Course Information

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<tr>
<th>Course Number</th>
<th>MGT 532 E1</th>
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<tbody>
<tr>
<td>Course Title</td>
<td>Business Ethics Meets Behavioral Economics</td>
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<tr>
<td>Term and Year</td>
<td>August 2016</td>
</tr>
<tr>
<td>Class Meeting Time, Day</td>
<td>See EMBA Class Schedule</td>
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<tr>
<td>Course Support</td>
<td><a href="mailto:somfacultysupport@yale.edu">somfacultysupport@yale.edu</a>, Monday-Friday 8:30am-5pm; after hours please contact the TA or the faculty.</td>
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Contact Information

<table>
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<tr>
<th>Professor(s)</th>
<th>TA(s)</th>
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<tbody>
<tr>
<td>Name: Daylian M. Cain</td>
<td>Name: TBA</td>
</tr>
<tr>
<td>Office Location: Evans Hall 5510 (top floor, facing city)</td>
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<td>Email Address: <a href="mailto:Daylian.cain@yale.edu">Daylian.cain@yale.edu</a></td>
<td>Address:</td>
</tr>
<tr>
<td>Office Hours: Office Hours: By appointment</td>
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Review Sessions: None

Textbooks and Recommended/Required Readings

<table>
<thead>
<tr>
<th>Textbook(s)</th>
<th>None</th>
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<tr>
<td>Required Readings</td>
<td>See Detailed Outline of Class Sessions</td>
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<tr>
<td>Recommended Readings</td>
<td>None</td>
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Software Used

None

Course Description and Objectives

| Course Description | SOM's mission is educating leaders for business and society. This class uses several lenses (e.g. business ethics, behavioral economics) to look critically at our obligations to society and our skewed perceptions of these obligations. |

Course Requirements
Final Paper: 5-7 pages double-spaced. Due August 17, 11:59pm. Submitted electronically as will be instructed. We will discuss the paper topic in depth, starting with the framework below.

Framework discussion: After the first class, where we will define the terms involved, put an “x” in each column below that best represents your view on CSR. Assume the circumstances are such that the CSR activity in question is for a publicly traded firm, and that it is valuable to society but comes at a small “net cost” to long-term profits. Come prepared to debate your view on day 2.

<table>
<thead>
<tr>
<th>UNDER SPECIFIED CIRCUMSTANCES, WE…</th>
<th>Try to Avoid Egregious Negative Externalities</th>
<th>Promote “CORE” CSR</th>
<th>ENGAGE IN PHILANTHROPY</th>
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<tr>
<td>MUST</td>
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Yale SOM Policies

Please see the Yale School of Management Bulletin at http://www.yale.edu/printer/bulletin/htmlfiles/som/m.b.a.-for-executives-program.html or "SOM Policies link on the left navigation bar for information.

Course Recording

All EMBA course lectures are recorded with permission of the faculty and posted to the specific course site.

Laptop/Device Policy

Usage not allowed without the express permission of the instructor.

Detailed Outline of Class Sessions

<table>
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<tr>
<th>#</th>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>Assignment/Case Due</th>
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### Monday, August 8
**Profit Maximization vs. CSR:** We will discuss what personal social responsibility the rich have to help the poor, then we will transition from personal responsibility to a discussion of corporate social responsibility (CSR). As background, we will read two economists’ views on CSR.

Read the Friedman article carefully and contemplate it; your reaction to it will form the backbone of the course. As long as you get the main points of the Arrow article (posted on course website), that is sufficient there.

"The Social Responsibility of Business is to Increase Its Profits" (Milton Friedman, 1970).

"Social Responsibility and Economic Efficiency" (Kenneth Arrow, 1973).

Consider the following questions:

- **The Social Responsibility of Business is to Increase its Profits**
  1. According to Friedman, what is wrong with CSR? Is philanthropy ever ok in Friedman’s view?
  2. What is Friedman’s main argument? What are several good objections?
  3. What are Friedman’s few restrictions on profit-seeking?
  4. What might Friedman say about Enron or Madoff?

- **Social Responsibility and Economic Efficiency**
  1. What shortcomings does Arrow see in Friedman’s view?
  2. Explain the “Market for Lemons” example.
  3. What is the problem of “externalities” for Friedman’s view?
  4. How does Arrow think CSR can be institutionalized?
  5. For firms, what makes for a useful ethical code?

### Tuesday, August 9
**Core CSR**

"Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" (Michael Porter & Mark Kramer, 2006).


**Strategy and Society:**

1. What is wrong with the current state of CSR initiatives? Explain several objections from the article.
2. The authors seem to justify CSR in terms of firms needing a healthy society and vice versa… what do you think of their justification?
3. What are the traditional justifications for CSR and what do the authors dislike about these?
4. How do the authors “prioritize” social issues?
5. Think of examples from your own work experience where a firm failed or succeeded in living up to these priorities.
6. How can this article help you differentiate “core CSR” from “philanthropy”?

**Merck & Co:**

1. What are the stakes for Mr. Vagelos as CEO? For Merck?
2. How does Merck choose from the many possible CSR initiatives?
3. In your opinion, how much should Merck invest in unprofitable drugs? What should Merck tell a shareholder about all of this?
4. Should firms put a value on saving a life, and if so, how?
5. What’s your view on what Merck should do, and how does that mesh with your ideas about your final paper and Friedman?

### Wed., Aug. 10
**Overconfidence and Unethical Decision-making**

"Everyone’s a Little Bit Biased (Even Physicians)” (Daylian Cain & Allan Detsky, 2008).


### Thurs., August 11
**Moneyballing Talent: Putting the Correct Value on Others**

"The Robust Beauty of Improper Linear Models in Decision Making” (Robyn Dawes, 1979).

"Managing Product Safety: The Ford Pinto” (Kenneth Goodpaster & Dekkers Davidson, 1983). TBA

### Friday, August 12
**Readings/cases will be emailed prior to class**

TBA

### Saturday, August 13
Professor Jason Dana is scheduled to hold a discussion to help you on your final paper positions for this class and give a lecture with readings.

The instructor reserves the right to modify and/or change the course syllabus as needed during the course.