**Module 7: Milton Friedman and Shareholder Ethics**

**Core Module Issues:**

* **What did Friedman have to say about the shareholder model?**
* **Is a corporate leader ever *obligated* to consider the “stakeholders”?**

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| **Module Teaching Notes**  This module looks at the shareholder model, and Milton Friedman's ideas, in more detail.  You should, for the most part, recap the ideas presented with the last module to start. Then, layer in some additional Milton Friedman quotes. You might want to give a brief biography – he served the White House on three occasions, and is one of the two leading American economists of the second half of the 20th century.  Now, there is less “new” information to present in a lecture with this module than usual. But, there is a fix that will keep the amount of class time spent on the module about the same as the others.  Cengage produced nine of the scenarios in these modules into video clips that are available free to instructors via South-Western’s Digital Video Library. To access the DVL, log in to your Cengage Faculty Account at **login.cengage.com**, select “Digital Video Library Instant Access Code” when you add the Bredeson text to your Bookshelf, and then click on the “[Business Law Digital Video Library Online Access” link under “Additional Resources”.](http://college.cengage.com/blaw/0324223285_wdvl/student/start.html?token=80FFA78887C655366632564EC96EA4AA869DB9A9C2CCBC7171814ECD2B767A0D7571DD66D47F3777F4F50CD14088A85F&pid=316&eISBN=9780324223286)  I worked on the production this summer and fall, and I am very pleased with how they turned out. The football owners' scenario with the module is the first of the video clips. The actor playing the older brother did a particularly good job.  At any rate, I would highly advise running the video clip **[“Football” in the DVL “Business Ethics” series]** before discussing the scenario. The point of this book is the generate student interest in ethics, and I think the video clips will all add to accomplishing that goal.  The scenario is meant to be fun, and to attract the interest of students who might be sometimes difficult to reach. Even “reluctant scholars” often have strong opinions on sports and are willing to express them in class. I would advise paying particular attention to “new hands” that go up, maybe for the first time, with this module, and calling on those students first.  If you are encouraging, you may find that some of them will become more regular contributors to class discussions. “That wasn't so bad”, they may think after volunteering their point of view.  Keep in mind when you go through the usual 5 questions with the scenario that the overall point raised here is: what if ALL of the stakeholders (other than the owner himself) want to go one way, and the owner wants to go another way. If the owner ethically obligated to consider the wishes of anyone else?  This presentation is a bit different than the others in this unit, because the football team has a single owner with more than a 50% stake. It is “his” organization. But I wanted to simplify the issue and present the owner as a single person, and not a group of investors.  The shareholder model can still be validly addressed, I think. Should the wishes of the owners (whether one or one million) win, or should the wishes of the stakeholders win? |

**Discussion Points for Scenario Questions**

# If you were Lenny, to what degree would you consider the other stakeholders described in this scenario? If you were the president of a football team owned by shareholders in the same situation, to what degree would you consider the other stakeholders described in this scenario?

## Same answer – DOES “MIGHT MAKE RIGHT”, REGARDLESS OF HOW MANY PEOPLE ARE INVOLVED IN OWNERSHIP?

## DIFFERENT ANSWER – IS IT BECAUSE YOU THINK SHAREHOLDERS WOULD WANT FOR YOU TO LISTEN TO THE STAKEHOLDERS?

# Was it “wrong” for Lenny to ignore the other stakeholders' wishes?

## yES

### wAS THE INFRACTION NOT SERIOUS ENOUGH?

### WAS IT WRONG TO IGNORE THE STAKEHOLDERS?

## nO

### WAS IT A COUREGEOUS DECISION, OR DOES THAT GO TOO FAR?

# Lenny, as majority owner, can't be fired for his decision. If the CEO of a “normal” corporation goes against the wishes of his stakeholders, should he or she be fired? Or is part of leadership making tough decisions, even if they are widely unpopular?

# Of the real players in the introduction and the fictional quarterback in the scenario, which would you have *wanted* to be cut or traded from *your* favorite team?

# \_\_\_\_\_ Michael Vick (conviction related to dog fighting)

# \_\_\_\_\_ Plaxico Burris (convicted on a weapons charge)

# \_\_\_\_\_ Ben Roethlisberger (allegations of sexual assault but no criminal charges)

# \_\_\_\_\_ John Walters (fictional drunken streaking in strip club parking lot caught on tape)

# [NOTE: YOU MAY WISH TO ELABORATE ON THE THREE “REAL” CASES ABOVE – EVEN, PERHAPS, GOING SO FAR AS TO SHOW PICTURES FROM YOU LAPTOP, ETC.]

# [NOTE: PAY PARTICULAR ATTENTION HERE AGAIN FOR “FIRST TIME” COMMENTORS AND CALL ON THEM FIRST.]

# Assume that after Walters is cut, the Goliaths miss the playoffs. If you had season tickets, would you renew them? As a voting taxpayer, would you be more or less likely to vote in favor of taxpayer dollars being used to support the team in the future? As an assistant coach, would you look for a position with another team?

## SEASON TICKETS

### RENEW: TEAM LOYALTY? APPRECIATE CUTTING THE PLAYER?

### NOT RENEW: SAME FOR ALL LOSING SEASONS, OR IS THIS ONE WORSE?

## TAXPAYER – DO YOU SUPPORT SPENDING PUBLIC MONEY ON STADIUMS IN THE FIRST PLACE?

## ASSISTANT COACH – WOULD YOU ALWAYS LOOK FOR OTHER OPTIONS IF YOUR WISHES WERE MARGINALIZED, OR IF YOUR CHANCE TO SUCCEED WAS DIMINISHED?