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Claremont McKenna College

A Promise is a Promise: The Ethical Implications for CEO's Acting Socially Responsible within a Corporation

SUBMITTED TO

Professor Alex Rajczi
AND
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BY
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For
SENIOR THESIS

Spring 2015
April 27, 2015

Acknowledgments

First and foremost, I need to thank my reader, Professor Alex Rajczi, for helping me through the process of writing my thesis. I came to Professor Rajczi late in the 'thesis game' seeking assistance in essentially starting my entire thesis process over, this time with him. He graciously accepted my request and together we systematically constructed a timeline in which I could start from scratch without falling behind. It was a daunting task, but with his expert knowledge and practice in the field of business ethics, he helped me construct an entirely new thesis. Though our weekly meetings never topped more than fifteen minutes, I always walked out feeling confident in what tasks needed to be completed. His efficient, yet clear style of assigning literature, answering questions, and providing feedback on my work continually made me feel more secure in writing my thesis. Similar to how I feel inspired by his classes, he inspired me to write a thesis that I can confidently say I am proud of. Professor, thank you for supporting me and encouraging me to expand my ideas.

I must also graciously thank my friends for tolerating my seemingly endless worries about writing thesis. In specific, I would like to thank Danielle Knott, Emma Crabo, Kaylee Anderson, and Julia Ellings; throughout my entire thesis process, they were my rock and my support system. Whether I was stressed about making a deadline, or gushing with excitement over one small philosophical argument, they were there patting me on the back or providing me with endless love and pep talks. I would also like to thank the rest of my peers and classmates for keeping me inspired and motivated. The seemingly endless nights in Poppa Lab were never fun, yet being surrounded by my classmates provided me with a sense of encouragement that I am ever so grateful for.

Finally, thank you to my wonderful family Jonathan, Devony, and Zachary Sonett. In the final week of finishing my thesis, they willingly read through 40 pages on the philosophy of corporate social responsibility to help me find typos and provide me with feedback. In every stage of self-doubt or stress I went through, my family was there to bolster my confidence and help me stay focused. They know me better than I know myself and being able to turn to them- even when I simply called in order to procrastinate on writing- helped me to write a stronger thesis.

Abstract

The prevalence of corporate social responsibility has been continually increasing over recent years. The debate of whether a business should act in a manner that furthers societal needs or if they should simply focus their efforts on maximizing shareholder value is of popular interest since it affects the fundamental structures of how a business will operate. One of the major influencing theories in favor of social responsibility is the stakeholder theory. The opposing viewpoint is the shareholder theory, which highlights that the sole responsibility for a corporation is to act in a way that maximizes profits. This thesis will outline the stakeholder and shareholder theories to gain a more comprehensive understanding of the debate and then offer a critical and philosophical analysis of shareholder theory to ultimately argue why the moral significance of a promise better promotes maximizing shareholder value.

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Introduction

The topic of corporate social responsibility has been a longstanding concept in business. A business's concern for engaging in public service is always a central theme in developing a business structure. It is only in recent years, however, that the debate over the nature and extent to which business act socially responsible has become more complex and increasingly popular. On one side of the debate are those in favor of corporations acting socially responsible due to the moral responsibilities corporations hold for society; the other side of the debate advocates maximizing shareholder value, due to the responsibility the CEO's bear to the investors of a company.

I. Defining Corporate Social Responsibility

Before continuing, it is essential to understand what social responsibility actually is. In this context, for a business to be considered socially responsible it should be thought of as having a social conscience in providing the public with opportunities that will further society. A widely accepted definition of CSR is:

> "To be socially responsible... then means that profitability and obedience to the law are foremost conditions to discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic."[i]

It is important to note that CSR can be distinguished in two types of actions. One type of CSR engages in acts external to the company. Such acts are typically more publicly noted and can include donating to charities, taking action to reduce pollution, or finding

measures to eliminate discrimination; on the other hand, there are acts that are still considered moral or charitable but relate to the business. For example, paying higher wages to the employees of a company than is required if the company feels that employees deserve more than what is minimally required. Noting such a distinction simply helps to understand what makes up corporate social responsibility. In general, for a business to engage in corporate social responsibility would mean that they are responsible in utilizing their power to engage in acts that work towards helping society.

The first chapter explores the two major sides of the debate, stakeholder theory and shareholder theory. While each side holds important value, I will focus primarily on shareholder theory for the ensuing chapters. Initially presented by economist Milton Friedman, the shareholder theory aims to maximize profits for a company while staying within the legal and moral bounds of society. In other words, shareholder theory does not advocate for social responsibility. One of the significant arguments advocating for shareholder theory focuses on the moral significance of a promise and the relationship between a CEO and shareholders. By gaining a thorough understanding of the promissory argument including its weaknesses and criticisms, I have created an argument that combines Utilitarian[1] and Kantian ideas to favor the promissory argument, and thus Friedman's ideas of maximizing corporate profits.

[1] Utilitarianism is one of the classical ethical theories presented in philosophy originally developed by John Stuart Mill. The theory of Utilitarianism is based off of the 'greatest happiness principle' which states that actions are right if they tend to promote happiness and wrong if they produce the opposite. In general, Utilitarianism seeks to promote overall welfare in order to achieve a greater level of happiness in society.

Chapter 1

The Central Debate

The concept of corporate social responsibility (CSR) is deeply rooted in business ethics philosophy due to the interesting ethical dilemmas it presents. On one side, should a corporation attempt to fix societal problems and/or work to further good on an internal level? On the other side, should a business merely aim to maximize shareholder wealth? Both sides of the CSR debate present strong arguments and strong defenses. This chapter explores the prominent philosophical arguments in the CSR debate in order to give an essential overview of the major viewpoints. The chapter will lay out ideas concerning Milton Friedman and the shareholder theory, criticisms of the shareholder theory presented by Christopher Stone, and R. Edward Freeman who objects shareholder theory by presenting the stakeholder theory.

I. Milton Friedman and the Shareholder Theory

In the 1970's, well-known economist Milton Friedman published a piece entitled, "The Social Responsibility of Business Is to Increase Its Profits". In this paper, Friedman argues in favor of what is called shareholder theory. Advocates of the shareholder theory propose that corporations should seek to maximize profits for their business so long as it occurs within legal and moral boundaries. Friedman's paper questions what it means for a business to act socially responsible and ultimately argues that the social responsibility of a corporation is simply to maximize their profit and provide return for the shareholders[ii].

He pulls out multiple arguments to defend his stance and his first central argument begins by asking what social responsibility means and for whom. The answer lies within

the manager or corporate executive (CEO). A corporate executive is the primary employee to the owners of a business- the shareholders. The corporate executive has a direct responsibility to the shareholders, which includes conducting business in a manner that accords with shareholder desires. According to Friedman, these desires are generally to make as much money as possible for the company while conforming to the basic legal and moral rules of society. When the CEO takes on this role, they can be seen as an agent to the shareholder. Being an agent to the shareholder means the executive has established a voluntary contract (i.e.: some type of terms of agreement both parties adhere to) in which he is obliged to fulfill the desires of the shareholder. Yet Friedman is making implicit assumptions in saying these claims are true so I will try to interpret his argument in order to understand his ideas. Friedman says for the CEO to be an agent, a voluntary and contractual agreement must be set in place. This contract can be inferred to mean a promise that is being made between the shareholder and the corporate executive. It is this promise that creates a fiduciary duty for the CEO to act in accordance with shareholder desires. Since a promise is generally not to be broken, this creates a close alliance between the CEO and the shareholder in how the corporation will be run. At this point, Friedman includes that the CEO is in fact his own person outside of work and that he may have other, personal "social responsibilities" such as friends, family, his city, etc.[iii]. Yet Friedman asserts that these are according to the CEO's own principals on an individual level and should not blend into the corporation in which he works as an agent. Friedman reasons for this by saying that outside of work, the CEO can spend his own money, which allows him to not act as an agent during these transactions. Therefore, these "social responsibilities" can be seen as personal or individual social responsibilities

rather than corporate social responsibility. So, through a promise, the CEO is bound to fulfill the desires of the shareholder in conducting business.

Another significant argument that Friedman makes relates to the financial distribution of a corporation's money. He argues if the CEO spends shareholder money in a way that is considered to be socially responsible, he is in essence unfairly imposing taxes and deciding where tax proceeds go. If a corporative executive were to act in a socially responsible manner, it would mean he is acting in a way that is not in the interest of the shareholders, which violates the promise. For example, he may wish to refrain from increasing the price of a product in order to help fight the social issue of inflation[2]; this action of social responsibility, while perhaps morally good, is hurting the corporation by preventing it from increasing profits in order to further social objectives. Friedman argues that when the CEO spends the shareholder's money in order to help general social interest, he is reducing the returns to the shareholders and unnecessarily spending money that hurts the business.

When this happens, two questions are raised: First, Friedman examines the implications of political principle. As mentioned previously, when the executive unfairly spends someone else's money, he is essentially imposing taxes and determining the expenditures of these taxes. However, this can be seen as unfairly imposing on governmental functions. The government is a highly complex and established system that carefully regulates and monitors society in such a way that is supposed to assure that taxes match (as much as possible) the desires of the public. But, when the executive decides to act socially responsible and combat problems of social justice, he becomes

[2] In economics, inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. During periods of inflation, people lose confidence in money since the value of savings is reduced.

somewhat of a public employee, blindly trying to take on the role of the government, which he has no right to do since he is a businessman[3]. In regards to what political principle stands for, it is intolerable that a businessman should attempt to govern society without being elected to do so.

The second implication Friedman addresses is in regards to consequences. He argues that it may not even be feasible for the executive to successfully get away with spending the stockholder's money and if he does, it would always be questionable on how to rightfully spend it. Again, Friedman uses the example of the executive trying to fight inflation. It would certainly seem that a properly trained businessman would have no skill in combating such a complex issue. In addition, there would be serious consequences for the CEO, were he to get caught in unjustly spending the shareholder's money. It is not unlikely that he would be fired since his actions no longer acted in accordance with the desires of the shareholders.

Friedman's article makes clear the difficulty of exercising social responsibility since it distracts corporations from their sole purpose. He asserts that corporations do not know how to properly invest in social causes and therefore, it should be left to the individual rather than the corporation. He is not saying that acting altruistically is wrong; he is merely suggesting that if one wishes to do so, he must do it on his own time and not at the expense of the corporation. Thus, he concludes by saying, "there is one and only social responsibility of a 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"[iv] .

[3] A businessman (or woman) is someone who works in business or commerce, especially at an executive. This is different from a government official who works to serve the general public.

The next section will focus on one of Friedman's primary objector's, Christopher Stone. A note to remember is that Stone merely gives objections to Friedman's ideas and does not contribute a positive alternative to the shareholder theory.

II. Christopher Stone and Objections to Shareholder Theory

Now that we have an understanding of Milton Friedman and his ideas, we can examine Christopher Stone and his criticisms against Friedman. In understanding Friedman, I broke his work down into what I found to be two primary arguments- one in regards to a promise, and one in regards to how the CEO spends a company's finances. Yet Friedman's argument is complex and contains many components to it. While I merely showed two arguments, Stone outlines four key criticisms to Friedman in his paper entitled, "Why Shouldn't Corporations be Socially Responsible?" The arguments he criticizes are the promissory argument, the agency argument, the role argument, and the polestar argument. Each one will be explained in how they supposedly weaken the ideas of shareholder theory.

A. The Promissory Argument: The promissory argument can be seen as the most commonly held argument to oppose corporate social responsibility and is one of the arguments I explained in the Friedman section. The argument poses a moral claim that there is a promise made between a corporation and its shareholders. In essence, it states that those in a managerial position (the CEO's) at a corporation have an obligation to the shareholders to act in accordance with what the shareholders desire since the shareholders are the investors in the company. This obligation can be seen as a promise between

executives and shareholders in that the executives have promised the shareholders to maximize profits for the corporation.

Stone challenges this argument first by pointing out that often times, the managers of a corporation simply do not get the opportunity to refuse a shareholder's terms. In most cases, a shareholder almost never directly puts their money into a corporation at all. Rather, the shares have been issued in previous years and only through 'hand me down' types of investments do new shareholders claim their share. But, what happens during these inheritance types of transactions is that the obligations between the shareholders and the managers are never restated or made clear and thus, the CEO becomes obligated to a shareholder without necessarily given fair chance to refute. This can create a moral dilemma based on a "supposed promise"[v].

Next, Stone challenges the promissory argument by demonstrating why promises can be overridden. He claims, "Sometimes it is deemed morally justified to break promises in the furtherance of other social interests of higher concern"[vi]. There is nothing in the form of a promise that should keep us tied to a regime in which management solely maximizes the income of shareholders. Stone gives a brief example to demonstrate this point: A student makes a promise to show up to class on time, but if someone appeared to be in immediate danger on the student's way to class and the student was the only available person to help, it would typically be deemed morally acceptable to break the promise of being on time to class in order to save a human life. So, even if a manager had made a promise to the shareholders that aims to maximize profits, Stone lays out two reasons for why it is permissible to break the promise. A) The promise to maximize profits does not necessarily mean *maximize profits in every way possible that one can get*

away with[4]. Meaning, even if it is legal to dump waste into a river, most people would agree that it is okay to break a promise that would cause serious harm like that. It would be okay to break a promise if the promise challenges basic moral principles. B) A promise that has been made can be broken in cases of morality.

Chapter two will expand on the promissory argument in more depth.

B. The Agency Argument: Though related to the promissory argument, the agency argument is based upon agency principles. Whereas the promissory argument was founded in the inherent promise between management and shareholders, the agency argument rests upon the idea that shareholders deem the CEO's as their primary moral agents. This means that the CEO should consider themselves more a moral agent to the shareholders than to any other stakeholder in a business. Friedman is a supporter of this idea saying that, "the manager is the agent of the individuals who own the corporation…"[vii].

Stone criticizes Friedman's claim by saying that this is wrong in accordance with the state of the law, and he is wrong to assume facts of corporate life [5]. Taking a Kantian perspective, Stone argues that managers should not be viewed as mere agents to a shareholder. It is morally wrong to treat people as a mere means and using someone as an agent in order to maximize profits for a corporation is doing just that. Stone writes that Friedman sees the directors of a corporation as morally obligated in considering themselves an agent to the shareholders, but Stone believes this is incorrect. It is

[4] It is important to remember that businesses need to follow a basic moral code of conduct that is generally accepted by society; they are not exempt from all moral and ethical rules.
[5] The CEO's should not consider themselves mere agents of the shareholders; also, it may be more likely that in corporations, the shareholders do not select the CEO's.

inherently wrong for shareholders to consider management an agent to them, and it is also wrong for management to consider themselves more of an agent to the shareholders than to any other stakeholder in the corporation (i.e.: customers, suppliers, the state, etc.).

Stone also points out the agency argument lacks a strong conclusion; if a CEO truly considers themselves an agent of the shareholders, they should be able to express any interest they have in determining how their shareholder's want them to act and then act accordingly[viii]. In other words, if the CEO is considered an agent to shareholder, they should be able to express their thoughts on what the shareholders want them to do. This is not an unreasonable request seeing as the CEO's are those who are supposed to fill the desires of the shareholders.

C. The Role Argument: The role argument is slightly difficult to understand if not previously familiar with it. Therefore, I will briefly outline it before continuing on to Stone's ideas. Throughout life, everyone has various obligations that need to be fulfilled. Sometimes these obligations are fulfilled through a promise that was contracted through a voluntary agreement. Other times however, we are tied to necessary obligations simply because we occupy a certain role regardless of a promise. For example, when one becomes a parent, they have necessary obligations to fulfill to their child simply because they play the role of the parent and not because they have made any explicit promises. It is their role as a parent that makes them obliged to raise their child, not a promise. In business, the role argument is based upon supposed considerations of the role of management. From Friedman's perspective this means that sometimes the CEO's have never explicitly promised to work in accordance with the desires of the shareholders, nor

did the shareholders actually designate the managers to assume the position of agents. Rather, the CEO is obliged to uphold the desires of the shareholders simply because their role as a manger signifies an assumed position that people take on without any specific verbal promise.

Stone challenges this argument by claiming that the CEO's never actually promised the shareholders they would maximize the shareholder's investment. Similarly, the shareholder's never directly appointed the CEO's to act as an agent in fulfilling this supposed role obligation. These roles have all been assumed rather than clearly expressed, which means it may not actually be the case that the shareholder's sole desire is to maximize profits, or that the CEO should automatically be treated as an agent to the shareholders. Stone argues that the role argument suffers from the problem that the strongest moral obligations have only prima facie force behind it[6]. It is not acceptable for moral obligations only to be supported by prima facie force because it is not apparent why such obligations should take priority over contrary social obligations that could be advanced. In essence, a person can have other obligations besides the supposed one to the shareholders of a business and the role argument does not take this into consideration. These other non-corporate obligations may even be stronger than the corporate obligations, which is why it is unacceptable to assume the corporate obligations based on a supposed role.

D. The Polestar Argument: The fourth argument that opposes corporate social

[6] Things that are considered prima facie are things that can be accepted as true until proven otherwise. In other words, they are based on first impressions or should be believed until there is contrary evidence to show why it should no longer be accepted.

responsibility is the polestar argument, which simply says that if the manager's act in a fashion that aims to maximize profits, then it will be best for all. In other words, if the CEO's act as though they had promised the shareholders they would do so, it would be the most beneficial for the corporation. This argument appeals to the interests of the shareholders since it is not based on supposed justified obligations. Rather, it is a means of acting in a direct manner toward what is best for the society as a whole. The argument takes an implicit favoritism towards those whose feel that moral judgments are particularly unimportant if they are not able to adapt to rational discussion. With this position, profits are preferable since they are able to provide a tangible standard of measure of success and failures in an efficient manner. What Stone challenges in this argument is that those in favor of CSR do not pursue other alternatives such as improving laws. Stone claims that the "antis"[7] are blind to the fact that there are circumstances in which the law is not competent in keeping the corporations under control. The law ought to keep corporations under control since they do not know how to responsibly engage in civic action. Thus it is important to identify where the conventional forces are no longer sufficient in order to design and implement new measures of law to keep corporate conduct under control.

Next, the chapter outlines Edward Freeman and his ideas in regards to the other competing CSR idea, the stakeholder theory.

[7] Those in favor of the shareholder theory.

III. R. Edward Freeman and the Stakeholder Theory

Opposite to the shareholder theory, proponents of the stakeholder theory support providing for the discretionary expectations of society. In addition to making a profit and obeying the law, a company should aim to alleviate social issues. In his essay, “The Stakeholder Theory of the Modern Corporation”, Edward Freeman challenges Friedman and the shareholder theory by proposing a framework of managerial capitalism that he feels is a stronger alternative than solely seeking to maximize profits. Freeman created the stakeholder theory to transform the structure of the modern corporation by replacing the concept that managers have a duty solely to shareholders with the concept that the CEO’s bear a fiduciary relationship to stakeholders. “Stakeholders are those groups who have a stake or claim on the firm…”[ix] and thus should be considered to what expense the firm should be managed. The stakeholder theory presents two key arguments that attempt to answer this question.

Before looking at the arguments, the concept of what a stakeholder is needs to be made clear. The types of stakeholders that Freeman focuses on are: owners, management, local community, customers, employees, and suppliers[x]. The owners are the shareholders and have financial stake in the corporation; they are the stockholders and their stake typically comes in the form of stocks, bonds, etc. As an owner, they expect some financial return or at least an effort to maximize shareholder value. Employees have their jobs and also their livelihood at stake[8]; to use employees simply as a means to end would be to not provide them with the proper support that is necessary. Suppliers hold stake in a firm since they provide the materials necessary to produce a product. Without the role of

[8] In return for their labor, employees typically expect security, wages, benefits, and meaningful work. In return for their loyalty, the corporation is expected to provide for the employees.

the suppliers, the business would have no way of making profits. To value the supplier as a valued member, rather than a means to get materials, the supplier will oblige to the firm when they are needed in the future. Essentially, it is about establishing a trusting and loyal relationship between the suppliers and the firm. Customers exchange resources for the products of the firm and in return receive the benefits of the products; in a sense, they pay for the development of new products. By paying attention to what the customer wants and establishing a strong relationship with the customers, the firm is able to address the needs of the suppliers and owners. In addition, caring for the customers will lead to positive thoughts about the company from the community. The local community claims stake in the business since they are allowing the business to be run in their area. The community benefits economically from the business and so the corporation has an obligation to the community to treat it respectfully and not subject it to unreasonable hazards such as toxic waste, pollution, etc.

Freeman's first key argument bears a Kantian perspective that tells us treat people as ends rather than just as a mere means. What all of these stakeholders have in common in relation to the corporation is that the corporation needs to value each stakeholder as an end that is essential to the survival of the business. To treat someone as an end means to see him or her as worthy of inherent value. If a person is not valued for their inherent worth, they are merely being used as means to end, which his morally impermissible. There are no exceptions to treating someone as a means rather than an end so it is important to understand the value of each human being in order to treat them in a morally acceptable manner. For the stakeholder's, this means their contributions to the company are to be valued as something more than an instrument in helping company run

effectively. Rather, the corporation should know that their success is due to the contributions of the stakeholders and should appreciate them with a sense of inherent value.

The second primary argument appeals to ideas of justice and fairness. It examines the way a corporation ought to be governed and to whom the managers should be responsible for[9]. The argument is posed around a central question of whether business actions are purely transactional or if they mean something more: sometimes there instances in business that are simply pure transactions. These occur when the terms of a deal are made explicit and when both parties voluntary agree to those terms. For example, when I go to the local ice cream shop, I am engaging in a pure and simple business transaction by handing the employer $2.00 for my ice cream since that is the set price. Yet there are other instances in which business operations may not be purely transactional. For instance, when looking at a whole society there are numerous other factors to consider in what rights a corporation has in conducting business. Freeman argues that a corporation should be governed more in accordance with the way society is governed rather than simply making pure transactions between buyers and sellers[xi]. In a just society, it is necessary for businesses to be managed in such a way that benefits everyone. Not only does this mean benefit the various stakeholders in a company, but also benefit the public. Since businesses have such a monumental impact and influence on society, it would be seen as unreasonable to not have expectations of them in regards to how they treat society. These corporations ought to bear a moral obligation to help society in regards to this impact by 'giving back' in a way that furthers society. The

[9] Also known as, "The Legal Argument".

corporations should be regulated according to the rules of justice that govern society since being pervasive in society creates an influence that is more significant than treating business transactions as purely individual. So, it is important to allow for the governing of corporations to work with society in a way that benefits them.

Freeman shows how the stakeholder argument can be implemented to help solve the problems of how to manage people fairly and also, how to determine a firm's moral obligations in looking beyond maximizing profits.

The aim of this chapter was to provide an overview of the key positions in the corporate social responsibility debate. The shareholder theory provides an argument for maximizing profits for a corporation while the stakeholder theory aims to show why corporations should focus more attention on the other stakeholders involved in a business. Stone then challenges the shareholder theory by criticizing what he feels are four the key arguments it rests on.

Chapter 2

Criticisms of the Promissory Argument

Friedman analyzes the relationship between the corporate executives and the shareholder's to explain why acting socially responsible is not the prominent goal in running a business[10]. To clarify, the corporate executive is someone who acts as the highest level manager (the CEO) in executing the organizations strategy, policy, and daily operations. On the other hand, the shareholders are those who have invested stock into the business- they are the owners. So, to determine how social responsibility should be factored in to a business, one should consider what it would mean and for whom. Businesses have a specific structure in which they are designed in order to make things run efficiently; there are many stakeholders that play a role in making the business operate the way it needs to. But, Friedman argues that the relationship between the corporate executives and the shareholders is what is most important in determining what ways the business should act.

One of the ways in which Friedman defends his position that corporations should seek to increase profits is through the argument that highlights the importance of a promise. This argument, known as the promissory argument is based upon a moral claim that the corporate executives have an obligation to keep their promise to the shareholders[xii]. In a free-enterprise system, a corporate executive is an employee to the shareholders of the business. Since the CEO is an employee to the shareholders, she is obligated to fulfill the desires of the shareholders. Generally speaking, the principal

[10] Recall that Friedman believes the primary goal of a business is to maximize shareholder value while staying within the legal and moral bounds of society.

objective of the shareholder is to increase profits in a way that conforms to the basic rules of society. Since the CEO has promised the shareholder to fulfill their desires for the business, this means she will generally work towards increasing profits in a way that is socially and morally permissible. The promise should be upheld since the executives presumably entered their position by way of voluntary contract. This means that they were fully cognizant of their actions, what their responsibilities entail, whom they report to, what their managerial duties are, etc.[11]. In essence, a contract is a written promise. When the executive voluntarily agrees to the contract, it can be seen as willingly accepting responsibility to act in accordance with the promise. While Friedman argues in favor of the promissory argument, Christopher Stone argues against him in order to show why corporations should in fact, act in a socially responsible manner. Though briefly outlined in the previous chapter, it is necessary to go deeper into Stone's reasoning in order to challenge Friedman's assertions.

I. The 'Hand Me Down' Investments

Stone first criticizes Friedman by arguing that the CEO is often times never offered the chance to deny the terms of the shareholder. In a basic promise agreement, there is a direct and honest communication about what terms are being agreed to and how they ought to be upheld. When the terms are explicitly communicated, agreed to, and then violated, the promise has been broken. So if the CEO promised the shareholders that she would aim to maximize profits (per their desires), doing otherwise would negate the promise. However, in American businesses, Stone claims it is rare that the shareholders

[11] A contract is a written or spoken agreement, typically concerning employment, which is enforceable by law.

put their money into a corporation upon the *sole* agreement that the company would be run so as to maximize returns. In fact, shareholders almost never directly put their money into a corporation at all[xiii]. What typically occurs is that shareholders come into an investment opportunity through prior shareholders and then ownership is given through a 'hand me down' type of investments[12]. Stone argues that a promise cannot be treated in such a way. When promises are made, they cannot simply be traded away at a person's disposal. Typically when two people make a promise together, they have the opportunity to change the terms of agreement; but if the promise has been handed off, the terms cannot be changed since the new person fulfilling the promise is not the original promise maker who helped create the terms. Therefore, they do not have the power to change the initial terms.

In a business environment, Stone would argue the same principles apply. Imagine at the start of company, all the shareholders who invest in the company are on board with the agreements they are making at the time of investment. Assume this agreement is in accordance with shareholder theory. Since most businesses were founded years ago, we can deduce that over time, new investors have come in seeking to buy stock and ultimately purchase stock from a previous shareholder and thus, the stock has then essentially been traded off. However, the passing of stock should not be allowed since there were promises bound to the investment and Stone believes that promises cannot be handed off. Also when this occurs, it means the terms of agreement are not being repurposed in any sense. The original shareholders worked with the CEO to create the

[12] What does a 'hand me down' promise or investment mean? Say two ordinary people make a promise to meet for dinner on a given date. In order for these two people to be bound by this promise, they have come up with terms that they both voluntarily agree to uphold. When this promise is made, Stone argues that it cannot then be handed down or passed off. So if person A decides she no longer wants to attend the dinner, she cannot simply hand off her obligation to a friend to take her place. This is because the friend was not present in making the promise.

terms of agreement that were to be obliged, and if either party wanted to change the terms, they had the opportunity to do so since both parties are the original 'contract-makers'. If the original shareholder handed down his stock and promise to a new shareholder, he is creating new terms for the CEO that cannot be renegotiated. During these transactions, the obligations that were initially agreed upon are never restated or explicitly agreed upon. When this occurs, the corporate executive is never offered a fair chance to refute the obligations.

This criticism attacks Friedman by saying that these supposed promises between the CEO and the shareholder are unjustified due to the means in which their relationship was bound by. Stone identifies a clear point in the argument where Friedman's argument can potentially be undermined- that it is morally unacceptable for promises to be handed off. Yet Friedman would see Stone's argument as unconvincing. In looking at Friedman's original argument, his only claims are in regards to what the current promise between the CEO and the shareholder should or should not be. Considering the guidelines of a promise or voluntary contract, he merely focuses on upholding the promise. He does not delve into how the current promise was conceived or if the means by which the promise reached the current shareholders was morally acceptable or not. Thus, Friedman may deem Stone's argument irrelevant. Stone fails to address whether a promise that has been handed off should be fulfilled or not. Though we can likely guess what Stone's answer would be[13], Friedman may argue that even if a promise was immorally handed down, it still ought to be fulfilled since it is a promise between the CEO and the shareholder nonetheless. From learning about the promissory argument, it is evident how much

[13] I would take Stone's answer to follow the lines of: Since handed promises are morally unacceptable, it is also morally unacceptable for them to be fulfilled since it would be occurring on immoral grounds.

significance Friedman places on upholding a promise. When that promise aims to maximize profits for the shareholders and the corporation, it should to be fulfilled regardless of whether the promise was handed off or not.[14]

II. Overriding Promises

Stone continues to criticize the promissory argument by arguing that the first significant implication of a supposed promise running from management to the shareholders is that it is sometimes morally acceptable to break a promise if it benefits social interests of greater significance[xiv]. As discussed earlier, the example that Stone gives is a student who promises to arrive to class on time but when he sees a man drowning on his way to class, it is deemed morally acceptable to break the promise in order to save a life. Stone attacks the promissory argument by saying that even if the CEO had made an express promise to the shareholders it should not be taken to mean maximize profits at all costs[xv]. Rather, it implies that if the promise lies within reasonable limits then the promise should be upheld, but if a moral issue of greater significance is presented to a corporation, the executives can morally justify breaking the promise in order to promote a social good. Considering most people agree with the idea that a blanket promise can be broken in select cases, Friedman's argument is weakened.

[14]Another response Friedman may give highlights the section in which Stone discusses the 'hand me down' type of investments. This occurs when an interested investor becomes a shareholder without restating the objectives. Investing in a company to become owner or part-owner is a large business opportunity that is to be taken seriously. That being said, those who are looking to invest in a business ought to research the companies they are interested in. In researching the companies, they would be able to find out the goals and desires of the previous shareholders. It seems unlikely that an individual would want to become a shareholder in a company that does not align with their beliefs or desires. So, in deciding which company to invest in, the potential investor will most likely choose the one that aligns with their goals. If an investor is looking for a company that engage in CSR, then they will likely not invest in a company that does not support this objective. However, if the investor is interested in a company that seeks to maximize profits and finds one that aligns with this desire, then he is likely to become a shareholder. Friedman may argue that it is unnecessary to restate the shareholder's objectives for a corporation since presumably they are investing in something they already know aligns with what they want. Yet, this does not align with the promissory argument and instead seems to favor the idea that the new shareholders are simply agreeing to the terms their predecessors constituted.

Not only would it seem unreasonable to not break a promise that helps the greater good, it would seem morally incorrect. Yet, Friedman is not an evil person; he does believe in engaging in socially responsible acts to further society so long as it occurs within an individual's principles rather than through the corporate promises. The CEO of a company is considered an agent to the shareholder while business is being conducted. However, the CEO is her own person outside of the corporate workplace and can make promises according to her own individual principles- in regards to social responsibility or not- that can be acted upon when she is not upholding the desires of the shareholders. Since Friedman values the concept of a promise with such high regard, it does not seem implausible that he would agree with Stone that in some instances, a blanket promise could be broken. I feel that his difference of opinion from Stone in when a promise can be broken is where the promise lies. Friedman would say that it is wrong to break a promise between the shareholder and the CEO, but the CEO may be able to break a promise she has made according to her individual principles. For example, if one of these individually held promises suggested leaving the company because she felt an issue of greater moral significance was occurring, the action could be morally justified since it aligns with her personal principles. Nevertheless, when the CEO is acting as an agent to the shareholders, she cannot break her promise to them since she is actively fulfilling her role as CEO. Only if another promise made on the account of the CEO's individual principles needed to be acted on, could she perhaps morally justify breaking her promise to the shareholder in a particular situation.

Stone may not accept this as an adequate refutation to his original criticism. Why is it morally acceptable to break a promise made on one's individual principles but not

morally acceptable to break a promise between an agent and the shareholder? A promise is a promise and thus, the relationship between which parties the promise was contracted under should not influence whether it can or cannot be broken. If a situation arises that would violate a promise but that is clearly of greater moral significance, then it should be acceptable to break this promise. If the situation is not worthy of breaking the promise, then the promise does not need to be broken. Another point worth considering is that some promises may only be capable of being upheld when in the position of CEO. For example, perhaps the CEO of a major corporation wants to increase wages for her employees to give them a more satisfying work experience. While Friedman says fulfilling acts of social good may be accomplished on individual time, it would be rather difficult for the CEO to fulfill such an obligation based on those individual principles. She as a private citizen does not likely have enough influence or power to change an issue like that. In her position as CEO she presumably has all the necessary resources at her disposal to help the situation. With this in mind, Stone's main idea is that a promise should or should not be broken based on the event in question.

However, Friedman may disagree further with Stone on this point and argue that it is *to whom* the promise is directed toward that is of significance rather than the context. A promise created by an individual based on her personal ideals that she chooses to uphold on account of her individual and moral well-being can be broken before a promise between two separate individuals- especially when the two parties bear a professional relationship and when monetary transactions are involved. This is because a professional relationship in the work environment bears external responsibilities. A promise made between a CEO and the shareholders not only concern themselves, it concerns the other

stakeholders in the business, the overall success of the business, the public, and more. Also, when a promise is partially bound through money, more is at stake for the parties involved. If a CEO breaks a promise to the shareholder, the shareholder loses money on their investment, in turn hurting the business and losing profits. On the other hand, looking at a promise that an individual makes to herself, the implications of breaking that promise causes significantly less impact since there are no external parties involved. Individual promises are typically made in order to better oneself in a moral sense, and breaking that promise in order to fulfill something of even greater moral worth causes little to no harm for the individual. In a business setting, the moral significance of breaking a promise between the shareholder and CEO is not great enough in relation to the other factors involved to be deemed worthy of being broken.

It is certainly difficult to weigh the moral significance of various promises and obligations. Perhaps it may even seem unfair to compare the value of moral obligations- after all, each one holds a particular level of significance otherwise they would not be considered a moral obligation. So it is important to distinguish why the obligations a CEO might experience other than their promise to the shareholders are less demanding and hence, should not be overridden. In a typical American business, many of the competing moral obligations that arise are those that include acting socially responsible. Aside from highly unlikely and rare events, many of the obligations would include acts that promote some social justice, i.e. saving an endangered animal species or raising employee wages. These issues are certainly important and should not be ignored, yet it is simply not the CEO's responsibility to worry about such issues when their responsibility is to the shareholder. It is fulfilling their role as CEO that makes their promise to the

shareholder of greater moral importance than furthering a social good their business may have no connection to. For example, when a person steps in the role of the parent by having child, it is highly unlikely that an event would occur that would cause them to step out of their parental role in order to help a different cause. I do not want to undermine the importance of acts that promote social welfare, but in determining the value of competing moral obligations, the promise the CEO made to the shareholder will hold more strength due to the relationship and the role between the CEO and the shareholder.

III. Multiple Conflicting Promises

Finally, the second implication Stone suggests is that the promise made between the shareholders and the corporate executives may not be one that is committed solely to maximizing profits of the firm[xvi]. The existing shareholders are the owners of the corporation; they are the ones who invest their own money into a company and therefore, they create the obligations that the executives need to withhold. If the shareholders decide that their primary aim is not to increase profits by any means possible, then the promise between the shareholder and the CEO has changed. Friedman argues that since most shareholders' chief motive is to maximize profits for the firm, then the promise of the executive would be to work towards that. But, to assume as a whole that all shareholders share this perspective is wrong according to Stone. When the multiple shareholders have different expectations and ideas for their company, the various actions required to keep a promise are different, thus creating an incompatibility that questions Friedman. This creates a unique dilemma for the CEO in determining which promise to uphold.

However, I will save philosophical analysis on this second implication for the following chapter where I use my reasoning to create an argument in favor of Friedman.

Stone's criticism of Friedman does not deny that a promise is in place. Rather, he criticizes the amount of significance that Friedman places on the promissory argument. Friedman's conception of the promissory argument and his defense of it highlight two key points. First, that in most cases all shareholders have the goal of wanting to maximize profits while engaging in open and free competition without deception. The second key idea his argument rests on is that the promise between the shareholders and the corporate executive is one too strong break. If the CEO is an employee to the shareholder and has in fact entered into a voluntary contract, a steadfast promise has been formed in the mind of Friedman. But as Stone refutes Friedman, it is clear that there is more to consider in what constitutes a promise such as whom it affects, when it was made, how it will be executed etc.

Chapter 3

So What Does This All Mean?

As addressed in chapter two, Stone makes light of multiple implications against the promissory argument that Friedman continually emphasizes. I would like to explore the implication concerning multiple conflicting promises further- to ultimately argue my final position on this topic- that Milton Friedman's conception of corporate social responsibility is correct in assuming that the overall aim of a business or a corporation should be to maximize profits so long as it is regulated within a legal and moral framework. It should be noted that simply exploring one implication or objection will not fully defend Friedman's entire thesis. To do so, defenses against the numerous objections posed against his ideas would need to be covered. I will however defend what I consider to be the strongest implication to show why this one objection can help make Friedman's thesis more defensible all around.

I. Incompatible Promises

To recall, the promissory argument relies on a moral claim that is based on the supposed obligation that the corporate executives have to the shareholder's. While Stone gives numerous reasons to object to this argument, the implication this chapter will explore is his second implication. This objection states that even when an unbreakable promise is in place between the corporate executive and the shareholders, there is no certainty in what that promise may contain. Since the shareholders are the owners of the company by way of investment, they set their promises in place based on the expectations

they have for the company. However, it is important to remember that there are many shareholders in a business. When numerous people invest in a business, it is seemingly inevitable that conflict or incompatibility amongst viewpoints may arise. Each shareholder may want different outcomes for the company, which leaves the CEO in a position of difficulty. These conflicting perspectives create an interesting philosophical dilemma between Friedman and Stone in regards to the promissory argument.

To understand the dilemma in a more comprehensive manner, it is essential to outline it in full detail. First, it is natural to assume that within a corporation there are multiple shareholders. As previously mentioned, these shareholders collectively can be considered the owners of a business since they all invest some portion of their money into it. Individually, each shareholder would be considered a part owner in the business, with their share of ownership correlating to the percentage of shares they choose to invest in. As the owners of a business, the shareholders hold the position to express their desires for the company. However, it is quite plausible that each shareholder (or many of them) will seek different overall objectives for the company. When looking at the promissory argument, the corporate executives enter into a promise with the shareholders that morally bind them to uphold such wishes. If we adopt Friedman's outlook and hold that this promise is indissoluble, then the CEO is faced with the daunting task of obliging each shareholder's desire. According to Stone, it may not be the case that every shareholder shares the same desire to maximize profits for the company[xvii]. It may be that some of the shareholders primary desire for the company is to act in a socially responsible manner. For example, they may feel that each employee deserves a higher salary than is required as the minimum since they believe in treating their employees as

ends rather than mere means. In this instance then, the promise between the executive and the shareholder would be to maintain the effort of keeping higher wages for employees. This of course, is no longer in accordance with the aim to maximize profits. So, the corporate executive is now in a troublesome position. She agrees with the idea that there is a promise that runs between the shareholders and the executives. She also agrees that working to uphold this promise and keep the shareholders satisfied is a reasonable part of her job. But, how is she to keep each shareholder satisfied when they have contradictory ideas of what promise is the one to be upheld?

II. Assuming the Overall Goal should be To Maximize Profits

When a corporate executive is trying to decide which promise to uphold, I argue that the executive should take Friedman's side and work to fulfill the promise that seeks to increase profits for the company while staying within legal and moral limits. There are a few things to consider when making this point.

Businesses run in efforts to stimulate the economy by providing jobs and increasing consumerism[15]. Empirically speaking, to keep a business running, it is necessary for profits to consistently flow into the company otherwise the business will fail. In other words, companies must retain profitability or they will go out of business. Since increasing profits is necessary to keep the business going, then it would be irrational to not act in such a manner that aims to maximize those profits. A business can certainly sustain on consistent profits, yet it may be more beneficial for them to aim for increasing profits in order to keep a competitive edge. Newer businesses pose a potential

[15] Businesses contribute to society by making a profit, which supports employment, wages, purchases, investments, and taxes. Conducting business as usual is sufficient social benefit.

threat based on the assumption that newer businesses will perform better. With this in mind, it seems that if businesses were to act in a socially responsible manner- by either contributing to the public good or doing internal work for the company- the amount of overall profit will be lowered since they will only be keeping profits steady rather than increasing.

However, contrary to this claim, empirical studies in the field of ethical business practices have been conducted to show that when companies act in a socially responsible manner, it can be more beneficial. In their study, "Corporate Social Performance and Firm Risk: A Meta-Analytic Review", Marc Orlitzky and John Benjamin show that the more a firm engages in corporate social responsibility, the lower its financial risk[xviii]. Further, the better a firm's CSR reputation, the lower its risk. "Thus, a firm that is socially responsible and responsive may be able to increase interpersonal trust…and therefore, ultimately reduce uncertainty about its financial performance"[xix].

Another study published in the International Journal of Management Reviews also supports social responsibility[xx] . The business case for CSR refers to the arguments that provide rational justification for CSR initiatives from a financial and economic perspective. The research found that firms which engage in CSR activities will be rewarded by reaping economic and financial benefits. In yielding a broad perspective of the case, the socially responsibility initiatives can be justified due to the direct and indirect links affect corporate performance[xxi]. Engaging in CSR can enable a firm to enhance its competitive edge by fostering positive relationships with the various

stakeholders involved; it reduces financial risk to the company, and offers a more positive reputation for the company[16].

Though these findings show empirically that acting socially responsible may be beneficial for a firm, it should not undermine that maximizing profits can also be beneficial to the firm. While the studies shows that acting social responsible will help a company achieve success, they also does not say that *not* acting socially responsible will be detrimental to a company in achieving financial/economic success. If businesses do not dedicate their time to engaging in CSR, they can keep on a more direct path towards keeping the business successful. On the other hand, engaging in CSR is difficult to get right; if the CEO does not spend the money in the correct manner or if the decisions to engage in civic duty are made by ill-informed executives, there is a greater risk for failure. If this is true, a shareholder's primary goal ought to be aimed at maximizing profits for the business since contains more safety in achieving success. Businesses help society run in a profitable and successful manner with continual progress towards the economy. In order to keep a business running, profits should be consistently coming in to the company.

Understanding the purpose and conception of a business helps distinguish why Friedman assumes that the overall goal of shareholders should still be to maximize profits. In a business environment, Friedman sees people as more narrowly self-interested in furthering their goals than what is typically considered beneficial. In most other aspects of life, people aim to achieve benefits that they deem worthwhile and not solely

[16] Empirical research fosters support through gathering statistical data whereas philosophical arguments are concerned on building a sound argument through reasoning. When considering this difference, the empirical evidence does not change the outcome of my philosophical argument.

based out of self-interest. Their goals should align with a moral code to make these benefits worthy. Yet Friedman sees business opportunities as primarily money oriented because that is how the businesses will achieve the most success. If we understand success in this context as aiming to increase overall profits for a company, then it is easy to see why Friedman assumes the CEO's and shareholders should share the assumption that maximizing profits by not engaging in CSR is the right action to engage in.

III. A Hybrid Utilitarian and Deontological Approach

Now that is known why a shareholder and CEO should assume that maximizing profits is the overall goal, an argument can be made for why this takes priority when an executive is faced with conflicting shareholder desires. From what can be recalled earlier in the chapter, it is highly likely that the various shareholders of a company will hold conflicting ideas about what promises need to be fulfilled by the corporate executive. Some may want to maximize overall profits while others may wish to act in a more socially responsible manner. However, based on the argument conceived of why a shareholder ought to hold the desire of wanting to maximize profits, it seems that looking at a long-term perspective of morality and economic efficiency is where the answer lies in choosing which promise to uphold. In an immediate sense of wanting to engage in civic action or acting morally towards employees, the more moral promise for a corporate executive to uphold may seem that it would be the one that involves engaging in such actions. This is effective due to the instant results that are produced. For example, raising the wage of employees will see an immediate result since the employees can utilize their extra earnings. But as argued earlier, when businesses engage in socially responsible

actions it may stall their efforts in increasing profits since they have a higher risk of 'ruining' their well-intended actions, which would put them at a long-term economic disadvantage.

Thus, when a corporate executive is trying to decide which shareholder's desire to uphold, the corporate executive should take Friedman's approach since it produces greater overall welfare. These ideas edge on a utilitarian perspective by keeping the promise that will maximize overall utility. In everyday life, people sometimes get themselves into conflicting promises. In each scenario, each person has a different way to deal with which promise they ultimately decide to uphold. Some people may think that the first promise made is the binding one since it was made first and therefore, holds the most significance. Others may make their decision based on what they feel the significance of each commitment weighs. In looking at what is at stake in each promise, some take a deontological approach while others take a utilitarian approach. Those in support of deontology would pick the promise that they feel upholds the value of each individual involved, and the utilitarian supports would choose the promise that will be of greater utility as a whole, potentially sacrificing individual value along the way. For the CEO's to decide what promise to uphold they ought to look at which promise will achieve greater overall well-being as a whole.

In this light, though aiming to achieve overall good may seem utilitarian, I will argue why it can also be seen as a deontological act. Since ideas of deontology typically explain why we ought to treat people as an ends rather than mere means, a similar comparison can be made in the case of corporations to the public. First, I will give a brief outline of Kant's work to understand more comprehensively what it means to value

someone as an end rather than treating them as a mere means. In Kantian ethics, the fundamental value is treating humanity as an end in itself and it is necessary to follow in order to live life in good moral standing. Rational nature[17] is described as an end in itself since it is self-sufficient, independent, and self -standing. In other words, it is an end in the sense of something for the sake of which we act[xxii]. It is important that every moral action fulfill an end as a long as it is a self-standing end and not for the sake of fulfilling other means. Kant then presents the following claim to show why humanity should be considered an end in itself.

"The human being necessarily represents his own existence [as an end in itself]; thus to that extent [the formula of humanity] is a subjective principle of human actions. But every other rational being also represents his existence in this way consequent on just the same rational ground as is valid also for me; thus it is at the same time an objective principle from which, as supreme practical ground, all laws of the will must be able to be derived." (G 4:429)[xxiii]

According to Allen Wood's interpretation of Kant, it is reasonable to take this claim to mean that there is something in the way people act and think about their actions that commits them to being responsible for their own existence as an end in itself. These fundamental human actions are in relation to towards holding a certain attitude or sense of esteem that leads a person to act morally. A rational human should then, engage in morally responsible actions that will further the value of humanity as an end. For example, when I go to the market, I cannot value the checker as someone who is simply

[17] Rational nature is *not* an end; however, in another sense where Kant also thinks that every action must have an end. "Rational nature is not being thought of a state of affairs to be produced by action. Instead, an end in itself is something already existing whose value grounds even our pursuit of the ends produced by our actions. The notion that the word 'end' may refer only to such a producible state of affairs is simply a philosophical error about the concept 'end'. (Wood, 85)

there to help me ring up my groceries. Rather, I must value them for their humanity and their actions of good (in this case checking groceries) that contribute to their rational human value. Thus, in deontological practices, to treat someone or something as an end means to value them for their inherent worth. On the other hand, to treat someone as a means to an end entails using him or her as an instrument to get to the end goal. Using someone or something as a tool is not an action of moral worth.

To engage in corporate social responsibility then, a corporate executive is fulfilling the wish of a shareholder who aims to achieve some form of high status for the company. While it may seem like the actions are morally worthy, the company is actually treating the beneficiaries of socially responsible actions in a way that treats them as a means to an end. By failing to look at how maximizing profits will achieve moral value in a long-term perspective, immediate acts of social responsibility by corporations are merely utilizing their power in a way that is only temporarily good and thus, can be seen as treating people as a means rather than an end.

So, when a corporate executive is faced with multiple desires to uphold, she should choose her promises by thinking in this process: Achieving increased levels of overall welfare is a good thing[18]. In order to do this, it is crucial to remember that fulfilling immediate obligations of social responsibility will only temporarily fix the problem. This is because the actions required to achieve this would involve treating people as a means to end, which is considered morally wrong. However, aiming to increase overall welfare can be achieved when the shareholder expresses a desire to maximize profits for the company. Though it may seem that the company is self-

[18] 'Good thing' from a Utilitarian perspective since seeking to achieve greater overall welfare will lead to happiness.

interested, it is ultimately the more moral choice to pursue since it treats other parties involved as an end, rather than a mere means and this is considered morally good. Being seen as end in itself is positive since it highlights the inherent value in people. When a company works to maximize profits, it is looking in a long-term goal that treats people as an end by increasing overall good through economic efficiency and stability. This economic efficiency and stability is the end goal since it keeps people satisfied by keeping jobs available, consumerism in demand, etc., all of which achieve overall levels of satisfaction. This argument takes the initial approach to keeping a promise in a utilitarian perspective and blending it with deontological aspects to understand why ultimately looking at the overall good is in fact treating people as ends.

Therefore, the obvious choice for the CEO is to uphold the promise that maximizes shareholder value. This sides with Friedman since it adopts his principles in regards to how a corporation should be run. Although Stone provides strong criticism against the promissory argument, the reasons presented show why Friedman's perspective is the dominant one and is the one to be adopted. As mentioned previously, this is simply one objection that was explored in an attempt at defending Freidman's thesis. In order to defend his entire thesis, a more in depth and rigorous analysis of all objections should be pursued. It was my aim in going into depth about the promissory argument and further, the implication of multiple conflicting promises, that if reasons to support Friedman's thesis could be made through this objection, it would allow for stepping stone in later looking at the alternative objections.

Concluding Remarks

Recall from the first chapter, the two major theories involved in the CSR debate. One theory favors Milton Friedman in that corporations should aim to maximize shareholder value. The other side favors Edward Freeman and his conception of the stakeholder theory that argues towards corporations acting engaging in socially responsible activities in order to value each stakeholder. From a broad perspective, the debate does not necessarily seem that complex; a CEO can merely pick which direction she wants to focus her business. But in breaking down shareholder theory and understanding its conception, it is evident that the debate presents a more complex and rigorous philosophical analysis that requires a thorough understanding of each side.

In following the shareholder theory and developing Friedman's overall ideas, the promissory argument became the primary argument to explore due to the significance of a promise. Although Christopher Stone does not provide a positive alternative in criticizing Friedman, he presents a set of ideas that critically question the ethical nature of the promissory argument. A promise has multiple complex components to it, and looking at the relationship between each party, the context, the moral significance, etc. all contribute to the criticism that Stone presents for Friedman. Stone challenges Friedman by arguing that promises can be overridden, or that sometimes it is not okay to assume that a shareholder's sole purpose is to increase profits for a firm. In defending Friedman, I responded to Stone's criticisms by explaining the complexities in the promise that the CEO holds with the shareholders.

Finally, in looking to see how the promissory argument comes together, I created somewhat of a hybrid utilitarian- deontology argument to show how we should aim to

maximize overall welfare in order to not treat people as a means to end, since that is considered morally unacceptable. From an empirical perspective, engaging in CSR is not detrimental to corporation; it is even morally good in an immediate sense. But in blending two major ethical theories, a defense of the promissory argument in favor of Friedman comes to light. Though the promissory argument and its implications are only one aspect of Friedman's overarching argument, finding a way to defend it lends itself to eventually defending the entire argument.

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[i] Archie B., Carroll, *Business and Society: Managing Corporate Social Performance* (Boston: Little, Brown, 1981), 604.

[ii] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader* (New York: Oxford University Press, 2014), 253.

[iii] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader*, 250.

[iv] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader*, 253.

[v] Christopher D. Stone, *Where the Law Ends* (New York: Harper & Row, 1975), 82.

[vi] Stone, *Where the Law Ends*, 85.

[vii] Milton Friedman, "The Social Responsibility of a Business Is to Increase Its Profits," *New York Times Magazine*, 1970.

[viii] Stone, *Where the Law Ends*, 85.

[ix] Norman E. Bowie and Thomas Beachamp, eds., *Ethical Theory and Business* (New Jersey: Prentice Hall, 1994), 66.

[x] Eric Orts and Alan Strudler, "Putting a Stake in Stakeholder Theory" *Journal of Business Ethics*, no. 88 (2009), http://www.jstor.org/stable/27749734 (accessed March, 2015).

[xi] Alex Rajczi, *Freeman* (paper presented in the class Phil. 178 Business Ethics, Claremont McKenna College, CA, 2015).

[xii] Stone, *Where the Law Ends*, 86.

[xiii] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader*, 254.

[xiv] Stone, *Where the Law Ends*, 81.

[xv] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader*, 255.

[xvi] Ciulla, Martin, and Robert C. Solomon, *Honest Work: A Business Ethics Reader*, 255.

[xvii] Stone, *Where the Law Ends*, 82.

[xviii] Marc Orlitzky, John D. Benjamin. "Corporate social performance and firm risk: A meta-analytic review," *Business & Society*, no. 40.4 (2001),http://bas.sagepub.com/content/40/4/369.full.pdf+html (accessed April 19, 2015).

[xix] Orlitzky, Benjamin, "Corporate social performance and firm risk: A meta-analytic Review" 388.

[xx] Archie Carroll, Kareem Shabana. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice," *International Journal of Management Reviews*, no. 12 (Spring 2010), http://onlinelibrary.wiley.com/doi/10.1111/j.1468-2370.2009.00275.x/full (accessed April 22, 2015.

[xxi] Carroll, Shabana. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice".

[xxii] Allen W. Wood, *Kantian Ethics* (New York: Cambridge University Press, 2008), 85-86.

[xxiii] Wood, *Kantian Ethics*, 90.

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