Society, Friedman's Business Doctrine and the Ethics of CSR

Benjamin Arah*
Department of History & Government
Bowie State University
Maryland, USA

Abstract

There has been a heightened public interest in the concept and meaning of corporate social responsibility (CSR) in recent years, because of the symbiotic relationship between society and business, and because of the concern about the role of business people in a capitalist society. This heightened public interest was probably an outcome of business people amassing so much wealth and "power" that enabled them to influence the lives of millions of people. The concerns were exacerbated by reports of fraudulent business activities and unacceptable accounting irregularities that shocked the capitalist market economy to its core, and the public sought protection. The question that practitioners, ethicists and scholars have asked was about the role of business in society vis-à-vis the "triple bottom line." Corporate social responsibility has evolved as a voluntary initiative to hold business people socially responsible for their management decisions and business activities, and to make them accountable (pay) for the consequences of those decisions and actions on society and the environment. The paper discusses the symbiotic relationship between society and business, revisits Friedman's doctrine, and argues for the ethics of corporate social responsibility that "doing good" is morally good and ancillary to "doing well."

Key words: Society, Business, Ethics, Corporate, Social Responsibility, Profit

Introduction

There has been a growing and heightened public interest in the evolving concept[1] and meaning of social responsibility of business or corporate social responsibility (CSR) in recent years, particularly since 1950,[2] because of the symbiotic relationship that exists between society and business people (and their corporations).

*The author remains indebted to Drs. Mario Fenyo (Professor of History) and William B. Lewis (Professor of Government), for reading and commenting on the first draft of this paper. The idea of this paper came after receiving an invitation, from Dr. Chandana Chakrabarti, to attend/participate in the Human Rights, Ethics and Spirituality Conference at The College of St. Elizabeth in Morristown, New Jersey, on April 22, 2017. The paper's position is that "doing social good" is morally good and ancillary to business owners and their shareholders "doing well" by making profit.

[1] Archie B. Carroll noted that the concept of social responsibility (SR) has a long and varied history, a history in which the business community and practitioners continued to express concern for the welfare of both society and the environment beyond making more money and maximizing profit for the stockholders. However, formal writing on SR was largely a product of the 20th century, an effort that began since 1950 (1999). The concept has other names as ethical/responsible business, corporate philanthropy, responsible investment, and "corporate citizenship, sustainable business, corporate responsibility, and corporate social performance" (Crane et al, 2008, p. 4). Carroll added that SR or CSR is in vogue, although the concept has competing terms as corporate citizenship, business ethics, stakeholder management and sustainability all vying to become the most accepted and widespread descriptor of the field (2010, p. 86).

[2] Patrick Murphy contented that the period, from 1953 to 1967, was a time of awareness when some business people began to be more cognizant of the nature of their social involvement and overall responsibility to society (1978). This was after the landmark publication of Bowen's fascinating book, titled: *Social Responsibility of the Businessman* (1953) that made Carroll to crown him the "Father of Corporate Social Responsibility" (2006).

The relationship between society (with its people, institutions, other structures, and the environment) and business corporations (in this case, with the exception of charitable/humanitarian or the not-for profit organizations) has enabled business people to become the most powerful agents in a capitalist economy. At the same time, business corporations became the most financial and resourceful centers of productive and economic activities, through private ownership of property rights and investments, aimed at creating both wealth[3] and shared value.[4] The link between creating shared value and corporate social responsibility is "doing good" and "doing well," but "doing good" follows necessarily from the moral practice of "doing well." Consequently, business corporations ended-up becoming the dominant institution within society with the unique ability to wield so much power and influence to control the lives and activities of millions of people (who live and flourish in as citizens and employees as well as buyers and consumers of goods and services). Creating/managing business enterprises requires that the business proprietors and their corporate leaders with the stockholders recruit and employ workers and competent managers to do the economic and productive work of the firm with the suppliers to make raw materials available for production and distribution in conjunction with having the buyers to purchase/use the products or services (Carroll & Buchholtz, 2003). Having/operating business enterprises is community affair in the sense that people within the business environment are involved and affected by the business decisions, policies and actions as well as the consequences thereof. This type of holistic approach to doing business is consistent with the claims made by Edward Freeman in his writings on the topic of corporate social responsibility, stakeholder theory and ethical management.[5]

For whatever it is worth, business is a necessary human activity (productive/economic or commercial enterprise) created for the sole purpose of making money or maximizing profit. In an advanced capitalist market economy, business corporations were in existence essentially to produce goods and provide services that people demand, need, depend on, desire or use in their pursuit of a better standard of living and for happiness. In this regard, it has become obvious that human beings want to live the good life and this good life is synonymous with the life of happiness. To be happy, or live the life of happiness, in an advanced capitalist society is essentially about buying and selling, or consumption of goods and services from the business corporations. Today, although sadly, people tend to associate the good life with having the ability to accumulate and possess much material wealth as possible (build houses, eat food, own cars, possess expensive clothes and/or shoes, have millions of dollars or pounds in the banks, etc.). Business corporations, as a result of producing material goods and providing services, unlike most governments nor the churches, make money and maximize profits only for the business proprietors and shareholders. Freeman argued that business corporations that create wealth only for the shareholders without taking into consideration the interests of the stakeholders appear to be doing bad business and are destroying values for the community. This paper examines the symbiotic relationship between society and business people (with their corporations), revisits the Friedman's doctrine of the firm, and explains the importance of an ethics of corporate social responsibility. This ethics (as a new business paradigm) postulates that "doing good" for the community beyond profit is morally good, consistent with and ancillary to "doing well."

Society and Business: The Symbiotic Relationship

The heightened public interest in the concept and meaning of corporate social responsibility was, in part, a result of the symbiotic and interdependent relationship between society and business; and also because of the ongoing concerns about the roles that business people (relative to their wealth, power and influence) have to play in their capitalist societies.

---

[3] Adam Smith (1723-1790), in *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), talked about the processes for generating the abundance of valuable resources or material possessions through freedom and economic equality for efficiency based on the "invisible hand."

[4] The concept was introduced by Michael E. Porter & Mark R. Kramer, in their article "Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility" (2011) that appeared in *Harvard Business Review*. Subsequently, Porter wrote "Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society," which appeared in the *Harvard Business Review, 89*(1-2), 67-77.

[5] See Edward R. Freeman's publications, particularly his *Strategic Management: A Stakeholder Approach* (1984). He rejects the narrow perspective that business is solely for profit maximization for the shareholders against the interests of all the other stakeholders: employees, customers, and those affected by the business decisions and activities (as well as the consequences of their actions).

This heightened public interest was probably the outcome of business people amassing so much wealth and power that enabled them to influence what happens in society and by so doing control the lives of millions of people (as citizens, employees, and buyers/consumers) with tremendous impact on both society and the environment. Corporate social responsibility, as an emerging business paradigm, is a conscious effort toward corporate accountability and self-regulation that calls for a minimal government involvement and intervention for the reign of Adam Smith's "invisible hand." This public interest in the concept grew over the years as people became cognizant of and concerned that corporations[6] have become the most powerful[7] and dominant institution with all the necessary resources and support to play an important role in society with their immense influence and lasting impact on human lives and the planet (Korten, 1996). Examples of some of the modern business corporations are as follows: General Motors, ExxonMobil (Exxon merged with Mobil in 1999), Microsoft, Bank of America, Walmart, JP Morgan Chase, Merck, General Electric, and British Petroleum as well as Mercedes Benz, Coca-Cola, Cisco, Lockheed Martin, Costco, etc., just to mention a few and they invariably exert enormous influence over the economy and society (Shaw & Barry, 2016).

O'Kelley wrote that some of the great American business proprietors and tycoons (namely Andrew Carnegie, John Rockefeller, Jay Gould, J. P. Morgan et al.) were very ambitious and fearless in competing with other capitalists for wealth and power, but they were respectful in their efforts to tap into the influx of immigrants arriving in the country who provided with a steady stream of cheap labor supply and served as the needed population of consumers for their goods and services. In their determined effort to build successful and prosperous business enterprises, it was said that the American business tycoons (as highly innovative entrepreneurs who invested their resources to get ahead) played a key role in the nation's industrial growth and economic development (O'Kelley, 2013, pp. 1011-1012). Although they worked so hard to set-up their different businesses, made the tough decisions and choices of what to produce or the types of services to provide for the public, these American businessmen made so much money with or without regard to business ethics and none of them expressed explicit considerations for the moral issues associated with business and corporate social responsibility.

In today's business world, corporate social responsibility has become an important aspect of business ethics that tries to examine specific moral issues and the questions concerning the proper roles and ethical obligations which corporations and their owners as well as corporate managers and shareholders owe to society (Hoffman et al., 2014, p. 157). With the heightened public interest in the concept of corporate social responsibility, the public expects business corporations to engage in business decisions and activities that are "socially responsible" and also to desist from those decisions and activities that would appear to be socially irresponsible and detrimental to the welfare of society and the environment. It was understood that the primary purpose of forming and creating business corporations was essentially economic, but should business people (who own, manage and profit from their various corporations) be held responsible for not engaging in good business practices? And should business people not be held duly accountable for the adverse or negative consequences of their business decisions, policies and activities on society and the plant?

---

[6] This paper does not address the discussion whether corporations are or should be treated as natural persons or not, and whether they have "conscience" like human beings or not, but as legal entities and economic enterprises that were essentially created by certain individuals or groups of people who make decisions and take actions. Their management strategies and policy actions have consequences that affect people and the planet. John F. Glass, in "Understanding Organizations and the Workplace," acknowledged that modern organization is pervasive and dominate every aspect of peoples' lives in society, from birth to death (November 1991).

[7] David Korten (1995), in his book: *When Corporations Rule the World*, expressed deep concern about the unprecedented consolidation of power by corporations in ways that threaten capitalism and democracy, and lamented the impoverishment of the masses of people world-wide due to "corporate/business power."

The public attention and interest in the concept of corporate social responsibility has heightened, probably after the World War II, and intensified due to the strings of unethical business practices,[8] fraudulent financial services, and demoralizing stories of scandalous accounting irregularities[9] in addition to the criminal Ponzi[10] investment activities that rocked the capitalist market and resulted in the global financial crisis in the recent past. In a dramatic response to the market events, and also as a deliberate effort to save or "re-invent" capitalism, Porter & Kramer wrote that "business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community" (2011, p. 4). It is in this regard that corporate social responsibility attempted to articulate the nature of the responsibilities and contributions of business people and corporations in society.

Most people would agree with Porter & Kramer that some business proprietors and their corporate managers appear to be myopic with a too "narrow conception of capitalism" which, for many centuries, "has prevented business from harnessing its full potential to meet society's broader challenges" (p. 4). Ruggie chronicled some bad business decisions and activities that affect people and the environment, in his book titled: *Just Business*,[11] and used them as "emblematic cases" such as Nike, the American Union Carbide jointly owned with the Indian government, and the Royal Dutch Shell Company (operating around Ogoniland, in Nigeria) to highlight the adverse consequences of some business decisions and actions. For Ruggie, the pursuit of a "just business" enterprise will be a new way for business corporations and their shareholders to create a favorable business environment that takes human rights and other fundamental concerns into consideration. Doing a fair or just business involves doing an ethical or good business; which will allow them to make money while improving the social conditions and lives of people. Why? It pays to do a good or conduct ethical business that, at the same time, duly respects human rights, treats people as people (not as a necessary means), and endeavors to make this new approach an integral part of business-decision and an acceptable standard business practice (2013, p. xxiv). Some of the bad business cases (in Indonesia, India, and Nigeria) would serve as examples of harmful business decisions and practices that adversely affect human beings and destroyed peoples' lives with total disregard of the environment. The above examples are illustrative of corporate culpability that gives urgency to corporate accountability and social responsibility on behalf of society and the planet.

It has become morally imperative for modern business corporations and the people associated with them (who are involved with business decisions, choices, policies and actions) to come-up with better strategic approaches and management vision that would balance their desire for money and profit with public interest and the common good in order to create, in the end, a new kind of business and corporate culture that would help in the effort to build "the fair society" (Etzioni, 2006, p. 211). Etzioni[12] has long called for the construction of a fair society in which human beings (as God's children) are equal and treated with respect and dignity; and where business people in doing business for money and profit will not intentionally nor deliberately be "selling defective drugs, toys, cars, or any other product or service" and where doing bad or unjust business will or "is treated as the serious offense that it is" (p. 211). Corning has written an interesting and provocative book, titled: *The Fair Society*, in which citizens of the world are encouraged and openly invited to become moral agents; advised to assume the obligation to transform their respective societies for the better without falling prey to greed and demagoguery; and to build a society based on the principles of equity, equality, and reciprocity (2011).

---

[8] Some examples of unethical business behaviors are as follows: Volkswagen's emissions scandal, the Swiss engineering ABB group's use of false documents for stealing funds; Homex's accounting fraud and unethical activities in Mexico; also the Wells Fargo "fake accounts" scandal, etc., as reported in the news media.

[9] Two instances of such accounting malpractices were WorldCom (a telecommunication firm) and Enron (energy business, founded by Kenneth Lay, in 1985), and their fraudulent and risky activities caused "innocent" people (stakeholders) their jobs and lives or ended certain dreams.

[10] One such elaborate Ponzi investment activity was developed by Bernard L. Madoff (as a wealth management division of his Wall Street Investment Securities) which the U.S. Securities & Exchange Commission described as "an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors" designed to "collapse when it becomes difficult to recruit new investors to continue" (October 9, 2013).

[11] John Gerard Ruggie. (2013). *Just Business: Multinational Corporations and Human Rights*. New York: W. W. Norton & Co. The book tells a powerful story about business activities and the need for CSR.

[12] Amitai Etzioni is an American intellectual, a communitarian, and the author of 24 books.

Developing a just business (Ruggie), a fair society (Etzioni), or a responsible business based on the principle of wealth creation and shared value (Porter & Kramer) will be a desirable goal that, over time, will benefit business corporations and society as well as the environment resulting in a “win-win” for all. The “all,” in this case, refers to the business “stakeholders” who have real interest in the business corporation’s goods and services, and who stand to benefit from or be affected (directly or indirectly) by the corporation’s decisions, policies, and activities or the consequences thereof. The stakeholders are real people (the shareholders, employees, customers, suppliers, creditors, vendors, and the members of the community where the business is physically located) and the planet. So the idea of having a just business or fair society is where business people do not engage in fraudulent business activities for self-enrichment, but has to do with business people taking the interests of others into consideration (as if people matter). The point is simply that the interests of the business people and those of society (stakeholders) are mutual and reciprocal, that “doing good” is to be appreciated as a matter of consequence predicated on “doing well,” because as Stone rhetorically asked: “Why shouldn’t corporations be socially responsible”? (1975, pp. 80-87).

In this light, it becomes justified for business people (as owners, financiers, and the shareholders) to have the right and ability to use whatever resources available to create responsible investments that would enable them to maximize their profits. But, by the same token, they also need to do business transactions in ways that will take into due consideration the concerns for public good and general welfare. That is all that the people, all through human history, have been asking that to whom much is given, much is also required and expected. Everything being equal, the practice of making money and profit on the backs of poor people, the uninformed customers, and helpless employees as well as the sick, the elderly, those left behind, and the rest of all those vulnerable and the most gullible members of any society, in an age of globalization and competitive capitalism, is no longer feasible and sustainable or acceptable. The situation requires that something be done!

It is in this context that Porter and Kramer arguably were on target in their assertion that shared value, which involves creating the necessary economic value in a way that creates wealth for society, is what is needed to enable business people with corporations to fully address societal needs and challenges (2011, p. 4). For capitalism to be sustained and continue to serve as a viable alternative, to Marx’s radical and revolutionary communism-via-socialism, in the post-communist and post-Soviet era, requires that business people think and act beyond their limited or narrow self-interest and learn to do what is morally good for all the stakeholders and the environment. Business people, as entrepreneurs and risk-takers, are expected to consider behaving and acting both ethically and strategically in terms of doing what is socially good for the community and in the best interest of the whole society. What this entails is that business people, in the course of doing their business, must align the interests of their shareholders with the good of the community, for what is good for society is also good for the business corporations (as the good of society is logically prior to that of the shareholders). This is where the concept and meaning of corporate social responsibility comes into play, and it calls for “certain” social responsibilities and obligations to their respective societies. The word “certain” is used in this context to qualify what is it that they owe, and which is both “implicit” and inherent in the fact that business corporations have become the dominant institution and integral aspect of society. There is no other way than for the business people to think strategically and behave/act ethically about and endeavor to maintain this dynamic and symbiotic relationship between society and business.

Charles Handy, in an interesting and provocative article in the aftermath of the WorldCom and Enron corporate scandals, asked the most subtle question: “what’s a business for”? (2002). He answered that business corporations, in a knowledge-based and information-driven economy, should behave like good communities that are designed to essentially create “shared values” by creating two kinds of wealth: profit (for the business owners, corporate managers and the shareholders/stockholders), and social good or something better (for all the stakeholders and also the physical environment). When modern corporations become conscious and able to see or identify themselves as communities of people, with unifying purpose, and approach the other institutions and people within society as co-equals and valued partners in the business of wealth creation, then humanity will become more of a good organization seeking the “triple bottom line.”[13]

[13] The “triple bottom line” (TBL) is was coined by John Elkington (1994) to highlight the interplay and harmonious relationship of these three accounts: people, plant, and profit (PPP). What TBL does is that it “aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is

The reasoning behind the triple bottom line, as a guiding business principle, all things being equal, is that the business of business has to be to balance the interests of the people, planet, and profit or the shareholders as the business decisions and activities do affect people and the environment (*The Economist*, 2009). Elkington calls for a radically new and more responsible approach to doing business that takes due consideration of these three factors: social, environment, and economics in order to achieve a long-term “win-win” outcome for society and the business community (1999).

Modern corporations, as an integral part of society, produce goods and provide services that almost everyone (from birth to death) needs or depends on in order to live and enjoy life. Society and business corporations have a symbiotic and interdependent relationship. Business corporations engage in a range of business interactive and communal activities that include “management, manufacturing, finance, trade, service, investment, and other activities” (Steiner & Steiner, 2006, p. 6) that shape, inform, affect and influence the way people live their lives and/or do things in their various communities. It is because of the nature and role of business people that people (everywhere) and government officials expect and “count on corporations for job creation…and our needs for banking and financial services, insurance, transportation, communication, utilities, entertainment, and a growing proportion of health care” (Lawrence et al., 2005, p. 47). Whether the owners have small business enterprises or big corporations, regardless of their size or unique products and services, modern corporations produce the goods and provide services that people need (as consumers). Society and business corporations have come to the point that each presupposes the other, and that is what makes the relationship to be complex and dynamic to the extent that what business people say or do affect society (all the people, other institutions) and also the planet.[14] Porter & Kramer, reflecting on the past financial crises and the collapse of many corporations that impacted people and other organizations, noted that the time has come for the business proprietors with their corporate managers and shareholders to rethink their activities and adopt a totally new way of doing business that would enable them to achieve economic success with doing social good for the public, and which would make them “reconnect company success with social progress” (2011, 4). This brings us back to the beginning, and to the initial question posed or raised by Bowen in his book, titled *Social Responsibilities of the Businessman* (1953), about the proper social functions or obligations of corporations and the business owners/corporate managers in society. It has been acknowledged, by many scholars and business ethicists that the publication of Bowen’s book made the concept of corporate social responsibility to become of significance and triggered the debate as to whether corporations (a) have conscience, and (b) the role of business people in society.

Milton Friedman and the Role of Business People in Society

Some scholars, commentators and practitioners have in various ways tried to respond to the questions raised by Bowen in his classic book,[15] but McGuire was explicit in his definition of the role of business people in society. Business corporations have certain responsibilities to society that extend beyond their legal and economic obligations to their shareholders (1963). Because business decisions and activities are pervasive and affect almost everybody (and everybody) in any society, and because almost every person is an employee and/or a consumer of the goods and services from the corporations, McGuire argued that

taking account of the full cost involved in doing business” (*The Economist*, 2009). Elkington wrote a book, titled: Cannibals with Folks: The Triple Bottom Line of the 21st Century Business, by Oxford’s Capstone Pub. Ltd.

[14] David C. Korten wrote the book, titled: When Corporations Rule the World (1995), first published by Kumarian Press. He argues against globalization and, what he termed, “corporate libertarians” who have messed-up Adam Smith’s ideas about the role of private ownership in his rejection of money as the sole purpose of economic existence. The book is an interesting read, because of his criticism of corporations as both destructive and oppressive of the global economy with deeper consequences for human domination.

[15] Carroll showered intellectual praises on Bowen, for the publication of his *Social Responsibilities of the Businessman* (1953). For Carroll, the book was focused on and specifically concerned with corporate social responsibility at a critical time in history and crowned him the “Father of Corporate Social Responsibility” (September 1999, pp. 269-230). And, I think that, everyone would agree that the book provided a needed foundation for both business ethics and corporate social responsibility, and that CSR is a way to challenge business owners and corporate leaders to be mindful of their place in society and to seek balance in making profit and doing social good as mutually reinforcing human activities for public good or general well-being.

> *the modern business corporation should recognize that, in this day and age, it can no longer hungrily pursue the single goal of profits to the complete neglect of its table manners. The idea of social responsibility supposes that the corporation has not only economic and legal responsibilities, but also certain responsibilities which extend beyond these obligations. The corporation today must take an interest in politics, in the welfare of the community, in education, in the 'happiness' of its employees-in fact, in the whole social world about it. In a sense, therefore, it must act 'justly' as a proper citizen should* (p. 144).

For McGuire, business corporation must learn or be advised to do more even when doing so might "be detrimental to its profits" and the concept entailed being ethical in doing what was good for others (in this case, the stakeholders with the environment) no matter the prevailing circumstances or consequences. He went further to add that the concept meant having an acceptable approach to doing business in society with the appropriate "feeling of empathy toward one's fellow man" and "a tempered profit motive. Businesses today do not ordinarily operate coldly in blind pursuit of the dollar" (p. 145). Archie B. Carroll, like McGuire and others, agreed that business people have the right to make as much money as possible on both legal and economic grounds. But, in his "Pyramid of Corporate Social Responsibility: Toward the Moral Management of organizational Stakeholders," Carroll squeezed-in two more responsibilities that transcend economic and legal responsibilities, and these are ethical and discretionary/philanthropic responsibilities (1991). While both the legal and economic responsibilities are required and foundational to every business (economic is the reason for the business coming into existence to make profit, and legal is for them to obey the law or do their business transactions in a lawful manner), ethical responsibilities are expected, and finally the discretionary/philanthropic responsibilities which are desired (Carroll & Shabana, 2010, p. 90).

An important clarification was made between the old social responsibilities of business and the emerging business paradigm, for the legal and economic responsibilities belong to the old or traditional type as "the classical responsibilities of the corporation" that "reflect the old social contract between businesses and society" (p. 90). For Carroll, the ethical and discretionary/philanthropic responsibilities reflect a new, "broader, social contract between businesses and society" (p. 90). While businesses are required to make money, lawfully and not fraudulently using the acceptable means; business people are expected to be ethical by knowing and doing what is morally right, just or fair and responsible in order to avoid doing what is morally wrong, unacceptable and harm to other people. About ethical responsibilities, Carroll maintained that they include additional behaviors and activities that are not necessarily codified into law, but nevertheless are expected of business people by society's members. Society expects business people, in the course of doing business, not to be deceitful, malicious, and unlawful nor do things to harm the stakeholders (employees or buyers) and the environment. Business people are encouraged and expected to engage in responsible and meaningful investments (say in education, roads and the community) and to take-up community projects that will help to improve the human condition and promote the common good beyond their limited economic or financial interests.

Milton Friedman (1912-2006), an American conservative economist and a Nobel Prize laureate (1979), argued that business people (particularly the business leaders and corporate managers) do not have any atom of moral obligations nor social responsibilities to the stakeholders other than to do whatever is necessary and expedient to advance and promote the interests of their stockholders or shareholders. By this assertion, Friedman meant categorically that the business of doing business is to "increase their profits," pure and simple without any equivocation whatsoever. Author of a controversial book: *Capitalism and Freedom* (1962) and a critic of corporate social responsibility, Friedman thought that the idea of asking business people and corporations to go beyond legal and economic responsibilities in order to care for others (stakeholders and the environment), instead of maximizing their profits, was dangerously socialistic and also "a fundamentally subversive doctrine" (1962, p.133). He was suspicious of and frowned at the heightened interest in the concept of corporate social responsibility, and subsequently expressed his concern that "the view has been gaining widespread acceptance that corporate officials and labor leaders have a 'social responsibility' that goes beyond serving the interest of their stockholders or their members." And he was quick to add that "this view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game…engages in open and free competition, without deception or fraud" (p. 133).

For Friedman, the notion of "invisible hand," by Adam Smith, does not permit any government intervention in the affairs and operations of capitalist market economy. He contended that it does not make logical sense asking business people and corporations to do more for the people or to engage in doing social good of any kind for the community other than to focus on ways to make more money and increase their profits.

Friedman became obviously very famous with his narrow views regarding the role of business people and corporations have to play in society, because it would not be in their best business interest to have the duties that directly benefitted their communities. He was critical of corporate social responsibility and philanthropy, as business paradigms or practices, and saw both as being inconsistent with the logic of "free-market economy" and competitive capitalism. For Friedman, business people (as owners, manager, and corporate leaders) have so much corporate power and expertise or competence that enable them to produce goods and provide services that people (as buyers and customers or consumers) need and use. The additional effort, on the part of business people and their corporations, must not be to do things simply to benefit society but rather to improve their production and distribution capacities to achieve efficiency and thereby create surplus or abundance. To do anything otherwise, or something contrary to the only objective of increasing their profits, would be to act contrary to their primary self-interest and against their shareholders' overarching motive. Carson noted Friedman's doctrine of the firm or of corporate social responsibility was formulated in two parts, and the first part was his thesis that the only moral obligation or social responsibility of business people and their corporations was to increase or maximize their profits in an open and free competition without resorting to deception nor fraud. But the second part was his argument that business managers and corporate leaders had no business nor duty using the resources of their bosses for generosity, charity or beneficence; but to be loyal to and follow appropriate instructions to make money for the business owners and corporations by obeying the laws and customs of that society (1993, pp. 3-32). The business managers and also corporate leaders are agents or employees of their employers and, as such, are strictly at the employment and service or even at the mercy of the business owners and their shareholders. It is in this narrow context that Friedman would argue that they truly have responsibility, but it is limited to making as much money as possible and, by such doing, maximize their profits in both a legal and traditional way. Under capitalism, business people compete in the open and free market system where the forces of supply interact with those of demand based on the acceptable rules of the game.

Hetzel acknowledged, in an article titled: "The Contributions of Milton Friedman to Economics," that Friedman was highly successful in advancing his economic ideas that shaped the understanding of major economic events of this century and influenced public policy in ways that made him stand out as one of the great intellectuals of the 20th century (2007). In his book, *Capitalism and Freedom*, Friedman provided a definitive statement concerning his conservative economic theory with the major focus on the critical "role of competitive capitalism-the organization of the bulk of economic activity through private enterprise operating in a free market-as a system of economic freedom and a necessary condition for political freedom" (1962, p. 4). In the tradition of Adam Smith, Friedman thought that the role of government should be limited with almost no intervention on the part of government officials in order to create the condition for business people to have the freedom to engage in responsible investment in a free and open market economy of rational choices. In such an economic system, the one major role of government is for the protection of human rights and "our freedom, it is an instrument through which we can exercise our freedom….The preservation of freedom is the protective reason for limiting and decentralizing governmental power" (pp. 2-3). Friedman believed in limited government, but he maintained that a free market economy was important for capitalism to flourish as it allowed people to make rational choices via the forces of supply and demand. It was through the process rooted in his "competitive capitalism," as opposed to "democratic socialism" or "totalitarian communism," that the citizens of any republic or sovereignty can attain both economic freedom and political development. This was the position that he advanced in "The Social Responsibility of Business is to Increase its Profits" (1970), written in *The New York Times Magazine*, arguing that pushing the concept of corporate social responsibility (on business people and their corporations) in a free market economy based on private property rights is utterly undemocratic and nothing short of "pure rhetoric" that undermines the wishes of the shareholders. For Friedman, the business executives and corporate leaders were employees of the business owners and their stockholders, and their responsibility was limited as they could only "conduct the business in accordance with their desires which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom" (p. 1).

In their specific capacity as the agents of the business owners and their shareholders, the business executives and corporate leaders cannot wisely and responsibly be authorized to use the money nor resources of their employers to do charity, humanitarian or community work outside of making more money and increasing the profits for their employers. To say that business people have "social responsibility" would imply that they have to act only in such a way as to advance the interest of their employers and increase their profits. Doing social good will be left for other groups and government officials, but should not do anything to improve the planet nor save humanity "at the expense of corporate profits." To volunteer their time while working and making money for their employers or to "be spending someone else's money for a general social interest" (Friedman, 1970, p. 2) amounted to socialism, and behaving in that manner "harms the foundation of a free society" (p. 5).

Friedman strongly opposed corporate social responsibility, and was unequivocal about his dislike for it as a form of diversion of resources away from maximizing business profits in the name of "social good." He felt that this new or emerging business paradigm was an aversion for capitalism in favor of totalitarian communism via socialism, and he quickly denounced it as something with the proclivity to "harm the foundations of a free society" (p. 5). Reading Friedman's works was interesting, because he maintained that business people did not have other social responsibilities to society beyond increasing profits for themselves and their shareholders. Making money or profit maximization is, in a way, a form of capital accumulation that motivates people to work harder and have investments, because taking risks is how business people build on their future financial asset with the primary goal of increasing their wealth. Allowing and encouraging individuals to pursue their own self-interests and make rational choices, Friedman was adamant that business people should not use their resources to promote the common good, and that they should leave those charitable or humanitarian efforts to those more suited and make as much money for future investment in the economic system. Any view nor approach to the contrary, for Friedman, was ill-advised and would be a recipe that undermined the free and competitiveness inherent in an open capitalist system. He used his *Capitalism and Freedom* to advocate for and defend the free market economics and argued that "the markets and the price system harness the efforts of individuals to better themselves in a way that improves the general welfare" (Hetzel, 2007, p. 22).

Friedman was emphatic and unapologetic about his conservative economic philosophy, and his article titled: "The Social Responsibility of Business is to Increase its Profits" (September 13, 1970) was his way of reaffirming his narrow shareholder doctrine of corporate social responsibility. Business Corporation is not a human being (as moral agent) and does not have a conscience nor owe moral obligations to society. But Edward Freeman, against Friedman, advanced "the stakeholder theory" that attempts to present a holistic or an inclusive approach to the ongoing debate of corporate social responsibility that takes the interests and rights of all those individuals and groups involved or may be affected, no matter how, by the decisions and policies as well as activities and also the consequences of the business people and managers. We have to remember that Carroll used his four-legged pyramid model to frame a compelling argument for the ethics of corporate social responsibility that talks about legal, economic, ethical or social, and discretionary/philanthropic responsibilities. Both Carroll and Freeman approached expose the inherent defects of Friedman' doctrine. Carroll's pyramid model added two more responsibilities (ethical and philanthropic) to Friedman's doctrine that was limited to both legal and economic responsibilities. Freeman insisted on adding the "stakeholders" to the firm's shareholders in order to think about an economic system that is fair and just by giving adequate or due consideration of individuals as employees, customers, and others in addition to the environment.

Towards the Ethics of Corporate Social Responsibility

Milton Friedman, with his two referenced works (1962 and 1970), has presented some reasons and formulated arguments why business people and corporations should not concern themselves with doing social good for the community or for being more socially responsible for the "triple bottom line" (profit, people and planet). Friedman's doctrine of the firm is dangerous for not holding business people and corporations morally culpable and accountable, and there was no alignment of "doing well" for the shareholders with "doing good" for the stakeholders. This is where business ethics interfaces with business, and seeks to balance corporate/business power with social responsibility as a necessary business paradigm in order "to preserve the environment, protect consumers, safeguard the safety and health of employees, prevent job discrimination, oppose invasions of privacy through internet use, and maintain a strong return on their investment" (Lawrence et al., 2005, p. 50).

It is in the best interest of business corporations and the public to have certain standards of practice that would warrant business people to be socially responsible "do well" as a matter of moral necessity "do social good" in their communities to promote the general welfare. So are corporate social responsibility and Friedman's doctrine of the firm irreconcilable approaches to getting to the bottom line?

Corporate social responsibility, despite its long history and evolution, has to do with having business people and corporations developing interests in the affairs of the public or community, making business decisions and engaging in policy actions that would not be bad for their business interests nor have negative consequences for the stakeholders in society (with the environment), and cultivating an honest and a balanced attitude towards "doing well" with "doing good." Corporate social responsibility is a desired bottom line that serves as the necessary requirement to help prevent corporate abuse and business "irresponsibility" (Lin-Hi & Muller, 2013). Of course, it is generally expected that business people by virtue of corporate power must necessarily "do social good," because doing so is good and a profitable business practice. But, as Lin-Hi & Muller would have it, beyond engaging in and "doing good," business people and corporations must also have the moral responsibility of avoiding or preventing "doing bad" business or things to people and the environment. Some of the bad things that business people, with their corporations, would need to avoid are dubious business decisions or policies leading to cheating the buyers and customers, violating peoples' fundamental human rights and dignity, doing the kinds of business that have the potential to destroy or damage the environment, etc. The new challenges or ethics for business people and corporations is not only "doing well" by doing social good," but in addition they must also endeavor to avoid making bad decisions and doing irresponsible things for the improvement of the human condition and development of people who depend on them for goods and services.

Conclusion

Whatever it is that people mean by the "triple bottom line" (3BL), this paper argues in its favor and concludes that it is a worthy goal that a modern business corporation must be evaluated and judged in terms of meeting its financial goal, contributing to social welfare in an ethical/moral and responsible way, and also take environmental concerns into due consideration. Society and business corporations have a symbiotic and an interdependent relationship that bestows corporate/business power and advantage to corporations as the most powerful, influential and dominant institutions within any given society. It is by the virtue of this unique relationship, a relationship that is mutual and reciprocal, that enables and empowers modern business corporations to produce goods and provide services that people need, desire and use as rational and moral beings always in quest of the good life. It was Bowen who, in his *Social Responsibility of the Businessman* (1953), acknowledged that modern business corporations were vital centers of economic decision-making and productive activities that affected the lives of people. With so much power and influence that came with the creation of wealth was the inherent acceptance of moral obligations or social responsibilities to society (the stakeholders) over and above making money to increase the profits of the business owners and shareholders. There is no ambiguity about the concept of corporate social responsibility, Milton Friedman's doctrine of the firm notwithstanding (1962, 1970), business people and modern corporations have or owe social responsibility to the stakeholders (both people and the environment) in the course of pursuing money and creating wealth. The concept of corporate social responsibility is not "fundamentally subversive" (Friedman, 1962), but as part of the social and ethical duties that people in any or every society "expect" from business people and their corporations (Carroll, 1979). And Carroll, contrary to Friedman, was right to assert this truth "that society has expectations of business over and above legal requirements" (p. 500).

References

Bowen, Howard. (1953, 2013). Social responsibilities of the businessman. With Introduction by Jean-Pascal Gond, and Foreword by Peter Geoffrey Bowen. Iowa: University of Iowa Press.

Carroll, Archie B. (2015). Corporate social responsibility: The centerpiece of competing and complementary frameworks. *Organizational Dynamics, 44*, 87-96.

Carroll, Archie B. & Shabana, Kareem M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice." *International Journal of Management Reviews*. DOI: 10.1111/j1468-2370.2009.00275.x

Carroll, Archie B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society, 38*(3), 268-295.

Carroll, B. Archie. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review, 4*(4), 497-505.

Carson, Thomas. (Spring 1993). Friedman's theory of corporate social responsibility. *Business & Professional Ethics Journal, 12*(1), 3-32.

Corning, Peter. (2011). The fair society: The science of human nature and the pursuit of social justice. Chicago: Chicago University Press.

Crane, Andrew, McWilliams, Abagail, Matten, Dirk, Moon, Jeremy & Siegel, Donald S. (2008). The corporate social responsibility agenda (pp. 3-15). In Crane, Andrew, McWilliams, Abagail, Matten, Dirk, Moon, Jeremy & Siegel, Donald S. (eds.). *The oxford Handbook of corporate social responsibility*. NY: Oxford University Press.

Elkington, John. (September 1999). Cannibals with folks: *The triple bottom line of the 21st century business*. Oxford: Capstone Pub. Ltd.

Etzioni, Amitai. (2006). The fair society. In Norton Garfinkle & Daniel Yankelovich (eds.), Uniting America: Restoring the Vital Center to American Democracy. New York: Oxford University Press.

Freeman, Edward R. (2001). "A stakeholder theory of modern corporation. *Perspectives in Business Ethics Sie, 3*(144), 38-48.

Friedman, Milton. (1962). *Capitalism and freedom*. Chicago: The University of Chicago Press.

Glass, John F. (November 1991). Understanding organizations and the workplace. Part of Working Paper Series-227, at the Institute of Industrial Relations/Center for Management Research & Education, University of California, Los Angles. Retrieved from digitalassets.lib.berkeley.edu/irle/ucb/text/irla0428.pdf

Handy, Charles. (2002). What is business for? *Harvard Business Review, 80*(12), 49-55.

Hetzel, Robert L. (Winter 2007). The contributions of Milton Friedman to economics. *Economic Quarterly, 93*(1), 1-30.

Hoffman, Michael W., Frederick, Robert E. & Schwartz, Mark S, (eds.). (2014). *Business ethics: Readings and cases in corporate orality* (5th ed.). Malden, MA: John Wiley & Sons/Blackwell.

Korten, David C. (June 1, 1996). "Limits to the social responsibility of business." *The People-Centered Development Forum* (Article #19).

Lawrence, Anne T., Weber, James, & Post, James E. (eds.). (2005). *Business and society: Stakeholders, ethics, public policy* (11th ed.). New York: McGraw-Hill/Irwin.

Lin-Hi, Nick & Muller, Karsten. (2013). The CSR bottom line: preventing corporate social irresponsibility. *Journal of Business Research, 66*(10). 1928.

McGuire, Joseph W. (1963). Business and society. New York: McGraw-Hill Book Co.

Murphy, Patrick E. (2009). The relevance of responsibility to ethical business decisions. *Journal of Business Ethics*, 90, 245-252. DOI: 10.1007/s10551-010-378-4.

O'Kelley, Charles. (2013). The evolution of the modern corporation: Corporate governance reform in context. *University of Illinois Law Review*, 1001. Retrieved from http://digitalcommons.law.seattleu.edu/faculty/133

Porter, Michael E. & Kramer, Mark R. (January-February 2011). The Big Idea: Creating shared value- How to reinvent capitalism-and unleash a wave of innovation and growth. *Harvard Business Review*, pp. 1-17.

Ruggie, John Gerard. (2013). *Just business: multinational corporations and human rights*. New York: W. W. Norton & Co.

Shaw, William H. & Barry, Vincent. (2016). Moral issues in business (13^{th} ed.). Boston, MA: Cengage Learning.

Steiner, George A. & Steiner, J. F. (2006). *Business, government, and society: A managerial perspective, text and cases*. New York: McGraw-Hill/Irwin

Stone, Christopher D. (1975). Why shouldn't corporations be socially responsible? (pp. 80-87). In Christopher D. Stone (ed.), Where the law ends: The social control of corporate behavior. New York: Harper & Row.

The Economist. (November 17, 2009). "Idea: triple bottom line." Retrieved from http://www.economist.com/node/14301663

U.S. Securities & Exchange Commission/the Office of Investor & Advocacy. October 2013. "Fast answers: Ponzi schemes." Retrieved from https:www.sec.gov/fast-answers/answersponzihtmt