

THE WALL STREET JOURNAL.

Milton Friedman on CEOs

The late, great economist anticipated the Business Roundtable.

[The Editorial Board](#)

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The mucky-mucks of the Business Roundtable are tweeting in unison how “proud” they are to have abandoned the corporate purpose of serving shareholders for the more politically au courant “stakeholder” model. We wrote about it Tuesday, and the CEOs no doubt enjoyed their smooch from Fortune magazine more than they did our editorial.

The media cheerleaders seem especially pleased that the CEOs have thrown the late, great economist Milton Friedman over the side. It’s time for a review of Friedman’s 1970 essay, “The Social Responsibility of Business is to Increase its Profits,” from the New York Times magazine.

The entire essay is worth reading, but two points are worth stressing for the CEOs who almost surely never read it. The first is that Friedman never said a business should ignore the “basic rules of the society, both those embodied in law and those embodied in ethical custom.” The attempt to smear Friedman’s counsel as amoral is false. His point was that profitable businesses serve the common good better than executives who spend money on “social responsibility” but preside over business failure.

The second point is Friedman’s warning that CEOs who put social responsibility above shareholders will find it redounds to their detriment. They feed the public belief that free markets and business are “wicked and immoral” and must be curbed by “external forces,” which typically means politicians.

Once those forces are unleashed, the arbiters will not be the “social consciences” of “pontificating executives.” The controlling power will be wielded by the iron fist of government. Nearly 50 years ago, Friedman anticipated the CEOs of the Business Roundtable.

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