

Teaching the “Friedman vs. Freeman Debate” in a Way That Opens Students’ Minds to a Wider Variety of Views on Business Ethics

Aurélien Feix and Charline Collard

TBS Business School, Toulouse, France

Abstract. One way in which business ethics educators can introduce business ethics to their students is through the so-called “Friedman vs. Freeman debate”. However, a growing body of literature challenges the juxtaposition of the views of Friedman and Freeman—two authors commonly seen as archetypal proponents of the “shareholder model” and the “stakeholder model” of the firm, respectively. This article argues that it can still be valuable to introduce students to the doctrines of Friedman and Freeman—provided that it is done in a way that neither overemphasizes the differences between these doctrines nor suggests that they exhaust the variety of viewpoints that exist on business ethics. We offer a pedagogical tool, in the form of a two-dimensional matrix, that can help educators do this, and discuss how the matrix can be used in the classroom to make students aware of the diversity of existing positions in business ethics.

Keywords: business ethics education, Friedman vs. Freeman debate, shareholder vs. stakeholder debate, pedagogical tools.

1. Introduction

Business ethics education aims to encourage students to reflect on the relationship between business and morality. To what extent can and should moral motives influence the decisions of economic actors? And what form should our economic system take to shape our society in a way that can be considered morally desirable? Discussing such complex questions is typically the focus of courses in business ethics.

To get their students thinking about these questions, educators typically introduce them to the positions of prominent scholars. These positions serve as important reference points for students to consider and from which to develop their own opinions. Some educators choose to initiate their students into business ethics by introducing them to the positions of Milton Friedman and Edward Freeman, presenting them as two paradigmatic and diametrically opposed views

This shortened version of the article is for promotional purposes on publicly accessible databases.

Readers who wish to obtain the full text version of the article can order it via the url

<https://www.neilsonjournals.com/IBEE/abstractjbee21feixcollard.html>

Any enquiries, please contact the Publishing Editor, Peter Neilson pneilson@neilsonjournals.com

© NeilsonJournals Publishing 2024.

(Heath 2006). They first introduce students to the doctrine of Milton Friedman, who famously argued that managers should act primarily in the financial interests of their company’s shareholders. After discussing possible counterarguments to this view, which tend to show that Friedman’s position is difficult to sustain, students are then introduced to Edward Freeman’s view that managers do, in fact, have a responsibility to their firm’s various stakeholders.

This article grew out of the belief that narrowly framing a business ethics course in terms of the binary opposition of Friedman’s and Freeman’s viewpoints is problematic for at least three reasons. First, it gives students an inaccurate picture of the two actual views and rationales of the two scholars. In fact, as recent scholarship has shown, Friedman’s and Freeman’s positions are not as different as is commonly assumed, but they also have some striking similarities (Elrick & Thies 2018; Hühn 2023; Muldoon *et al.* 2023). Second, it is likely to lead students to imagine the positions of the two thinkers as the two ends of an axis representing the spectrum of possible opinions on business ethics, thereby giving them the false impression that Friedman’s and Freeman’s positions cover the full range of alternative views on business ethics (Heath 2006). Third, there is the risk of suggesting to students that Freeman’s view is the only one worth considering. Indeed, if Friedman’s position is the only alternative presented to Freeman’s view, and moreover, is dismissed by the instructor as “an instructively mistaken point of view” (Heath 2006, p. 540), then Freeman’s position seems beyond dispute. This contrasts with the fact that some scholars have offered worthy critiques of Freeman’s thinking that, we believe, deserve to be heard in the classroom (Heath 2006; Mansell 2013; Stieb 2009). For these three reasons, business courses that are tightly structured around the juxtaposition of Friedman’s and Freeman’s viewpoints tend to limit students’ thinking rather than open them up to the breadth of existing business ethics positions.

Nevertheless, the authors of this article remain convinced that it can still be pedagogically valuable to make the confrontation of the positions of Friedman and Freeman, undoubtedly two influential business ethics thinkers of their time, the subject of classroom discussion—*precisely* also to make students aware of the similarities between these positions and to point out the existence of positions that differ from both. This article is aimed at educators who are interested in such an approach, and its purpose is to provide them with a tool to help them do so.

We proceed as follows: First, we briefly describe the positions of Friedman and Freeman and show how they have often been pitted against each other under the banner of the “Friedman vs. Freeman debate”. Second, we discuss the criticisms of the juxtaposition of Friedman’s and Freeman’s views that have been increasingly voiced in the academic literature in recent years. Readers familiar with the Friedman vs. Freeman debate and its criticisms may wish to skip these first two sections and proceed directly to the third, in which we emphasize the importance for educators not to overemphasize the disagreement between Friedman’s and Freeman’s positions. In the ensuing sections, we develop a

pedagogical tool that visualizes both the essential difference and the essential similarity between the two perspectives. Finally, we discuss how the proposed tool can be used in the classroom and show that it can help educators to take students beyond the Friedman-Freeman dichotomy and open them up to perspectives other than these two.

2. The “Friedman vs. Freeman Debate”

Milton Friedman’s position on business ethics is most clearly expressed in his oft-cited 1970 article in the *New York Times Magazine*. According to Friedman, the primary responsibility of managers is to act in the best interests of their company’s shareholders. And since, as Friedman also assumes, shareholders are generally interested in maximizing the return on their investment in the company, it logically follows that managers’ chief responsibility is to act for the financial benefit of their company: “The social responsibility of business is to increase its profits,” as the title of his famous article states.

Friedman adds that if a manager violates this responsibility by taking an initiative that she hopes will benefit society or the environment but will hurt her company’s bottom line, it is as if she is spending other people’s money for her own beliefs—shareholders’ money in the first place (because shareholder returns will be reduced), but potentially employees’ and customers’ money as well (to the extent that the initiative causes prices to rise or wages to fall).

Importantly, while Friedman urges managers to act in the best financial interest of their firm, he does not argue that the manager’s pursuit of profit should be completely unbridled. Friedman contends that there are “basic rules of the society, both those embodied in law and those embodied in ethical custom,” that managers must abide by as they seek to maximize their company’s profits (Friedman 1970). At the same time, Friedman believes that the legal rules that the government imposes on business should be relaxed as much as possible, as his other writings make clear (Friedman 1955; Friedman & Friedman 1980). Indeed, Friedman is a *laissez-faire* capitalist who is confident in the ability of markets to self-regulate and thus favors a minimally interventionist state (Rönnegard & Smith 2013; Muldoon *et al.* 2023).

Edward Freeman, in his 1984 book “Strategic Management: A Stakeholder Approach” and in subsequent works, emphasizes for his part the need for managers to consider the interests of *all* types of stakeholders, not just shareholders, in order for their companies to succeed. The term “stakeholder,” a neologism that Freeman helped popularize, refers to all those individual or collective actors who have a “stake,” i.e., an interest or a concern, in a company.

In addition to calling on managers to consider the interests of their company’s various stakeholders, Freeman advances what he calls the “integration thesis,” according to which it is impossible to neatly separate business issues from moral