

## **Economics 348**

### **Ethics and Social Responsibility in Economic Life**

#### **SYLLABUS**

#### **Professor Gene Mummy**

- Lectures meet .....
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#### **DISABILITY STATEMENT**

**Students with disabilities that have been certified by the Office for Disabilities Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs.**

#### **GEC STATEMENT**

Economics 348 is a Social Science GEC course in the category **Individuals and Groups**. The goal of this GEC category is to increase student understanding of the behavior of individuals and the processes of social interaction, in terms of the theories and methods of social scientific inquiry. More particularly, students should gain an enhanced appreciation of the role of individual values and social norms in determining complex social outcomes and the variation in these across societies and the potential for cultural and social change as they interact.

Economics 348 addresses these learning objectives identifying important classes of economic interactions and the varying motivations individuals bring to them in different organization settings. The course covers the analysis of these setting in terms of the basic economic theories of individual decision making and strategic interaction and shows how experimental and field data can be used to evaluate and reformulate these theoretical conceptualizations. Course content particularly addresses the development and importance of ethical values and social norms as providing solutions to complex problems of economic coordination and applies the general concept to a number of specific cases. The course goals, described below, show in more detail how the course meets the objectives of the GEC category.

## **COURSE GOALS**

Economic life consists of the choices and actions of people acting individually and in groups to sustain and advance their material interests and well being. As an inherently social activity, economic life is rich in possibilities for perceived conflicts between an individual's self interest and treatment of and by others. The normative theory of how people should conceive of their own self interest and treat others is in the domain of ethics. The overarching goal of this course is to give students an appreciation of how economic activity and ethical values interact and sustain (or do not) each other.

More specifically, at the end of the course students should:

- Understand the difference between self-regarding and other-regarding preferences
- Understand how narrow self interest can generate substantial economic benefits for an individual and for others
- Be able to identify the basic types of economic interactions where narrow self interest undermines superior outcomes
- Understand how the practice of some ethical values can support the superior outcomes that would be undermined under narrow self interest.
- Be aware of the mechanisms of cultural evolution that might alter the usefulness of certain values and change the content of economic interaction.
- Be able to identify the major schools of normative ethics and have an appreciation of the distinctive mode of moral reasoning they use.
- Be able to identify and apply appropriate ethical theories in specific cases of economic life
- Understand the specific tensions between ethical values and economic activity that can arise in institutions, especially business firms
- Be aware of the specific ethical issues that are attached to professional expert knowledge that is not accessible by others, and have an appreciation for some of the conventions that try to deal with them
- Have an understanding of situations where ethical norms are insufficient and legal regulation is required.
- Have some capacity to evaluate the efficacy of formal instruction in ethical values (e.g. this course).

### **Required Text**

Charles Wilber (ed.), *Economics, Ethics, and Public Policy (EEPP)*, Rowman and Littlefield.

### **Course Requirements**

Grades – will be based on the following

<u>Item</u>	<u>Date</u>	<u>Value</u>
Exam I	Wk 4, S1	30%

Exam 2	Wk 7, S2	30%
Final Exam	as scheduled	30%
Class Participation	every class	10%

### Academic Misconduct

All students should become familiar with the rules governing alleged academic misconduct. All students should be familiar with what constitutes academic misconduct, especially as it applies to plagiarism and test taking. Ignorance of the rules governing academic misconduct or ignorance of what constitutes academic misconduct is not an acceptable defense. Alleged cases of academic misconduct are referred to the university's Committee on Academic Misconduct. For more information consult: <http://oaa.osu.edu/coam/faq.html#whatisacademicmisconduct>

### Course Topic Outline

Readings are listed below the session topic.

**EEPP** means the text, *Economics, Ethics, and Public Policy*.

**CP** means course packet, which can be purchased at...

**CWS** means the course web site at the following URL:

[http://www.econ.ohio-state.edu/mumy/econ\\_348/](http://www.econ.ohio-state.edu/mumy/econ_348/)

**OL** the reading can be accessed online through the Library's Electronic Journals.

**OL at:** (URL link) means the reading can be accessed at that URL.

**\*\*** means recommended; all other readings are required.

## **I. Big Structures**

### **Week 1**

Session 1 Course Administration and the Some Basic Economics: Scarcity, Specialization, Trade, and Coordination

G. Mumy, *Basic Economics*, **CWS**

Session 2 Basic Economics and Self Interest (Selfishness?) as the Basis of Economic Interaction: Pros and Cons

Adam Smith, *The Wealth of Nations*, Bk 1, Chap 2: OL at <http://www.econlib.org/LIBRARY/Smith/smWN.html>

\_\_\_\_\_, *The Theory of Moral Sentiments*, Chap I: OL at <http://www.econlib.org/LIBRARY/Smith/smMS.html>

Jon Elster, "Selfishness and Altruism," **EEPP**, Chap 5.

Class Exercise: The Free Rider Game

## **Week 2**

Session 1 Introduction to Simple Non-Cooperative Games (One-Shot, Repeated, and Sequential) and Their Use in Economic Ethics, with an Illustration of Selfish Reciprocity.

G. Mummy, *Intro to Game Theory*, CWS

Axelrod and Hamilton, "The Evolution of Cooperation," *Science*, March 27, 1981, 1390-96: **OL**

\*\*Hausman and McPherson, "Game Theory," Chap 13 of *Economic Analysis and Moral Philosophy* (Cambridge U. Press, 1996). In **CP**

Session 2 How Altruism, Honesty, Fair play, Etc. Can Support Economic Cooperation.

Robert Frank *et. al.*, "Does Studying Economics Inhibit Cooperation," **EEPP**, Chap 4.

Dawes and Thaler, "Cooperation," **EEPP**, Chap 6

## **Week 3**

Session 1 Packaging Ethical Behavior I: Ethical Egoism and Utilitarianism as Consequentialism.

W.D. Solomon, "Normative Ethical Theories," **EEPP**, Chap 9, relevant sections.

L. Hinman, "The ethics of Consequences: Utilitarianism," **OL** at: <http://ethics.sandiego.edu/LMH/e3/Ch.5-Utilitarianism.pdf>

Case: Utilitarian Fair Division

Session 2 Packaging Ethical Behavior II: Deontology

W.D. Solomon, "Normative Ethical Theories," **EEPP**, Chap 9, relevant sections.

Amitai Etzioni, "Toward a Kantian Socio-Economics," **EEPP**, Chap 10.

## **Week 4**

Session 1 **First Exam**

Session 2 Contractarianism and Rawlsian Justice

W.D. Solomon, "Normative Ethical Theories," **EEPP**, Chap 9, relevant sections.

John Rawls, "Justice as Fairness," *Philosophical Review*, 1958. **CWS**.

Class Exercise: The Original Position Game; and After.

### **Week 5**

Session 1 Is Ethical Behavior a Stable Evolutionary Equilibrium?

Mumy, "Hawks and Doves," **CWS**

R. Sugden, "Spontaneous Order," *Journal of Economic Perspectives (JEP)*, Autumn 1989, 85-97. **OL**

R. Frank, "Forging Commitments That Sustain Cooperation," Chap 1, *What Price the Moral High Ground?* (Princeton U. Press, 2004), in **CP**

R. Frank, "Adaptive Rationality and the Moral Emotions," Chap 3, *What Price the Moral High Ground?* (Princeton U. Press, 2004), in **CP**

Class Exercise: The Ethics Survival Game

## **II. Applied Ethics and Economic Behavior.**

### **Week 5**

Session 2 Third-party Effects, the Coase Theorem, and the Assignment of Moral Responsibility.

Garret Hardin, "The Tragedy of the Commons," *Science*, Dec. 13, 1968, 1243-48. **OL**

R. Coase, "The Problem of Social Cost," *Journal of Law and Economics*, Oct. 1960, 1-44. **OL**

Case Landfill

### **Week 6**

Session 1 The Moral Status of the Economic Evaluation of Social Goods and Costs.

D. Hubin, "The Moral Justification of Benefit/Cost Analysis," **EEPP**, Chap 20.

Tyler Cowen, "The Scope and Limits of Preference Sovereignty," **EEPP**, Chap 19.

Case: The Three Gorges Dam

Session 2 Imposing and Accepting Risk.

Mumy, *Uncertainty and Risk*, **CWS**

Faden and Beauchamp, "The Right to Risk Information and the Right to Refuse Workplace Hazards," *Canadian Journal of Philosophy*, Supplement, 1982. **OL**

Case: Exposing Workers to Plutonium

### **Week 7**

Session 1 Asymmetric Information: Differential Product Knowledge Between Buyers and Sellers (Ethics, Contracts and Law).

J. Kupfer, "The Ethics of Genetic Screening in the Workplace," *Journal of Business Ethics*, #1, 1993. **OL**

D. Holley, "Information Disclosures in Sales," *Journal of Business Ethics*, vol. 17, 1998, 631-41. **OL**

Cases: Art dealer at the garage sale  
Human Genome Project, Privacy, and Insurance

Session 2 **Exam 2**

### **Week 8**

Session 1 Moral Hazard: Taking advantage of People When Actions Can't be Observed or Contractually Enforced

C. Wilber, "Trust, Moral Hazards, and Social Economics: Incentives and the Organization of work," *EEPP*, Chap 7.

Cases: Employee "Time Theft."

Session 2 Ethics in and for Organizations Part I: Corporate Responsibility.

Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits," **OL** at <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

John Hasnas, "Two Normative Theories of Business Ethics," *Business Ethics Quarterly*, 1998, pp. 19-42. **OL**

R. Frank, "Can Socially Responsible Firms Survive in Competitive Environments?" Chap 4, *What Price the Moral High Ground?* (Princeton U. Press, 2004), in **CP**

\*\* R. Frank, "What Price the Moral High Ground?" *Southern Economic Journal*, Jul 1996, 1-17. **OL**

Case: HIV Drug Pricing in Africa

**Week 9**

Session 1 Ethics in and for Organizations Part II: Authority, Diffuse Lines of Responsibility, Conformity, and Individual Accountability.

R. Nielsen, "Arendt's Action Philosophy and the Manager as Eichmann, Richard III, Faust, or Institution Citizen," **EPPP**, Chap 12

S. Milgram, "The Perils of Obedience," OL at:  
<http://home.swbell.net/revscal/perilsOfObedience.html>

S. Asch, "A Study of Conformity," OL at:  
[http://www.age-of-the-sage.org/psychology/social/asch\\_conformity.html](http://www.age-of-the-sage.org/psychology/social/asch_conformity.html)

Cases: An Auditor's Dilemma.  
To Dissent or Not To Dissent

Session 2 Tensions Between Advancing Your Own Career and the Treatment of Others.

E. Lazear, "Labor Economics and the Psychology of Organizations," *JEP*, Spring 1991, 89-110. **OL**

M. Davis, "Some Paradoxes of Whistleblowing," *Business & Professional Ethics Journal*, no.1, 1996. **OL**

Case: The Managers' Tournament

**Week 10**

Session 1 Problems in Professional Expert Knowledge: Reputation, Codes of Ethical Conduct, and State Regulation.

Kenneth Arrow, "Social Responsibility and Economic Efficiency," *Public Policy*, Summer 1973, in **CP**

M. Davis, "Thinking Like an Engineer," *Philosophy and Public Affairs*, Spring 1991, 150-67. **OL**

NSPE Code of Ethics for Engineers, OL at:  
<http://www.nspe.org/ethics/eh1-code.asp>

Steven Kelman, "Regulation and Paternalism," *Public Policy*, Spring 1981, in **CP**

Session 2 Do Professional Ethics Courses and Codes of Ethical Conduct Change Anything?

A. Brief, *et. al.*, "What's Wrong with the Tread Way Commission Report? Experimental Analysis of the Effects of Personal Values and Codes of Conduct on Fraudulent Financial Reporting," *Journal of Business Ethics*, February 1996, 183-98. **OL**

"Cognitive Dissonance," in *Wikipedia*. OL at:  
[http://en.wikipedia.org/wiki/Cognitive\\_dissonance](http://en.wikipedia.org/wiki/Cognitive_dissonance)

WRAPUP

**Finals Week**

Final Exam when scheduled.