

Is it possible for corporate leaders to go beyond Friedman doctrine?

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Abstract

The authors develop a model of business ethics that is more actual, especially in responding to various problems facing humanity today, including climate change. That this is also connected with not only environmental responsibilities but also the social responsibilities of large, medium and small business owners, seems quite clear. The only problem is that many of us seem to be bewitched by the doctrine known as the Friedman's doctrine, proposed by Milton Friedman in the 1970s, which essentially states that the only social responsibility of a company is to make a profit.

Introduction

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If we look at it from an economic anthropology perspective, aka the pattern of economic life lived by people in ancient times, especially in Asia and its surroundings, there is a special emphasis on the values of harmony with nature and also with fellow humans. Especially in Indonesia, not only is there a friendly culture, but among them is friendliness from an economic aspect, which in the past was still often found and was sometimes called "tuna sathak bathi sanak," aka losing an amount of financial resource but gaining new friends.

If this principle is examined in more depth, then this point of local wisdom has quite deep and fundamental implications in the ethics of social relations, both in life and in aspects of economic relations. This means nothing less than upholding friendly relations above mere profit maximization. Isn't this something that seems contradictory compared to the modern economic pattern which emphasizes profit alone, which was then coined in the expression maximization of utility, and then coined by Friedman as the Friedman doctrine: "the only social responsibility of a business is to make profit."

Of course, this is something worth paying attention to, and thankfully, since the 80s and 90s, a new approach has emerged that is more based on social consideration, and is known as CSR (corporate social responsibility), and has had a significant impact on practice, especially in area where a business has an environmental and social impact.

However, if we remember that the environmental and social impacts of a large business are so large, for example as reflected by devastating climate change, then the pattern of CSR implementation, which often seems rather nuanced at best, needs to be further developed towards business ethics that emphasize social relations, rather than just maximizing utility alone.

In fact, in this relationship, the principle of "tuna sathak bathi sanak" seems interesting to be listened to and popularized again, of course with a more modern meaning and appreciation. And in this connection, there are modern thinkers who have proposed new thoughts that are not just utilitarianism, for example Lynn Stout.

Section 1. What is utility maximization?

It is known, that in an article in New York Times in 1970, Milton Friedman who was an opponent of social responsibility of businessmen, suggested that the only responsibility of businessmen is to maximize his or her utility. In essence, it can be said that : "Friedman thought that the idea of asking business people and corporations to go beyond legal and economic responsibilities in order to care for others (stakeholders and the environment), instead of maximizing their profits."

Before we discuss the problem with the doctrine of utility maximization, first of all we shall consider from history of corporations like Enron etc that window dressing have become quite practice, except more recently when regulations on such practices have been enacted. It can be traced back to what Friedman wrote:

'window-dressing because it harms the foundation of a free society. That would be to call on them to exercise a "social responsibility"! If our institutions, and the attitudes of the public make it in their self-interest to cloak their actions in this way, I cannot summon much indignation to denounce them. At the same time, I can express admiration for those individual proprietors or owners of closely held corporations or stockholders of more broadly held corporations who disdain such tactics as approaching fraud.' (Friedman 1970)

In essence, such a remark from that Chicago professor can be read something like endorsement of such practice, including perhaps tax evasion etc, as long as laws permit. First of all, we shall

write here that the notion of utility itself is hardly to be observed experimentally and experientially.

A series of small experiments that one of us did with street pigeons quite long time ago proved otherwise, that the notion of utility can be said to be pretty irrelevant for wealth development [1].

In fact it can be said that the notion of utility was based chiefly on utilitarian notions, which actually can be confronted to relationality ethics, for instance in the logic of ubuntu of Africans and also the logic of not as suggested by Nagatomo (2000).

Section 2: Walton & Walton's proposition that Torah worked in the past as covenant and wisdom code in Israel

As so far Friedman's article seems to suggest for businessmen to do the best they can even if that seems to go in border with law breaking, allow us to bring to the readers' attention, book by John Walton and J. Harvey Walton, both are professors of Old Testament from Wheaton College, who wrote among other things a proposition that The Torah is similar to ancient near Eastern legal collection and therefore also teaches wisdom, not legislation (Walton & Walton, 2019)

In other words, we can say that in the beginning it was not a matter of legality matters to obey Torah or not, but God advises His people to seek His wisdom and to internalize that wisdom in their education to their children. That is why Torah may be categorized to the books of wisdom.

Section 3: Seeking wisdom in the past, reconsidering the *logic of not*, or possibly related to Klein bottle logic

It can be considered throughout history, that ancient people really regarded wisdom to be preserved beyond merely abiding to the documented laws. Those wisdom may include: preserving the sacredness of life and with respect to Nature and God Almighty; preserving ethics of good work in life (cf. Schumacher, Abacus, London, 1980), and many more. Among other things are also doing good things for people in need and especially to strangers in the town (this can be found stipulated in Torah)

Among other things, are also relational ethics in life, which can be considered as particular implication of Klein bottle logic, when the identity of one individual is being expanded once he or she meets with other individuals. In other words, we may consider it as wisdom to consider relationality or perhaps reciprocity of friendship as virtue, more than maximizing utility in strict economic terms.

For instance, if we look at it from an economic anthropology perspective, aka the pattern of economic life lived by people in ancient times, especially in Asia and its surroundings, there is a special emphasis on the values of harmony with nature and also with fellow humans. Especially in Indonesia, not only is there a friendly culture, but among them is friendliness from an economic aspect, which in the past was still often found and was sometimes called "tuna sathak bathi sanak," aka losing an amount of financial resource but gaining new friends.

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Concluding remark

It is considered possible to assume that corporate leaders shall seek wisdom even in this modern life, and that is wisdom to obey a good work and good life ethics as God commands, beyond merely strictly abide to the law in certain province or state.

This is something worth paying attention to, and thankfully, since the 80s and 90s, a new approach has emerged that is more based on social consideration, and is known as CSR (corporate social responsibility), and has had a significant impact on practice, especially in area where a business has an environmental and social impact.

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