

# 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.**