

IP: BUSINESS ETHICS

1. **Welcome**
2. **Damian**
3. **Who are you and what do you want from the IP?**
4. **Five Handouts:**
 - **Course outline, Assessment, Timetable**
 - **Questions for Mr Ethicist of the *NYT***
 - **Cases from M&W — to be done in teams of 3**
 - **Bayer's Judeo-Christian ethics**
 - **Pages from the James Hardie inquiry**
5. **Blue Books of Readings**

Ethics and Economics

Is economics a science?

One answer: “yes, and so it’s divorced from the messy world of ethics, of right and wrong.”

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.)

Circles of Respect?

This conclusion is also true for businesses, and might explain the appearance of ethnic groups in certain professions, within which there is greater trust.

That is, we see “circles” of closeness to us: family, relatives, friends, neighbours, acquaintances, local community, co-religionists, fellow ethnics, compatriots, kith (same language speakers).

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

(We’ll discuss Arrow further on Thursday.)

Friedman's Concerns.

But another Nobel laureate, Milton Friedman (on pp. 45), argues against the “subversive doctrine” of businesses concerning themselves with “social responsibility”:

“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? ...”

Further ...

- 1. At a descriptive level, firms will maximise their profits, and have a strong incentive to do so.**

True, and this must be accounted for in any attempts to change their behaviour, given their desire to evade any strictures on corporate behaviour.

- 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.**

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.**