



Commentary

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Author(s):

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highest level of profitability indefinitely. This means that for every \$10 million in revenue, the average trucking company could expect to earn a profit of 6%, which is \$600,000.

Now compare two trucking firms; one pursuing the “socially responsible” policy of giving up the new self-driving trucks to keep their drivers employed and the other pursuing the ostensibly “non-socially responsible” policy of profit maximization through self-driving trucks. This policy of profit maximization will be to purchase the new trucks with the lower costs of operation, but with attendant layoffs. As we can see, the profits of using the new trucks will be astounding, assuming the cost savings projected. Assuming both firms generate \$10 million in revenue, the firm adopting the new technology would earn \$4,360,000 while the firm eschewing the new technology would continue earning only \$600,000.

Table 1.

Socially Responsible Firm	Profit Maximizing Firm
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hauling the same amount of freight and earns the competitive profit rate of 6%, or \$360,000. The “socially responsible” firm also brings in \$6 million in revenue but still has its initial costs of \$9.4 million, since it has not adopted the lower cost technology. This choice results in a negative profit (i.e., a loss) of \$3.4 million.¹¹

Table 2.

	Socially Responsible Firm	Profit Maximizing Firm
Revenue	\$6,000,000	\$6,000,000
Costs	\$9,400,000	\$5,640,000
Profit	– \$3,400,000	\$360,000

The problem the “socially responsible” firm now faces is not a choice between a “reasonable” profit and the protection of their worker’s jobs, versus a “greedy” profit and the layoff of their workers, but rather, a choice between massive losses leading to bankruptcy or adopting the new labor saving self-driving trucks themselves. Given this choice we see that there is really no choice at all. No firm sticking to the old trucking technology could compete and stay in business unless it too switched to the self-driving trucks and laid-off it’s now redundant workers. Contrary to popular myth, most firms do not make a profit level so high that they are in a position to choose between “social responsibility” and profit maximization.

This example illustrates a general problem for those who suggest that individual business owners need to develop a social conscience and “do the right thing,” even assuming we all agree what the “right thing” is. No firm in a competitive capitalist system can afford to pursue any other goal than profit maximization in a meaningful way (or by implication, cost minimization), even if it wanted to. This general principle means that firms cannot pursue climate change amelioration, environmentalism, unemployment amelioration, urban renewal, wages above productivity for our least skilled workers, or any other “social good” at scale. This argument implies that asking privately owned firms to develop a “social conscience” and become more “moral”¹² to solve social problems is asking for the impossible.

If society needs to solve a social problem, it needs another alternative. As Milton Friedman pointed out, the alternative in a democracy is getting laws passed through our legislature, and funding the necessary agencies with taxes levied on people with their support in the voting booth, as opposed to berating business owners for their supposed moral failings.

¹¹ The figures used in this hypot (e)i8()19 (.t)-2 2()1.1 (s)- (h.a)4 ((hyp)1 (s)- (d ix1 (a)4 ((hyp (hypo).1 (g)6.1 (ur)19e)4 (w)-8 (he)9 (