

# IP: BUSINESS ETHICS

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- IV. A 5-page essay on a topic to be advised in class. (60%)**

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# Our Teaching Philosophy

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# Ethics and Economics

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But: *Just behave!*

In a world of cheats and plagiarists, there are high costs of:

- monitoring,
- finding, and
- punishing

so that, life is less costly (and more efficient) if trustworthy conduct is universal in the profession.

(See the clipping about the disgraced Monash Vice Chancellor who plagiarised.)

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**See Nobel Laureate Ken Arrow’s piece on pp. 213 of the Pack.**

**(We’ll discuss Arrow further on Thursday.)**

## ***Friedman's Concerns.***

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**“Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine. If businessmen [sic] do have a social responsibility other than making maximum profits for their stockholders, how are they to know what it is? ...”**

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- 2. Firms *ought* to maximize profits (as Friedman argues) — they operate in a world of voluntary contracts, and no-one is coerced into buying or selling, so profits will represent the net contribution to the social good that the firm makes, and so should be as large as possible.**

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**Indeed, the forces of competition will prevent the firm from capturing an excessive share of the social good.**

## Homework for tomorrow:

1. **Email me (bobm@agsm.edu.au) as soon as possible with the names of your 3 team members.**
2. **Choose 8 of the questions to Mr Ethicist, and write half a page on each in reply (max = 4 pages). Begin each answer with a sentence stating the ethical principle (e.g. “The Golden Rule”) you’re using in your answer. Hand in or email before class tomorrow.**
3. **Read the extract from the James Hardie inquiry for discussion in tomorrow’s class.**