Ethics at the Margin

An Economic Perspective on Ethical Decision-Making
DitY (Do it Yourself) moves
Military pays 80% of its costs, based upon weight (vehicle weighed before and after loaded.)
May only ship own property
No building supplies
Court Martial

- Review Actual Case
- Individual was observed attempting to return cinder blocks to store
Applicable Economic Concepts

- **Intensive Margin**
  - The decision point for how intensively to pursue an activity

- **Extensive Margin**
  - The decision point for whether or not to pursue an activity

- **Backward Induction**
  - A decision process starting from outcomes and proceeding backward toward actions.

- **Opportunity Cost**
  - The foregone value of the next best alternative action not chosen by the individual
Strategic Preferences and Social Conventions

- The vast majority of transactions are non-contractual and based upon trust.
- Without social conventions, the entire economic framework would break down.
- Choosing to act unethically is a break in the social structure with greater consequences than the individual act.
- Human preferences have developed to counteract the commitment problems inherent in strategic interaction.
Ethics at the Extensive Margin

- The decision to be an ethical individual occurs at the extensive margin.
- Acting in a socially acceptable manner removes the question of degree from unethical behavior.
How do I Make an Ethical Decision?

- Identify the Problem
  - Facts
  - Factors (laws, rules, constraints)
- Options
  - Develop a List (and ask around)
  - Test the options
- Make a Choice
- Review
Option Testing

- Harm Test
- Publicity Test
- Defensibility Test
- Reversibility Test
- Colleague Test
- Organization Test
- Straight-Faced Test

- Compare alternatives
- Newspaper article
- Explain it to grandma
- Reverse the situation
- Best friend/co-worker
- Will you get promoted?
- Can you convince yourself?
Questions?

THIS CONCLUDES MY PRESENTATION. ARE THERE ANY QUESTIONS?

HOW DO I GET THE BOREDOM OUT OF MY HEAD?!!

THE FUNNY THING IS THAT I’LL LIST THIS ON MY ANNUAL ACCOMPLISHMENTS.

AIR! I NEED AIR!!!