

## **ETHICS IN BUSINESS AND ECONOMICS**

LGST 920  
FALL 2009

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Tuesdays 3:00-6:00pm  
Location: Zicklin Center  
(6<sup>th</sup> floor Huntsman Hall)

Business people face complex ethical issues all the time, even if they are not always aware of it. These ethical issues are the subject matter for business ethics, and this course aims to provide you with a theoretical foundation to understand the ethical issues in business life and to make a contribution to the academic field of business ethics. The course begins with the major contemporary approaches to business ethics, including stakeholder theory, integrative social contracts theory, as well as accounts grounded in Aristotle, Kant, welfare economics and utilitarianism. The course then examines the role of empirical analysis in the field of business ethics through the literature on experimental philosophy and psychology. The third part of the course surveys several important topics in contemporary business ethics, including trust, professional responsibility, corporate social responsibility, corporate agency and the role of business in a democratic society. An underlying theme in the class is the connection between the issues in business ethics and broader issues in moral and political philosophy.

### **Grading**

50% Four class presentations  
50% Term Paper

### **Class presentations**

Each student will be responsible for introducing the material for four class sessions. The introduction should provide a critical assessment of the readings and direct the class to the important questions for discussion. The presentation should last 15-20 minutes and include a handout for the class.

### **Term Paper**

A final term paper (20 pages) will count for 50% of your grade. The paper should address a specific set of readings covered in class. It should identify a theoretical issue in the readings, formulate a clear thesis, and defend the thesis in the context of the concerns and arguments raised in the readings. I will happily read drafts of your papers, give comments, talk about possible topics, and otherwise help you in the writing process.

**Course materials**

Class size permitting, photocopies of all articles and book chapters will be made available through the department office.

## Schedule of Readings

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### I. Approaches to Business Ethics I

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#### *September 15: Stakeholder Theory and ISCT*

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Thomas Donaldson and Lee Preston “The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications,” *Academy of Management Review* 20 (1995): 65-91

Eric Orts and Alan Strudler, “The Ethical and Environmental Limits of Stakeholder Theory,” *Business Ethics Quarterly* vol. 12, no.2 (2002): 215-233

Robert Phillips, R. Edward Freeman and Andrew Wicks, “What Stakeholder Theory is Not,” *Business Ethics Quarterly* vol. 13, no. 4 (2003): 479-502

Thomas Donaldson and Thomas Dunfee, “Integrative Social Contracts Theory,” in Patricia Wehane and R. Edward Freeman, eds., *The Blackwell Encyclopedia of Management, Vol II, Business Ethics*, second edition (Oxford: Blackwell, 2005)

Thomas Donaldson and Thomas Dunfee, “Précis for: *Ties that Bind*,” *Business and Society Review* vol. 106, no. 4 (2000): 436-443

Waheed Hussain, “No More Lemmings, Please—Reflections on the Communal Authority Thesis” *Journal of Business Ethics* (forthcoming)

#### *September 22: Aristotelian Approaches*

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Richard Kraut, *Aristotle* (Oxford: Oxford University Press, 2002): chapter 3 (sections 3.1, 3.2, 3.8-3.11, and 3.15), chapter 6 (sections 6.3-6.7), chapter 7 (sections 7.3 and 7.8-7.11), and chapter 9 (sections 9.7-9.9, and 9.22).

Robert Solomon, *Ethics and Excellence: Cooperation and Integrity in Business* (New York: Oxford University Press, 1992), Introduction, ch. 17-23

Edwin Hartman, *Organizational Ethics and the Good Life* (New York: Oxford University Press, 1996), Introduction, ch. 3 and 7

Optional:

Robert Solomon, “Corporate Roles, Personal Virtues: An Aristotelian Approach to Business Ethics,” *Business Ethics Quarterly* 3 (1992): 317-339.

#### *September 29: Kantian Approaches*

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Onora O’Neill, “Between Consenting Adults” *Philosophy and Public Affairs* vol. 14, no. 3 (Summer 1985): 252-277.

Norman Bowie, *Business Ethics: A Kantian Perspective* (Oxford: Blackwell, 1999), Introduction, ch. 2 (p. 41-53), ch. 3

Matt Zwolinski "The Ethics of Price-Gouging" *Business Ethics Quarterly* vol. 18, no. 3 (July 2008): 347-378

Jeremy Snyder, "What's the Matter with Price Gouging?" *Business Ethics Quarterly* vol. 19, no. 2 (April 2009): 275-293

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## II. Approaches to Business Ethics II

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### *October 6: Utility, welfare and profit maximization*

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Dan M. Hausman and Michael S. McPherson, *Economic Analysis, Moral Philosophy, and Public Policy* (Cambridge: Cambridge University Press, 2006), chs. 7-9

Bernard Williams "Consequentialism and Integrity" in Samuel Scheffler, ed., *Consequentialism and its Critics* (Oxford: Oxford University Press, 1988)

Michael Jensen, "Value Maximization, Stakeholder Theory, and the Corporate Objective Function," *Business Ethics Quarterly* 12 (2002): 235-47

Goldman, Alan H. "Business Ethics: Profits, Utilities and Moral Rights" *Philosophy and Public Affairs* vol. 9, no. 3 (Spring 1980)

Optional:

Robert Nozick, "Side Constraints" in Samuel Scheffler, ed., *Consequentialism and its Critics* (Oxford: Oxford University Press, 1988)

John Broome, *Weighing Lives* (Oxford: Oxford University Press, 2006), chapters 3 and 4

### *October 13: Efficiency and corporate governance*

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Ronald Coase, "The Nature of the Firm," *The Firm, The Market and the Law*, (Chicago: University of Chicago Press, 1988), pg. 33-56.

Frank Easterbrook and Daniel Fischel, *The Economic Structure of Corporate Law* (Cambridge: Harvard University Press, 1991), pp.1-39 and 63-72

Christopher McMahon, "Managerial Authority" *Ethics* 100 (October 1989): 33-53.

Jules Coleman, "Economics and the Law: A Critical Review of the Foundations of the Economic Approach to Law" *Ethics* 94: 649-679

Optional:

Waheed Hussain, "Democratic Capitalism and Respect for the Value of Freedom" *International Journal of Business Governance and Ethics* vol.2, no. 3/4, pp. 280-293

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### III. The Role of Empirical Analysis

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*October 20: Rationality*

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Daniel M. Hausman and Michael S. McPherson, *Economic Analysis, Moral Philosophy and Public Policy* (Cambridge: Cambridge University Press, 2006), chapter 5.

Amartya Sen, "Rational Fools" *Philosophy and Public Affairs* vol. 6, no. 4 (Summer 1977), section II, IV-VI, and VIII

Michael Slote, *Beyond Optimizing* (Cambridge: Harvard University Press, 1989), chapter 1

David Schmidz, "Satisficing as a Humanly Rational Strategy" in Michael Byron ed., *Satisficing and Maximizing* (Cambridge: Cambridge University Press, 2004)

T. M. Scanlon, *What We Owe to Each Other* (Cambridge: Harvard University Press, 1998), chapter 2, sections 2-5

Optional:

Tyler Cowen, "How do Economists Think About Rationality" in Michael Byron ed., *Satisficing and Maximizing* (Cambridge: Cambridge University Press, 2004)

Derek Parfit, "Can Desires be Intrinsically Irrational, or Rationally Required?" *Reasons and Persons* (Oxford: Oxford University Press, 1984), 120-6

Christine Korsgaard, "The Myth of Egoism" in *The Constitution of Agency* (Oxford: OUP, 2008)

*October 27: Ethics and social science*

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Joshua Knobe, "Intentional Action and Side-Effects in Ordinary Language," *Analysis* 63 (2003): 190-93

Joshua Knobe and Shaun Nichols, "An Experimental Philosophy Manifesto" in *Experimental Philosophy* (Oxford: Oxford University Press, 2008): 3-14

Kwame Anthony Appiah, *Experiments in Ethics* (Cambridge: Harvard university Press, 2008), pp. 73-120 and 190-204

Linda Trevino and Gary Weaver, "Business Ethics: One Field or Two?" *Business Ethics Quarterly* 4.2 (1994): 113-28

Thomas Donaldson, "When Integration Fails: The Logic of Prescription and Description in Business Ethics" *Business Ethics Quarterly* 4.2 (1994): 157-69

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## IV. Topics

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### *November 3: Trust*

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Annette Baier, *Moral Prejudices: Essays on Ethics* (Cambridge: Harvard University Press, 1995), ch. 6

Bernard Williams, *Truth and Truthfulness* (Princeton: Princeton University Press, 2002), pp. 88-93

Alan Strudler, "Deception Unraveled," *Journal of Philosophy* 102 (2005): 458-73

Russel Hardin, "Trust," in *Trust and Trustworthiness* (New York: Russell Sage, 2002)

### *November 10: Professional Responsibility*

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Arthur Applebaum, "Ethics in Equilibrium" in *Ethics for Adversaries* (Princeton: Princeton University Press, 1999)

Michael Hardimon, "Role Obligations" *Journal of Philosophy*, vol. 91 no. 7 (1994)

Michael Walzer, "Political Action: the Problem of Dirty hands," *Philosophy and Public Affairs* vol.2 no.2 (1973): 160-80

G.A. Cohen, "Political Philosophy and Personal Behavior" in *If You're an Egalitarian, How Come You're So Rich?* (Cambridge: Harvard University Press, 2000), p. 148-79.

### *November 17: Corporate Social Responsibility*

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Domenec Mele, "Corporate Social Responsibility Theories," in Andrew Crane, et. al. *The Oxford Handbook of Corporate Social Responsibility* (Oxford: OUP, 2008): 47-55, 68-76

Liam Murphy, *Moral Demands and Nonideal Theory* (Oxford: Oxford University Press, 2000), Chapters 1 and 5-7

Thomas Dunfee, "Do Firms with Unique Competencies for Rescuing Victims of Human Catastrophes have Special Obligations?" *Business Ethics Quarterly* 16 (2006): 185-210

Nien-he Hsieh, "Does Global Business Have a Responsibility to Promote Just Institutions?" *Business Ethics Quarterly* vol. 19, no.2 (April 2009): 251-273

Optional:

Thomas Donaldson, "Moral Minimums for Multinationals" *Ethics and international Affairs* 3 (1989): 163-182

### *November 24: Corporations and moral personality*

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William Klein and John Coffee, *Business Organization and Finance* 9<sup>th</sup> ed. (New York: Foundation Press, 2004), pp. 112-22 and 145-9

Frank Easterbrook and Daniel Fischel, "Limited Liability" in *The Economic Structure of Corporate Law* (Cambridge: Harvard University Press, 1991), pp. 40-62

Philip Pettit, "Responsibility Incorporated" *Ethics* 117 (January 2007): 171-201

Thomas Scanlon, "Blame" in *Moral Dimensions: Permissibility, Meaning, Blame* (Cambridge: Harvard University Press, 2008), pp. 122-166

William Laufer, "Recognizing Personhood" in *Corporate Bodies and Guilty Minds* (Chicago: University of Chicago Press, 2008)

*December 1: Corporations and democratic citizenship*

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Jürgen Habermas, "Public Sphere" in *Jürgen Habermas on Society and Politics*, ed. Steven Seidman (Boston: Beacon Press, 1989), p. 231-7

Joshua Cohen, "Deliberation and Democratic Legitimacy" *Deliberative Democracy*, ed. James Bohman and William Rehg (Cambridge: MIT Press, 1999), p. 67-93

Daniel Ostas, "The Law and Ethics of K Street: Lobbying, the First Amendment, and the Duty to Create Just Laws" *Business Ethics Quarterly* vol. 17, no. 1 (January 2007): 33-64

Don Mayer, "Kasky v. Nike and the Quarrelsome Question of Corporate Free Speech" *Business Ethics Quarterly* vol. 17, no. 1 (January 2007): 65-96

Jeffrey Nesteruk, "Corporate Speech as Commercial Speech" *Business Ethics Quarterly* vol. 17, no. 1 (January 2007): 97-104