

Professional Responsibilities of Corporate Managers

[From *Business & Professional Ethics Journal*]

Introduction

In the field of business ethics one account of the social responsibility of corporations stands out as under extensive scrutiny if not relentless criticism. I have in mind, of course, Milton Friedman's view to the effect that what corporations have the obligation to do is make a profit within the framework on the legal system, nothing else.¹ Despite some recent analytic work on Friedman's ideas, there still remains the questions as to whether the libertarian economic philosophy Friedman himself embraces might not be compatible with the different, let us say richer, conception of the moral responsibility of corporations. I believe that it is and wish to argue for this. In particular, I want to sketch a position I call "classical individualism" and show that it can address the social responsibility of corporations issue better than the position Friedman defends. Yet, classical individualism does not yield to the position advanced by those who wish to limit the freedom of action of corporations in the effort to further responsible corporate conduct.²

Classical Individualism

Classical individualism or individualism is the view that everyone ought to benefit himself or herself, first of all (though not exclusively) and that an objective human nature provides standards of guidelines as to what benefits someone. Furthermore, it is by reference to such standards that private, professional, and political conduct ought to be carried out. According to this form of individualism, contrary to Marx's claim that "the human essence is the true collectivity of man,"³ the human essence is the true individuality of every human being⁴ without the implication, however, that the human individual is self-sufficient, capable of living a full life cut off from others.

How does this position differ from what is commonly referred to in ethics texts as "ethical egoism"? This latter position is that, as one business ethics texts states, "all choices either do involve or should involve self-promotion as their sole objective. Thus a person's only goals and perhaps only moral duty is self-promotion; one owes no sacrifices and no obligations to others."⁵ Classical egoism may be compatible with this statement but by spelling out the meaning of "self" in line with a robust, Aristotelian conception of human nature, classical egoism does not imply, e.g., that "one owes ... no obligations to others." Since by nature we are social beings, since our own fulfillment is possible only when we are involved with many other persons surrounding our lives, virtues such as generosity, liberality, and even charity must be part of our character. And while a classical egoist does treat prudence as a moral virtue - unlike, say, do Beauchamp and Bowie who distinguishes "moral rules from roles of prudence,"⁶ thus treating prudence, along Kantian lines, as morally irrelevant - the highest of the moral virtues is identified by reference to the fact that human beings are rational animals and depend for their self-development and self-fulfillment upon the choice to use their minds, to focus on their lives conceptually, thoughtfully. In essence, then, the difference between classical and what might be called modern (neo-Hobbesian) egoism concerns the way the human self is understood within the two positions.⁷

Classical individualism is an ethics of self-development, self-perfection, only with a greater role for individuality than similar views espoused, mainly because of the discovery of the fundamental individuality of human nature. Accordingly, whereas it is often argued that from an Aristotelian virtue ethics a communitarian theory of politics could be inferred, classical individualism rejects this and holds

that the politics that is justified is libertarian. The reason is that in classical individualism the task of self-perfection must be chosen by the individual. There is here a greater emphasis on individual choice and responsibility, following the Kantian stress on the fact that "ought" implies "can." Since if someone or some group of persons ought to act in certain ways, this is of moral significance only if the option of not so acting is actual and not foreclosed (even by the punitive measures of the law), conduct cannot be regimented or imposed by force.⁸ This is how classical individualism gives support to the libertarian polity. Yet it is also important to notice that classical individualism provides such a libertarian polity with its distinctive rationale, not with the standard classical liberal or *homo economicus* support that stresses the greater efficiency of free action for purposes of securing public prosperity.

Classical Individualism and Corporate Responsibility

Seeing that the central features of the free market system may be defended on the basis of this more robust individualism, Friedman's position on the social responsibility of corporations could now be amended without entailing any compromise of his libertarianism, that is, his laissez-faire economics. Nevertheless, as will be evident presently, corporations can be seen to have a broader range of responsibilities than Friedman ascribes to them.

The essential task of businesses -firms, partnerships, companies, enterprises, and other establishments - need to be defensible by reference to the general tenets of whatever turns out to be the ethical theory that is most successful, most suited to the task of guiding us most consistently, coherently and completely in our conduct. Needless to note, it would be difficult to demonstrate here that classical individualism is this ethical theory. What can be achieved here, I think is to show that classical individualism is a richer ethical framework from which to identify the ingredients of a system of general and professional ethics than that presupposed in Friedman's often discussed theory of the social responsibility of corporations.

Let me define "professional ethics" as a code of conduct pertaining to a specialized field of activity - law, medicine, education, diplomacy, or business - justified in terms of a sound ethics.⁹ By "business" I have in mind an organized human endeavor that has economic enhancement or prosperity or wealth as its dominant end. Business are, that is, profit making institutions¹⁰. Whereas physicians heal, attorney's make a case before the law, educators, develop and impart knowledge, the business professional has as his or her central task to increase wealth.¹¹

Is Business Morally Legitimate?

Any profession, whether very generally conceived, e.g., as medicine, or highly specialized, such as plastic surgery, can be subjected to ethical scrutiny. Those who embrace the morality of pacifism argue that the military profession is morally misguided if not outright vicious. Those convinced that Christian Scientism preaches the moral truth argue that physicians do the wrong thing. Most Roman Catholics argue that abortionists are morally corrupt. And there are utilitarians who condemn the use of animals for purposes that support our pleasures and medical needs. Whether we judge from a narrow or broad moral perspective, we often hold professions up to such critical scrutiny. And even from a rather common sense moral perspective, some professions seem to be at the brink of immorality. Espionage comes to mind here and just that aspect of the profession is exploited to full measure by John LeCarre in his numerous novels, most notably *The Spy Who Came In From The Cold*.

In common sense morality or the ethics that tends to guide most people within a given culture and which requires philosophical assistance only when dilemmas arise, the profession of business may be viewed as based, ultimately, on the virtue or prudence. Prudence has been identified at one time as

the first of the cardinal virtues. And it requires that we take conscientious care of ourselves. It is a virtue to do so, whereas slothfulness, recklessness, carelessness, inattentiveness, etc., are all deemed moral failings.¹²

The fact that prudence is a virtue does not settle the matter of the moral basis of commerce. Two questions need to be addressed so as to be sure whether that is so. For one, what exactly is the nature of the self to be taken care of. An idealist and even dualist idea of the self will lead us to understand by prudence as (less focused upon prosperity here in life than would a naturalist conception. If human beings are essentially divided into two parts, one tied to this world the other reaching for a superior supernatural dimension, prudence will have different implications from a view that conceives of the self as part of the natural world alone.

The second question is whether we can rank the familiar moral virtues when they seem to be in conflict from the viewpoint of common sense.¹³ Here is where we need an ethical theory that succeeds in placing our common sense ideals and ethics in a coherent framework. Hard cases in ethics aren't decidable without a systematic moral viewpoint at hand. Classical individualism is a candidate for success at serving this purpose and one plus in its favor would be if it managed the hard cases well and could be applied readily within the fields of professional ethics such as business.

Classical Individualism and Business Ethics

Assuming for now that there is some promise in classical individualism, what are its implications for professional ethics and for business ethics in particular?

A significant part of what a person ought to do in life is to secure economic values, objectives that enable one to obtain worldly goods, pleasures, joys, delights, etc. But unlike with the individualism of many textbooks in ethics¹⁴, in classical individualism one aims to make of oneself a good human being as the individual one is, and *that involves many capacities to be realized outside economic ones*. While it is vital to serve one's economic or, more broadly, prudential goals, even these can extend far beyond the mere satisfaction of one's desires. Thus, given the classical individualist outlook, one's desires should be shaped by the vision one creates of oneself as the human being one can and would ideally or optimally become.

Professional vs. Social Responsibilities

And there are - to focus on the distinction between this and Friedman's thesis concerning the social responsibility of corporations - vital community and political dimensions of oneself that may require enhancement even in the course of conducting one's professional tasks. In the case of corporate business, for example, one may be morally responsible to not only reach one's economic objectives - which are moral in their own right - but also various objectives associated with being a member of one's community.

Professional ethics involves determining the responsibilities and restraints one needs to observe in relationship to the profession one has chosen to pursue. Of course, there are pre-professional ethics in terms of which one is to be guided in determining what one's profession will be. So it is assumed that the choice of profession is itself capable of being morally justified. Once so, then the question left is what that choice implies - mostly conscientiousness toward one's professional conduct - and what else ought to be attended to in connection with the profession one has chosen.

It was Friedman's thesis that no other moral claim may be made on those in corporate business than to fulfill their implied promise to their clients, namely, to secure for them the greatest possible economic benefits "while conforming to the basic rules of the society, both those embodied in law and in ethical custom."¹⁵ This view is consistent with the radical individualist conception of the human

being; beyond the mere imperative of keeping a promise made in the service of one's self-interested goals there is nothing one ought to do in one's capacity as a business professional.

Critics see that this is an impoverished conception of what a human being ought to do a professional role. Often, however, they go to the other extreme and argue that business should nearly be sacrificed for whatever alternative need is evident in the community. Furthermore, business is to be tamed so that it is not pursued with the kind of rapaciousness that one associates with an innate drive for selfishness or profiteering.

The classical individualist position understands professional ethics to require that one's *dominant* yet not *exclusive* objective is the conscientious performance of one's professional tasks, to fulfill one's job description, as it were, to carry out what one has embarked upon in one's capacity as a professional. In business this amounts, indeed, to what Friedman believes is the exclusive or sole task of business, namely, the pursuit of profit. To the contrary, one's professional responsibilities are not all one has the responsibility to carry out. They are fully consistent with paying heed to other goals, including, fulfilling parental duties, being a good friend, enhancing the quality of one's community, improving the environment and developing and maintaining sound political institutions. First, one has obligations to achieve goals other than those one takes up professionally, and some of these take priority over one's job, as it were. Second, even in the course of fulfilling one's professional responsibilities, attention might have to be paid to goals that do not directly bear on profit maximization. Thus the totality of one's moral tasks, combined with those arising from the fulfillment of professional tasks within the physical and political setting of one's place of work, oblige one who is in the world of business to go beyond what Friedman claims he or she out to pay exclusive heed to¹⁶.

Ethics and Choice

There is a dimension to classical individualism that recalls a certain feature of deontological ethics. This is the importance of moral sovereignty, the role of the choices of the moral agent in the determination of conduct. This is where fundamental individuality or selfhood enters the moral situation, to wit, by recognizing, as I have already noted, that it is the person who chooses morally significant conduct, not others for that person. Instead of atomistic individualism, this view embraces moral individualism, namely, the view that the individuality of a human beings is central and emerges through everyone's moral agency - in being the initiator of morally significant conduct.

Accordingly, the scope of legally enforceable moral responsibility within the classical individualist ethics is the respect of other's moral agency, nothing more. This framework does not identify individuals as being naturally *connected* to society, in the fashion in which a team member is tied to the team or a business partner is tied to the partnership. Social ties in adulthood, even if they are essential and proper, must in classical individualism be left to choice, not imposed by law. And law enters only when citizens are intentionally or negligently caused by others to lose their sovereignty.

So, while the moral demands of classical individualism on those in various professions, including business, are greater than those advanced in Friedman's position, the political framework of business conduct implicit in this ethics is close to that advocated by Friedman. For example, although business ought to support the neighborhood so as to give it better quality, they may not be forced to do so.¹⁷

Endnotes:

¹ Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," *The New York Magazine*, September 13, 1970, p. 33. See, also, Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 1961), pp. 133-36. Friedman's essay is widely reprinted and also discussed in numerous collection of business ethics text books and journal articles. For some of the nuances of Friedman's position, see Thomas Carson, "Friedman's Theory of Corporate Social Responsibility," *Business and Professional Ethics Journal*, Vol. 12 (Spring 1993), pp. 3-32. It is notable that Friedman is usually represented as holding the more radical view that business ought to aim solely at profit rather than the milder version in which the ethics of society ought also be followed in the course of doing business. This is understandable, though, especially in light of the apparently cultural relativism implicit in Friedman's position. In an international and inter cultural world of commerce, however, the prescription to strive for profit is far more direct and practicable than that requiring one to follow "law [and] ethical custom." In short, the only genuine ethical position Friedman addresses is that profit ought to be pursued, although he allows that allowances need to be made to circumstances.

² John Kenneth Galbraith, *The Affluent Society* 3rd edition (NY: Houghton Mifflin, 1982), and Ralph Nader, M. Green and J. Seligman, *Taming the Giant Corporation* (NY: W. W. Norton, 1976). See, for a different view, Robert Hessen, *In Defense of the Corporation* (Stanford, CA: Hoover Institution Press, 1979).

³ Karl Marx, *Selected Writings*, David McClellan, ed. (Oxford University Press, 1977), p. 126.

⁴ The most developed version of this type of individualism is found in David L. Norton, *Personal Destinies, A Philosophy of Ethical Individualism* (Princeton, NJ: Princeton University Press, 1976). Earlier Ayn Rand sketched a similar position in *The Virtue of Selfishness, A New Concept of Egoism* (New York: Signet Books, 1961).

⁵ Tom L. Beauchamp and Norman E. Bowie, eds., *Ethical Theory and Business* (Englewood Cliffs, NJ: Prentice-Hall, 1983), p. 16.

⁶ *Ibid.*, p. 2.

⁷ See, for a development of this distinction, Tibor R. Machan, "A New Individualist Basis for the Free Market," *International Review of Economics and Ethics*, Vol. 2 (1987), pp. 27-39. Consider, as an additional indicator of the classical egoist position, Aristotle's remark, In *Nicomachean Ethics*, 1168b28-33, that "such a man (who 'at all events assigns to himself the things that are nobles and best, and gratifies the most authoritative element in himself and in all things obeys this') .. is most of all a lover of self."

⁸ This point raises the perennial issue of freedom of the will. The classical individualist position can draw on the work of, e.g., Nobel Laureate Roger W. Sperry, *Science and Moral Priority* (Columbia University Press, 1983), who defends free will based on his (scientific research and analysis. See, also, Sperry's technical paper, "Changing Concepts of Consciousness and Free Will," *Perspectives in Biology and Medicine*, Vol. 9 (Autumn 1976), pp. 9-19. See, also, Tibor R. Machan, *The Pseudo-Science of B. F. Skinner* (New Rochelle, NY: Arlington House, 1974).

⁹ I elaborate this in my "Ethics and its Uses," the introduction to Tibor R. Machan, ed., *Commerce and Morality* (Totowa, NJ: Rowman & Littlefield, 1988).

¹⁰ By "profit" I do not have in mind the technical term defined in tax law or even economics in general but the familiar idea of prospering in one's ability to obtain goods and services for purchase in the market place.

¹¹ This is not the place to work out a full ethical system in which wealth pursuit can be seen as morally proper. Nevertheless, it should be hinted that such a system is person relative about the nature of the good and sees living economically successfully or prosperously, as a goal that constitutes a significant aspect of the good life for any human moral agent. See, Douglas J. Den Uyl, "Teleology and Agent-Centeredness," *The Monist*, Vol. 75 (January 1992), pp. 14-33.

There is an ontological feature of a moral perspective that would be applicable to evaluating the various professions people embark upon, namely, that there is no basis for precluding the possibility of free will in human living. Indeed, there is both philosophical and special scientific justification, beyond a reasonable doubt, to believe that human beings are facilitated to activate their mental functions, to, as it were, initiate their own conduct and to, thus, govern themselves. Instead of the reductionist approach found in much of economic science, a pluralistic ontology, with different kinds and types of entities in nature, would be more sensible. Within such a perspective the moral dimension of reality arises in connection with living entities that have the faculty of choice and thus can govern their own conduct. This brings into nature the problem of how they ought to act, how their living as the kind of beings they are ought to be carried out. For more, see Tibor R. Machan, "Applied Ethics and Free Will: Some Untoward Results of Independence," *The Journal of Applied Philosophy*, Vol. 10 (1993), pp. 59-72

¹² See, Douglas J. Den Uyl, *The Virtue of Prudence* (New York: Peter Lang, 1991).

¹³ This is akin to our not understanding the structure of the physical world from simply experiencing it by way of the normal use of our senses.

¹⁴ For a survey of these, see Tibor R. Machan, "Recent Work in Ethical Egoism," in Kenneth J. Lucey and Tibor R. Machan, eds., *Recent Work in Philosophy* (Totowa, NJ: Rowman and Allanheld, 1982), pp. 185-202.

¹⁵ *Op. cit.*, Friedman, "Social Responsibility," p. 33.

¹⁶ This point is advanced by Fred D. Miller, Jr. and John Ahrens "The Social Responsibility of Corporations," in *op. cit.*, Machan, *Commerce and Morality*, pp. 140-160.

It's worth noting that Carson, *op. cit.*, faults Friedman for not including as a requirement of the social or ethical responsibility of business to "warn the public about all serious hazards or dangers created by the firms which they represent." (p. 20) One might think that the current position also falls prey to this flaw. Yet arguably neither Friedman nor I can be so faulted.

Friedman is, after all, a defender of an individual - including private property - rights based free market economy, including privatization in all possible realms of production, trade, transportation, etc. In such a system exposing customers to known hazards and dangers which pose risks (beyond what is reasonable, i.e., significantly above the normally prevailing hazards and dangers of their lives) without informing them about these constitutes legally actionable misrepresentation or deception. Product and service liability law suits are entirely consistent, indeed, native to, a *bona fide* free market system. A socialist system, for example, cannot make theoretical room for such an individual rights based legal action. It is even doubtful that a government regulated legal system can escape the force of the charge that in view of such regulation of business, liability action might have to be significantly circumscribed. Responsibility for hazards and dangers would, in such a system, be shared between

the business and the regulatory agent (the public!) ultimately complicit in the hazardous or dangerous behavior. For more on this, see Tibor R. Machan, "Bhopal, Mexican Disasters: What a Difference Capitalism Can Make," in *Liberty and Culture* (Buffalo, NY: Prometheus Books, 1989), pp. 180-181, and "Corporate Commerce vs. Government Regulation: the State and Occupational Safety and Health," *Notre Dame Journal of Law, Ethics and Public Policy*, Vol. 2 (1987), pp. 791-823. See, also, Tibor R. Machan, *Private Rights, Public Illusions* (New Brunswick, NJ: Transaction Books, 1994).

¹⁷ In *Individuals and Their Rights* I explain in detail why the moral dimension of human nature requires the classical liberal political framework. Incidentally, for a treatment of negative externalities such as air or water pollution, see my "Pollution, Collectivism and Capitalism," *Journal des Economists et des Etudes Humaines*, Vol. 2 (March, 1991), pp. 83-102. For more on our relationship to animals, see "Do Animals Have Rights?" *Public Affairs Quarterly*, Vol. 5 (April 1991), pp. 163-173. For an application of this framework to government regulation of business, see Tibor R. Machan, *ibid.*, "Corporate Commerce," and "Should Business Be Regulated?", in Tom Regan, ed., *Just Business: New Introductory Essays in Business Ethics* (New York: Random House, 1983), pp. 202-234. For more on environmental ethics in general, see Tibor R. Machan, "Pollution and Political Theory," in Tom Regan, ed., *Earthbound: New Introductory Essays in Environmental Ethics* (New York: Random House, 1984), pp. 74-106, and "Environmentalism Humanized," *Public Affairs Quarterly*, Vol. 7 (April 1993), pp. 131-147. For a discussion of parental responsibilities, see Tibor R. Machan, "Between Parents and Children," *The Journal of Social Philosophy*, Vol. 23 (Winter, 1992), pp. 16-22. I discuss some of issues of this paper bearing on the philosophy of the social sciences and the moral foundation of the free market system in, Tibor R. Machan, *Capitalism and Individualism* (New York: St. Martin's Press, 1990).