

What is the Business of Business? Capitalism and the Business Enterprise

Fernando C. Galindo Ph.D. Enrique Gomez-Serrano MBA

ABSTRACT

What is the business of business? The business of business is business.

Every genuine institution is built and maintained to serve the common good. That is the case of the family, the school system, the business enterprise, the state and the financial markets.

Because the common good is a prismatic reality (with many complementary dimensions) we need different kinds of institutions to strive for different aspects of the common good. Each of our basic institutions should then have a proper and specific function that only this basic institution can perform or that only this basic institution can perform in an optimal way. For instance, the prismatic functions of the family are to cultivate intimacy and to learn the virtues of donation and gratitude.

What are the proper function or functions of the business enterprise? What is the “business” of business? The business of business can only be business: There must be some dimensions of the common good that can only be achieved through the correct performance of the business activity.

This implies on the one hand that not every activity that results in monetary gain qualifies as a business activity; on the other that there is a peculiar form of ethics inherent to the business activity. Ethics in business is not an addition coming from some external entity, as a religious authority or the state; much to the contrary, the correct way to do business is in itself and ethical way to do business.

As a consequence of this insight the genuine capitalist business enterprise must fulfill the following five functions:

- 1) It *must* be profitable. What we call “profitability compulsion”.
- 2) This profitability must be achieved through offering a service or a product that improves the life of society as a whole.
- 3) It must offer employment in accordance with human dignity.
- 4) It must be sustainable, in the three well-known senses of social, financial and ecological sustainability.
- 5) It must pay taxes, that is, it must contribute to cover the expenses of the externalities that its operation necessarily brings about.