

PHL295F Business Ethics (2012-2013)

F 12:00-15:00 / BR200

Professor Joseph Heath

There is a widespread consensus that corporations have social responsibilities that extend beyond mere conformity to the law. Yet how are we to conceive of these responsibilities? And how are managers supposed to reconcile these ethical responsibilities with the obligation to maximize shareholder value? Is it possible to run a profitable corporation, and yet still be a good person, or at least a good citizen? Or is it sometimes necessary to break a few eggs, in order to make the proverbial omelet? Is “business ethics” an oxymoron?

Required Reading :

- PHL295 Fall 2012 Course Reader (on Blackboard)
- Bethany McLean and Joe Nocera, *All the Devils are Here* (available at UofT Bookstore)

Evaluation:

This course is part of the “writing for research” program in the Department of Philosophy. This program offers students the chance to improve their philosophical writing by allowing them to submit revised versions of their graded work. More specifically, the program enables students to hand in both a draft and a revision of their written assignments. The draft is graded on the basis of its merit as a philosophy paper and returned with comments one week after it is submitted. The student then has an additional week to hand in a revised version, modified in response to detailed feedback given by the TA. This will be graded based upon the quality of the revision, not the intrinsic merit of the paper

- Midterm writing assignment (25%) due Oct. 19
- Midterm paper revision (10%) due Nov. 2
- Final writing assignment (25%) due Nov. 16
- Final paper revision (10%) due Nov. 30
- Two hour faculty final exam (30%).

Syllabus:

1. Introduction

(Sept. 14)

2. Freedom from morality

(Sept. 21)

- David Gauthier, “No Need for Morality: The Case of the Competitive Market,” *Philosophic Exchange*, 3:3 (1982): 41-54.

3. What is a corporation?

(Sept. 28)

- Ronald Coase, “The Nature of the Firm,” *Economica*, 4:16 (1937): 386-405.
- Oliver Williamson, “The Economics of Organization: The Transaction Cost Approach,” *The American Journal of Sociology*, 87 (1981): 548-577
- Gary Miller, *Managerial Dilemmas* (Cambridge: Cambridge University Press, 1992), chap 1.
- Francis Fukuyama, "Scale and Trust" excerpt from *Trust* (London: Penguin, 1995).
- Henry Hansmann & Reiner Kraakman, “What is a Corporation?” from *Anatomy of Corporate Law* (Oxford: Oxford University Press, 2004), chap. 1.

4. Shareholder capitalism 1 (Oct. 5)

- Adolph A. Berle and Gardiner C. Means, “The Traditional Logic of Property” excerpt from *The Modern Corporation and Private Property* (New Brunswick, NJ: Transaction Publishers, 1991): 293–297.
- Milton Friedman, “The Social Responsibility of Business is to Increase its Profits,” *New York Times Magazine* (Sept. 13, 1970).
- Frank H. Easterbrook and Daniel R. Fischel, “The Corporate Contract,” *Columbia Law Review*, 89 (1989): 1416-1448.

5. Shareholder capitalism 2 (Oct. 12)

- Henry Hansmann, *The Ownership of Enterprise*, (Cambridge, MA: Harvard University Press, 1992), chaps. 1-3.
- John Boatright, “Ethics and Corporate Governance: Justifying the Role of the Shareholder,” in Norman Bowie, ed. *Blackwell Guide to Business Ethics* (Oxford: Blackwell, 2001).

6. Shareholder capitalism 3 (Oct. 19)

- Paul Milgrom and John Roberts, *Economics, Organization and Management* (Upper Saddle River: Prentice Hall, 1992), chap. 6.
- Eric Noreen, “The Economics of Ethics: A New Perspective on Agency Theory,” *Accounting, Organization and Society*, 13 (1988): 359-369.
- Allen Buchanan, “Toward a Theory of the Ethics of Bureaucratic Organizations,” *Business Ethics Quarterly*, 6 (1996): 419-40.

7. Interlude: Accounting (Oct. 26)

- Nicolas Véron, Matthieu Autret and Alfred Galichon, *Smoke & Mirrors Inc.* (Ithaca: Cornell University Press, 2006), chap. 2.
- Mary Beth Armstrong, “Ethical Issues in Accounting,” in Norman Bowie, ed. *Blackwell Guide to Business Ethics* (Oxford: Blackwell, 2001).
- Simon Archer, “The Ethics of Creative Accounting,” *Science and Engineering Ethics*, 2 (1996): 55-70.

8. Stakeholder capitalism 1 (Nov. 2)

- E. Merrick Dodd, Jr, “For Whom are Corporate Managers Trustees?” *Harvard Law Review*, 45 (1932): 1145–1163
- R. Edward Freeman, “A Stakeholder Theory of the Modern Corporation,” *Ethical Theory and Business* (Prentice Hall: 1994): 66-76.
- Kent Greenfield, “Corporate Ethics in a Devilish System,” Boston College Law School, *Legal Studies Research Paper Series #168* (2008).

9. Stakeholder capitalism 2 (Nov. 9)

- Kenneth E. Goodpaster, “Business Ethics and Stakeholder Analysis,” *Business Ethics Quarterly*, 1 (1991): 53-73.
- Margaret Blair, “Firm-Specific Human Capital and Theories of the Firm” from Margaret M. Blair and Mark J. Roe, eds. *Employees and Corporate Governance* (Washington: Brookings, 1999).

10. Interlude: The 2008 Financial Crisis

(Nov. 16)

- Bethany McLean and Joe Nocera, *All the Devils are Here* (New York: Penguin, 2011).

11. Market failures 1

(Nov. 23)

- Kenneth Arrow, "'Social Responsibility and Economic Efficiency", *Public Policy*, 21 (1973): 303-317.
- Steen Thomsen, "Business Ethics as Corporate Governance," *European Journal of Law and Economics*, 11 (2001): 153-164.

12. Market failures 2

(Nov. 30)

- Ian B. Lee, "Is There a Cure for Corporate "Psychopathy?" *American Business Law Journal*, 42 (2005): 65–90.
- Joseph Heath, "An Adversarial Ethic for Business," *Journal of Business Ethics*, 69 (2006): 359-374.
- William J. Baumol, "Business Responsibility and Economic Behavior," from Melvin Anshen, ed. *Managing the Socially Responsible Corporation* (New York: MacMillan, 1974), pp. 59-73.

Contact Info

Office hours: F 10-11:50am

Location: Larkin Building #202

Course website on Blackboard: <http://portal.utoronto.ca>.

Email: joseph.heath@utoronto.ca

Voice: 416.978.8094

The Small Print

All term work is due by 5pm on the due date of the assignment. Any assignment handed in late without medical excuse will be penalized by one grade fragment (about 3%) per day late. Plagiarism ("to represent as one's own any idea or expression of an idea or work of another") will not be tolerated, and any suspected cases will be submitted to OSAI for investigation without exception. Response to email will be at the instructor's or TA's discretion; for official communication you must see the instructor in person, either in class or during office hours.