

## VISUAL 9.1

### SUMMARY OF FRIEDMAN'S AND MACKEY'S VIEWS

	<b>Friedman</b>	<b>Mackey</b>
Role of <i>profit</i>	<ul style="list-style-type: none"> <li>• Profit is the sole reason for the firm to exist.</li> <li>• Profit provides incentives for efficiency and dynamic growth. It ultimately raises living standards by providing customers with goods and services they want.</li> </ul>	<ul style="list-style-type: none"> <li>• Profit is necessary for business survival, but other goals are also important to the firm.</li> <li>• Profit provides incentives for efficiency and dynamic growth. It ultimately raises living standards by providing customers with goods and services they want.</li> </ul>
Ethical duties	<ul style="list-style-type: none"> <li>• Fiduciary duties of employees to <i>shareholders</i></li> <li>• Employees should follow all laws and treat people honestly, courteously and ethically.</li> </ul>	<ul style="list-style-type: none"> <li>• Fiduciary duties of employees to a wide range of stakeholders</li> </ul>
Stakeholders (Duty owed)	<ul style="list-style-type: none"> <li>• Shareholders only (profit)</li> </ul>	<ul style="list-style-type: none"> <li>• Customers (honesty, service, price)</li> <li>• Team member or employees (honesty, reward, recognition)</li> <li>• Shareholders (return on capital, profits, psychic income)</li> <li>• Suppliers (honesty, loyalty, reward)</li> <li>• Communities (giving 5 percent of profits to community causes)</li> <li>• Environment (stewardship)</li> </ul>

## VISUAL 9.2 THE INVISIBLE HAND

“[A merchant] intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.”

— Adam Smith, *The Wealth of Nations*

eds. R.H. Campbell and A.S. Skinner (Indianapolis: Liberty Press, 1981 [1776]), 26-27

### Questions

1. What do you think Smith means when he says that a merchant who strives only for his own gain unwittingly promotes the interests of society? What are society's interests, and how does the merchant promote them?
2. Whose position on the social responsibility of business does Smith's quote support: Friedman's or Mackey's?
3. Do you agree or disagree with this statement by Adam Smith? Why?