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# Anarchism and business ethics: the social responsibility of the anarchist is to destroy business\*

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## abstract

'Anarcho'-capitalism has for decades occupied a small but significant position within 'business ethics', while the anarchism associated with the larger traditions of workers and social movements has only had a spectral presence. Social anarchisms' forms of opposition and proposed alternatives to standard liberal business practices, identities and presuppositions have appeared only fleetingly in mainstream business ethics. In the light of these anarchist hauntings, this paper identifies and explores social anarchism's critique of dominant forms of business ethics, and business practice. It applies anarchism's critical insights to market-based ethics, of which Milton Friedman's influential essay, 'The Social Responsibility of the Businessman is to Increase Profits,' is used as an exemplar. This paper differentiates the anarchist critique from the criticisms of corporocentric, economic-liberalism emanating from social democrats and advocates of corporate social responsibility. It demonstrates the pertinence of social anarchist approaches to re-thinking the co-ordination of the production and distribution of goods, highlighting inadequacies in state-centred managerial responses to the harms and deficiencies of Friedman's free-market.

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## Introduction

Milton Friedman, the influential Chicago School scholar and Nobel prize winner, wrote ‘The Social Responsibility of Business is to Increase its Profits’ (henceforth ‘The Social Responsibility’), an essay which has become a highly influential text within contemporary business ethics. Friedman’s work holds a ‘determinate position of prestige; organizing and mobilizing so many theoretical and practical conceptions of what might be the responsibilities of business’ (Jones, 2007: 512). Even theorists of corporate social responsibility, citing Friedman, prioritise profitability and legality over the ‘ethical and philanthropic’ (see A. B. Carroll’s, Pyramid of Corporate Social Responsibility, reprinted in Schwartz and Carroll, 2003: 204). Friedman’s essay was published originally in *The New York Times* in September 1970<sup>1</sup> and has been reproduced in many different locations and cited (according to Google Scholar) nearly 8000 times<sup>2</sup>. Despite the many commentaries on this text, and the rise of the academic specialism of business ethics in general, explicit anarchist engagement with the discipline and text has largely been absent. This omission is particularly surprising, given that, as critical management theorists such as Stephen Dunne (2007) point out, there is much to be gained from radical engagement with managerialist writings.

Similarly, business ethicists are largely ignorant of, or silent on, anarchism. The major texts on business ethics have few references to anarchism: for instance, there are no references to it in Andrew Crane and Dirk Matten’s *Business Ethics* (2010) or R. Frederick, ed., *A Companion to Business Ethics* (2002). A keyword search finds it is absent from journals such as *Business Ethics: European Review*, *Business Ethics Quarterly* and *Business & Professional Ethics*. On rare occasions when business ethicists use the terms ‘anarchist’, it is often as a modification of Nozickian propertarianism, which is anathema to the anti-hierarchical, anti-capitalist principles of actual anarchist groups (see, for instance, the papers in Machan and Long, 2008). This is not to say that anarchism is entirely absent, but that its presence is spectral, it *haunts* texts as an unacknowledged force for benevolent social change and virtuous collective practice, and as a potential threat to the ideological presumptions theories, practices and ambitions of business advocates and theorists.

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1 The version used here is from *Corporate Ethics and Corporate Governance* (Springer, 2007).

2 Google Scholar lists over 7800 citations as of 14 March 2014, <[http://scholar.google.co.uk/scholar?q=Milton+Friedman+%22The+social+responsibility%22&hl=en&as\\_sdt=0%2C5](http://scholar.google.co.uk/scholar?q=Milton+Friedman+%22The+social+responsibility%22&hl=en&as_sdt=0%2C5)> (approximately 3.5 citations a week since it has been published).

The notion of haunting is borrowed from Jacques Derrida's *Spectres of Marx* (2006)<sup>3</sup>. Derrida's contemporary non-Marxist Marxism (*ibid.*: 62) echoes many of the longstanding themes of the libertarian socialist tradition (Jun, 2011). Anarchism disrupts and alarms current practices, with possibilities of alternative futures. It points to suppressed past and present contradictions (Derrida, 2006: xix-xx, 1-2). In response dominant powers reshape the spectre into a position they can understand (*ibid.*: 5, 8-11). As Jon Simons (2000) in his account of hauntology, notes:

Such spectres remind us that "the time is out of joint", that there is something wrong with the time we live in that is obscured [...]. Marx understood that capitalism is out of joint because it contains fundamental contradictions which he explained, among other things, as class conflict.

The spectre, which Derrida (2006: 7) distinguishes from mere spirit, is not just ideational, but interacts and takes material form, influencing social practices as a result. In Karl Marx's original allusion, it takes a 'holy alliance to exercise this spectre' (Marx and Engels, 1977: 34). This alliance is made up of state and pseudo-state agents, conservative ideologues, reactionary and liberal representatives. They were identified in Marx's day as 'Pope and Czar, Metternich [conservative politician] and Guizot [anti-socialist liberal statesman], French Radicals and German police spies' (*ibid.*: 34). A contemporary alliance of hierarchical institutions and ideologies is similarly armed against the spectre of anarchism.

In the light of these hauntings, this essay's main argument demonstrates that social anarchism has a coherent and compelling critique of dominant business ethics and business practice. It applies anarchism's critical insights to market-based ethics, of which Friedman's essay is used as an exemplar. It will show the pertinence of sophisticated anarchist approaches to re-think the co-ordination of the production and distribution of goods, highlighting inadequacies in state-centred managerial responses to the free-market. In this regard the argument follows an older and much marginalised tradition in business ethics, from Aristotle and Marx, that considers business practice to be inherently unethical, as opposed to the Enlightenment position, following J. S. Mill and Immanuel Kant that views it as a consensual, productive activity, though open to individual malfeasance (Frederick, 2002b: xiii-xiv). In order to develop my argument I will clarify several key terms – 'business', 'management' and 'anarchism' – basing the interpretation of the last of the three terms on historical and existing

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3 Campbell Jones (2007) identifies deconstruction at work in Friedman's text - drawing out the contradictions, silences, slippages and tensions that exist within the text.

anarchist movements and texts, rather than the standard academic construction of ‘anarchism’.

## Anarchism in outline

In the same way that a child who is scared of the real threats posed by the adult world will conjure up superstitions to explain and provide an aura of control over complex social phenomenon, so too academics whose disciplines and presuppositions feel threatened by anarchist critiques and practices construct a spirit of anarchism disconnected from core anarchist writings and movements (for a wider discussion see McLaughlin, 2007: 1-21; Franks, 2012; Jun, 2013). The mythic version of anarchism (linked to Nozick’s misnamed ‘libertarianism’) is a legend that has been repeated so often that it has become, in some quarters the only account of anarchism. It is a dogma reduced to a single criterion: the absolute rejection of coercion (see for instance R.P. Wolff, 1970; Nozick, 1974), with a corresponding subsidiary axiom of benign essentialism to explain how anarchists deal with the possibility of conflict (e.g. J. Wolff, 2006: 76). This amounts to little more than a straw man, as few forms of anarchism are based on such a thin principle. *Lack of coercion*, as a sole principle, is inadequate as it omits manipulation and structural forms of domination. Benign essentialism is also epistemologically and ontologically suspect. In the first place, it is epistemologically suspect as there is no reliable way to discover a universal human essence, which is made up of so many distinct and fluid drives and instincts (Malatesta, 1984: 73-5; Kropotkin, 1992). In the latter case it is inconsistent with the anarchist anti-foundationalism (see Malatesta, 1984: 75; Sheehan, 2003: 57-79; Jun, 2011: 143-51). Anarchists reject the idea that there are god-given or fixed principles, but that stable moral values emerge from the interchanges between subjects and their material contexts and social practices.

By contrast, in this paper, anarchism is based on the stable, pervasive but not necessarily universal principles found consistently in the historical and contemporary libertarian socialist or class struggle anarchist groups (see Quail, 1978: x; Franks, 2010: 140-2). The first is a contestation of hierarchical social structures, including economic, political and social forms, which demarcates anarchism from right-libertarian (propertarian) ideologies as well as statism. Capitalism is regarded as being based on and maintaining economic inequalities and requiring coercive institutions, of the state (or state-like institutions) to enforce ‘voluntary agreements’ (Kropotkin, 2013: 39-52; Chomsky, 2005a).

Second is a social view of the self. This views individual identity as fluid but largely constructed by social institutions and the recognition from – and

interaction with – others. As such, it views individuals as interconnected, materially grounded and mutually interdependent, rather than abstract and independent as in liberalism or Egoism. It reveals itself in slogans such as that from the Anarchist Black Cross that ‘no one is free until all are free’ and the Industrial Workers’ of the World’s refrain that ‘an injury to one is an injury to all.’

Third, anarchism privileges prefigurative action, in which the aims are embodied in the goals, such that organisations geared towards the contestation of hierarchies of gender, race or class, should themselves be anti-hierarchical (Guillaume in Bakunin, 1984: 7). This places anarchism outside of instrumentalist political traditions like Leninism and social democracy in which authoritarian methods are justified if they meet libertarian-egalitarian goals. In anarchism, by contrast, actions are not just evaluated in terms of social outcomes, but whether they generate immediate shared mutual goods (these are compatible with virtues even if they are not always explicitly identified as such) (Franks, 2010). It is found, for instance, in the expansive use of virtue-related language in anarchist critiques, with its emphasis on values such as bravery, compassion and justice (See, for instance, Q. SHAC in SchNEWS, 2009; SchNEWS, 2010; SchNEWS, 2011), rather just on protecting possessive rights or producing revolutionary outcomes. These principles of anti-hierarchy, a social view of the self and prefiguration are consistent features of past and contemporary anarchist organisation (see, for instance, Rocker, nd [1938]: 16; Solidarity Federation, 2013).

The fourth feature, found consistently in classical anarchist works such as those by Michael Bakunin, Errico Malatesta and Naom Chomsky, is a rejection of a universal epistemology. No single branch of knowledge can demarcate universal principles for the liberation and operation of all other social practices (Bakunin, 1970: 34-37; Malatesta, 1984: 151-52; Chomsky, 2005b: 178-9). Thus, as Bakunin highlights in his example in support of open authority, it is legitimate to accede to the boot-maker when shoes need to be mended, or to an architect when a building needs to be designed, as they can openly demonstrate their skills within a particular set of practices (stable, but adaptable goods-rich, rule governed social activities) (Bakunin, 2010: 32; for an account of a ‘social practice’ see MacIntyre, 2003). Different practices have different categories of experience, truth conditions, discourses and rules, and whilst they frequently intersect, no single practice and its underlying norms takes priority. Thus, it would be illegitimate to comply with authority, and that expert to expect compliance, outside of the domains for which they can transparently demonstrate (and thereby share) ability.

Because anarchism operates in, through and against specific practices in particular temporal and spatial locations, some principles become more significant in some locations than others. For instance anti-statism might become more peripheral, where the democratic state's role is more progressive than the domination by capital (Chomsky, 2007). In the critique of business practices, by contrast, all of these key principles are highlighted.

## **Business and business ethics**

For the purposes of this article, 'business' is defined as the activity and/or institutional practice of producing and selling goods and services primarily for commercial exchange. This is not to ignore that like the vast majority of pertinent concepts, 'business' is a disputed term. There are important efforts by critical management theorists to disentangle 'business' from simply commercial operation in order to open these activities to reflective analysis and potentially transform organisational governance (Alvesson and Willmott, 1992). Some enterprises also refer to themselves as 'not for profit business', although this simply reaffirms that those businesses which are not so prefixed are 'for profit'. Further, even 'not for profit' companies can still be operating on the principles of maximising returns, but using the surpluses to increase pay for its operators and organisational expansion. The limited use of 'business' to the more standard interpretation based on privileging commercial exchange, is consistent with the now dominant account of corporocentric business behaviour.

In this orthodox account of business, every product or service has a good (a use-value), but it is realised, under market-principles, only when its exchange-value is met. Under capitalism, exchange-values take priority over use-values. In the production of commodities the aim is to maximise returns on investment (Marx, 1885; Cleaver, 1979: 72-5). Businesses produce commodities (material goods or immaterial services) which have use values as well as exchange values. It is undeniable that the rationale for starting or operating a business is not always, solely, the generation of surplus value. For instance, a spouse of a farmer might diversify by operating a holiday bed and breakfast facility, which is partly for the purpose of overcoming social isolation. The more the enterprise is aimed at satisfying shared interpersonal needs and desires (internal goods) rather than external economic ones, the less it is operating as a business. So, whilst production of use values and exchange values do occasionally coincide, there are inevitably points where prioritising income (shorter term, intermittent but more profitable lets) comes into conflict with satisfying the social goods of communal interaction (longer, sustained bookings).

The terms 'business' and 'management' tend to be used interchangeably by some anti-hierarchical activists. Class War (1992: 58), for instance, identifies the class enemy as the managing class as they seek to impose business priorities over the inter-subjective interests of the workers. The Andersons (1991) also see management in terms of one class having a domineering power-relation onto others in order to exploit the economically weaker. Although potentially erroneous, it is not surprising as there is a general tendency to regard management as the development and sustenance of relationships that co-ordinate business objectives (see, for instance, the definition of 'management' from the online Businessdictionary.com, 2013). As 'business' is defined solely in terms of maximising return on investment (in short, medium or longer terms) then management, in this sense, is rejected by anarchism. However, regarding management solely in terms of a hierarchical, capitalist relationship or forms of manufacture that are more oppressive than those under capitalist modes of production (slavery, for instance) risks overlooking the production of goods that are co-ordinated in a non-hierarchical manner, and these too can be considered a form of 'management'.

Anarchism promotes, through central notions such as 'solidarity' and 'mutual aid', collegial productive activity (Kropotkin, 1998; Kropotkin, 2013). Productive practices that operate under norms distinct from capitalist production (certain forms of co-operative, mutual aid, friendly and informal goods generation) also need co-ordination and as such, these types of formal and informal organisation can be considered to be examples of management. Co-operative production is sometimes classified as 'self-management', 'democratic management' or 'anti-hierarchical management'. Sometimes 'self-management' simply means the internalisation of capitalist governance principles (Negation, 1973). Similarly, Lopdrup-Hjorth et al. (2011: 97-104) recognise the risk that self-management can be a means of self-alienation, but they rightly recognise too that self-management need not be reduced to management based on capitalist norms and identities. However, many theorists associate 'management' primarily with 'business', so when Burrell (1992: 80) examines carnivalesque co-ordination of communal well-being, in contrast to the hierarchical and repressive production of goods, he uses concepts like 'reciprocity', 'interdependence', 'mutual[ity]', 'anti-structure' and '*communitas*' rather than 'management'.

The identification of 'business' and 'management' with privileging commercial exchange can be seen in the dominate discourses of commercial administration. Throughout the 1980s and early 90s, as Burrell (1992: 69-70) points out, there was a rise of 'management' courses within education based on promoting the structuring of production on neo-liberal norms. The pervasiveness of the new title of 'manager' within even junior ranks of an organisation led to those seeking



higher esteem within such hierarchies to identify themselves as ‘business administrators’, and especially as ‘masters’ in such a discipline.

Business ethics categorises, identifies and evaluates the principles by which commercial practice takes place; it is thus narrower than management or organisational ethics, and by necessity privileges market values as core to our understanding, even when it critiques them. In this respect Friedman’s essay provides an excellent example of business ethics, a kind of *corporocentric* value-system based on the flourishing of business institutions, in the same way that *biocentric* ethics seeks to protect the inherent value of all living entities.<sup>4</sup> This identification of a *corporocentric* ethic may seem surprising given that some interpret Friedman’s essay as a rejection of ethics. The phrase ‘business ethics is an oxymoron’ is often used in relation to Friedman and those who follow him (see, for instance, Duska, 2000; Shepard, Shepard and Wokutch, 1991) as his argument appears to suggest that there is a conflict between economic self-interest and wider ethical considerations and that the latter is subservient to the first (Swanson, 2002). However a sympathetic reading of Friedman’s essay, suggests that it does contain a narrow ethic, which limits deeper and more sophisticated values. It is not his amorality but his flawed moral position that is the basis of the anarchist critique.

### Friedman in outline

Friedman’s essay, ‘The Social Responsibility’ was published in a largely modern liberal newspaper in 1970, three years before the crisis of Keynesianism catalysed by the OPEC oil price shock. As a result of its time and audience it makes a number of concessions to social democratic tendencies, making a play for their commitment as part of the wider and largely successful ideological battle of the following decade. Such compromises were unnecessary 10 years later, as the intellectual and popular climate turned against Fabian socialism and New Deal liberalism (Friedman and Friedman, 1980: 283-90). In ‘The Social Responsibility’ Friedman argues that the employee of a corporation (‘a businessman’, to use Friedman’s gender-partial language) has two moral responsibilities: first, to obey the law and, second, to meet their contractual obligations. Whilst, not formally acknowledging an overt moral philosophy, it does identify specific norms to guide social behaviour, with reference to wider

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4 ‘Corporocentric’ is preferred to Bevan and Werhane’s (2011: 47) term ‘firm-centric’, because although it too places the commercial organisation at the centre, it is predicated on them maintaining relationships of diverse stakeholders potentially on different criteria than profit. Corporocentric is specific to regarding all such relationships with stakeholders as ultimately being based on financial self-interest.

justificatory principles, and thus minimally meets the criteria for an ethic. The two principles Friedman refers to are consistent with a neo-Kantian ethical code. These obligations are absolute and binding, with no other principles or set of principles able to challenge their supremacy (Friedman, 2007). Friedman largely limits his discussion to corporations, those owned by shareholders, excluding the self-employed ('individual proprietors') and organisations run for reasons other than profit ('eleemosynary' institutions such as charitable hospitals) (*ibid.*: 173).

Friedman condemns those who promote the notion that employees have wider ethical considerations than making profits as 'unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades' (*ibid.*: 173). Although Friedman does not name these intellectual forces in this essay, it is likely to be the social paternalists, the dominant and increasingly crisis prone ideologists of the dominant class, who are the subject of his wrath. They are more overtly identified as such in *Free to Choose*. The social democrats are considered more of a threat than Marx (who is firmly associated, in the period of authorship with the unpopular statist Leninist/Maoist tradition) and thus poses little intellectual challenge (Friedman and Friedman, 1980: 99-100 and 284). The left-libertarian currents of the American New Left, that argued for forms of inter-dependent, co-operative social practice that avoid or contest economic pressures, are absent from Friedman's essay. Indeed the ultra-left only appear as agents of capital, in the figure of the wildcat trade unionists who wish to break government imposed wage-restraint (Friedman, 2007: 176). Friedman, in his account of the conscientious labour militants who reject government interference into market forces, excludes the details that they were frequently anti-capitalists, who were willing to break employment contracts because they were made under conditions of economic coercion: positions that are rejected by Friedman (Friedman and Friedman, 1980: 236-8).

For Friedman, these dupes who believe in social responsibility are guilty of three argumentative flaws: first, they fail to adequately identify 'social responsibility', making the term so nebulous as to be meaningless; second, they assign responsibilities to an entity that has no direct responsibilities. For Friedman, a corporation is not a moral agent; it is only individuals that have responsibilities. Third, they ascribe to 'businessmen' the wrong duty and in doing so bring about damaging ends (Friedman, 2007: 173-4).

The first of Friedman's criticisms arises from the fluidity of the term 'social responsibility'. Such a term emerges because there are myriad social tensions and the term fixes responsibility for these problems on corporate actors. Friedman's initial point is that term is used chaotically. Yet many key terms have fluid meanings depending on context; this does not make them meaningless, but

does require more careful clarification. Second, Friedman himself provides a basic interpretation, which is clarified further by his critics, like Joel Bakan and Andrew Crane and Dirk Matten, in which corporate social responsibility (CSR) is viewed in terms of non-maleficence (limiting harm to others) and beneficence (doing good for others), even when there is no contractual obligation to do so (Crane and Matten, 2010: 48-9, for further discussion of the distinctions within CSR and the development of corporate social responsiveness and performance see ten Bos and Dunne, 2011). So basic is non-maleficence to virtuous practice – it is, for instance, the cornerstone of benign human interaction and professional codes of conduct, dating back to the Hippocratic Oath ('first do no harm') – that its absence in 'The Social Responsibility' becomes the start-point for Bakan's (2004: 57) portrayal of corporations as psychopaths.

Friedman's second criticism is that only individuals, not collectives like corporations, can have responsibilities. Friedman argues that as the corporation is as an aggregate of workers and owners, any obligation must be on either the shareholder or the employee. There is little discussion of the obligations of shareholders other than that their primary duty is to maximise profits, and that any individual failure to do so would make them uncompetitive and lead to business failure (Friedman, 2007: 173). To pursue secondary goals at the expense of primary duties, which have not been agreed by the shareholders (owners), is a violation of a freely entered contract and constitutes theft. Thus it is impermissible for an employee to seek to reduce pollution by putting in additional, non-statutory environmental safe-guards. For Friedman, such action is illegitimate as it takes potential profit from shareholders without their consent (Friedman, 2007: 174; cited in Bakan, 2004: 43). This is a categorical violation of contract (promise) and of trust.

The employee by signing a contract has only two duties: to do what the owners wish and to obey the law. This basic neo-Kantian (deontological) position is defended by Friedman. Individual sovereignty, viewed in terms of negative rights (rights of non-interference), is given priority. Autonomous subjects are free to make the contracts they wish to make without coercion and without regard to the benefit of others, so long as negative rights are not violated. The state is the ultimate protector of sovereign rights, so the law has to be respected. So if the individual wishes to pursue beneficial social goals – and this is Milton Friedman's sop to the social democratic audience – this can be pursued through private political action (Friedman, 2007: 175). Later, though hinted at in this text, Friedman is more convinced that free markets alone are best placed to resolve social problems, with which state power can only ineffectively interfere (Friedman, 2007: 176-7).

A corporation is thus restricted from pursuing beneficial goals unless one of two conditions is met. The first is that it is compelled by government so to do; the second, if it is in corporate self-interest. So in the first case a company should reduce pollution if the law compels them. Similarly a company might pursue socially benevolent goals, if it is likely to increase profit, by enhancing consumer loyalty or attracting better job candidates (*ibid.*: 177). It is this form of CSR that Friedman approves of, as it is done intentionally to maximise profits. This appeal to enlightened self-interest, that benevolent action will have better economic returns in the future, is also one to which his critics turn.

Although, as will be discussed, Friedman's critics return to enlightened self-interest, it should be pointed out at this juncture that Friedman's justification here is principally non-ethical. The first, acting benevolently or non-malevolently because of compulsion (fear of government sanction) violates the principle that moral behaviour is freely (at least minimally) chosen or willed. The second, the appeal to self-interest alone, flouts the principle that ethical action is primarily concerned with the treatment of others. Thus Friedman's position in support of enlightened self-interest is primarily anti-ethical. However, his overall stance is not wholly amoral: it is instead minimally ethical as it gives a supreme priority to Kantian rights, maintaining promises (contracts) to which an autonomous agent has freely entered into. It should be noted, too, that discordant with this largely rights-based position (which is sceptical of consequentialism) (*ibid.*: 176), Friedman, using Adam Smith's concept of the invisible hand (*ibid.*: 176), smuggles in some utilitarian considerations, arguing that market economies produce best outcomes.

Also consistent with neo-Kantian ethics, Friedman initially appears critical of companies who 'window-dress': that is, cynically dupe customers by portraying themselves as being motivated by socially responsible goals rather than profit. He sees such duplicity as undermining the honesty needed for a free-society (*ibid.*: 177). However, whilst calling such dishonesty over intentions 'fraud', Friedman would see no grounds to have sanctions against it (*ibid.*: 177), unlike more standard Kantian jurisprudence (Kant, 1790). Nonetheless, there is an ethical disdain for dishonesty, and admiration for brave assertion of unpopular, honest self-identity. Friedman's argument might prioritise the wrong ethical principles, but it is not entirely amoral.

## Responses to Friedman

Friedman's essay has also generated considerable critical response, though little utilising contemporary critics of liberalism from more standard political

philosophy<sup>5</sup>. Instead, amongst the most popular is Bakan's book and co-authored popular documentary *The Corporation* (Dir: Mark Achbar and Jennifer Abbott, 2003). Friedman himself appears in the film alongside luminescent critics such as Howard Zinn, Noam Chomsky and Naomi Klein, and is positioned as the primary advocate of corporate self-interest. One of Bakan's major criticisms is based on Friedman's claim that corporations have no specific duties other than to maximise profit and as such must not do anything that undermines such self-interest. They have structured their legal framework so that this is now obliged of them (Bakan, 2004: 37). Corporate institutions, thus, encourage the development of psychopathic personalities. They are the epitome of unvirtuous agencies.

In Friedman's account of corporations, they are structured to enhance economic self-interest, with only government as an external control (*ibid.*: 80). However, as Bakan identifies, control by government is insufficient. Corporations are committed to self-interest and are in competition with other self-interested institutions; as a result, corporations have to undertake a cost-benefit analysis as to whether they comply with law. The commitment to legality is hypothetical rather than categorical. If a corporation obeys costly law, when evasion would increase their profitability (taking into account risk of successful prosecution), and a competitor act self-interestedly on the same calculation, then the competitor gains advantage (*ibid.*: 79-83). In further competition for resources the law-abiding corporation is at an economic disadvantage: compliance with regulatory standards is just another factor to be considered in cost-benefit analyses.

With corporations having greater sway over Western governments, it is not a surprise that corporate self-governance replaces the regulatory system. The regulatory system repeatedly fails 'because of lax regulation and ineffectual enforcement' (*ibid.*: 84). These lapses are not accidental but actively encouraged by corporate bodies (*ibid.*: 96-110).

In response to corporate psychopathy Bakan advocates four main strategies to encourage corporations to be socially responsible, that is to consider the interests of other entities. These tactics are: 1) improve the regulatory system, 2) strengthen political democracy, 3) create a robust public sphere and 4) challenge international neo-liberalism (*ibid.*: 161-7). The first two promote representative-democratic control of corporations, through the constitutional process, the third

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5 For instance, in the last decade (March 2004-March 2014) in the journals *Business Ethics Quarterly*, *Business Society Review* and *Business Ethics: European Review* Joel Bakan is cited with significantly greater regulatory than such influential political philosophers as Iris Marion Young and Philip Pettit combined.

and fourth are realised in ethical consumption and are subservient to the first two methods. So although Bakan positions himself as a critic of Friedman, the strategy he proposes are actually the methods Friedman endorses in his article. Bakan, thereby, re-shapes the spectre of anti-capitalism back into the familiar corporeal form of business.

Bakan initially discusses promotion of ethical consumption. Consumers, as private citizens, should make retail decisions based on the corporation's ethics. Business in return, to protect its bottom line will act to meet these ethically concerned demands (*ibid.*: 144-45), hiring socially responsible business managers (*ibid.*: 143-44). Nonetheless, whilst welcoming and promoting consumers' power to economically punish corporate malevolence, Bakan recognises that this response on its own is inadequate (*ibid.*: 145). Ethical consumption is an inadequate response for a number of reasons. The first is that because of poverty a significant portion of the public has little or no consumer power. Secondly, once an enterprise operates as a business, its 'moral concerns and altruistic desires must succumb to [a]... corporations overriding goal' (*ibid.*: 53). Compassion, which is based on self-interest, is only hypothetical and collapses back into solipsistic self-regard. Ethical shareholding (*ibid.*: 147) also involves no conflict in duties as they, like a single proprietors who pursues social responsibility, are 'spending their own money' (Friedman, 2007: 177). Shareholders who wish to forego profit to pursue an eleemosynary goal are not involved in theft. However, as Friedman's division of organisations highlights, an enterprise committed primarily to charitable goals rather than profit is no longer a business. In addition, like Friedman, Bakan recognises that in the absence of monopoly position, there is little a corporation can do which is beyond self-interest without harming their competitive position (Bakan, 2004: 147; Friedman, 2007: 177).

Instead Bakan's first two main strategies are: 1) improving the regulatory system and 2) strengthening political democracy. Bakan's goal is to promote representative-democratic control of corporations, through the constitutional process:

Government regulation, unlike market-based solutions, combines authority, capacity and democratic legitimacy to protect citizens from corporate misdeeds. Through it, governments can pursue social values – such as democracy, social justice, citizens' health and welfare, environmental integrity, cultural identity – that lie beyond the narrow goals of self-interest and wealth maximization that dictate the behaviour of corporations and markets. (Bakan, 2004: 149)

This, too, reiterates rather than challenges Friedman. Friedman might reject government regulation in his later work, but in 'The Social Responsibility...' he

argues that corporations should be subservient to the law, and that this is the appropriate place for concerned individuals to pursue social goals. Though even in this more social-democratic piece, he highlights the dangers to business, and thus to a successful and wealthy society, of government interference (Friedman, 2007: 174-5).

Although earlier in his book Bakan (2004: 102-04) details how corporations manipulate representative government through lobbying and how corporate self-interest results in companies transgressing laws if this is the most profitable action (*ibid.*: 80), he nonetheless considers state control as the most suitable method for controlling corporations, and without this tactic all other methods are redundant.

The movement against corporate rule would be impossible, even senseless, without robust nongovernmental institutions, community activism and political dissent, the belief that these can be a *substitute* for governmental regulation, rather than a necessary complement to it, is dangerously mistaken. (*ibid.*: 151)

Bakan's recognition of state inadequacy whilst advocating a state-centred strategy could be a simple contradiction; however, a more generous reading is that Bakan, though seeing the spectre of anti-capitalist alternatives, prefers to hold to the supposed pragmatism of existing institution. Representative democracy is, for Bakan, a potentially progressive, enabling force, which can avoid succumbing to corporate interests through the intervention of an active citizenry, having learnt from the errors of previous eras. As it is the state that produced and protects the corporation, for Bakan (2004: 153-5) it is the state that controls them, with the citizenry shaping the direction of the state.

Bakan defends this liberal-democratic strategy in instrumental grounds, as corporations are 'remarkably efficient wealth-creating machines' (*ibid.*: 159). A future without them, he claims, is impossible to imagine. As Bakan's tactics reinforce the control of existing economic institutions, what is needed is a system to keep them in check (*ibid.*: 159). These include tighter laws on acquisitions and mergers, stakeholder representation on boards (including workers' representatives) and executive responsibility to take stakeholders into account. Other proposals include greater enforcement of democratic legislation protecting public goods, like a healthy, diverse ecological environment and public health (*ibid.*: 160-2).

To ensure democratic control Bakan looks to his final two main tactics: 3) the creation a robust public sphere not answerable to corporate interests or operating on business principles which, 4) challenges international neo-liberalism (*ibid.*: 163-4). Seeing the spectre of the anti-capitalist movement as a challenge to

corporate-rule (*ibid.*: 22-3, 141, 166), Bakan nonetheless encourages this menace back into the familiar institutional forms of the liberal-capitalist order (corporations, representative legislature, centralised enforcement) and its primary social relationships (consumer-producer, citizen-government). The radicalised citizenry's job is to influence governments, corporations and transnational institutes such as the World Trade Organisation (*ibid.*: 164) not to undermine and replace them. Bakan exorcises not the malevolence of the corporation, which remains intact, but the spectre of a transcendent alternative: the shades of anti-capitalist identities, practices and principles.

Unsurprisingly, Bakan is by no means unique in critiquing Friedman's encomium for self-interested corporations and the system of neo-liberal global governance they have spawned. Crane and Matten (2010: 49), for instance, argue that Friedman's account of corporate agency and responsibility is inaccurate. Corporations are more than just amalgamations of individual interests: 'every organization has a *corporate internal decision structure* that directs corporate decisions in line with pre-determined goals' (*ibid.*). Whilst it is possible to track back decisions to groups of individuals, it is rarely a single individual alone who has responsibility in corporate decision making. Corporations have a structure for decision-making based on an established *purpose* for action that 'clearly transcends the individual's framework for responsibility' (*ibid.*: 49). The corporate goals are set beyond the scope of particular individuals and only operate because there is collective agreement. Further corporations generate a culture that (partially) forms an individual's identity and a set of criteria by which problems are identified and solutions are framed. Whilst formal methods for constructing and maintaining a business culture exist (for instance, in the manufacture of corporate identities and adoption of formal codes of practice), most features of an institutional culture is informally, unconsciously and inter-subjectively generated.

In addition, Crane and Matten highlight how there is significant history of CSR (*ibid.*: 56), especially in the absence of socially benevolent government (*ibid.*: 68-9). They raise the possibility of 'corporate citizenship as a framework for business ethics'. As corporations are frequently trans-national, they can encourage and protect social, political and economic freedoms. This is not just that corporations out of CSR should dedicate resources (which could go to shareholders) on promoting social, political and economic rights but that they are best placed, in a globalising economy, to use their significant resources to promote these goals. Again, however, there is the underlying suggestion that corporate citizenship benefits the bottom-line for business, through helping build up new, responsive and responsible businesses that assist the company's



supply chain, and develop social infrastructure for future expansion (Valente and Crane, 2009: 80-81). As such, it reinforces, rather than challenges Friedman's account of corporate self-interest and hidden-hand benefits.

A different set of criticisms are raised by business virtue-theorist Robert C. Solomon. He argues that Friedman misconstrues the moral character of the corporation as one based on greed (and by implication Bakan's critique is erroneous too). Although Friedman is not named, Solomon's (2002: 31-2) criticism of avaricious (self-interested alone) behaviour from those who follow Smith's economic analysis (*The Wealth of Nations*) without his corresponding virtue theory (*Theory of Moral Sentiments*) appears to be aimed at Friedman and his Chicago School adherents. Solomon associates Friedman's account of successful corporate practice with the traits of 'competitiveness, individualism, and economic self-interest' and these are destructive of harmonious, social communities. Businesses require other virtues that Friedman overlooks (*ibid.*: 33). Solomon (2002: 35), citing Abraham Zeleznick, considers business as a repository of virtues such as ingenuity, and considers it a mistake to think of them as only motivated by greed. Friedman, by concentrating on only one supreme virtue, turns it into a vice as it is not-moderated by the other virtues essential to good business practice.

## Anarchist responses

Having outlined Friedman's main argument and some of the major criticisms from his mainstream business ethics critics, here I develop an anarchist response to these, based on the core concepts of a contestation of hierarchical social structures, the social, malleable view of the self, commitment to prefiguration and a rejection of epistemological universalism. In addition I shall respond to some potential replies to these anarchist criticisms.

Bakan's book ends with an appendix, an interview with Noam Chomsky that promotes a critique which is quite different to the one Bakan offers. There are some features of the anarchist critique which is shared by the other critics of Friedman: for instance, anarchists share a rejection of a purely deontological account of ethics and also view Friedman's ideal-form of business as promoting social vices. The anarchist critique goes deeper; it questions the notion that markets are models of consent, instead identifying them as coercive and discriminatory. Rather than see the state as a rival institution to constrain the corporation, anarchists consider the corporation as intimately interconnected with state power, being manufactured and mutually reinforced by the state. Furthermore, the reliance on state power assumes an immodest and

epistemologically-suspect promotion of a universal or trans-traditional structure and governance principles. So in addition, they reject Bakan's and Crane and Matten's solutions to corporate power and also consider Solomon's defence of corporate virtues to be inadequate. Instead the virtues are best protected and enhanced through the methods Bakan eludes to but considers ineffective; the promotion of radical, anti-capitalist social practices.

### *Anarchism and Friedman*

Friedman's defence of the supreme protection of the profit-motive is deontological. Agents have voluntarily agreed to work for a company, and part of their voluntary agreement, is to pursue the interests of the corporation, which is profit maximisation. Any external interference in these arrangements is a violation of negative freedom. Placing the question aside for one moment of whether the voluntary obligations of sovereign subjects is the *supreme* principle, it is not just anarchists, but other theorists too, who consider negative rights an inadequate account of freedom, posited on an unjustified and flawed account of a fixed, ontologically-isolated individual.

Freedom is not just about freedom *from* interference, but also about freedom *to do* and *to be*. As Emma Goldman (1969: 53-5) points out, without access to resources, a pauper has little or no freedom, and little chance to develop into a fully-rounded, free individual, even if no one is explicitly interfering. Whilst it is usually the inadequacy of the liberal concept of freedom that provokes criticism from political philosophers such as Pettit, Quentin Skinner and Charles Taylor, anarchists anti-hierarchical principles identify markets relationships, based on negative freedom, as themselves coercive.

Markets are not realms of freedom, despite Friedman's assertion, because of *enclosure* (privatisation): many of those in economically subservient positions have no choice but to sell their labour. There is a choice as to who to sell it to, but, under capitalism, there is no reasonable choice, for those in a vulnerable position in the economic hierarchy, as to whether they sell their labour. It is for this reason that the anarchist anthropologist David Graeber (2004: 70-1) resurrects the notion of 'wage-slavery' (see also Kropotkin, 2013). Similarly, under capitalism, to gain goods people must enter into market relationships. Where there are commons or co-operative economies there are alternative relationships of production and distribution (see Ward, 1973: 95-109 and 138-42).

Although there are weaknesses in Susan L. Brown's (2003) existentialist account of anarchism, she rightly identifies that anarchism resists the identification of the individual with one particular identity, especially that of Lockean possessive

individualism. As anarchism recognises that individuals are, at least in part, socially produced (structured by and responding to the social practices they inhabit), the individual can and does re-shape their identity according to context: at times being a 'contributor', 'lover', 'colleague', 'comrade' and many other practitioner roles, without ever being reduced to just one. Thus, reducing individual agency to Friedman's simplistic position based a possessive account of the individual (and a supposed binary opposition between state and capital), obscures and represses the spectral presence of alternative anti-state, anti-capitalist actors.

Anarchists also deny that markets are responsive and utilitarian. Friedman's argument is that if a good is deemed valuable (like a healthy environment) then people will be willing to buy goods that protect it. Anarchists, however, point out that markets have incentives for generating social problems in order to provide profitable remedies. Indeed the creation of unnecessary scarcity, by copyrighting and controlling manufacture, can maximise profits, rather than increasing production, which might lower the price (Chomsky and Achbar, 2004: 195-6; Gordon and Griffiths, 2007: 85). In addition, markets are not responsive to need, but to demand. A homeless person has a need for a house, but no demand, whilst those with high demand, have their desires (even if only a minor interest) catered for. The controversial UN happiness index, which surveys the attitudes of population, found the happiest countries were those with a high degree of socialised access to goods. The usually economically liberal *Time* magazine, quoting the *Washington Post*, concedes that 'The U.S. has had a three time increase of GNP per capita since 1960, but the happiness needle hasn't budged. Other countries have pursued other policies and achieved much greater gains of happiness, even at much lower levels of per capita income' (van Gilder Cook, 2012).

This disconnect between increase in production of external goods leading to no greater (and possibly even declines in) happiness, so long as basic needs for social living are met is explained by the *Anarchist FAQ*. Even if market arrangements do increase production of external goods, capitalist social relations undermine the types of truly valuable relationship.

In other words, while a society may become materially better off over time, it becomes worse off in terms of real wealth, which is those things which make life worth living. Thus capitalism has a corrosive effect on human relationships, the pleasure of productive activity (work), genuine freedom for the many, how we treat each other and so on. The corrosive effects of economics are not limited simply to the workplace but seep into all other aspects of your life. (Anarchist FAQ, 2013)

Turning all complex social practices and relationships into ones governed primarily by the narrow norms of deontology and the corresponding limited set of ethical-political identities, undermines goods-rich behaviour. Such instrumentality undermines the generation of prefigurative goods, and places everything under the hierarchical control of the bourgeois class (Marx and Engels, 1977: 38).

Thus, Friedman's defence, like that of Robert Nozick (1974: 250-3 and 326-7), that free markets allow for different models of production, including those based on anarchist models of co-operation, is inadequate. Friedman and Nozick argue that if consumers are willing to pay the excess to support co-operatively produced goods (a description that can be accommodated under CSR), then as long as there is a market to secure it, then the business will succeed. Thus, one can have workers' self-management so long as there is consumer demand. If there is no market then: 'His customers and employees can desert him for other producers and employers less scrupulous in exercising their social responsibilities' (Friedman, 2007: 176).

It is to this that Jason Brennan's 'anarchism' also appeals. He is one of the few business ethicists to engage with anarchism and recognise its difference from Nozickian propertarianism (Brennan, 2013: 273); he nevertheless considers anarchism to be compatible with market relationships. Brennan suggests that reciprocal production through voluntary mutual aid is acceptable, so long as the interaction between the different anti-hierarchical practices abide by the rules of the market (*ibid.*: 278-80). So, for instance, the acquisition of material for the maintenance of anarchist social practices has to abide by neo-Kantian market principles.

There are a number of problems for consistent anarchists with Brennan, Nozick and Friedman's argument that markets allow for productive and distributive practices that are internally governed by anti-capitalist principle. The first, as Pierre-Joseph Proudhon and his commentators such as Iain McKay (2011) point out (and later picked up by Samuel Bowles and Herbert Gintis [1986: 68-71]) labour is not as free to build production based on egalitarian social forms as capitalists are on hierarchical ones. This is because the labouring class lacks access to financial resources under as favourable and competitive manner as existing capitalists and those based primarily on exploiting labour to the maximum. It is for this reason that Proudhon attempted to develop a People's bank to assist in cooperative production – and its subsequent failure due to its inadequate assets rather than lack of members (McKay, 2011, 57; see also Dana, 1896).

The second is that even when there are diverse, anti-hierarchical practice intersect they must, according to liberals like Friedman, Nozick and Brennan accede, at least initially, to neo-Kantian principles. These market principles are universally prior and apply across all intersecting networks of social activities. All social practices must initially at least agree that the principles of market distribution and exchange are universally prior.

Anarchists and free-market liberals like Hayek agree that knowledge is always partial and incomplete and that no single central mind can investigate, gather and assimilate all relevant information. However, Hayek (1945: 526) argues that a single mechanism, that of the pricing system provides the most effective and efficient means for co-ordinating supply and demand of goods. Yet such a system itself relies on universal principles to govern the interchange of all social action, those of universal property rights. If, as Hayek contends, universal knowledge is not possible, how is it possible to deduce the universal principles that underpin market mechanisms? The extension of claims of authority beyond that supported by legitimate knowledge leads, as Bakunin notes, to 'slavery and absurdity'.

The assumption that capitalist principles are universal is an assertion that recurs in both Friedman and his business ethics competitors. It is an 'incantation [that] repeats and ritualizes itself, it holds forth and holds to formulas, like any animistic magic' (Derrida, 2006: 64). It is part of the ceremony of capitalism to reassure itself in the presence of the spectre of anti-market alternatives.

#### *Anarchism and Friedman's critics*

Bakan's text is critical of the anti-state solutions, though they remain as shades, inadequately enunciated. Chomsky's appended interview, seemingly included to support Bakan's main position on the dangers of corporations, includes a clear critique of Bakan's solution. Despite Bakan's hostile portrayal of the corporation as a psychopathic entity which produces significant social ills and malignly alters human character to fit with its self-serving goals, he argues that corporations are too important to resist. His solution shares many of the key features of Friedman's approach in regarding the proper function of the state and indeed of the possibility of enlightened self-interest.

Bakan (2004: 151) contrasts his pragmatic response with the utopianism of his left opponents, not named as anarchists but clearly consistent with anarchism as they have abandoned government and a belief in progressive legislation in favour of direct protest. Bakan argues that the anti-statism of the anti-globalisation protestors assists corporations as the state is the only thing that can control them (*ibid.*: 151). Bakan develops a dichotomy between corporations with or without

state control, the former being benevolent and democratic, the latter malevolent and unresponsive.

The first criticism anarchists make is that Bakan's division is a false dichotomy: there are alternatives to corporate power for the production and distribution of goods. Much anarchist literature, from Kropotkin (2013: 1939) to more recent radicals (see, for instance, Ward, 1973; Gilroy-Scott, 2007; Gordon and Griffiths, 2007; Shantz, 2010) outlines how goods can – and are – generated without the primacy of managerial hierarchy or the law of value. Second, to quote John Holloway (2002: 12), the 'record in practice' of Bakan's social democratic model 'has differed very little from overtly pro-capitalist governments': to continue to hold on to the progressive possibility of a statist solution is more utopian than the supposed 'impossibilist' remedy he rejects.

Chomsky explains why corporations cannot be altered through appeals to enlightened self-interest or the influence of state. Even if corporations do act to meet social needs, out of enlightened self-interest, this is not a morally desirable outcome as the populace is still dependent on benevolent tyrants (Chomsky and Achbar, 2004: 181). In addition, shifting the legal position of corporations is unlikely to resolve matters as the institutions of law are themselves oppressive. Finally, as Bakan himself notes copiously throughout the rest of the book, corporations seek to alter law and influence or overthrow unsympathetic governments.

Bakan's project requires that the public are organised and dynamic; that they are engaged in activities that are rich in critical virtues (bravery, wisdom, compassion, and justice), such that plural bodies of civil society can investigate and publicise corporate excess and pressure them to alter their products, and to ensure that the state behaves responsively and progressively. Yet, if such strong, inter-linked but non-statist practices exist there is no need for the state or production based on business principles.

Corporations cannot be the origin of virtuous action as if they act in virtuous ways before there is sufficient consumer interest, then they will be replaced, as Friedman rightly argues, by those competitors who do not waste resources (Friedman, 2007). Further, as raised above, with the example of rural service enterprises, businesses – institutions that have the profit-motive as its *nomos* (guiding rule) – undermine the generation of external goods. This is not to rule out the possibility of virtuous, anti-hierarchical practices generating external goods (like a surplus), but these external benefits are not the sole motivating intention (although they could be foreseeable consequences).

Anarchism's critique also rejects Crane and Matten's account of corporate citizenship being an enabler for socially progressive, democratic government. First, anarchists, like Chomsky, point to the anti-democratic tendencies within corporate practice. Corporations are more likely to undermine democratic process, restricting information harmful to their corporate interests for instance, than support them. Where it does support them, because of popular pressure or other facts influencing material self-interest, it is hypothetical and epiphenomenal. If self-interest means undermining civil virtues, as it so often does in economically competitive situations, then the corporation must act unvirtuously or cease to be a business. Thus, the anarchist replies, business should be destroyed to allow virtuous relationships to flourish.

Second, where a citizenry is actively engaged in contesting and evading corporate-state practices, then to encourage them to re-engage with psychopathic enterprise will only diminish the generation of virtuous counter-power. The social hierarchies of state and corporate power undermine virtuous activity, rather than sustain it. Virtues are best realised in anti-hierarchical social relations. Wisdom, for instance, is the shared generation and distribution of knowledge, to lessen hierarchies of expertise. Hoarding of specialist knowledge under license is promoting the vice of ignorance.

Solomon's account of corporate virtues is inconsistent with virtue theory. There is no denying that some businesspersons might be trustworthy and honest (Solomon, 2002: 33) or prudent (Machan, 2002: 93), however, for an activity to be truly virtuous there has to be consistency between the virtues. A salesman, for instance, is under no obligation to point out the commodities faults, only not to lie, if asked. Solomon identifies desirable social characteristics (not all of them moral ones) such as innovation, generosity and toughness. Yet when these occur within the context of a business exchange, they are no longer goods because they are not mediated by other important virtues (such as benevolence, sociability and honesty). The businessperson's innovation is used to maximise material advantage and thus for domination, rather than for developing benevolent social relations.

Finally, the growth of corporate activism and a corresponding corporocentric ethic, as Stephen Harper (2012: 15-16) rightly points out, has not been an adequate response to the crises of governability. Neo-liberalism has been wrongly associated with the decline of state-power, and thus of greater individual freedom and responsibility. However, governments have not become less powerful as myth suggests, but merely more active in their support of corporate interests. Under state guidance institutions are transformed into corporations, generating not more virtuous institutional behaviour but more vice-like ones. Burkard

Sievers (2008) identifies in his analysis of Friedman-like psychopathic institutional development within academia, that universities have increasingly prioritised the external goods of profit over the internal goods of the academic disciplines they were originally set up to protect and enhance, undermining educational virtues in the process.

## Conclusion

Friedman's essay and the range of criticisms against it have influenced organisational behaviours. By clarifying key terms such as 'business', 'management' and 'anarchism', Friedman's *corporocentric* ethics is identified alongside some of the critiques it generated from Bakan, Solomon and Crane and Matten. These counter-analyses rather than encouraging deeper reflection on the limitations of business norms (in the orthodox sense) return repeatedly to the very principles and institutions they correctly identify as inadequate. In its place anarchism's critique is applied against Friedman and standard approaches to business ethics.

Anarchist responses point to the thinness of Friedman's ethical principles and the inadequacy of the epistemological grounds that maintain them, such as the unjustified claims to universality. Anarchism draws out the contradiction in Friedman's account of freedom and the damaging social institutions and identities it produces. Anarchism also provides, albeit in still shadowy and incomplete forms, alternative productive and distributive practices where both internal goods (virtues) and external goods (surplus) can, and are, generated on anti-hierarchical, prefigurative principles. Such an approach can thus assist those critically-engaged in re-thinking practices and relations of production.

The 'unholy alliance' of the economic-liberal Friedman and his apparent statist and progressive critics are haunted by the transcendent possibilities of alternative social practices based on anti-commercial, anti-hierarchical norms. Alternatives, such as anarchism, are suppressed or re-shaped in attempts to control and negate them, but they still continue to haunt capitalism – and may still take a more corporeal, anti-corporate form.

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