

Class Activity 1 – Social Contract Theory Scenario:

Sam sells DVDs and has a database of customers and their demographic information. He sells them to third party mail-order companies. Some people don't mind it and even buy things from those companies. Some people are annoyed due to the excess "junk mail".

Did Sam do an ethical thing?

Class Activity 2 -- The Social Responsibility of Business¹

By Marc Benioff

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Back when I was in business school in the 1980s, I was taught — as were generations of aspiring entrepreneurs and executives — that the business of business is business. “There is one and only one social responsibility of business,” the economist Milton Friedman famously wrote in “Capitalism and Freedom”: “to increase its profits.” In an essay for this newspaper in 1970, Dr. Friedman went further, arguing that executives who claim that companies have “responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords” of the day are guilty of “undermining the basis of a free society.”

Unfortunately, some C.E.O.s still embrace this myopic view and believe that they have a duty to shareholders alone, with little or no responsibility to the communities in which they operate. I contend that business must have a purpose beyond profits, and that such purpose can, over time, benefit both stockholders and stakeholders.

I’ve seen this in my hometown, San Francisco, and the surrounding Bay Area, which has the third-highest number of billionaires on the planet. Some high-net-worth individuals, including some who work in the tech sector, have been extraordinarily generous in supporting our public schools, hospitals and communities. Others, however, have given little or nothing, and they seem content to let local government bear the burden of enormous local challenges alone.

The city of San Francisco, where one-bedroom apartments rent for an average of \$3,300 and the median home price is a record \$1.6 million, is experiencing a full-blown homelessness crisis. I’m a fourth-generation San Franciscan, and while there has always been homelessness, I have never seen it this bad. Families with children are living in cars and are packed into homeless shelters. There are tent encampments in city parks. The sidewalks are strewn with heroin needles and covered in human feces. A visiting official from the United Nations said she was “completely shocked.” An infectious-disease expert from the University of California, Berkeley, found that parts of the city are more unsanitary than the slums of some developing countries.

To their credit, city officials, businesses and community groups have stepped up. Innovative public-private partnerships have helped to bring some families off the streets. Mayor London Breed calls ending homelessness one of her “top priorities” and has proposed additional funding, beds and services. Yet given the scale of this crisis,

¹ <https://www.nytimes.com/2018/10/24/opinion/business-social-responsibility-proposition-c.html>

current efforts are simply not enough. According to the most recent count, a shocking 7,500 individuals in San Francisco are homeless. There are 1,200 families — including about one in 30 children in public schools — who are homeless in San Francisco. Every night, more than 1,000 people are on wait lists for emergency shelter.

This tragedy is not unique to San Francisco. The nation's homeless population is growing, as the high cost of housing pushes more people onto the streets. In New York City, about one in every 10 students in public schools are now homeless, a record high.

This is a humanitarian emergency and it demands an emergency response. San Francisco's epidemic of homelessness is solvable, but only if we devote the resources that are necessary.

That's why I — and the company I founded, Salesforce — are part of a broad coalition of San Francisco citizens, business leaders, elected officials, teachers and community activists who are supporting Proposition C on the November ballot. Proposition C would impose a small tax — half of 1 percent — on San Francisco's wealthiest businesses (on annual gross receipts over \$50 million generated in the city). In other words, if a business brings in \$55 million in San Francisco, only \$5 million would be subjected to the tax. Large retailers would pay an even smaller tax: just 0.175 percent of gross receipts over \$50 million.

This would raise up to \$300 million a year to address homelessness, roughly double what San Francisco spends now. Yes, we are a business that supports a tax on our business — because we are a part of our community and our community is in crisis.

Opponents of Proposition C — including some business leaders — have raised objections that do not stand up to closer scrutiny. They claim that this tax will drive away business and jobs, but of the tens of thousands of businesses in San Francisco, fewer than 400 will meet the \$50 million threshold — small and medium-size businesses are effectively exempt. The city's own Office of Economic Analysis has concluded that any impact on the local economy would be "small" — a mere 0.1 percent over 20 years.

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Thinking through the lens of Stakeholder Analysis and in the context of this article, does Milton Friedman's position that companies' only social responsibility is to increase profits a valid one?