point of efficient allocation which maximizes the general welfare of the society. Silently allowing government, with its known inefficiencies, to assume greater distribution responsibilities represents a failure to carry out stewardship responsibilities.

Finally, *Beyond Politics* is an extremely useful tool for any serious student of political science or economics. Signifying more than the rebirth of the historical links between political science and economics, Mitchell and Simmons' work demonstrates the powerful synthesis that has been formed out of applying the tools of economics to the political process. Satisfying for the critical reader while accessible to the lay person, their work would serve as an excellent text to augment any selection on the operation of the democratic system or macroeconomic policy. Well-partitioned and footnoted, this critique of democracy's limitations is critically important today as democracy proves to be the world's choice for political organization.

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**The Heroic Enterprise: Business and the Common Good**

*John M. Hood*


Allegations of corporate misbehavior, irresponsibility, exploitation, and greed are commonplace in the mainstream media. They report plane crashes, chemical spills, clear-cutting, strip-mining, downsizing, and other disasters and devastating events seemingly caused by corporate decisions. As a result, we also hear loud, angry calls for corporate social responsibility by environmentalists, labor organizations, and government officials. John M. Hood addresses the issue of corporate responsibility, and in 200 pages manages to counter most every criticism leveled at corporate America. He emphasizes the countless benefits that result when business decisions are made according to one, and only one, principle: maximizing shareholder wealth.

Hood criticizes the modern corporate social responsibility movement, which, he says, is trapped in an unrealistic, ahistorical view of commercial activity. The problem, according to Hood, is that the news and entertainment media, by focusing on stories such as the Exxon Valdez oil spill and the Bhopal chemical-plant disaster, report that businesses are corrupt and destructive. By contrast, he asserts that the positive and, as he calls it, revolutionary, ways in which corporations have made everyday lives of...
Hood concludes that to abandon the pursuit of profits is to lose social benefits that otherwise would exist. Americans better over the past half-century are rarely recognized. Thus, he persuasively explains how businesses serve society through the pursuit of excellence, worker performance, competitiveness, innovation and profit. He cites hundreds of examples of how companies’ activities benefit society—through creating jobs, treating workers fairly, supporting educational innovations, training employees, contributing to the health of cities, discovering new drugs and medical treatments, making workplaces and products safer, conserving resources, inventing ways to save energy and reduce or eliminate waste, giving women and minorities unparalleled economic opportunities, and contributing to the stability and quality of life of families. Companies are accomplishing these goals, he says, not out of some social obligation, but because these activities maximize their profits and thus shareholder wealth. His is not merely an academic or philosophical exercise. On the contrary, he asserts that whether or not businesses are seen as equally “heroic” as other professions or callings is a matter of survival for free enterprise.

Hood bases his arguments on the writings of the fathers of free-market economics, Adam Smith and Milton Friedman. For instance, he quotes Smith who said, “I have never known much good done by those who affected to trade for the public good” (p. xix). He quotes Friedman who states, “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” (p. 9). Thus, the proper function of the corporation is to pursue *justly obtained* profits. Friedman goes on to say, “the great virtue of the private enterprise system is precisely that by maximizing corporate profits, corporate executives contribute far more to the social welfare than they do by spending stockholders’ money on what they as individuals regard as worthwhile activity” (pp. 14–15).

Hood defines corporate responsibility as *confering great benefits on society*. He disagrees with those who believe profit maximization is a poor guide for evaluating the ethical and social dimensions of business decisions. Hood concludes that to abandon the pursuit of profits is to lose social benefits that otherwise would exist. Most of the book, then, provides examples of businesses contributing to society in ways no one can through philanthropy alone. He touts *strategic philanthropy*, which ties charitable giving with the interests of the business, such as providing funds for schools that then buy the firm’s products. For the best results, Hood says, charitable activities must be related in some direct and memorable way to the company’s products. Attracting customers and building a strong, productive workforce should be the primary motivations for giving. He criticizes corporate giving directed to organizations which actually work against corporate interests. He also criticizes the practice of giving money away with little thought to the rate of return on the investment.

According to Hood, if corporate decision-makers are not working to maximize shareholder wealth, they are guilty of generating less wealth that can be used by individuals for philanthropy, and thus worsening social problems. Social responsibility, then, includes a commitment not to waste the resources in unprofitable plants or lines of business. Thus massive layoffs may be justified. Regarding workplace issues, Hood cites research showing that real earnings in the U.S. have not declined, that benefits have risen, that job stability has not decreased, and that layoffs for most people lead to better job opportunities. He explains that most firms offer severance and outplacement services for the sake of workforce morale, public image, and to cut costs.

Later, Hood addresses discrimination in hiring, promotion and marketing. He asserts that responsible companies...fight racial and other segregation because it conflicts with their need and obligation to maximize return to share-
holders, as well as with the proper workings of the capitalist economic system to which they owe their very existence (p. 156).

He gives examples of ways cultural diversity among the workforce is a business asset. Similarly, he asserts that the pursuit of profit will lead to more and more family-friendly workplaces. Such policies must help the firm's bottom line, of course. For instance, family-friendly firms often improve employee productivity and morale while saving hiring and training costs of new employees. The most common family-friendly policies are child- or adult-care referrals and flexible spending accounts.

In his chapter titled, "Revitalizing America's Cities," Hood calls on businesses to look at cities as underserved markets, as economic opportunities, not as charity cases. He blames the decline of inner cities on government policies such as provisions in the tax code that have encouraged people to move to the suburbs, higher city taxes, more onerous land-use and business regulations, and failed attempts at improving public schools. By getting involved in the cities, he says, businesses can work to build relationships with customers and employees and thereby minimize the likelihood of being vandalized, increase marketing effectiveness, and create jobs so as to increase residents' purchasing power.

Readers with relatively more faith in the government will be disappointed with the lack of credit given to government policy for promoting economic growth and innovations and providing subsidies, grants and tax breaks. The book is unflinching in its evaluation of government programs. Hood does give the government some credit, but most of his references to government are in the form of criticisms. At the same time, Hood rarely describes what occurs when companies do not merely pursue justly obtained profits, such as when firms discriminate in their hiring practices or maintain unsafe work environments. He concludes that such firms actually are not acting to maximize profits and thus are acting irrationally. That may be true, but employees and consumers are not necessarily completely safe from "irrational" activities, and that is why as a society we ask government to protect us.

Hood also addresses environmental responsibility, again touting profit-maximizing behaviors to develop cheaper and more effective pollution and waste reduction technologies. In fact, he states, corporations pursuing profit have as much of a chance of generating environmental benefits as regulators or environmental activists do—particularly when they are faced with prices for waste disposal that are as close to cost as possible (p. 137).

He cites examples of firms which cut costs by minimizing the waste they create in their production and distribution processes. He also discusses the case of agriculture production where the increased use of pesticides and fertilizers has led to a reduction in the need for more farmland as productivity per acre has risen. And in the process, produce has become relatively cheaper, encouraging higher consumption of fruits and vegetables, enhancing our health. Further, he discusses the numerous benefits of plastics and the pros and cons of recycling programs.

I recommend the book to any ACE members who teach about, or are interested in, business ethics or corporate responsibility. Well-written and well-researched, it contains hundreds of examples of contributions to the well-being of society made by American businesses. No fan of government intervention in business decision making, Hood asserts, perhaps correctly, that innovation is the key to economic progress, and that governments are not good at promoting innovation. His arguments are very one-sided, however, and I am sure critics will be quick to disagree with some of his conclusions and offer examples that refute his views. Still, I believe the book can lead to some fruitful discussions with colleagues and with students on the issue of corporate responsibility.