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Teaching Ethics for better economic institutions and managerial behaviour

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Which is the object of our teaching?

- “Teaching Ethics for better economic institutions and managerial behaviour” in a much better and broader definition than just “Business Ethics”
- Teaching a University course must be different from imposing a code of conduct to managers and businessmen: the teacher should avoid the temptation to indicate what is right and what is wrong

A task for economists

- Boatright's introduction rightly points to the critical issue: *“the role of ethics lies not in obvious individual moral failures but in more subtle system factors”*
- To understand and explain an economic system and to point to its system factors which are relevant to ethics is a task for social scientists in general and for economists specifically; here is why the teaching of ethics in economics and business is not an exclusive field of moral philosophers

System factors: generalising Boatright

- Boatright indicates one crucial *system factor*: the (mis)allocation of responsibility. His question: “*Is it ethical to transfer risk without consideration of the efficiency of the market?*”
- Inappropriate transfer of risk was not an individual action
 - (although in some cases individual operations were evidently abusive)
 - inappropriate risk transfer has long been a widespread habit
 - it was difficult and risky for individual agents to oppose it
 - it was in the system, yet it did not come from the sky

Financial and economic systems are man made

- Why a practice of abusive risk transfer developed in the financial system in the past decades?
- Could it be recognised as negative and stopped in time ?
- A bad business practice
 - produces a direct damage on its victims
 - will be imitated, so it contributes to creating a negative externality (it pollutes the economic environment)

Beyond the laws: social habits

- Milton Friedman: “it is hard to argue that he [the participant in a competitive market] has any “social responsibility” except that which is shared by all citizens to obey the law of the land and to live according to his lights” (*Capitalism and freedom, chapter VIII*).
 - Friedman again: a manager’s “responsibility is to conduct the business in accordance with their [*the owners of enterprise*] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom”
(*The Social Responsibility of Business is to Increase its Profits*, New York Time Magazine, 13 September 1970)
- What is ethical custom?

Looking for Boatright's "subtle system factors"

- Allocation of responsibilities
- Shared ideals, social customs or habits
- Formation of social capital
- Trust, respect for the law, diffusion of criminal behaviour
- Externalities
- ...

System factors: positive or negative
(according to shared views)

Teaching Ethics

- to understand these factors and how they evolve and develop
- to see how positive factors can be reinforced and negative factors can be opposed
- drawing from various branches of Economics and other social sciences
- this is, in my view, the task of classwork in a course of Ethics in economics and business