

Due: March 8

Issue: Are Profits the Only Business of Business?

Briefly state the main idea that forms the basis of this argument:

In today's capitalist economies the basic answers to the three questions of resource allocation—what, how, and for whom—are determined by profit. In these societies, what will be produced is determined by what will yield the greatest profit. Similarly, the profit-seeking behavior of business firms determines how the goods and services will be produced. Finally, the for whom question is also linked to profits and concentrates on where supply shortage is greatest, and therefore leads to the most profit possible.

List 2 or 3 facts that the author uses to support the idea on the FOR or PRO side:

The executive is an agent serving the interests of his principal—the stockholders. The manager has to conduct the business in accordance with the owners' desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom. Moreover, executing "social responsibility" is difficult and executives don't have the necessary knowledge in the various economic areas to efficiently spend other people—stockholders', employees', and customers'—money. Furthermore, being social is the same as imposing taxes, which reduces the returns on investment and is counter to the owners' interests and thus violates the very foundation of the American political-economy: individual freedom.

List 2 or 3 facts that the author uses to challenge the idea on the AGAINST or NEGATIVE side:

The arguments against Friedman's opinion are based on morality and social needs. They are not as convincing as his and are subjective as well. Nevertheless, Almeder argues that some corporate behavior is immoral and that defense of this immoral behavior imposes great costs on society. He also criticizes the advertising of cigarettes, the automobile marketing procedures and the profit-driven thinking at the expense of people's life. Moreover, he argues that governments should impose regulations on business behavior and practices until they regulate themselves.

List any propaganda, bias or faulty reasoning that you feel exists in either of the articles on this issue?

While Friedman's arguments are too rational and economic, they also do not include society and the environment people live in. Almeder, on the other hand, comes up with weak examples which lead to a philosophical discussion without a clear solution at all. Furthermore, he didn't mention any kind of regulation that would be sustainable, effective, and in favor for the whole society.

Which side of the argument seems to make most sense to you and why?

From a purely economic point of view, businesses are in competition and try to gain the most market share; and only the 'fittest' will survive and stay in the market and earn a (normal) profit. However, this analysis is based on models with unrealistic, idealistic, and rational assumptions. The fallacy is that people often do not act in the predicted manner, and therefore contradict the models outcomes. In addition, in today's complex business environment corporations have to adjust and anticipate the needs, wants, and beliefs of the society. So, in order to maximize profits it can be rational to be social responsible. I think that corporations can no longer neglect issues regarding image, credibility, accountability, transparency and the environment to remain on the competing edge.