

PHL 325L                      Business, Ethics, and Public Policy:                      Spring 2011  
Ethics and Commercial Life

LECTURE TIME:                      Tuesdays and Thursdays, 11:00 a.m. -12:15 p.m.

LECTURE LOCATION:                      WAG 214

INSTRUCTOR:                      Prof. Kathleen Higgins

OFFICE:                      Waggener Hall, Room 203  
471-5564

OFFICE HOURS:                      Tuesdays, 3:30-5:30 p.m.

E-MAIL:                      <kmhiggins@austin.utexas.edu>

READER:                      Jeremy Evans

E-mail address: <jeremyevans1@gmail.com>

Office: WAG 411

Office Hours: Tuesdays and Thursdays, 4:00-  
5:00 p.m.

#### COURSE DESCRIPTION:

This goal of this course is for students to participate in a debate that has engaged philosophers and social critics for at least 2,500 years regarding the social benefits and successes, as well as the risks and moral failures of commercial life. The focus will be the role of business and the modern corporation in American life and the role of the individual (worker, manager, executive, consumer, citizen) in commercial life. We will consider not just the moral challenges and obstacles of modern commercial life, but also its moral opportunities. We will examine the diverse moral complexity of commercial life by exploring topics such as the relationship between market equilibrium and social optimality, the myth of *homo economicus*, the connection between freedom and capitalism, and the role of business in the attainment of the good life. Some of the philosophical issues will also include some general concerns of ethics with specific application to business, questions of justice, and the virtues and vices of capitalism. Some of the practical business issues will include the concept of corporate social responsibility, the ethical implications of mergers and takeovers, business ethics and the environment, and the ethical role of the consumer. Theoretical considerations will be augmented by presentations from

professionals in the Austin business community whose business practices and social entrepreneurship projects engage and respond to the moral and social issues covered during the course. The course will try to strike a balance between the practical and the theoretical.

TEXTBOOKS: Joanne B. Ciulla, Clancy Martin, and Robert C. Solomon, *Hard Work*, 2<sup>nd</sup> edition (Oxford University Press, 2011)

A packet of articles available at IT Copy (512 Martin Luther King)

POLICIES ATTENDANCE IS REQUIRED.

Late assignments will automatically receive ten fewer percentage points than they would otherwise have received. Late **short assignments** will not be accepted more than one week after the date due. Late assignments will not be accepted after the last week of class.

**NO OTHER LATE ASSIGNMENTS WILL BE ACCEPTED.** In particular, the group written presentations will not be accepted late. The assigned formulation of questions for the visiting speakers will also not be accepted

Makeup exams or extensions will be arranged only in situations of an emergency, illness, or other serious circumstance. The instructor may ask for evidence.

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 471-6259.

THERE WILL BE NO FINAL EXAM.

GRADING

3 exams, each worth 15% of the grade

Group Project 20%

Short assignments 15%

Tale of Two Stories 5

Stock Reports 5% total

Planning Ahead Assignment 5%

Class participation 10%

Class participation includes in-class activities as well as involvement in class, attendance, and possible pop quizzes. Among the activities are your having questions for John Mackey, our Guest Speaker on Political Speech (on February 10<sup>th</sup>), and Michele Grieshaber.

IMPORTANT DATES:

- |             |  |
|-------------|--|
| January 27  | A Tale of Two Stories Due (3-4 pages)  |
| February 1  | Questions for John Mackey Due<br>– Submit via e-mail before class  |
| February 3  | Blackboard Postings for “Jobs” related to group projects due<br>(for CEOs and management team members)   |
| February 3  | Stock Reports Due  |
| February 8  | “Job Applications” should be turned in and submitted to the<br>CEOs of at most two companies<br>(for non-CEOs and non-members of management teams) |
| February 10 | Questions for Steve Simpson or Adam Liptak due   |
| February 15 | “Hiring” Fair for Group Projects   |
| February 17 | Exam I   |
| February 24 | Planning Ahead Assignment Due  |
| March 1     | Stock Report Due   |
| March 22    | See <i>Wall Street: Money Never Sleeps</i> by this Date  |
| March 24    | Exam II  |
| March 31    | See <i>Enron: The Smartest Guys in the Room</i> by this Date   |
| April 5     | Stock Reports Due  |

April 14	Questions for Michele Grieshaber Due
April 19	Written Group Reports Due IN CLASS (or before)  NO LATE SUBMISSIONS WILL BE ACCEPTED
April 26	Groups Presentations
April 28	Exam III
May 3	Groups Presentations
May 5	Groups Presentations

## SYLLABUS

Page numbers refer to the textbook, *Honest Work*. Readings marked with an \* are available in the course packet from IT Copy. Articles available on-line are indicated.

January 18 Introduction: What is Commercial Life? What is Business Ethics?

January 20 Moral Problems and Telling Stories

Reading:

Memo to you (p. 37)

Parable of the Sadhu (Case 3.2, pp. 103-105)

Orwell, "Shooting an Elephant" (pp. 542-546)

[WARNING: THIS STORY MAY BE UPSETTING]

For next time: 3-4 pages

Mary Gentile's exercise: A Tale of Two Stories

Describe a case in which you felt a sense of conflict about what you were asked to do and you spoke up.

Describe what you did, what impact it had, what motivated you, how satisfied you were with the outcome, what would have made it easier to speak up and whether or not these things were in your control.

Describe a case in which you felt a sense of conflict about what you were asked to do and you did not speak up.

Describe why you didn't, what motivated you, how satisfied you were with the outcome, what would have made it easier to speak up and whether or not these things were in your control.

The Role of Business in Society

January 25 Guiding Images and the Mythologizing of Adam Smith

(See next page for reading assignments)

Readings:

Aristotle, "Two Kinds of Commerce" (pp. 621-623);

Box: Adam Smith on Capitalism (p. 80)

Adam Smith, "On Human Exchange and Human Differences" (pp. 167-169)

Adam Smith, "The Benefits of Capitalism" (pp. 623-625);

\*Adam Smith, *The Wealth of Nations*, Book IV Chapter ii (excerpt)

\*Adam Smith, *The Theory of Moral Sentiments*, Part I, Section I, Chapters 1 and 3

Stock Report Assignment: By February 3rd, "invest" \$1,000,000.00 of imaginary money and report on why you chose the investments you did. Give not only your financial reasons, but also other reasons that motivated you. Your report should be a paragraph in length. An update will be required at the beginning of each month.

January 27 The Modern Corporation and Its Social Responsibility

Readings:

Friedman, "The Social Responsibility of Business is to Increase Its Profits" (pp. 218-222)

Stone, "Why Shouldn't Corporations Be Socially Responsible?" (pp. 223-226)

Freeman, "A Stakeholder Theory of the Modern Corporation" (pp. 232-238)

For next time: Come up with at least two questions to ask John Mackey, CEO and Founder of Whole Foods. You will be given credit for this assignment.

**A TALE OF TWO STORIES DUE**

February 1 Corporate Responsibility

Guest Speaker: John Mackey, CEO, Whole Foods

(See next page for reading assignments)

Readings: Mill, "Laissez-faire and Education" (pp. 631-634)  
John Kay, "The Role of Business in Society"  
<<http://www.johnkay.com/1998/02/03/the-role-of-business-in-society>>

### **QUESTIONS FOR SPEAKER DUE**

**Presidents and Small Company Teams Will Be Announced on Blackboard**

February 3 Business as a Practice

Readings: Plato, *Ring of Gyges* (pp. 165-166); Carr, "Is Business Bluffing Ethical?" (pp. 38-42); Bowie, "Does It Pay to Bluff in Business?" (pp. 43-48)

**Postings for "Jobs" related to group projects due. Circulate them on Blackboard.**

### **STOCK REPORTS DUE**

February 8 The Corporation as a Person and Its Political Impacts

Readings: Robert Reich, "Supercapitalism" (pp. 646-654); Hayek, "Justice Ruins the Market" (pp. 196-198)

**"Job Applications" should be turned in and submitted to the CEOs of two companies**

**Assignment for next time: Formulate two questions for our speaker on the topic of political speech and campaign finance restrictions. Again, you will be given credit for this assignment.**

February 10 Political Speech and Campaign Finance Restrictions

Guest: Either Steve Simpson (Institute for Justice) or Adam Liptak (*New York Times* Supreme Court Correspondent)

NOTE: Both speakers will be involved in a panel on this topic from 7:00-9:00 p.m. in the evening as part of a new Dialogues on Free Speech series.

Readings: Eliot Spitzer, "Let Citizens United Speak"  
<<http://www.slate.com/id/2227239/>>

Robert Barnes, "High Court Shows It Might Be Willing to Act Boldly"  
<<http://www.washingtonpost.com/wp-dyn/content/article/2010/01/21/AR2010012101724.html>>  
Adam Liptak, "Justices, 5-4, Reject Corporate Spending Limit" at  
<<http://www.nytimes.com/2010/01/22/us/politics/22scotus.html#>>

Thomas E. Mann, "Citizens United vs. Federal Election Commission is an Egregious Exercise of Judicial Activism"  
<[http://www.brookings.edu/opinions/2010/0126\\_judicial\\_activism\\_mann.aspx?p=1](http://www.brookings.edu/opinions/2010/0126_judicial_activism_mann.aspx?p=1)>

Wendy Kaminer, "The Foolishness of Campaign Finance Reformers"  
<<http://www.theatlantic.com/national/archive/2010/12/the-foolishness-of-campaign-finance-reformers/67571/>>

### **QUESTIONS FOR SPEAKERS DUE**

February 15 Review and Hiring Fair

Reading: Bowie, "Morality, Money, and Motor Cars" (pp. 471-476)

**"Hiring" for Group Projects Will Take Place**

February 17 **EXAM I**



## COMMERCIAL LIFE AND LIVING WELL

February 22 The Good Life and Business

Readings:

Introduction, and Aristotle, "On the Good Life" (p. 72-80)

"Memo to You" (p. 146)

\*Solomon, Introduction to *A Better Way to Think about Business*

Assignment due next time: Planning Ahead

Two pages

Outline how you expect your career to go. Indicate the kind of industry you plan to work in and the kind of people you will be working with and for. What kind of ethical dilemmas do you think you will face in the context of your business?

February 24 Personal Integrity, on the Job and Off

Readings:

Solomon, "Strategic Planning – For the Good Life" (pp. 74-76)

McFall, "Integrity" (pp. 97-100)

Shell and Moussa, "Woo with Integrity" (pp. 309- 316)

### PLANNING AHEAD ASSIGNMENT DUE

March 1 Resolving Dilemmas: Kant's Approach

Readings:

Kant, "Advice for Corporate Directors" (p. 578)

Bowie, "Respecting the Humanity in a Person" (pp. 3-6)

Case 1. "A 'State of the Art' Termination" (pp. 27-28)

Sagoff, "At the Shrine of Our Lady of Fatima, or Why Political Questions are Not All Economic" (pp. 459-466)

### STOCK REPORTS DUE

March 3      Resolving Dilemmas: Property Rights and the Utilitarian Approach

Readings:

Orlando, "The Ethics of Corporate Downsizing" (pp. 17-24)

Johnson, "Intellectual Property Rights and Computer Software" (pp. 257-265)

March 8      What Should Count as Exploitation and What Should Be Done About It?

Readings: \*Marx, "Estranged Labor" (excerpt)

Marx, "Commodity Fetishism" (pp. 625-628)

Shaw and Barry, "Case 16.1: Blood for Sale" (pp. 658-659)

Singer, "Rich and Poor" (pp. 187-189)

March 10     Virtue and Good Business: Trust and Loyalty

Readings:

Solomon and Flores, "Building Trust" (pp. 61-65)

Bok, "Whistleblowing and Professional Responsibility" (pp. 369-374)

Solomon and Martin, "Blind to Earned Loyalty" (pp. 388)

Burr, "Case 10.2: Would You Blow the Whistle on Yourself" (p. 401)

Before class on March 22nd, see *Wall Street: Money Never Sleeps*

SPRING BREAK

March 22     Review

March 24     Exam II

Before March 31<sup>st</sup> see: *Enron: The Smartest Guys in the Room*

CORPORATIONS AND CONSUMERS

March 29      The Psychology of Capitalism

Readings:

\*Muller, "Matthew Arnold"

Veblen, "Pecuniary Emulation and Conspicuous Consumption" (p. 641-643)

Bell, "The Cultural Contradictions of Capitalism" (pp. 643-645)

March 31      The Enron Case:

Readings:

Watkins, "Before the Whistle Blew" (p. 123)

Cohen, "Arthur Andersen Executives Reflect on What Went Wrong" (pp. 123-124);

The Democratic Policy Committee, "Case 4.1: A Modern History of 'Creative Accounting'" (pp. 154-156)

Lawrence and Beauchamp, "Case 4.5: Enron and the Employee Investment Risk (pp. 160-161) [NOTE: There is a mistake in the formatting of p. 160 - The case begins after mistakenly inserted questions]

Ludwig and Longnecker, "The Bathsheba Syndrome: The Ethical Failure of Successful Leaders," (pp. 531-536)

**See before class: *Enron: The Smartest Guys in the Room***

April 5        Ethics and the Purposes of Advertising

Readings:

Galbraith, "The Dependence Effect" (pp. 291-295);

Hayek "The Non Sequitur of the 'Dependence Effect'" (pp. 296-298)

Savan, "The Bribed Soul," (pp. 304-309)

Shaw and Barry, "Case 8.4: Hucksters in the Classroom" (pp. 321-323)

**STOCK REPORTS DUE**

April 7        Ethics and Advertising: What's Sold Besides the Product?

Readings:

John Waide, "The Making of Self and World in Advertising," *Journal of Business Ethics* 6 (1987): 73-79 [available for download from the UT Library website]

Desjardins and McCall, "Case 8.3: Advertising's Image of Women" (pp. 320-321)

Velasquez, "Case 8.1: Toy Wars" (pp. 316-319)

April 12 Risk and Liability

Readings:

Case 2.5: Battin and Mower: The Columbia Shuttle Disaster: Should We Have Told the Astronauts the Truth?" (pp. 69-71)

Modic, "How We Got Into This Mess" (pp. 335-338)

Fairlie, "Fear of Living" (pp. 339-342)

Shaw and Barry, "Case 9.2: Aspartame: Miracle Sweetener or Dangerous Substance?" (pp. 360-362);

Desjardins and John J. McCall, "Case 9.3: Children and Reasonably Safe Products" (p. 362)

Moll and Associates, "Case 9.5: Merck and Vioxx" (pp. 365-366)

## CHALLENGES IN THE GLOBAL BUSINESSWORLD

April 14 International Business

Readings:

Midgley, "Trying Out One's New Sword" (pp. 413-416)

Donaldson, "Values in Tension: Ethics Away from Home" (pp. 416-423)

**Assignment for next time: Formulate two questions for Michele Grieshaber.**

April 19 Guest Speaker: Michele Grieshaber, IBM Corporation

## Group Written Reports Due In Class

### QUESTIONS FOR SPEAKER DUE

- April 21 Cases in International Business
- Readings: All Case Studies in Chapter 11 (pp. 439-452):  
Ciulla, "Case 11.1: The Oil Rig"  
Marquiss and Ciulla, "Case 11.2: Diller's Dilemma: Street Children and Substance Abuse"  
Dunfee and Robertson, "Case 11.3: Foreign Assignment";  
Marquiss and Ciulla, "Case 11.4: The Quandary at PureDrug";  
Marquiss, "Case 11.5: The Conflict at Lomatex Chemical";  
Stanton, "Case 11.6: Dancing with the Dragon: Google Goes to China"  
Case 12.2 "Made in the U.S.A. – and Dumped" (pp. 490-492);  
Marquiss and Ciulla, "Case 13.2: The Moza Island Project" (pp. 517-518)  
Ciulla, "Case 1.6: The Best Person for the Job?" (p. 31)  
The Economist, "Doing Business in Dangerous Places" (pp. 15-17)

April 26 **GROUP PRESENTATIONS AND REVIEW**

April 28 **EXAM III**

May 3 **GROUP PRESENTATIONS**

View TED Talk: Barry Schwartz, Swarthmore College

### STOCK REPORTS DUE

May 5 **GROUP PRESENTATIONS and Conclusion**

### NOTEBOOKS RESPONDING TO GROUP PROJECTS DUE

## GROUP PROJECTS

### TOPIC

The general topic is product impact and implications.

Each group should choose an ordinary commercial product or service as its specific topic. It can be a pharmaceutical, a sports car, disposable diapers, a video game, an energy plant, a recycling plant, a head of lettuce, a genetic therapy, a financial product – just about anything.

### ORGANIZATION OF GROUPS

Groups will be organized as follows: Seven core groups (of three people each) will be set up (randomly); one person in each group will (arbitrarily) be designated as the “boss.” Each group will then “hire” eight more people. The boss will be responsible for delegating research and work assignments. (He or she may do this by delegating the power of delegating, using subcommittees, or by direct delegation.)

### GROUP REPORT

Each group will be required to hand in a substantial report (of 8-10 pages) and make a class presentation on it.

Report on: supplies, suppliers, ingredients, their sources, the manufacturing process, effects on consumers (mental and physical, positive and negative), competition (where it comes from, how strong it is, what kinds of competitive practices are used) foreign trade policies and practices, risks, working conditions, pay scales, hiring and firing practices, environmental and social impact, and especially ethical questions and implications.

The groups will each hand in one report. Minority reports are not allowed.

Reports will be DUE IN CLASS on April 19th (or submitted beforehand). Late reports will not be accepted.

### GRADING

We will grade only the group leader (the “boss”). The “boss,” in turn, will grade every member of the group.

## ISSUES REGARDING ROLES AND TURNOVER POLICIES

Switching groups is permissible. Permission is not needed to leave a group, but one can enter a group only by being “hired” by the boss of the group. The boss has the power to fire members of his or her group, but people who are fired have a right to “sue” (with the professor serving as absolute magistrate). Unfair hiring, grading, and firing practices will be severely penalized and will seriously affect the boss’s grade. The boss can be fired (as boss) by a two-thirds vote of all his or her employees. (In that case, the former boss can remain a member of the group, however.)

## INDIVIDUAL NOTEBOOKS

Each student should keep a notebook and record his/her personal reactions related to work in the group. You might report, for example, on “not getting hired,” “having to fire someone,” “not trusting your boss,” “having (or not having) your ideas accepted by the group,” unfair hiring practices. Record all gripes, resentments, injustices, personal prejudices (including your own), feelings of accomplishment, occasional thrills, and reactions to the assignments. (If you find working in these groups humiliating or offensive, you might want to aim at being self-employed in the future.) These can be as long as you like, but they should be at a minimum the equivalent of **five typewritten pages**.

## HIRING PROCEDURE

All students not given prior assignment to a group **must apply** for a job (making no more than two applications). An application consists of (1) self-description and praise (a brief resume) (2) a tentative suggestion for a product to be studied, and (3) a one-sentence statement about why that product would be appropriate to study.

The boss (perhaps in consultation with already existing group members) should prepare a list of eight or nine “job offers.” Applicants with multiple offers have their choice of groups, negotiating as they wish. The “unemployed” will then interview with groups of less than 11 members.

The boss must prepare a tentative list of group members. All the hiring will be done on Tuesday, February 15<sup>th</sup>.