2.0 Analysis of “The Social Responsibility of Business is to Increase its Profits” by Milton Friedman

Milton Friedman’s article is one of the most renowned articles used showing that corporations should consider more than just shareholders. In the article published over 40 years ago, Friedman discusses how corporations should revolve their company around profits instead of having a social conscience. The corporate executives of a company have responsibilities to their employees and stockholders to maintain the highest profits that they can, while being bound by the laws of social responsibility. In accordance with this, Friedman claims that if corporate executives give in to the demands of the public, they will be corrupting the free market economy.

The main goal of corporate social responsibility (CSR) according to Friedman is “to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.” Friedman claims that if executives continue to meet with the demands of social ills with company funds, he is performing a ‘tax’ duty and distributes the funds to different operations. Furthermore, Friedman claims that companies are forming “taxation without representation.” However, Friedman fails to address the idea that people in that industry may choose to maintain aspects that increase the social conscience of the business, nor does he address the idea that some employees or stockholders chose that particular business for their social concerns.

Secondly, Friedman does not seem to care for corporations who practice a form of social responsibility to cover their mistakes. For example, he claims that while corporations are making their working environment more attractive to benefit the corporation in the short run, in the long run it would benefit the business more if they were honest.

Lastly, Friedman discusses the “cloak of responsibility” and claims that business executives have a “schizophrenic” nature when making decisions in business. Business executives can be “far-sighted and clear-headed” when making internal business decisions, while being “near-sighted and muddle-headed” when making decisions about the business in general. Friedman claims that business leaders make decisions based on trends on what is important socially, to gain trust of their customer base in the short run. Friedman fears that if business continue to make these kinds of decisions then this will be the death of business as people know it.

From this article, I found that management within corporations was just as corrupt in the 20th century as it is in today’s modern times, although now it is more publicised. Corporate executives will willingly take money from others to make their company look good to make a profit and to cover the company’s mistakes.