

PHIL215 Notes

Module 1

\$20 Auction

- Auction \$20 to highest bidder
- Second highest pays Greg
- Example of irrational escalation
- Had classes where highest bid was > \$100

Lessons:

- Distinguish between **good outcomes** and **good decisions**
- We are not rational

Irrational Escalation

- http://en.wikipedia.org/wiki/Escalation_of_commitment
- Economists: “We are rational maximizers”
- Sunk cost fallacy
- Despite new evidence suggesting that the cost, starting today, of continuing the decision outweighs the expected benefit

Storytelling

If event A entails event B

- If A then we know will B
- $p(A) = p(A \wedge B)$

But $p(A \wedge B) = p(A) \times p(B)$

So $p(A) \times p(B) \leq p(B)$

- We like interesting stories
- We don't like work

Lessons:

- We like our preconceptions
- We don't think we need to do hard work

Confirmation Bias

- Focus on evidence that proves we're right
- Ignore evidence that suggests we're wrong

Blindspot Bias

- Even though we are vulnerable to the same type of error – we think we are the exception
- “I don't need to be taught ethics, but those foreigners do!”

Hard Work of Philosophy

- We are not rational
- We are comfortable with our preconceptions
- We don't think we need to do the hard work

What is philosophy?

- Providing reasons to our actions, beliefs, and opinions
- Some opinions are better than others, otherwise contradiction

What is Ethics?

- Misconceptions:
 - It's a personal thing - no one is an island
 - It's following rules - Enbridge (gas leak)-bad, Soviet (nuclear)-good
 - It's algorithmic - cannot just use an algorithm to figure it out - it's written by us anyways
- Are our actions going to harm someone?
 - Cannot act in our self interest - must consider everyone's interests - universal stance
- Harm reduction
- Giving reasons
- Principles & Guidelines

Four Distinctions

1. Facts vs Values
 - a. Carl the Llama
 - b. fact: empirical claim what the world is like
 - c. value: evaluative - emotion, value judgement
2. Prudential vs Ethical
 - a. Ice cream Baby example
 - i. Reasons for & Against: PRUDENTIAL / ETHICAL
 1. There is a large angry male walking towards you
 2. Willingness does not imply consent
 3. You don't like toddler spit on your ice cream
 4. This type of behaviour is inconsistent with living in civil society
3. Is vs Ought
 - a. Example:
 - i. Is Claim: humans are the only animal that drinks the milk of other species
 - ii. Ought claim: we should not drink the milk from other species
 - b. We cannot derive an ought claim from an is claim
 - c. Ought claims are based on moral theories
 - d. What makes an action right or wrong:
 - i. What is the good?
 - ii. What should we focus on in our moral deliberations?

4. Ethical vs Non Ethical
 - a. Different moral theories
 - i. From parents
 - ii. Religion
 - b. Making ethical decisions
 - i. Define the ethical issue
 - ii. What is the ethical concern
 - iii. Specify all dimensions of the problem
 - iv. Establish the dilemma
 - v. What values are in conflict
 - c. What should we focus on?

Module 2

Political & Economic Freedom

Robert Audi

- Great wealth gives disproportionate political power
- Great wealth comes to those with special skills or good fortune

Talents vs Luck

- How much of success is from luck vs talent

Political & Economic Freedom

Robert Audi

- Controversy over how much economic freedom needed for democracy to flourish
- Economic Freedom → Great Wealth → Political Power

Freedom

1. Naïve
 - a. I can do whatever I want, whenever I want, wherever I want, for as long as I want...
 - b. Self-refuting (inconsistent with other people)
 - c. Violence inducing – Bart and Lisa example
2. Neo-Roman
 - a. Ancient Greeks
 - b. Not under the arbitrary will of another person
 - c. Answer only to yourself
3. Liberal
 - a. I am free insofar as there are no constraints on me*
 - i. My freedom cannot interfere with your freedom
 - b. Constraints:
 - i. Moral
 - ii. Legal

Constraints of Justice

Tunic is a jacket

- Small guy has big tunic, big guy has small tunic, and Cyrus decided that each get the better fitting tunic.
- The original owners should decide themselves

Freedom

1. Moral vs prudential
2. Moral judgments must be public

Moral Theories

- Virtual (character)
 - Utilitarianism (consequences)
 - Deontology (non-consequentialism)
 - Self-interest
 - Moral Rights
1. Virtue
 - a. Aristotle
 - b. Morally correct behaviour is done by virtuous persons**
 - c. Happiness is the only thing we pursue for its own sake
 - i. Also said by John Stuart Mill
 - d. "We can achieve happiness by living a life of virtue"
 - e. Believed in a virtuous mean
 - i. Mean may not be in the middle
 - ii. Sometimes no mean
 - f. an act is morally right just because it is the one that a virtuous person, acting in character, would do in that situation
 - g. person of virtue:
 - i. knows right
 - ii. does right for its own sake
 - iii. does right from a "firm and unchangeable character"
 2. Utilitarianism
 - a. John Stuart Mill
 - b. Morally correct behaviour is done by acting in a way that brings the greatest amount of happiness
 - c. Mill's Utilitarianism
 - i. Happiness only pursued for its own sake – same as virtue ethics
 1. Intrinsic value
 - ii. but what's happiness
 1. pleasure and absence of pain
 - iii. intellectual pleasures trump animal pleasures
 - iv. "It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates

- d. Consequentialism
 - i. The outcome, not the intention, determines the moral worth of an action
 - e. Measures of Utility
 - i. Mill's utilitarianism:
 - 1. Mill's utilitarianism: do what promotes greatest happiness
 - 2. Well-being
 - 3. Wealth
 - 4. Other
3. Deontology
- a. Immanuel Kant
 - b. Morally correct behaviour is done by acting out of, and for the sake of, duty
 - c. Must:
 - i. Do our duty
 - ii. Do it for the right reasons
 - d. Sometimes called non-consequentialism – focuses on motive not outcome
 - e. What is our duty?
 - i. Act so that you treat humanity... always as an end and never as a means only
 - 1. Means: dealing with someone to achieve your goals
 - 2. End: treating others with the respect they deserve recognizing they have goals too
 - ii. "act only on that maxim through which you can at the same time will that it should become universal law."
 - 1. Consistency and fairness
 - iii. Focus is on our duty
 - 1. Good act:
 - a. Done out of duty
 - b. Done for sake of duty
 - f. "By a lie a man throws away and, as it were, annihilates his dignity as a man."
4. Self-Interest
- a. Adam Smith
 - b. Father of modern economics
 - c. Society as a whole benefits when everyone acts in pursuits of their own self-interest
 - d. In society, not isolation
 - i. isn't saying to be rugged individualists
 - e. "Man has also constant occasion for the help of his brethren, and it is vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour. It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We

address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

- f. In society, not isolation
 - i. It is in their self-interest to sell me what I need for dinner, at a price that I am willing to pay
- g. Individual don't actively promote the public interest, but promoting their own gain, they also promote the public interest. The invisible hand – unintended social benefits

Claims, Liberty, Power, Immunity

- **A right:** is a bilateral normative relationship that holds between 2 people
- Claim <-> Duty
 - If you have a claim against me
 - I have a duty to you
 - Claim entails a duty to act
- Privilege <-> No-claim
 - If you have a privilege
 - I cannot stop you
- Rights & Freedoms
 - when we are free to act
 - when are are obligated to act
 - specify clear conditions under which our duties or privileges are violated
- Power <-> Liability
 - If I have power over you
 - You are liable to me
- Immunity <-> No-Power
 - If you have immunity from me
 - I have no power over you

Professional Code of Ethics

- Dentists, nurses, ...
- Prevent:
 - Harm, fraud, conflict of interests, ...
- Albert Carr – Poker analogy to business
 - Element of chance
 - Long run only one winner
 - Need to know the rules
 - Insight on psychology of people
 - Self-discipline
 - Swift response to opportunity
 - Bluffing -- part of business
 - “As long as you're not breaking the law, it's okay for businesses to engage in strategies of deception.”
 - Ethics not in the equations

- Only legality and profitability
- Problems with Carr's Argument
 - Rests on an analogy
 - Based on invalid inference
 - Views business as zero-sum

Outcome at all costs

- Olympics – drug companies
- Lance Armstrong
 - Dope or not dope
- Social Action Problem
 - Everyone (individually) does what is in their self-interest
 - Everyone is worse-off for it
- “If I don’t screw him over first, he’ll just screw me over...”
 - Carr’s approach to business
 - Does not account for Smith’s invisible hand

Module 3

Morality?!

- Machiabelli and Carr distinction between Public and Private Morality
- Carr:
 - Ethics doesn’t matter
 - Only legality and profitability
- Both say: It is not in your self interest to act morally in the public sphere
- “it depends on which races you want to win. The Tour de France? Impossible without dope.”
- Self-interest \neq selfishness

Rationality (Utility Theory)

- “Modern utility theory generalizes maximization of self-interest to maximization of personal utility. It takes utility broadly enough to accommodate all goals, not just self-interest.
- “[Economists] propose standards of rationality demanding various types of consistency. For example [they] assume that rationality requires the consistency of a preference ranking understood as the transitivity of preferences and of attitudes of indifference. Consistency of this type goes beyond logical consistency.”

Preference Ordering

- Rational vs irrational preference ordering
- Smarties > Oreos > Jolly Ranchers > Smarties
 - Irrational
- Generally what is true of the individual is not necessarily true of the group

- Even if the individuals can act rationally, the group may not
- Not always possible to make a decision that everyone can agree with
- Times when someone's interests are trumped

Overriding Interests

- Push 1 man to save 5 people
- Each person has values, beliefs, and interests

Corporation

- Corporation is a nexus of contracts
- Way to distribute resources and trade labour
- More than that: corp has a fiduciary duty to its investors
 - Maximize profits
- Individuals interests may conflict with the corporations and vice versa

Framing a Puzzle

- "If our actions affect the well-being of another person, ethics has something to say about it"
 - Easy to grasp at personal level
 - Business and politics are not individual activities
 - They affect the well-being of other persons...
 - So ethics do apply!
- "The opinion of a group does not necessarily reflect those of the individuals in the group"
 - is it possible that the differing values of group members means that a group would make a different ethical decision than the individuals?
 - Possible – if conflicts

Overriding Interests

- The good of the state sometimes requires doing things that would be morally distasteful in the individual context
- Is it the same for businesses?

York University Sexism Debate

- Student asked to not work with women for religious reasons
 - University grants request
 - Department denies it because it would "contribute to material or symbolic marginalizations of other students, faculty of teaching assistants,"
 - Religious community reveals it's preference
 - Student participates in group

Competing Interests

- What values are in conflict?
- Whose values are in conflict?
- What are the parties' goals?

Ethical Contexts

- Private morality
 - The moral requirements and considerations present in your **personal** affairs, in both public and private spheres
- Public morality
 - The moral requirements and considerations present when you act as an **agent**
- Agent
 - Acting on behalf of someone else's interests
 - Business leadership
 - Public service, political, or community leader

Dirty Hands

- A situation where doing the morally right thing comes at a moral cost
 - Sometimes there's also a moral wrong committed
- Moral wrongness does not disappear in the presence of a morally right action
 - "damned if you do, and more damned if you don't"
- Cemcorp
 - Jim's co-op term
- Nortel Networks
 - Leader of a three-person team
 - Asked to reassign one colleague

Scope of Ethics

- Scope of ethics is very broad
- "Carr has done a valuable service in bringing to the surface a widespread skepticism about business ethics, but he is in error in supposing that some kind of business necessity excuses dirty hands."
- Business is not special or exempt

Public Agents

- when are you acting in the interests of others
 - someone has given you authority
- roles: government, justice system, education system, ...

Boundaries

- private vs public Jim
- rights and duties
- consequences

Differing Values, Differing Morality

- public and private morality can come into conflict
 - university did not dismiss a plagiarizing professor
 - prudential reasons trumped moral reasons
 - however

- sets bad precedent
- preferential treatment
- undermines values

Personal Beliefs and the Workplace

- To what extent can we allow our personal beliefs influence the decisions we make at work?
- What to do when values conflict?

Decision Model

1. Determine the facts: who, what when, where, how
2. Define the ethical issue
3. Identify principles, rules, values
4. Specify the alternatives
5. Compare values and alternatives
6. Assess the consequences
7. Make your decision

Module 4

General Motors

- Whistle-blower found a problem
 - Told to shut up

Same coin, Different Side

- Do corporations have a social responsibility?
- What is the moral status of profit-seeking?

Trade as a Social Good

- First fundamental theorem of welfare economics
 - Competitive market will distribute resources efficiently
 - May not be fair or equal

Who gets what, and why?

- Competitive market will distribute resources efficiently
- Efficiency and equality are not mutually exclusive
- Ex: I want rolos you want Hersey's kisses
 - 3:2 ratio
 - Or have unwanted
- Minimum wage – McDonalds worker
 - Doesn't work
- GM plant consolidation
 - Michigan cheaper than Canada
- UWaterloo increasing tuition
- Half of global wealth held by 1%

- Argument against welfare state
 - Hard-working support the lazy
 - Leads to vicious cycle of no incentive for people to work hard
 - Eventually everyone is lazy

Corporate Social Responsibility

- Changing the view of someone whose made up their mind is not possible
- Easier to teach not smart person something hard than to do that
- Classic View:
 - All contacts must be met
 - Then maximize profit
 - Business should only benefit itself
 - Socially responsible actions will compromise stakeholder interests

Key Terms

- Shareholder
 - Any individual (or entity) leagally owning shares in a public or private corporation
- Stakeholder
 - The broad community served by business. Anyone with an interest in what a firm does
- Alignment of interests

Corporations and Shareholders

- Investment – defer consumption
- Investor gets in return:
 - Initial investment
 - Return on investment
 - Say in company
- Both corp and investor have rights and obligations
 - Well-defined
 - Contractual
 - Enforceable

Shareholder

- Rights symmetric
 - Tell us when free to act
 - When obligated to act
 - Clear conditions under our duties or privileges are violated

Classic View

- Corporation focuses on fiduciary duties
- But stakeholders have interests too

Stakeholder view

- Everyone is a stakeholder whether or not they own stock

- society as a whole is a stakeholder
- Not only taken into account
- Given a voice

Relationship

- Relation between corporation and society is asymmetrical
- Relation between the corporation and shareholder is symmetrical

Third-party Interests

- Other people's interests
- Food trucks

Value in stakeholder concept

- Remind managers, investors, and others with vested interest in business organizations that a market is not unrestricted
- Business operates on behalf of society, and the free market economy is deemed to provide the most successful way of producing public benefits
- Can be used as a useful corrective to the mentality that sees the market as the solution to all of life's problems

Laudable ends

Means: easier for people to access mortgages

Goal: homeownership for more middle-class families

Means: banks sell the mortgages to investment banks

Means: they sell the mortgages to investors

- Banks were making NINJA loans: no income, no job, or assets
- Investors were willing to take the bet. They were making a lot of money

Constraining self interest

- Useful corrective to the mentality that sees the market as the solution to all of life's problems

Module 5

Working with Others

- The optimal contract between shareholders and managers is one that balances the benefits from insuring the manager against risk, on the one hand, and the benefits from providing the manager with the right incentives, on the other hand

Cost of group work

1. Moral Hazard

- a. The solution shields the agent from the full consequences of their actions, thereby incentivizing more of the same problematic behaviour
 - b. Problem → solution → incentive change
 - c. Ex: helmets, buggy code, ...
 - d. How would people behave if they weren't insured for fire
 - e. Feeding poor children
 - f. Threshold of assistance
 - i. Child and mother: drowning
 - g. Prudential vs ethical reasoning
 - h. Need to change incentives to solve problem
- 2. Free-Rider Problem
 - a. Ex: who pays for fire insurance, national defense
 - b. Freeman-on-the-land
 - i. Extreme form of libertarianism
- 3. Ends-Justify-means Thinking
 - a. Cheat now
 - b. Become ethical later
 - c. This is wrong because unethical behaviour will become a habit
 - d. "He got away with it" – "Can I get away with it too?"
 - e. Just because someone else is unethical doesn't mean you do it too
- 4. Seductive Thinking
 - a. "I don't screw him over, he'll just screw me over!"
 - b. An event which may or may not happen is rarely (never?) a justification for a preemptive response of tit-for-tat
- 5. Unhealthy Competition
 - a. Dangerous football tackle is legal – but is it ethical
- 6. I'm not a chump!
 - a. Aggressive parents in egg hunt – don't want to lose

Negotiations and Strategies

- Outcome at all costs?
 - Doping vs not doping
- Gaming the professor
 - Boycotting test
 - Everyone gets the same mark
 - Professor was going to mark the exam out of the top mark
- Open to Negotiation
 - Bad:
 - I believe that I am right
 - I wouldn't knowingly believe anything that was wrong
 - You disagree with me
 - Therefore you are wrong
- Integrative Negotiations
 - We have a tendency to think that our interests are incompatible

- Entrenched positions
 - Tendency to think that our interests are incompatible
- Underlying interests
 - But we may have some interests in common
 - Are principles clear?
 - Sticking to ethical issues helps prevent the dispute devolving into a zero-sum dispute

Module 6

Self-Interest

- People almost always want to help each other – but we shouldn't just rely on that alone
- Trade makes us better off
- Not immediately obvious how pooling risk makes us better

Pooling Risk

- Farmers pooling risk
- Share good
- Suffer through bad
- Moral hazard
 - Crop failure → insurance → incentive changes
- Better off cheating
 - Need ways to prevent this
- Free-rider
 - Don't count costs while ignoring the benefits

Optimal Sharing Groups

- YMCA
 - Pool, weights, ...
- UW
 - UPASS, gym, health services
- You won't get everything you want
- You'll get some things you don't care for
- You'll get some things others don't care for
- Don't ignore the benefits!
- Corporations can be thought of as an optimal sharing group
 - Consume
 - Produce
 - Decide

The social function of investing

- Payment for deferred consumption is interest
- Aristotle against loaning for interest

Profit Maximization

- Assumption: corporations exist to maximize profit
 - Treats corporation as a black box
 - What is true of the whole may not be true of the parts
- Gordon Gecko: “Greed is good”
- A rational decision maker takes an action if and only if the marginal benefit of the action exceeds the marginal cost
- Empty trains – biofuel supplement
- RBC replace Canadian staff with foreign workers

Responding to Incentives

- Regulations made driving safer, but at the same time, people are more reckless
- Pedestrian countdown timer

Power of Incentives

- Steven Elop leaves MSFT for NOKIA
- Tanks NOKIA
- Elop sells to MSFT
- Elop returns to MSFT with bonus

Principal-agent problem

- When agent acts on behalf of a principal
- Agent is motivated to act in their own interests rather than the principal’s
- Fiduciary laws

Corporate Structure

- Shareholders own corp
- Shareholders elect board of directors
- What it should be

Reality

- Shareholders own corp
- CEO nominates Board of directors
- Shareholders rubber stamp CEO’s choices

Corporate Governance

- The controls put in place to ensure a corp acts ethically, legally, and transparently in the best interests of the shareholders

Government oversight

- Establishes reporting requirements for taxation and public disclosure

Government Regulation

- Establishes other rules to ensure a fair and competitive market

Anti-competitive Behaviour

- Hersheys pled guilty and turned other chocolate companies in

Pioneer's Lament

- First to stop acting unethically
- Moral value of an action does not depend on whether anybody's watching
- Inconsistency in punishment is a systemic problem, but not one that should affect your conduct
- Doing morally right things doesn't guarantee success or reciprocation but it frees you from worrying about being caught and somebody might notice

Self-regulation

- It is in the best interest of business to self-regulate
 - Terms are agreed to by all parties to facilitate fair competition and fulfillment of duties
 - Onerous terms are not imposed from without

Acting with Integrity

- Car rental company – slap bogus charge for vehicle damage
 - Employees on commission
- Failure to follow protocol cause oil spill

Unenviable Position

- Company values
 - Tradition and respect
 - Rule-following
 - Safety

Coordination Problem

- Even though you do what you think is the right thing to do, it doesn't follow that the outcome will be good—or even ethical
- Acting with integrity also means acting collectively with integrity.
- Communication and coordination are essential

Integrity with Competition

- You construction company has a good reputation for completing project on time and on budget
- Your competitors start understating time and costs to win contracts – extra costs billed to clients but you lose out
- You offer a performance bond, ask potential clients to ask for the same from your competitors
 - Outcomes: happy clients, fair competition, better business practice

Module 7

Chinese milk scandal

- Company added melamine to baby formula to make formula appear to have more protein than it does and also increases volume
- Causes: Kidney problems and death

Caveat Emptor

- “Buyer beware”
- implies warranties – soap is clean, skis are safe for slopes, ...
- cards against humanity sells boxes of actual poop
- sellers cannot:
 - act fraudulently
 - act in bad faith
 - make false claims
 - make misleading claims

Information

- info is key
- buyers need all the info they can get to make an informed decision
- sellers want to control info
- symmetrical
 - each party knows the same info
- asymmetrical
 - one party knows more info
- knowing you have the wrong info is important
- companies want to learn as much about you as possible
 - bell track all their services for ads
 - aisle cameras at grocers
 - target – pregnant teen – sent coupons
 - want to sell you more stuff
 - but want to keep info from you

Framing Information

- high interest rate loan ad - > 50% interest rate
- find impatient people who prefer immediate satisfaction over future satisfaction
 - presented too good of an offer to pass up
 - because company frame info in a favourable way
- percentage change vs magnitude change
- companies will frame info to benefit them
 - you are affected

Anchoring

- cognitive bias that humans favour too heavily on the first piece of info offered when making decisions

Accessing value

- humans rarely choose things in absolute terms
- choose relative advantage
- apple vs clementines vs orange

The age of persuasion

- business presents us with info they want us to have
 - we prefer present satisfaction over future ones

Sentimentality

- pop song commissioned by chevy
- went very well

Manipulation

- blindspot bias
- we are vulnerable

Perception

- ads reflect how we see ourselves as a society
- can be shocking looking back at old ads
- Male dominance ads
 - Old ads
- Gender roles
- Gender stereotypes
- Racism
- Male Dominance – Abuse

Social Perception

- Sometimes a company's attempt to reflect current values raises the ire of some in society
- "I'm not racist, but this is America!" – on Coke ad
- ads affect how we perceive ourselves and value ourselves as people
 - Aber Crombie and fitch ad
- Impossible to meet body image
- Reebok
- Plastic surgery
- Australia law demands vaginas to digitally altered
- Repetition makes it easier to believe

The Eternal Dance

- Seller and buyer relation is like a dance

- You don't know when you're dancing or who you're dancing with or who's watching
- Not sure what's it going to cost us, but it will

Module 9

Intuition check

- Humans different from animals
 - Difference in kind
 - God
 - Angels
 - Heaven
 - Humans
 - Beasts
 - Plants
 - minerals
 - Difference in degree
 - Evolution

Whats the difference??

- Language, rational thought, self-awareness, trade, tool use?
- Examples of other animals doing all those things

In-grouping

- Who deserves our moral consideration?
 - In western tradition: wealth adult white males
 - Women were not considered persons until around WWI
 - Racism, sexism
- Being different is irrelevant
 - Deserve rights
- Any attempt to include all **human** animals but exclude **non-human** animals is arbitrary

The capacity to suffer

- Relevant similarities
 - Capacity to suffer vs a being with interests
- As Sentient beings – animals have interests that deserve consideration by human
- Speciesism – prejudice or attitude of bias in favour of the interests of one's own species and against those of members of another species
- To deny equal consideration to animals on the grounds that they are not human is not so obviously unjust
- Humanity is enriched by animals – domestic pets and animals in the world are loved and valued, even by meat eaters, grazier and poultry farmers, just

as forests and gardens are loved by wheat farmers and rice growers. The world is a lesser place when it loses a species of plant or animal.

Value

- Intrinsic value
 -
- Instrumental value

People or Penguins

- Four Principles to live by:
 - People should be given freedom that is consistent with others having the same freedom
 - Waste (resources, labour, skills) is a bad thing
 - We need more arable land
 - High water demands
 - More landfills
 - Every human should be regarded as an end rather than a means
 - Everyone should have the same opportunity to have their share of satisfactions met
- What is good for humans is good for everything else
 - Nature will be preserved because humans depend on it

Wasteful

- 1/3 of all food is wasted
- Throw more food out than recyclables
- Economic prosperity → prevent extinction
- Aquifers are being used up
 - Should use it slowly
 - Need co-operation to stop
 - Voluntary cooperative is naïve idea
 - Temptation too great
 - Need mechanism to pay for their mistakes
- As long as anyone pays for pollution then pollution will be controlled
 - Lisa and Burns example
 - Coase theorem tells us that property rights is a way to make people pay for pollution
 - Markets cannot stop pollution but can find optimal levels of pollution
- Property Rights
 - If someone owns a resource its price reflects the value for alternate uses, and the resource is used efficiently

Module 10

Barriers to Fairness

- Attitudes toward the poor or homeless

- Homeless as a crime
- Force homeless away
- Desire to keep resources for ourselves
- Attitudes toward the poor or homeless
- Structural barriers
 - Performance-based pay and gender discrimination
 - Analyzed performance-based compensation in brokerage houses between 94-96
 - Systemic bias against women
 - Paid 11-18% less
 - Women control only 1/3 of wealth
 - Gender-gap for lending is narrowing – but still there
- Desire to keep resources for ourselves
- Attitudes toward the poor or homeless
- Helping child without a jacket

Attribution Errors

- We can directly observe the actions of others
- We cannot directly observe the inner lives of others
- Alice driving across an intersection example
 - Guy runs red light
 - But the guy suffered a medical condition
 - Not caused by bad driving
 - But Alice thinks it is
- Veteran living in his van – no job
- When we explain our success:
 - Internal factors
 - Intelligence
 - Work ethic
 - Talent
 - Persistence
 - External factors
 - ???
- When we explain our failure
 - Internal factors
 - ???
 - External factors
 - Other people – not my fault
 - Self-serving bias
- When we explain failure of others
 - Internal Factors
 - Lazy, incompetence, no motivation, addiction
 - External factors
 - ???

The nature of my success

- Explain success because of ourselves
- But actually had a lot of external help
 - Residential segregation
 - Quality of schooling
 - ...

Equality

- Does not mean same physically or mentally
- Factual differences
 - Race, gender, individuals
- Handicapper general
 - All must be the same
- Equal Opportunity
 - Differences should not mean less fair treatment
 - Equal respect
- Relative Positioning
 - Place people where they can fully develop
 - Help people get ahead for a fair race
- First fundamental theorem: Efficient \neq Equality
- Second FT: society can make an initial endowment of social goods and then allow the competitive markets to distribute resources efficiently

Benign Discrimination

- Unjust or prejudicial treatment of different categories of people or things
- Vinyl vs digital is preference
- Cheap vs expensive whiskey is preference

Invidious Discrimination

- Behaviour is offensive and obnoxious
- Only associate with people in your ethnic/racial/religious/political group
- Not illegal

Formally Intolerable Discrimination

- Arizona – snub gay couples
- Breastfeeding

Module 11

Doing the Right thing

- Tenant saw that grandparents were starving child didn't do anything
- Integrity
 - Honesty
 - Trust

- Responsibility
- Fairness
- Respect
- Courage

Ethical Obligations

1. Avoid harm
2. Prevent harm
3. Remove harm
4. Do good

Concern not limiting to not just participating, you have to prevent evil. Whistle blow.

Morality and Responsibility

- Private morality
 - Moral requirements and considerations present in your personal affairs
 -
- Public morality
 - Moral requirements and considerations present when you act as an agent

Personal Responsibility

- The university places certain expectations on its members
 - Policy 33 – ethical behaviour
 - Poisoned environment
 - Workplace harassment
- Avoid wrongdoing
- Prevent wrongdoing
- Remove wrongdoing
- Do good

Reputation

- Code of ethics comes from concern for the public at large
- Can suffer undesirable effects in the marketplace if don't have one
 - Public trust and confidence
- Ethos – character

The cost of Complicity

- Diffusion of responsibility
 - No one wants to deal with the problem

Cynicism and public perception

- Bangladesh factory fire
 - Walmart's response

- If we don't police ourselves as a community why should anyone take us seriously

Code of Ethics

1. Represents Ethos
 - a. (culture/aspirations) of an organization
 2. Requires Action
 - a. From those within an organization
 3. Can build trust
 - a. With an organization's stakeholders
- General
 - Values/principles
 - Judgement empowering
 - More than just a set of rules
 - Way for organization to empower their employees to make ethical decisions

Code of Conduct

- Specific
- Rules (Thou Shalts)
- Uniformity/conformity
- Enforceable/behaviours
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Skepticism/Concession/Rebuttal

- Code of conduct/ethics is nothing but hot air
- Code of ethics should make grandiose claims
- Code of ethics gives us something to aim for

Misc.

- Judgement cannot be replaced by a set of rules no matter how comprehensive.
- Not only are there unmentioned situations, there are also a range of ethical ways to proceed mentioned situations
- Rules, regulations, and mechanical fixes cannot replace judgement

Self-policing

- CBC reports on other reports taking free stuff from IKEA
- Everyone has a price
 - You can be bought

Limits of Commitment

- Employment does not mean the person is complicit to the employer
- Whistleblowing

Module 12

Value of Philosophy

- “Doesn’t make the crops grow any better”
- “Many people think they are thinking when they are merely rearranging their prejudices”
- We are so committed to our beliefs that we will seek out whatever evidence fits with what we believe – confirmation bias

The Importance of Ethical Reasoning

- Our actions affect the well-being of another person, ethics has something to say about it
- What’s wrong with the “that’s-just-your-opinion” opinion?
 - Dismissive
 - Downplays the importance of reason-giving
 - Makes opinions radically subjective
- Reasons → actions, beliefs, opinions

Prudential Reasoning

- Choice a and b
 - B is best self-interest
 - Let’s take B away
 - Now we want to pick A for freedom reasons
 - Not rational

Self-interest

- Can result in social action problems
- Humans are predictably irrational

Moral Sentiments

- Reason we don’t is because we recognize that our actions affect the well-being of others and that it is wrong to advance our interests at the expense of others

Do no harm

- Only purpose to exert power rightfully is to prevent harm
- Harm is caused when a moral wrong results in a setback to one’s interests
- Interest: equal opportunity
- Setback: barriers to entry
- Moral wrong: coercion
- Moral reasons against bribery:
 - Not fair
 - Prevents equal opportunity
 - Dishonest
 - Coercive

- Canada encourages it – tax writeoff

Faulty Reasoning

- Everyone's doing it: part of culture – nothing wrong
- Tu Quoque Argument (you-too fallacy): hypocrisy