Département de philosophie/Department of Philosophy

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QUIZ TWO: **BUSINESS ETHICS**

PHI2397 C

Part I

Please circle the most appropriate answer (1 mark each)

a

1. Immanuel Kant claimed that moral principles could be derived on the basis of
   a. reason.
   b. empirical facts about human behaviour.
   c. revelation.
   d. an appeal to the consequences of our actions.
   e. water, barely, and hops.

b

2. One version of Kant's categorical imperative advises us to find our moral obligations by asking:
   a. Will this action create the most happiness?
   b. Could I consistently will everyone to follow my moral principle?
   c. Will doing this action make me feel good about myself?
   d. Am I being true to my own conscience?
   e. *cui bono?* (who benefits?)

e

3. Virtue ethics relies on one's character because
   a. if someone is known as a "character" s/he often has good ethics.
   b. Aristotle himself was a character.
   c. Aristotle had good character.
   d. Aristotle's teacher Plato called it character ethics that.
   e. a good character helps ensure good choices.

4. In virtue ethics, a good act tends to ___b___. (MAISING)
   a. be a selfless one.
   b. be a moderate or temperate.
   c. follow the rules.
   d. be one that never makes exceptions.
   e. oppose the established norms or customs.

Final answer! (b)

d

5. According to John R. Boatright, despite the fact that financial decision-making is typically limited to the financial factors of ~~risk and return~~ over time, ethics must consider what?
   a. The fact that financial activity takes place primarily in an economic setting
   b. How the money makes it back to the investor as quickly as is fair to the company
   c. The ethical treatment of the consumers only
   d. The ethical treatment of everyone affected by a decision
   e. Both b and c

6. Boartight claims that the selling of financial products is especially susceptible to unethical practices of ___________ and ___________.
   a. bragging / gloating
   b. twisting / suckering
   c. twisting / flipping
   d. exaggerating / flipping
   e. slander / huckstering

c

7. Jennifer Moore considers the argument that _____________ is (are) a kind of property.
   a. derivatives
   b. information
   c. copyrights
   d. good jokes
   e. fashion

b

8. Niall Ferguson says that the financial crisis of 2008 happened because:
   a. American companies were not creating new products.
   b. Productivity had decreased.
   c. There were too many defaults on subprime mortgages.
   d. People lost trust in the capitalist system.
   e. The government took over some financial institutions.

C

9. Ferguson often discourages homeownership because
   a. you have to sell a home when you move.
   b. your children will inherit the home, leaving little money for retirement.
   c. it is a large, undiversified investment.
   d. goverments have expropriated homes without compensation.
   e. real estate agents have such high fees.

C

10. According to McDonald, leverage is:
   a. Borrowing money and then risking it without a way to cover the potential loss
   b. Diversifying by putting money in many different investments
   c. Considering how the investment will look in three to five years
   d. Charging investors very high fees
   e. Keeping enough capital on hand to cover any losses sustained

a

11. What could cause the "doomsday scenario" that McDonald describes?
   a. Too many people investing in hedge funds
   b. The secrets of hedge funds being broadcast on the media
   c. Hedge fund managers getting too conservative
   d. A sharp increase in interest rates
   e. A sudden fall in interest rates

e

10/11

Part II

Short Answer (3 marks each)

unbiased. greatest good → greatest #

John Stewart Mills

3/3

12. What is the Greatest Happiness Principle? Who formulated it? How is it related to cost-benefit analysis?

↳ greatest ratio to maximize profit

John Stewart Mills wrote the greatest hapiness principle. Greatest happiness principle states we should achieve the greatest good for the greatest number. He says that an act should be taken with hapiness as the desired outcome while taking into concideration of all those who will be impacted. Hapiness brings pleasure and unhapiness brings pain. He also states that the actions should be unbiased and self-less. The cost-benefit analysis is done to determine the greatest ratio between costs and benefits which maximizes profits. Successfully achieving the cost-benefit analysis would be achieving the greatest happiness principle since greatest good for greatest number is achieved.

13. J. Moore ultimately agrees that insider trading is wrong. In a sentence or two for each, name three reasons why she thinks so.

3/3

Insider trading occurs when there is information withheld or acess to that information is not equally accessible to insiders and outsiders. Reasons for this being wrong:

1) If employees were prohibitted to share information about harms that is occuring within the organization they will no longer have an incentitive to prevent such harms from happening.

2) Rumors. Those who are trading information can now "invent information" and thereby partake in stock market manipulation

3) Instability. If insider trading was prohibited, employees will be more focused on finding ways whether positive or negative to cause the creation of insider trading 3. When this happens they lose focus and even neglect their duties to help achieve the organization's goals

3/3

14. What is fractional-reserve banking? Give an example of how it might work. Why does N. Ferguson seem to dislike it?

Fractional - reserve banking is when a bank allocates less money towards deposits and puts more money towards lending since they can make a profit and increase financial gain. For example, a client at a particular bank has both a debt and credit card. The money in the debt card will remain there unless a purchase is made or money is withdrawn. The money from the credit card is borrowed in the hopes that it will be repayed. Unlike the money in debt card, the credit card is tacked on by an interest rate which results in a profit for banks. When the economy was good and interest rates were high banks decided to give out a sub-prime mortgage targeted at those with lower financial income. These who took out the loan were not able to pay it back since their income is "fixed", this led to the 2008 financial crisis. N. Ferguson is against this because he believes it is not fair to take advantage of people for the sake of increasing profits. This has a huge impact on society as a whole. / inflates the amount of Credit in market → bubbles → Crashes.

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