

On the Moral Duties of Business

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Introduction

This essay explores the moral duties of business through a critical engagement with Milton Friedman and F.A. Hayek's theories of corporate social responsibility (CSR) and through the lens of an ethico-political perspective we dub *virtue libertarianism*. In brief, virtue libertarianism refers to a coherent moral philosophy integrating the following views: 1) individual rights as moral side constraints, 2) the role of government as the protection of rights, 3) moral duties to the self and others going beyond respecting rights to respecting those characteristics in virtue of which human beings enjoy their rights, and 4) a strong concern for the development of the moral capacities that make a flourishing life possible.

In applying virtue libertarianism to CSR, we classify the duties of business owners and senior managers into three categories, differing according to the objects of those duties: duties to the self, that is, the owners and principals of the business; duties to second parties with whom the business has a consensual relationship, that is, its customers and workers; and duties to third parties with whom the business has no consensual relationship but who may be affected by the business' activities.¹ We argue, contra certain stakeholder theories of CSR, that the duties of the third class are spare, limited essentially to duties of justice. On the other hand, we also argue, contra Friedman (1970), that there is no general duty of business to pursue its own profits to the exclusion of other ends. Our chief contributions to the theory of CSR are to justify a distinctive view of the duties of justice that businesses owe strangers, and to justify a more robust conception of businesses' duties to themselves and to customers and workers than narrowly economic conceptions of the for-profit corporation foresee.

Friedman is right that in a competitive market economy, profit maximization generally serves a useful and important social function, and that when for-profit businesses engage in CSR, they often lack the necessary expertise to do it well. As is by now well recognized, however, businesses may be established for all sorts of purposes other than profit maximization. Indeed, the senior managers of a corporation may have a fiduciary duty, imposed by articles of association, to pursue objectives other than profit. We argue that these kinds of businesses can serve important social functions, even as we concede that many businesses pursue CSR disingenuously as a mere means to profit maximization.

As Friedman recognizes, the moral acceptability of profit maximization finds its limit in duties of justice. It is morally wrong to violate the rights of others to pursue profit. Friedman and others have recognized this point in principle, but we argue that in application it has broader implications than often recognized. We defend a robust position that business rent-seeking is immoral and unjust, for instance. The negative externalities of certain business activities also constitute an important area for careful moral analysis.

Our final examination of business duties comes under the heading of positive duties of care that go beyond the relatively spare duties of justice. Because these duties of care are not duties of justice, they must not be legally enjoined, but they are important duties nonetheless, the satisfaction of which society may properly encourage through moral suasion and even voluntary social sanctions. As an example, businesses have a duty not to encourage immoral-but-not-unjust acts. We illustrate the argument with an application to the adultery facilitation website Ashley Madison.

¹ To have a duty to ϕ is to be in a condition such that it is morally impermissible not to ϕ .

In summary, we take a middle ground view of corporate social responsibility, strongly defending the property rights of shareholders and the social function of competitive profit-seeking, while also vindicating the moral claims of stakeholders whose interests and rights may be put at risk by untrammelled profit maximization. Our view of the moral duties of businesses is essentially an old-fashioned one. We see the duties of business as reducible to those of particular persons who associate together in an enterprise, toward particular persons touched by the actions of that enterprise, not as part of a special role for business toward society in general.

Businesses' Duties to Themselves

The concept of duties to the self may seem strange, but it has a long philosophic history (e.g., Kant 1991 [1797]). Its intuitive traction may be demonstrated by reference to some examples of individual-level duties. If an individual human being obtains moral worth from some characteristic, such as the capacity for moral reasoning and agency, then it follows that it is morally wrong for an individual person to diminish that characteristic in herself. For instance, extreme drug use, self-mutilation, etc. may be wrong because they diminish one's capacity to respect one's own moral dignity and one's capability for acting rightly toward others.

Now, the concept of a collective self invites further scrutiny. Arrow's (1963 [1951]) famous impossibility theorem suggests that, with sufficiently diverse individual preferences over alternatives, there is no way to construct a rational social ordering of those alternatives. If a collective agent cannot have preferences, so an argument might go, it cannot have duties either. There is no self to speak of.

Businesses, however, are a voluntary association of individuals for a specific purpose, typically expressed in a partnership contract or articles of association or incorporation establishing the enterprise (Vanberg 2007: 207). Furthermore, businesses often promulgate statements of values, and those who invest in such businesses are tacitly consenting to those statements. Therefore, a business may be said to have a rank ordering of preferences over some alternatives, namely those that are articulated in its founding documents or mission statements. Concretely, a for-profit enterprise at minimum has as a goal not making losses, which would ultimately require its dissolution. When governing documents specify that the net income accrues to the shareholders and provides them governing authority over the organization's assets, they envision that the organization is to be run for the ultimate benefit of the shareholders as they themselves define it. To be sure, contracts are always incomplete: not every possible alternative can be envisioned, and when a business has multiple goals, some of them may conflict without a clear resolution. That being said, at minimum we can infer from an organization's binding agreements and contracts those goals that they explicitly stipulate.

Businesses' duties to themselves, therefore, pertain to the obligations that the owners and other principals have toward each other and to themselves. Since only individual human beings have moral value, these duties are ultimately obligations of individuals toward individuals. Some such duties may include:

- 1) Not wantonly wasting one's own investments by taking grossly excessive risks with the capital of the enterprise (an analogue to the drug abuser or compulsive gambler);
- 2) Exercising due diligence in the monitoring of senior management in order to protect the invested capital of oneself and other investors (an analogue to the contributor to collective

goods in a small group assurance game, such as the roommate who helps clean up and therefore avoids living in filth);

- 3) Seeking continually new entrepreneurial opportunities, whether profitable, charitable, or pertaining in whatever manner to the core values and goals of the enterprise (an analogue to the person who fulfills the duty to improve her rational and moral faculties).

Relative to the last point, a question arises as to whether businesses have a duty to themselves to pursue profit exclusively. Economists have often endorsed a narrow conception of businesses' ends. A typical microeconomics textbook models firms as maximizing utility by maximizing profit. Profit indeed serves a useful function in a competitive, market economy. High profit for a firm is a visible indicator of that firm's productivity and stimulates others to copy the firm's success, whether by bringing to market products that consumers want or by finding more efficient, less costly ways to use inputs. It is socially desirable for firms to seek profits in these ways. On the other hand, when businesses engage in activities that are intended to serve public ends, they run up against the knowledge problem and collective action problem (Hayek 1945; Olson 1965). As Friedman (1970) notes, how is a business executive to know what action will ultimately contribute to lowering inflation or maintaining high-wage employment during a recession? Hoover and FDR's jawboning of business executives to maintain wages actually exacerbated unemployment during the Great Depression (Eichengreen 1992; Sumner 2015).

Yet we must distinguish between the proposition that it is morally permissible for a firm to pursue profit alone to the exclusion of other ends, subject to the constraints of justice and common morality, and the proposition that it is morally impermissible for a firm to pursue ends other than profit. While Friedman does not employ precise philosophical language, his argument veers toward the claim that it is morally desirable or perhaps even requisite for a firm to have profit as its sole ultimate end:

There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud... [CSR] is a fundamentally subversive doctrine (Friedman 1962: 133).

In *Capitalism and Freedom*, Friedman even argues against charitable contributions by for-profit corporations (135). By 1970, however, he complicates the view:

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which *generally* will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom. Of course, in some cases his employers may have a different objective. A group of persons might establish a corporation for an eleemosynary purpose--for example, a hospital or a school. The manager of such a corporation will not have money profit as his objectives but the rendering of certain services (37, emphasis added).

He also concedes that businesses can use CSR as "hypocritical window-dressing" in order to increase their profits. Ruger (2011: 148-9) notes that the logic of Friedman's 1970 piece suggests that, while managers have a duty to shareholders to advance their ends, nothing prevents shareholders from having ends other than maximizing profit. By 2005, Friedman had moved back to a more hard-line profit maximization view (Friedman et al. 2005).

Hayek (1967b: 312) favorably quotes the Friedman (1962) quotation included above. Yet Hayek's own views contain nuances not found in Friedman (300-1):

[W]hen I contend that the only specific purpose which corporations ought to serve is to secure the highest long-term return on their capital, this does not mean that in the pursuit of this end they ought not to be restrained by general legal *and* moral rules. There is an important distinction to be drawn between specific goals and the framework of rules within which the specific aims are to be pursued. In this respect certain generally accepted rules of decency and perhaps even charitableness should probably be regarded as no less binding on corporations than the strict rules of law. But while these rules limit what corporations may do in the pursuit of their concrete aims, this does not mean that they are entitled to use their resources for particular purposes which have nothing to do with their proper aim.

Hayek and Friedman agree that legal and moral rules limit corporations' pursuit of profit, but Hayek specifically cites "charitableness" as a rule binding on corporations. Hayek's argument against broader conceptions of CSR relies on the claim that such conceptions perpetrate a fraud upon stockholders, using their assets for management's wishes.

Yet clearly it is possible for firms to include social responsibility provisions in their governing documents. If shareholders consent to have their assets used for CSR, what is the problem?

Hayek develops a further argument against the concept of *social responsibility*, which is parallel to his argument against *social justice* (Hayek 1976). For Hayek, the Great Society is a spontaneous order, the aggregation of people's cooperative endeavors for mutual benefit. Society does not itself have a purpose or end; it is self-sufficient. Hayek's very respect for, even awe of, society writ large causes him to reject teleological conceptions of society, even though the little societies of which the Great Society is composed may have their own ends established by their members. Social justice seeks to achieve some sort of pattern or set distribution in society and arises out of "bogus rationalism" (Hayek 1967a: 243 in Kusunoki 2016: 101). On Hayek's view, legitimate moral rules are products of social evolution, deriving from long experience and conscious selection, but, importantly, are non-consequentialist in form. "Rules of decency" and "charitableness" are legitimate to the extent that they take this general, non-consequentialist form. Social responsibility is illegitimate to the extent that it calls on corporations to execute some master plan for society.²

Yet Hayek is no pro-corporate shill. As Kusunoki (2016) notes, Hayek was extremely skeptical of corporate cross-holding and its implications for governance, and he championed the ability of governments to set conditions on access to the privilege of limited liability (1967b: 306). He proposed denying voting rights to shares held by other corporations, because "the possibility appears that a group which directly owns assets amounting only to a small fraction of those of the corporation, may, through a pyramiding of holdings, acquire control of assets amounting to a multiple of what they own themselves" (309). Through such means, a small cabal of investors could effectively control a vast aggregation of capital, to the detriment of other investors.

² Now, Hayek faces a tension here due to his deep consequentialism. Moreover, a ready defense of social justice is at hand: it is nothing more than an evolved rule developed to advance the subjective values of most people in economically advanced societies. Nevertheless, to engage Hayek on these grounds would take us too far from the subject at hand.

In the end, therefore, the most charitable reading of Friedman and especially Hayek recognizes that they see a role for CSR as a *permissible* end of corporations but not an *obligatory* end. If corporations wish to organize themselves in such a way as to include charitable activities, there is nothing wrong with expending shareholders' resources on those activities. Indeed, to the extent these activities promote public good will, they can enhance the financial value of a company's shares. Furthermore, a corporation might even be more profitable if it sees its charitable activities non-instrumentally, as ends in themselves, because it will more convincingly project a public image of charitableness. Frank (1988) calls this concept *rational irrationality*: it may be rational for agent to be "irrational" in the sense of not valuing her ends alone. Humans often prefer to deal with those who value them not as mere means to their own gain, but as ends in themselves – whether in love or in commerce.

We must nevertheless recognize that there is nothing wrong with a corporation's defining its ultimate end solely in terms of maximizing profit, subject to general legal and moral norms. This kind of profit that we endorse as acceptable to maximize has been called "good profit," because it is "driven by a voluntary, mutually beneficial relationship with customers" (Koch 2015: 5).³ A competitive economy benefits from profit maximization as a signal of consumer value and an incentive to provide that value. As Vanberg (2007: 212) notes, profits are "signposts in the game of catallaxy," signals of success in meeting consumer wants and needs. Economists should continue to evangelize the social benefits of profit-seeking, so as to forestall excessive legal or other efforts to lead companies away from their core efforts to create value for their customers out of the misguided notion that profit is bad.

Businesses' Duties to Second Parties

What general legal and moral norms constrain profit-seeking? We conceptualize moral norms as side constraints, as Nozick (1971) does in his discussion of rights in the political order. They rule out certain means that we may use in pursuit of our ends. Regardless of whether corporations pursue profit or other ends, even charitable ones, there are certain means that they must not use in that pursuit.

Duties to "second parties" involve duties to those who have voluntarily contracted with a corporation, such as customers and workers. Businesses obviously have the same duties of justice toward everyone that all people do: not to defraud them, not to assault them, and so on. Businesses have a duty to provide the kind of value that they lead customers to expect when they make a purchase. To these, nonenforceable ethical duties might be added, such as Hayek's "decency and perhaps even charitableness."

What specifically do "decency and perhaps even charitableness" require? With respect to customers, businesses should not take undue advantage of them, even non-fraudulently. For instance, a company should not thrive on tricking naive customers into buying things that, under a fuller consideration of their interests, they would realize they would not really want. Selling gold and freeze-dried goods to the certifiably paranoid might be seen in a narrowly economic sense as merely satisfying the preferences of the paranoid, but a virtuous company should not enable the weaknesses and self-destructive behaviors of their customers. A fortiori, selling heroin to the addict would be wrong as well. Businesses may not know the preferences of their customers and typically deserve a presumption of innocence in

³ Koch Industries' activities suggest that they are not concerned solely with maximizing even "good profit," but in doing good in a broader sense.

their attempts to cater to customers' wants, but it is clear that certain business models can only thrive on this kind of exploitative activity.

A hard question arises about what a company should do when it enjoys temporary, market-driven monopoly power over a vital good or service. On one view, it should not exploit its monopoly to the hilt by reducing supply and raising price. Some economists might argue that exploitation of monopoly power is a good thing in the long run, because it induces entry that eventually adds supply and competes down price. However, entry is not frictionless, and an ethical production and pricing strategy might require reducing the temporary inefficiencies associated with monopoly. Exploiting monopoly power may be ethical when the good is a newly introduced luxury, but there is a reasonable debate to be had about whether this is acceptable when the good is something vital to a decent life.⁴

Moreover, this injunction against monopoly pricing should be distinguished from so-called *price gouging*, which appears to refer simply to rapid increases in price due to shifts in supply and demand curves, as after a natural disaster. We see nothing wrong in general with charging the competitive market price, because otherwise queues and shortages develop, leading to deadweight loss and rationing by nonprice means. However, there may be other desirable allocation mechanisms for goods that are truly necessities during emergencies. For lack of space, we choose not to develop this line of thinking further here.

With respect to workers, we can come up with a similar set of ethical obligations. Companies should not exploit monopsony power over low-wage workers, when doing so would cause them difficulty in meeting their basic needs. We are skeptical that monopsony exists in the modern labor market, since workers can easily move from place to place. But where it does exist, companies should not exploit it to the hilt against low-wage workers. In addition, companies should not take advantage of those classes of workers who may not know their own interests. These classes are narrow, but as an example, dangerous child labor should be regarded skeptically in any society, though it may in the final analysis be regrettably necessary (such as in past ages) when the society is sufficiently impoverished that this kind of work is necessary for survival.

Companies also might have duties to assist their workers when they are "specially placed" to do so. The idea here is that beneficent action may be ethically required of one who is in a better position than anyone else to carry it out. Generally, non-utilitarian moral philosophers (for instance, Smith and Kant) have held that beneficence is an imperfect duty: one has a duty to perform beneficent acts from time to time, but not toward a specific person at a specific time. Yet intuition suggests that we as individuals have stronger duties of assistance toward those close to us: family, friends, neighbors, and strangers we encounter who require emergency assistance. We can partially extend this concept to owners and managers of businesses, who may have a stronger duty of assistance to their workers than they do to complete strangers. Charles Dickens trades on this intuition in *A Christmas Carol*: intuitively, we feel that Ebenezer Scrooge has a duty to do something to help Tiny Tim's family in their difficulties.

⁴ An interesting comparison arises to Nozick's (1971) treatment of the Lockean Proviso. For Nozick, control of land or other natural resources can be unjust when a monopoly is created, but a monopoly over a new medicine is not unjust, because the owner has introduced something that would not otherwise exist. We actually share Nozick's views here, but the justice of a monopoly over a vital medicine does not determine the further ethical question about the appropriate use of that monopoly.

It is hard to specify the precise contours of ethical duties to second parties that can beyond the obvious duties of justice, but it seems probable that there are such duties. Now, one objection to endorsing the existence of such duties is that asking corporate actors to forego profit-seeking means they cannot play the market game successfully, and the more ethical actors on our account would lose out over time to the less ethical ones (Vanberg 2007). Now, it may be that it is good business in the long run to treat customers and workers well, but this retort is a cop-out: the question is whether these duties can ever override the desire to maximize profit when the two criteria for action conflict, what Vanberg calls the “hard” version of CSR. But why should we assume that investors are unwilling to accept lower dividends as the price of ethical behavior? Profit rates differ across industries on the basis of relative risk, why not also by relative morality? Asking corporations to forego a small amount of profit in order to treat people decently does not seem any more self-defeating or impossible than asking workers not to maximize take-home pay by shirking on the job, avoiding responsibilities to those one is obligated to help, and so on. The tricky part, of course, is determining how to operationalize this decency and to avoid definition creep that goes beyond what one could reasonably expect out of a business or individual.

To be sure, foregoing profit for ethical action will not work if the ethical action does not comport with a very widely held norm. For instance, many colleges and universities are now considering divesting from fossil-fuel companies. This divestment will do nothing actually to reduce the size of fossil-fuel industries. Many investors have no qualms about investing in these firms, and there is no reason to think that pro-fossil fuels investors will not make up fully 100 percent of the lost investment due to divestment campaigns. On the other hand, campaigns for divestment in apartheid South Africa did actually seem to reduce investment in South Africa significantly, even though the role of divestment in political change there is unclear. The difference seems to be that apartheid was widely viewed as morally obnoxious and worth resisting. Few investors wanted to take advantage of the profit opportunities in South Africa opened up by the divestment campaign.

Therefore, some degree of respect for broadly held ethical norms, including duties of assistance to second parties, does not seem to be necessarily self-defeating. Businesses have some positive duties toward second parties, even though these duties are generally spare.

Businesses’ Duties to Third Parties

Businesses’ duties to third parties have to do with duties to those with whom the business has no consensual relationship but who may be affected by the businesses’ activities. Possible duties to third parties include duties of justice, other negative duties, and positive duties of assistance or provision. We argue here that businesses’ duties to third parties are spare, limited mostly to duties of justice.

Negative Duties and Duties of Justice

Businesses have a duty to respect the rights of others, including strangers. This obvious point covers some controversial issues. Do businesses have a duty of justice to avoid rent-seeking? Rent-seeking involves lobbying government to create scarcity and provide preferential access to the scarce resource to the lobbyist. For instance, lobbying for an imposition of import licenses, which the lobbying company could obtain below the hypothetical free-market auction price, would count as rent-seeking.

Rent-seeking violates rights by coercing other actors to a particular firm’s benefit. Much rent-seeking takes the form of prohibiting peaceful exchanges that violate no one’s rights, such as price and wage controls, supply restrictions and licensing, and prohibitive taxation. A virtuous business, even if the

institutional rules allow for it, would abstain from rent-seeking due to the coercive nature of the act. Because of its particularistic character, rent-seeking also runs afoul of contractarian approaches such as Vanberg's (2007). For Vanberg, players in the market game have a "common constitutional interest" in setting up rules that foster free and fair competition and permit profit-seeking within that context, while restraining "interests in privileges" (206). Going beyond Vanberg, we would argue that businesses have a duty of justice to refrain from rent-seeking even where constitutional rules permit it.

We would distinguish rent-seeking from rent-accepting, however. While it is noble to avoid rent-accepting, there isn't a duty to abstain from it given the nature of the marketplace in which it exists. It would place one at a supremely competitive disadvantage and thus would mean that no noble person could be in any business where such things exist – since to abstain would put one in a position of losing in the long-run to competitors. An individual should try to avoid both rent-seeking and rent-acceptance since life isn't generally a competitive marketplace in which one could lose one's existence as firms do. Virtue in this regard does have negative repercussions for the individual, since rent-acceptance avoidance means less money for other endeavors. But the reward is in not living off the fruit of others' labor without their consent. In this regard, individual virtue has something in common with other areas of life where there are costs, narrowly defined, to the life well lived: less sex for the faithful, less financial gain for those who return lost money, and longer waits for those who do not barge queues.

Because rent-seeking violates a duty of justice, this approach suggests well-considered legislative efforts to prohibit it. By one line of argument, government lobbying regulations could benefit all actors in the system in the long run, by preventing those with political power from taking advantage of those without. On the other hand, not all lobbying is rent-seeking, and the trick is to devise legislation that reduces the "bad" lobbying without unduly impinging on the "good" – or on freedom of political expressions (in campaigns, public petitions and demonstrations, and so on), a protected natural right. Given this difficulty, the legislative power should err on the side of caution in limiting consensual acts and associational rights.

Businesses should generally avoid causing significant, negative, direct externalities. Painting your business bright pink might be a direct externality, causing immediate unpleasantness in the observer, but not significant. Selling someone alcohol that the person later consumes excessively before driving an automobile, killing someone, is significant but indirect. Negligence is one factor that can make a harm sufficiently direct as to be blameworthy.

Businesses have a duty to avoid promoting immoral acts. If an act is wrong, then facilitating that act is also wrong; paying a hit man to carry out a murder does not absolve either customer or agent of moral responsibility. The website Ashley Madison facilitates affairs between married people. While it is possible that some of the people who use Ashley Madison have consent from their spouses, and it may be that consensual *polyamory* is not wrong, most of the website's customers use it to commit adultery, deceiving their spouses. Moreover, there is a kind of second-party harm, in which Ashley Madison helps its customers to undermine their own virtue. Therefore, Ashley Madison is an immoral website, and it is wrong for investors to invest in it and managers to run the business. If the good or service you provide has legitimate and not morally wrong uses, then it is not necessarily unethical to engage in that business. Making and selling guns—or Sudafed—isn't wrong, because most of the people using these products use them for legitimate reasons. The tricky issue is when you provide a good or service that has legitimate functions but is often used for morally wrong purposes.

Nevertheless, Ashley Madison violates no duty of justice from the libertarian perspective and therefore should not be proscribed. A drugstore selling heroin to purely recreational consumers is likely wrong, since recreational heroin consumption appears to be inconsistent with a life well lived, but from a libertarian perspective should also not be banned.

There is no duty to forbear from “harming” others more broadly. For instance, there is no duty to avoid out-competing other businesses and diminishing their market share, even though this can be viewed as a kind of harm. One has a duty to forbear only from taking what is due to others, and no business has an enforceable right to market share, which would presumably attach against consumers just as much as against competing businesses – an absurd implication that would force consumers to buy products they do not want at exorbitant prices, or competitors to refrain from producing value for consumers, if necessary to sustain competition, thus turning consumers into coerced servants of producers.

Positive Duties of Assistance and Provision

We reject stakeholder theory's most far-reaching assertion that there are strong duties to third parties in the community beyond justice owing simply to the fact that they live in the same community. While individuals may have duties of assistance to strangers whom they encounter in daily life and whom they are specially placed to help, businesses are unlikely to be specially placed in the same way. For instance, a manager or capitalist who comes across a person in need of immediate aid is almost certainly better equipped to provide that aid out of their own means than out of the resources of the business.

When businesses conduct assistance operations out of their own resources, they effectively have to “tax” their own workers, customers, and investors to provide those resources (by reducing wages and/or dividends) (Friedman 1970). While we have defended this activity as morally *permissible*, provided it is consistent with the established corporate mission and governing documents, we would deny it is morally *obligatory*. For one thing, business-funded aid operations take away individuals’ ability to act on their own consciences, by essentially making decisions about resource allocation for all their employees and investors. For another, businesses’ profit-seeking activities themselves generally work to the betterment of the human condition. Those activities might not effectively deal with emergencies that arise, but again, it is typically some individual or small group of individuals who can best respond to an emergency on the spot.

What about businesses’ duties to provide collective goods from which they also benefit? One example of such collective goods for businesses could be contributing to efforts to secure a favorable environment for free enterprise. We have to recognize the costs of and constraints on virtuous behavior, which the Prisoner’s Dilemma helps elucidate. In the classic Prisoner’s Dilemma game, each player has a choice of cooperation or defection; no matter what the other players do, each player is better off defecting, even though all-player defection leads to worse outcomes than all-player cooperation (Axelrod 1984). Does one have a duty to be a sucker in the Prisoner’s Dilemma game, i.e., to cooperate even as everyone else defects? Only a thoroughly self-sacrificial morality would answer this question “yes,” particularly as situations of this kind are rife in the social world; a more reasonable view seems to be that self-sacrificial cooperation is praiseworthy but not obligatory.

We see no reason why businesses’ duties here would differ from individuals’. In small-group settings where rational cooperation in the Prisoner’s Dilemma might be expected from most players (Olson 1965; Axelrod 1984), individuals and businesses might well have a moral obligation to cooperate, in

order to avoid free-riding on others' efforts, a kind of unethical self-enrichment. An example of this would be businesses contributing to safe and clean sidewalks and building attractive architecture in a downtown district. In larger-group settings where defection is the rule, such duties to cooperate presumably don't attach, or do so at a much lower level. In reality, cooperation is a sort of sliding scale, and a small degree of cooperation might be a duty even when massive contribution is not. Concretely, businesses likely have a duty to contribute something toward the security of the free enterprise system from which they all benefit, but given the reality that most businesses will not contribute very much, no business has a moral duty to put itself at a permanent competitive disadvantage by its contributions, even as such contributions are praiseworthy.

Conclusion

Virtue libertarianism vindicates the rights of business owners to the fruits of their investments, both out of respect for their property rights and out of an understanding of the role that profit plays in aggregating distributed knowledge and coordinating market exchanges for the benefit of all. At the same time, virtue libertarianism acknowledges that businesses have legitimate aims other than profit and, further, leaves room for moral duties going beyond both profit maximization and respecting the rights of others.

We argue for these moral positions from a premise of a duty to respect the humanity in oneself and in others. There is an analogue to the libertine individual in the limitedly scrupulous corporation, which merely respects the rights but not other moral deserts of others while focusing single-mindedly on profit maximization. Neither the libertine nor the morally heedless corporation can be justified, for if others have rights in virtue of their humanity, they also have moral value that extends beyond rights. That moral value may require us to assist them or to refrain from treating them in exploitative, though consensual, fashion.

What virtue libertarianism distinctively adds to the conversation on corporate social responsibility is a sharper focus on duties to the self. Radical stakeholder views, finding their logical culmination in the class-based corporatist philosophies of pre-World War 2 Europe, take corporate duties to second and third parties beyond the bounds of reason, but even they fail to grasp that corporate executives may have duties to themselves. Our view on duties of frugality and self-improvement harkens back to an older bourgeois ethic, often religiously infused, that predates neoclassical treatments of "shareholder value." The sober-minded, prudent use and augmentation of what one has been bequeathed is a true virtue and perhaps one that is all too easily overlooked in a society whose images and cultural representations of capitalists are of those who flaunt their wealth in gaudy, boastful potlatches.

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