foods has embraced could represent a new form of capitalism, one that more consciously works for the common good instead of depending solely on the “invisible hand” to generate positive results for society. The “brand” of capitalism is in terrible shape throughout the world, and corporations are widely seen as selfish, greedy, and uncaring. This is both unfortunate and unnecessary, and could be changed if businesses and economists widely adopted the business model that I have outlined here . . . .
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

Questions

1. According to Milton Friedman, what is the responsibility of corporate executives?

2. Beyond making a profit, what ethical responsibilities does Friedman say businesses have to society in general?

3. Does Friedman’s emphasis on maximizing corporate profits mean that he is not concerned with the welfare of society?

4. Why does Friedman believe a corporate executive should be socially responsible as an individual but not in his or her corporate role?

5. What is the difference between a shareholder and a stakeholder?
ACTIVITY 9.1 (continued)
TWO VIEWS ON THE SOCIAL RESPONSIBILITY OF BUSINESS

6. Who are the stakeholders in John Mackey’s conception of the corporation? What ethical duties does the corporation owe to each stakeholder?

7. What motives besides money does Mackey argue are important in understanding human nature? How might these motives be relevant in running a business?

8. Are Mackey’s views on the social responsibility of business inconsistent with maximizing profits? Why?

9. Corporations have provided billions of dollars in aid to victims of Hurricane Katrina, the South Pacific tsunami and AIDS in Africa. In some cases, these contributions have been more effective than government aid. Would Friedman and Mackey support these types of donations?