

## **Milton Friedman**

Nobel Prize-winning economist

### **SOCIAL RESPONSIBILITY > A Waste Of Money**

A corporation is the property of its stockholders. And its interests are the interests of its stockholders.

Now beyond that should it spend the stockholders money for purposes which it regards as socially responsible but which it can not connect to its bottom line? The answer I would say is no. In doing so it is acting like a government. It is imposing taxes. And spending taxes without a popular grant. And the corporation doesn't have any money to spend. If it spends money it's spending its stockholders money, or it's spending its employees money or it's spending the money of its customers.

I've observed and talk about social responsibility and then it's not clear who's deciding what is socially responsible. Corporations, especially big corporations set up a separate branch, or a separate section to deal with its social relations. And that section is typically run by somebody who's not really involved in the corporate activity. Who is not really concerned with serving the interest of the corporations, it's sort of pure advertising. And as such I think it's a waste of money, and more than a waste of money. It typically has being, it's often is being spent on things which are adverse to the interest of the corporation and to the society as I would view it.

### **REGULATION > The Government Industrial Complex**

Corporations pose a real threat to freedom because they get so large, so important that they get to control government. The real danger is of government, of a government controlled by large enterprises

Big corporations in part lead to big government, big government lead to big corporations. Eisenhower spoke of the military industrial complex. That's a phase of it, but you have in general a government industrial complex. The notion that government erects regulations to prevent big government from hurting the consumer is a nice ideal notion. And I have no doubt that most regulations begin that way.

But once regulations are instituted then the enterprises that are regulated have a much stronger interest in controlling those regulations than the consumer who is diffuse and has many things to worry about.

There are no doubt that corporations have too much influence over government, but it's also true that government has too much influence over corporations. It's

not a one sided thing. It's a reciprocal relationship between corporations and government.

## **THE NATURE OF THE CORPORATION > The Corporation Is Amoral**

The corporation is amoral but the people who run the corporation are not amoral. I think it's very important to realize that moral distinctions are distinctions about what individual people do. So that to say that a corporation has no moral position does not mean that the people who run that corporation. Let me illustrate in a very simple case. A case that's created a lot of controversy, tobacco.

The corporation as such has no moral attitude toward tobacco but the executives of that corporation it seems to me have faced a very difficult problem. And a problem that they have not handled very well. It seems to me that when it became available, when it became known to the executives of that corporation. And what they were producing had effects that the public at large did not know about, namely health effects.

It seems to me that the executives of that corporation had a personal responsibility to insist that the corporation make available to the public that information. Otherwise they were engaged in fraud and force. So that I don't think, it seems to me how can. Can a building have moral opinions? Can a building have social responsibility?

If a building can't have responsibility what does it mean to say that a corporation can't? A corporation is simply a artificial legal structure. It doesn't have any, it's neither moral nor immoral. It's simply what it is. But the people who are engaged in it, whether the stockholders, whether the executives in it, whether the employees they all have moral responsibilities.

## **THE ROLE OF GOVERNMENT > Too Much Government**

An appropriately privatized society would look like a society in which the total income of society about 10 to 12% is going through government. And it's going through government to pay for certain really basic functions. To finance the judicial system, to provide for the defense of the country for armed forces. To provide for law and order, police, fire, not necessarily fire protection that can be done privately as it has been done. And to provide for truly hard cases – indigent - those would be the main functions.

We are far from achieving the kind of society in which government is engaging only in what I regard as a proper functions of government. In our present society government is spending not 10 or 15% of the national income but in the United States, 40% of the national income. In addition it is indirectly through regulation, rules, mandates directing the spending of about another 10% of national income.

So that the United States which everybody regards as a freest society in the world is half, is 50% socialized. The reason we don't realize that is because government spends its money so much more inefficiently than private enterprise does. That the 50% of our resources which are being spent by government or directed by government produces a lot less than 50% of our utility.

There are many great things about the world as it is now. We have a great deal of freedom, a great deal of prosperity. But there are enormous problems and the most important of those problems are produced by government, not by the private market. In the United States one of our, certainly one of our major social problems are the slum ghetto areas of our country. The inner cities. And those are a result of government policies. They are a result of the government policy on drug prohibition which largely plays a large part. Of government policies, of government schools which failed to school the children in those areas. Of government policy of welfare which is led to an increase in unwed mothers and illegitimacy.

Those have been the results of governmental policies. In a world in which government wasn't doing all those things we would not have any inner cities. We would not have the kind of slums that disgrace our society. We would not have the spectacle of two million people, at the moment, in American prisons. That's a disgrace. And they're in prisons because government has made a crime of voluntary actions among individuals. Had made a crime of things that should not be a crime.

And in the process has done tremendous harm. In my ideal society that would not be there. Human beings would be free to spend their time, and their efforts and their energy as they wished.

Yes I believe that victimless crime, what are designated as crimes, which are victimless, have an emotional appeal. Have an appeal to your ethical values. But that they are unenforceable and that trying to enforce, trying to prohibit them does far more harm than good. I think we had one attempt on that with alcoholic prohibition in the 1920's and early 30's, it was an enormous failure. I think our attempts to prohibit drugs have been an equally bad failure.

So whatever you think about the ethical value, the ethical appropriateness of government telling people what they should put in their mouth, what actions they should engage in, it doesn't work. You cannot control people that way. And the results are worse than not doing it

## **EXTERNALITIES > There Is A Free Lunch**

There are good externalities as well as bad externalities. For example if you, for your own personal purposes have a nice garden around your house. You're very careful about your lawn and it's attractive. Well then people who pass by benefit from it, that's a good externality. Indeed there are, the best things in the world are

free, that's an old statement. They are externalities. I've been fam...- I've been noted sometime for the phrase that there is no free lunch. But there is really a free lunch in the form of the effect of a voluntary free enterprise exchange society.

If the fact that people all over the world are engaging in transactions strictly for their own benefit. But those have enormous effects on the world at large.

## **THE ROLE OF GOVERNMENT > Control Externalities**

The legitimate role for government is in so far as it can to, to control and check negative externalities. But in doing so just as there's nothing that's all black and all white there are never clean cases. Because government involvement is itself an externality. Government cannot involve in checking something without imposing costs on somebody. It has to raise money for taxes. It has to interfere with their freedom. And so each case has to be considered more or less as in terms of a balance sheet. Here are the problems, advantage costs, here are the benefits. You need a cost benefit analysis.

And in general it's only where there are serious externalities where you can really make a case for government involved. And in general also where ever possible government should be involved by setting a fee on the activity concerned. And that is something else that has increasingly developed. You have a markets now in pollution abatement. So that for example in the case of the stream where somebody is putting something in. Your best procedure is to try to impose a charge on the disposition of the garbage rather than to try to regulate the details of how the garbage is disposed of.

## **DEMOCRACY > I Don't Believe In Democracy**

Let's be clear, I don't believe in democracy in one sense. You don't believe in democracy. Nobody believes in democracy. You will find it hard to find anybody who will say that if, that is democracy interpreted as majority rule. You will find it hard to find anybody who will say that at 55% of the people believe the other 45% of the people should be shot. That's an appropriate exercise of democracy.

What I believe is not a democracy but an individual freedom in a society in which individuals cooperate with one another. And in which there is an absence of coercion and violence. Now it turns out that democracy in the sense of majority voting is an effective means for achieving agreement on some things. On things which are not very important. Really important things we require much more than a simply majority. We require something as close to unanimity as we can get. That's why we have a constitution as well as legislated law.