

PERSONALLY SPEAKING

Number 28

November 2006

THE *GOOD* COMPANY

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Nobel Laureate Milton Friedman for years has insisted that the business firm's one and only purpose is to produce a profit for its owners/shareholders. His concept of community excludes everyone except the owners/shareholders on grounds that they alone actually *own* the firm. Many in mainstream neoclassical economics enthusiastically concur with him, as do many others especially libertarians. Their view of human nature is individualistic.

Personalist economics, on the other hand, insists that community is inclusive of everyone with a stake in the company including shareholders, management, labor, suppliers, and customers. Their *well-being is tied* to the company. Also tied to the company are the towns and cities where the company operates (minimally in terms of its demands on the infrastructure and its impact on the quality of the air, soil, and water). This view is personalistic.

How do we argue effectively that inclusive (personalist) is better than exclusive (individualist)? A part of the answer to that question is that the owners/shareholders have a legal right to the profits of the company and to use the company for that purpose. Indeed, because the owners/shareholders fully expect a profit when they commit to becoming owners/shareholders and depend on that profit to justify maintaining that commitment, the company cannot survive without profits.

Even so, the owners/shareholders have no *absolute* right to achieve their ends at the expense of others. That right, in other words, is limited by others who rely on the company at least in part to meet their needs. For its workers, the company is a reliable source of employment. For its suppliers, it is a reliable demand for their products/services. For its customers, the company is a reliable supply of the goods and services it produces. For the cities and towns where it has located its operations, it is a reliable taxpayer and one which respects and values the environment. Subject to the company's *ability* to support its stakeholders and still survive as a profitable enterprise, helping meet the needs of others whose fortunes are tied to the company is the meaning of the *good* company.

Having said that, personalist economics recognizes that capital has become even more mobile (potentially more exclusive) due to the globalization of financial affairs. For that reason, now more than ever, the inclusiveness of the company must be underscored.

How does personalist economics seek to achieve that end? How does it assure that the company is a *good* company? (1) By teaching over and over that including everyone with personal rights deriving from their common *contractual* ties to the company as owners/shareholders, employees, suppliers, customers, and host cities and towns rather than excluding everyone except those with property rights as represented by their ownership shares makes for a stronger company because inclusion brings together and makes available to the company a wider array of human skill, talent, and energy. (2) By reaffirming the need for codes of ethical conduct that incorporate widely shared ethical concepts such as the prohibition on insider trading and insurance fraud that can be embraced across the entire spectrum of persons who are tied to the company and that are revised as new problems arise in financial affairs such as the recent disclosure of the problem of backdating stock options. (3) By offering technical assistance to companies as they establish and update their codes of ethics so that they are more inclusive in scope rather than exclusive. (4) By instituting forums, permanent or ad-hoc as required, that encourage dialogue among the various parties involved so that the voices of all the stakeholders have an opportunity to be heard. In this regard, the “best practices” model can be most useful. (5) By defining with clarity and specificity what it means to be a *good* company and doing the type of hands-on, on-site evaluations of companies required to identify the ones that are good companies, construct a listing of such companies with brief sketches that demonstrate why they were selected, and release that listing to the general public so that other companies may learn how to become good companies.

Much of this work can and should be done by or with the active support of universities provided those universities have the technical competencies, objectivity, and impartiality to conduct themselves not as champions of one of the parties involved but as advocates for sorting through the tough issues and conflicts in order to help work out a reasonable agreement. There was, for example, at one time such an institutional force in the United States in the Jesuit staffed Institute of Social Order at Saint Louis University where committed specialists in issues such as labor negotiations, unemployment insurance, and codes of ethical conduct worked in a hands-on way with the parties involved in disputes with considerable success. We need to see that kind of institution re-emerge with the support and energy of good men and women of faith and conviction. Our words have to be put into action and that happens only when men and women are well prepared and willing to act intelligently and reasonably, lest they do more harm than good.

Personalist economics is firmly convinced, no less than the Friedman is about his views in this matter, that what we would find with such hands-on, on-site evaluations is that a *good* company is a profitable company, in the short run possibly even a more profitable company simply for being a *good* company, and conceivably in the long run what is so highly prized by mainstream economics -- the profit-maximizing company.

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