

**Class Outline:**

1. Egoism
2. Individualism
3. Discussion on Stockholder & Stakeholder Views
4. Utilitarianism and Business Ethics
5. Class 10 Min Break
6. Kantian Business Ethics

**Normative Theories**

What should we use to evaluate actions?

1. Self-Interest (Egoism)
2. Rights (e.g. Individualism)
3. Outcome (e.g. Utilitarianism)
4. Duties (e.g. Kantianism)
5. Character (Virtue Theory)
6. Agreement (Social Contract, e.g. Rawls)

**Problems with Egoism**

**Egoism:** People should promote their own interests no matter what.

**Problems:**

1. It licenses others to treat you in the same manner and this is not advantageous to you.
2. It undermines the Market by promoting distrust.

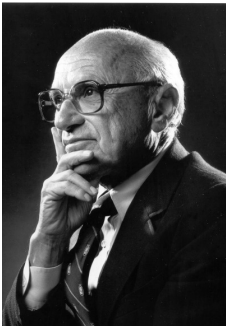
**Upshot:** The pursuit of people's interests needs to be constrained.

**Normative Theories: Individualism**

Individualism = Egoism + Rights-based Constraints

Everyone has the right to pursue his own interests and should do so, but no one has a right to make other people's choices about their pursuits for them.

**Libertarianism:** The fact that we have free-will entails non-interference, and so requires us to respect people's right to choose.



Milton Friedman, Economist and Nobel Prize Winner for Economics (1912-2006)

**Friedman's Individualism**

The only goal of business is to profit, so the *only* obligation that the business person has is to maximize profit.

**Objections to Friedman's Individualism:**

**It doesn't take into account:**

1. The identity of the company and leaders prior to investors.
2. The motivation of investors to invest in socially responsible businesses.
3. The motivation of customers and employees to choose socially responsible businesses.



Tibor Machan,  
Philosopher & Libertarian  
(1939- )

### Machan's Individualism

The only *direct* goal of business is to profit, and the *primary* obligation of the business person is to maximize profit, BUT:

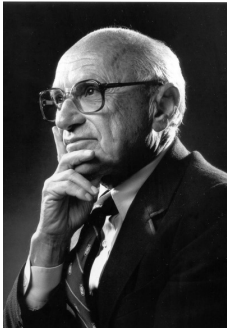
1. The direct goal of profiting may need to be met by indirect goals *not* aimed at profiting.
2. Business people may have other goals and those goals may at times be prioritized over the goals of profit-maximizing.

### Further Objections to the Individualism:

It doesn't consider:

1. A company's obligations to its customers, employees, and others that affect and are affected by the business.
2. Public goods and externalities – some things are shared and we all have a vested interest in them.
3. The ways in which consumer demand and purchasing power are limited – the Market cannot determine all preferences.
4. Where obligations and rights come from – there is no principled ethical theory that tells us what rights and obligations we have.

### Stockholder OR Stakeholder?



Milton Friedman, Economist and  
Nobel Prize Winner for Economics  
(1912-2006)



R. Edward Freeman, Philosopher  
and Professor of Business  
(1951- )