While often disputed as a rather cynical and greedy approach to the ethics of corporate social responsibility, economist Milton Friedman takes an honest approach in saying, “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it...engages in open and free competition without deception or fraud” (Friedman 6). Essentially, Friedman is conveying his stance that enforcing social responsibility in business does not fall on the actual organization, but rather the shareholders to then invest their returns in charitable and socially progressive funds. However, in the current pressing dilemma concerning Central States Pension, the social responsibility now falls on its shoulders as the CSP violated the caveat of Friedman’s argument: ‘competition without deception or fraud’. Considering the nature of the mismanaged funds of hundreds of thousands of teamsters, the solution to the matter sensibly boils down to one approach. That is, all parties must endure a sacrifice in the form of staggered pension cuts based on net household income brackets.

The ethical issue at stake lies in the sanctity of a promise. This promise, of pension benefits after retirement, is one that many who have trusted the CSP rely on as their sole income after retirement. Not only that, but also these very employees sacrificed pay raises and opportunities to advance to higher-paid positions in order to qualify for benefits and eventual pension. As national averages show life spans getting longer, retirees need larger pensions for longer terms. Unfortunately,
unethical behavior on Wall Street governs CSP’s funds; leaving the ratio of money that CSP is paying to how much they are receiving is $3.46:1. As a result, CSP faces the decision to cut pension benefits by about 23% monthly to over 400,000 retirees to, “give the fund at least a 50 percent chance of lasting for another 30 years as opposed to running out of cash in 10 years if no changes are made” (Marte 1). This would reduce some retirees’ pensions drastically with the result not necessarily guaranteeing solvency.

Essentially, the Central States Pension Fund manages, “some 1,500 companies with Teamster contracts from states mostly but not exclusively in the Midwest pay into the fund, which in turn pays defined pension amounts to a huge number of retirees” (Leef 1). Along with the CSP coming into a sizable debt in the past decade, “the PBGC fund that backs multi-employer plans has roughly $2 billion in assets and is also projected to be insolvent by 2025” (Marte 1). So, not only is the main firm in this equation facing insolvency, but also the 3rd party firm who sponsors those kinds of firms is dealing with the same issue. All of this considered this ethical dilemma would not have been reached had it not been for a 2014 legislation passed allowing for, “distressed multi-employer plans to reduce benefits for retirees if it would improve the solvency of the fund” (Marte 1).

Considering both the ethical dilemma present and the key facts in this crisis mentioned above, without a government bailout, the two remaining options both spell concern. Executing drastic pension cuts that will leave a myriad of retirees with unstable futures, and maintaining current practices will only run the organization, and shareholder equity, into the ground. In Joseph Badaracco’s speech
entitled *Defining Moments: A Framework for Moral Decisions*, he refers to the very nature of this dilemma as right vs. right. This idea applies as both options are legally viable, but the ethical standpoint of each option varies as to choosing which party would suffer the greatest loss. In going with the first option and cutting pension benefits, the years of hard work, sacrifice, and retirees’ reliance on these benefits would ultimately render useless with only a fraction of their initial benefit to support their lives and loved ones. On a larger scale, given that the CSP is the first firm to take advantage of the 2014 legislation, the execution of cuts could trigger, “dozens of other pension plans across the country that are facing financial struggles to make similar cuts” (Marte 1). The effects of this decision have the potential to bring a drastic nationwide cut to similar funds. On the other hand, if the CSP decided to maintain the current amount of pensions paid to beneficiaries, the organization would find itself in insurmountable debt by 2025—also known as broke. All shareholders and stakeholders in CSP will lose their investments, employment, and bring an unpleasant end to one of the nations’ largest pension fund managers. Additionally, instead of reducing pension benefit amounts to retirees, payments would be reduced to zero. As Badaracco’s develops the idea of right vs. right in *Defining Moments*, both options presented are indeed legal, yet both routes will trigger outrage and possible legal action by the affected parties.

In continuing with the notion of executing staggered pension cuts based on net household income brackets, this will generate the most amount of positive action towards maintaining CSP’s solvency with less harm to its beneficiaries. Clearly, considering “rising benefit payouts as participants become eligible, the
global financial crisis, and the current interest rate environment” there is a state of economic turmoil present that deems sacrifice unavoidable until the irresponsibility on Wall Street is reprimanded and recompensed (Durden 1). However, until the point of government intervention, this alternative can suffice. Referring back to Badaracco’s framework, he refers to this idea of most positive action with least harm as finding the best net-net consequences. With this option, an even cut is seen across the population of retirees in relation to their net income, and CSP can allocate more cash to mitigating insolvency.

Moving to the next piece of Badaracco’s framework lays a potential downfall of this alternative pension-cutting plan—accessing the individuals or groups whose rights an organization cannot violate. This piece of the framework harps on the notion of ‘walking a mile in another’s shoes’. That is, as the director of CSP, taking into consideration the impact that any decision will have on this population of retirees and, conversely, the stakeholders in CSP. Unfortunately for the idea of staggered pension cuts based on brackets of net family income, there is no way to satisfy and honor the employee, economic, and political rights of fair compensation, adequate standard of living, and physical integrity. Yet, even in recognizing the drawback, there truly is no wholly fair option to pursue that would satisfy all parties and compromise must be made.

Badaracco’s final two factors of his framework consist of understanding the message conveyed as a result of any action and realizing what will work in the world as is. As for the proposed alternative pension-cutting method, a decision like this inspires fairness at the hands of a dilemma caused by risky and disreputable
investment actions made on Wall Street. As a result, an alternative resolution that can bring, “creativity, a willingness to shake the tree, and prudent risks to the party” (Badaracco) will serve as the most ethically sound and beneficial option to each party involved. Considering the nature of the mismanaged funds of hundreds of thousands of union teamsters, the solution to the matter ultimately boils down to one approach: a mutual sacrifice in the form of staggered pension cuts based on net household income brackets. Without action that exemplifies ethical behavior, union strikes will lead to revenue lost and unforeseen disaster.
Works Cited


