

Purpose of the for-profit Corporation?

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Maximize Profit

- Commonly held view
- Motivation for investment

Provide Goods and Services

- 📌 Not a commonly held view
- 📌 Investors care about returns, not products
- 📌 Being socially responsible is good business

Importance of the Purpose of Business

- Purpose of something determines when that something is acting appropriately.
- Defines the responsibilities of the thing.
- Determines criteria of evaluation.

Purpose vs. Motive

- 📌 Purpose='What for?'
- 📌 Motive: psychological forces that move us to act.
- 📌 Further Examples: marriage; education

"To confuse the purpose with the motive would be like confusing the purpose of a train, to get people from place to place, with what drives the train, the engine. The engine is analogous to the motive, since it moves the train."(1404)

Argument for the
goods and services
"What for?"

Business is a Social Convention

- Designed by humans
- Set of rules and expectations
- Social institutions are created for the good of the group or society.
- Profits are the means of accomplishing the purpose of business.

"Society instituted business and its practices and rules, by which we mean the competitive profit-motivated free-enterprise system, to help itself (society) develop and survive. Hence business is instituted to be beneficial to society."(1405)

How thing got turned around?

- Invisible hand justifies motivation because it leads to utility
- Later proponents of invisible hand confuse purpose (objective) with motive (subjective).
- End separate from motive unrealistically allows for business person to ignore the purpose.

Conclusions

- 📌 "If we say that the purpose of business is to provide goods and services, while the motive is making a profit, then the responsibility of the manager or agent of the business is not simply to pursue profits, but to pursue them regulated by the demands of the public interest."(1407)
- 📌 Still leaves open the question of what should or should not be produced.