



POLITICS, ECONOMICS, AND PHILOSOPHY (PEP)

Interdisciplinary Seminar, WiSe 2017–18

Markets, Norms, and Law: Topics in the Ethics of Markets and Business

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1. Aims and Objectives

This is a research-based course that will examine a set of specific topics in the ethics of market interactions and behaviour in business institutions that are at the forefront of current research. The general question to be approached is how can we implement moral standards in economic environments in which incentive structures guide behaviour? The course therefore deals with the normative and practical problems of institutional and organizational design.

The starting point of this course is the recognition that economic institutions are normative systems and market transactions are normative practices. These systems and practices guide and are guided by law and morality. Yet, it is notoriously difficult to achieve morally desirable outcomes. Both legal and economic institutions can have distorting effects on moral standards, both in the way actors behave and the social outcomes that are achieved. One example is “whistleblowing”. This is an act of revealing concealed information to prevent harms and wrongdoings. Clearly, this is an important form of moral behaviour and we want employees to have moral and civil courage and engage in this practice. Yet, at the same time, whistleblowing can create the conditions that eradicate a valuable resource that is essential to efficiently functioning businesses: trust and loyalty. Whistleblowing can interfere greatly in the trusting relations among employees and colleagues. The question is here, how best to regulate this practice. There can clearly be cases of “too much” or “too little” whistleblowing. For instance, ought we regulate it via employment or liability law? Another example in the domain of trust are regulations for oath-taking by chief financial officers of major companies.

The aim of such a practice is to create or support trust in the company or sector. Yet, such rules may in fact reduce the basis of trust. Yet another example is consumer activism (“vigilantism”) is a case in point: is it permissible for consumers to pressure companies to not produce or sell certain goods and thereby interfere in basic freedoms? Should consumer activism be regulated by law? Or consider sweatshop labour practices. We may believe that sweatshops are morally bad because they are exploitative and thus we should not purchase goods produced in sweat-shops. But in standard models of exploitation sweat-shop practices can turn-out to be non-exploitative because the transactions are often voluntary. Then there is the problem of moral erosion: highly incentivized behaviour can lead to overt risk-taking and thus create harms (such as the bonus structure in the financial sector). But the freedom to set incentives may be morally permissible and in fact constitutive of a market economy. How is this to be regulated without destroying economic efficiency or violating the normative foundations of the market?

The course will study theoretical and empirical (especially experimental) approaches to a selection of these current topics in the ethics of markets and business. On the basis of recent literature in economics and philosophy this course you will

- develop an ability to identify and reflectively model ethical issues of market transactions and behaviour in business environments;
- develop an ability to propose and evaluate institutional designs and policies to deal with the ethical issues of markets and behaviour in business environments.

2. Target Group

The course is targeted at the M.Sc PEP students from 3rd semester.

3. Structure

This is a one-semester research-driven course in which you will work in teams on one of the seminar themes (a final list of themes will be circulated in advance of the Introduction & Organization session). Each team has to define its own specific research question and undertake independent research on that topic by applying economic modelling or experimental methods, or philosophical analysis.

The outcome of this research will be presented at workshop sessions at the end of the semester. You will give a 60-minute presentation of your research project, followed by a 30-minute discussion. On the basis of this research you will submit a single authored seminar paper.

The reason for teams has to do with our aim to offer “research training”. This has two components. The first is that doing good research requires that we learn to develop ideas and communicate them to others. Working in a team facilitates this process. The second is that the field of PEP/PPE is increasingly a team-based activity (like in the natural sciences) as it brings together specialist disciplinary interests and skills. Therefore, the ability to work in a is an increasingly constitutive part of PEP/PPE training.

The course has three phases:

Phase 1	27.10.17–10.11.17	Introduction & Organization Writing and Submission of abstracts Approval of research projects
Phase 2	11.11.17–20.01.18	Research Workshop preparation Workshops
Phase 3	21.01.18–31.03.18	Approval of seminar paper Paper Writing Submission of paper

4. Assessment

- A workshop presentation and active participation in workshop discussions.
- A single-authored research paper of 5000 words in a specialized part of your research topic. This paper is to demonstrate your ability to undertake original research at the intersection of economics and philosophy (it is not to be a literature review).

5. Instructions

Workshop

- *Content:* Your presentation should provide a systematic overview of your research topic, a description of your methods and analysis, a review of your results. It is not to be a literature review.
- *Time allowed:* presentation of 60 minutes; discussion of 30 minutes.
- *Presentation summary:* you should provide a 2 page precise as a handout for the workshop participants. This should contain an overview of the structure of your presentation, a statement of the main thesis, an outline of the main steps of the analysis, a summary of the main results, and a concluding remark.

Seminar Paper

- Your seminar paper should be on a well-defined question within your research topic that you presented at the workshop. It should be approved by either instructor. Please bear in mind when writing your paper that you maintain scholarly standards of presentation and citation. For citation guidelines, please consult our publications on our webpages or follow the standards found in international journals in economics, philosophy, or political science. In general, we recommend you use the author-date (Harvard) style.

6. Supervision

As a research-based course we will operate an “open-door” supervision policy. That means as a graduate student, you can approach us openly and freely to discuss your project alone or in your team (you should make appointments by email, however). But, before seeking advice carefully formulate your problems among yourselves and discuss them with other teams. Make use of the course to discuss ideas and problems and create a research environment.

7. Dates and Deadlines

Registration period:	01.09.17–21.09.17
Notification:	By 30.09.17
Introduction & Organization:	27.10.17, 14–18h
Submission of abstracts:	03.11.17
Approval of abstracts:	10.11.17
Workshop:	12.01.18, 13.01.18, 19.01.18, 20.01.18
Submission of seminar papers:	31.03.18

8. Background reading

General background

- Boatright, J.R. (ed.) (2010) *Finance Ethics: Critical Issues in Theory and Practice*, John Wiley.
- Brennan, J. and Jaworski, P.M. (2016) *Markets Without Limits: Moral Virtues and Commercial Interests*, Routledge.
- Davis, M. (2003) Whistleblowing, in H. LaFollette (ed.) *The Oxford Handbook of Practical Ethics*. Oxford University Press, 539–63.
- Hausman, D.M., McPherson, M.S. and Satz, D. (2017) *Economic Analysis, Moral Philosophy, and Public Policy*. Cambridge University Press (esp. chps. 5 & 6).
- Parisi, F. (2017) *The Oxford Handbook of Law and Economics: Volume 1: Methodology and Concepts*, Oxford University Press.
- Satz, D. (2010) *Why Some Things Should Not be For Sale: The Moral Limits of Markets*. Oxford University Press.
- Velasquez, M.G. (2014) *Business Ethics: Concepts and Cases*, Pearson.

Special topics

- Benabou, R. and Tirole, J. (2011) Law and Norms. NBER Working Paper Series, w17579.
- Bolle, F. and Braham, M. (2006). A Difficulty with Oaths: On Trust, Trustworthiness, and Signalling. *European Journal of Law and Economics* 22: 219–232.
- Donselaar, G.v. (2008) *The Right to Exploit: Parasitism, Scarcity, Basic Income*, Oxford University Press.
- Hussain, W. (2012) Is Ethical Consumerism an Impermissible Form of Vigilantism? *Philosophy and Public Affairs* 40: 111–43.
- Mechtenberg, L., Mühlheusser, G. and Roider, A. (2017), Whistle-Blower Protection: Theory and Experimental Evidence, *CEPR Discussion Paper* 1198.