

Opinion **Corporate social responsibility**

## Companies should concentrate on maximising their profits

Relegating the interests of shareholders is an open repudiation of the 'Friedman doctrine'

**JENNIFER BURNS**



The Nobel Prize-winning economist Milton Friedman: 'There is one and only one social responsibility of business' © Getty

Jennifer Burns YESTERDAY

[Corporate social responsibility](#) is back — and that's bad news for anyone who cares about corporate behaviour. August's US [Business Roundtable statement](#) embracing stakeholder capitalism is only the latest iteration of a mantra gaining currency around the world. On the surface, the brief statement offered bromides about pleasing customers, investing in employees and supporting communities. But its real significance comes in how shareholders drop to last in its list of stakeholders.

Putting shareholders last is an open repudiation of the "[Friedman doctrine](#)", articulated by the Nobel Prize-winning economist Milton Friedman in 1970. "There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits," Friedman declared. It was fine for individuals to pursue social goals in their own time, he went on. But to do so through the framework of the corporation carried numerous risks and would complicate the already difficult task of measuring performance. Keep it simple, Friedman advised.

Executives should focus on maximising profit.

In subsequent years, this single-minded focus on shareholder value was undoubtedly important to many corporate leaders. But just as often, the Friedman doctrine was observed in the breach, or trotted out as an example of misguided wisdom. Chief executives from Whole Foods' John Mackey to Apple's Steve Jobs framed their moneymaking activities as contributions to the larger good. Fame and fortune went to business leaders claiming to make social progress, not simply money.

Corporations are not just profit-making machines. They are complex social organisms, embedded in the society from which they grow. And as such they have both obligations and rights. But bringing back the Friedman doctrine would bring much-needed clarity to discussion of the role of the corporation. Americans are just waking up to the possibility that many big tech companies are not public-spirited entities that just happen to make a profit on the side. Would this recognition have come sooner without what Friedman called "the cloak of social responsibility"?

What if Facebook explained and justified its actions in terms of shareholder value rather than the larger mission of "[bringing the world closer together](#)"? Would e-cigarette maker Juul have been [welcomed into high school classrooms](#) if its stated intent was to make money off kids, rather than improve their health? Would WeWork have got so far so fast if its [founder's effusions about social mission](#) were taken as evidence of organisational over-reach rather than standard expressions of corporate good intentions?

The idea of benevolent corporations serving the public good has also muddled a distinction that was clear to earlier generations. Young professionals used to recognise the need for a choice. Some careers were lucrative, but largely devoid of meaning — hence the inflated salaries and fancy recruiting dinners of investment banks and consulting firms. But now that trade-off has faded away. Working for a tech company is not only lucrative, it is supposedly a way to save the world. There's no need to live in penury, to spend time studying foreign languages, to get to know people different than you. Now you can make a difference from the comfort of your keyboard.

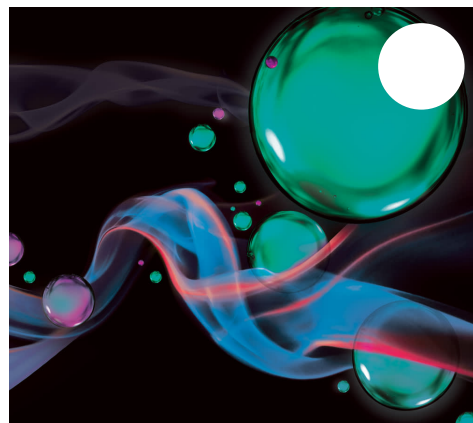
Bring back the Friedman doctrine, and maybe we'd have a more honest conversation. Do I want to dedicate myself to maximising shareholder value? Or do I want to consider one of the other institutions — from universities, to non-profits, to public service — which truly are mission-driven? But if we freed corporations from the need to do more, then the rest of us would have to act.

*The writer, an associate history professor at Stanford University, is working on a biography of Milton Friedman*

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