



# Do Managerial Economics Textbooks Cover Ethics and Corporate Social Responsibility?

*Literature review by Sharon L. Green and Jane S. Lopus*

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The topic of ethics has increased in importance in the business school curriculum in recent years. Addressing topics related to ethics is required for accreditation from the Association to Advance Collegiate Schools of Business (AACSB, 2008: 11). Highly publicised ethical scandals at corporations such as Enron, Arthur Anderson, and Tyco International, along with public alarm in response to accounts of environmental degradation, child labour abuses, and financial inequities, have heightened awareness of ethics and corporate social responsibility (CSR) in all business contexts. Although many colleges and universities have stand-alone graduate and undergraduate level business ethics and CSR courses, business and economics faculty are increasingly encouraged to address topics of ethics and CSR in courses throughout the business curriculum (Baetz and Sharp, 2004; Bracken and Urbancic, 1999; Hoas and Wilcox, 1995.) For professors faced with this challenge, it is helpful if course textbooks cover these topics. This review addresses whether current managerial economics textbooks include discussion of ethics and CSR.

Integrating business ethics and CSR into managerial economics courses is important for several reasons. The relationship between economics and ethics is not straightforward. Although Adam Smith addressed this in *The Theory of Moral Sentiments* in 1759, Milton Friedman's (perhaps misinterpreted) 1970 article 'The Social Responsibility of Business Is to Increase Its Profits' (*New York Times Sunday Magazine*) is possibly more often quoted today to imply that the study of economics has little to do with ethics (Kuhn, 1992.) Managerial economics classes, which involve business decision making, are a logical context for discussing these issues. A course in managerial economics is frequently required for both graduate and undergraduate business degrees. In many MBA programmes managerial

economics is the only economics course students are required to take. Arce (2004) outlines several reasons for introducing ethics in managerial economics courses: economists believe that their discipline provides a foundation for most business-related decisions. The managerial economics course is a natural place to identify and discuss ethical trade-offs and dilemmas within the context of business. Students need to learn to make ethical judgements about economic decisions in the workplace. Unethical behavior can involve significant loss of value to a firm through adverse market reactions (p.261).

Prior studies have reviewed a variety of business and economics textbooks with an eye to ethics and CSR concerns. Coverage of these topics is generally found to be limited or superficial (Bracken and Urbancic, 1999; Baetz and Sharp, 2004), but is found to be more extensive in marketing and management textbooks than in economics textbooks (Hoas and Wilcox, 1995). In a review of 21 textbooks used in managerial economics classes and published between 1992 and 2004, Arce (2004) observed that 'substantive discussions of ethics are conspicuous by their absence' (p. 261). Only 29 per cent of the texts surveyed contained ethical content and only 29 per cent mentioned social responsibility (p. 265).

## Textbook analysis

For our current review, we update Arce's study by investigating 17 English language managerial economics textbooks published in 2004 or later. Although intermediate micro theory texts and business economics texts may also be used in these courses, we limited our analysis to texts that contain the words 'managerial economics' (or in one case 'managers') in their title.<sup>1</sup> These textbooks are listed in Table 1, alphabetised by author in column.<sup>2</sup> Following the content analysis conducted by Arce, we searched indexes for keywords relating to 'ethics' and 'corporate social responsibility.'<sup>2</sup> We also searched tables of content for these keywords and related topics. If we found reference to any of the keywords, we read the pages in the text to ensure that the content was in fact related to ethics or CSR. If we determined that it was, we recorded 'yes' in columns 5 or 6. We then recorded the number of pages relating to the topics for the 'yes' cases.

Our findings in columns 5 and 6 show that of the 17 textbooks reviewed, seven include no mention of either ethics or CSR, five mention one but not both topics, and only five address both topics. Eight of the books (47 per cent) address topics related to ethics and seven (41 per cent) address topics related to CSR. Of the books addressing either ethics or CSR or both, only the one by Brickley, Smith and Zimmerman devotes more than four pages to either topic. This book contains a chapter devoted to these topics entitled 'Ethics and Organizational Architecture,' as

**Table 1:** Coverage of Ethics and Corporate Social Responsibility in Managerial Economics Textbooks

Title of Textbook	Author(s)	Date (Edition)	Publisher	Topics Listed in Index or Table of Contents?	
				Ethics (no. pages)	CSR (no. pages)
Managerial Economics: Theory, Applications, and Cases	Allen, Doherty, Weigelt and Mansfield	2005 (6th)	Norton	No	No
Managerial Economics and Business Strategy	Baye	2009 (6th)	McGraw-Hill Irwin	No	No
The New Managerial Economics	Boyes	2004 (1st)	Houghton Mifflin	No	No
Managerial Economics and Organizational Architecture	Brickley, Smith and Zimmerman	2007 (4th)	McGraw-Hill Irwin	Yes <sup>a</sup> (23)	Yes (4)
Economics for Managers	Farnham	2005 (1st)	Pearson Prentice Hall	No	No
Managerial Economics: A Problem Solving Approach	Froeb and McCann	2008 (1st)	Thompson South-Western	Yes (3)	No
Fundamentals of Managerial Economics	Hirschey	2006 (8th)	South-Western Cengage	Yes (1)	Yes (3)
Managerial Economics	Hirschey	2006 (11th)	Thompson South-Western	Yes (2)	Yes (3)
Business Economics and Managerial Decision Making	Jones	2004 (1st)	John Wiley & Sons	Yes <sup>a</sup> (3)	Yes (4)
Managerial Economics: Economic Tools for Today's Decision Makers	Keat and Young	2006 (5th)	Pearson Prentice Hall	No	Yes (2)
Managerial Economics: Applications, Strategy, and Tactics	McGuigan, Moyer and Harris	2008 (11th)	Thompson South-Western	No	No
Managerial Economics	Png and Lehman	2007 (3rd)	Blackwell	No	No
Managerial Economics in a Global Economy	Salvatore	2007 (6th)	Oxford University Press	Yes (4)	No
Managerial Economics	Samuelson and Marks	2006 (5th)	John Wiley & Sons	No (4)	Yes
Managerial Economics	Thomas and Maurice	2008 (9th)	McGraw-Hill Irwin	No	No

**Table 1:** Coverage of Ethics and Corporate Social Responsibility in Managerial Economics Textbooks (continued)

Title of Textbook	Author(s)	Date (Edition)	Publisher	Topics Listed in Index or Table of Contents?	
				Ethics (no. pages)	CSR (no. pages)
Managerial Economics: Analysis, Problems, Cases	Truett and Truett	2006 (8th)	John Wiley & Sons	Yes (6)	No
Managerial Economics: A Problem Solving Approach	Wilkinson	2005 (1st)	Cambridge University Press	Yes (2)	Yes <sup>b</sup> (4)

- a The textbook by Brickley, Smith and Zimmerman contains a 27-page chapter entitled ‘Ethics and Organizational Architecture’. Four of these pages deal with corporate social responsibility. These four pages were subtracted from the 27 for the ethics page count to avoid double counting. The textbook by Jones contains a six-page section on CSR and two of these pages deal with ethics. These two pages were counted under ethics but not also under CSR.
- b For the Wilkinson text, we do not count pages with references to ethics and social justice as goals of government policy. We do include a four-page case study on corporate governance under CSR.

Arce found four years ago. Although our book sample is not directly comparable to Arce’s, we conclude that although more managerial economics textbooks are addressing topics of ethics and CSR than was true four years ago, over half of the texts still do not mention one or both topics. The extent of the coverage within the managerial texts that do address ethics and CSR is very limited in all but one text.

We do not attempt to analyse the quality of the ethics or CSR content in this review, but we are struck by the lack of content or brevity of content in all but one of the texts examined. We note, however, that several economics topics that could readily lead to discussions of ethics and CSR are consistently covered in these books. These topics include moral hazard, principle-agent problems and externalities.

## Conclusions

Although there are strong arguments for offering stand-alone ethics courses to business students (Piper *et al.*, 1993), the emerging consensus is that ethics and CSR should be integrated into discipline-specific business courses, including economics. Managers at all levels of organisations must struggle daily with ethical dilemmas integral to a variety of decisions (Piper *et al.*, 1993). Hoaas and Wilcox (1995) concur

that all business disciplines are brought into play in responding to complex business challenges, and when managers apply economic principles, ethics and efficiency considerations must be grappled with simultaneously. Economics professors can best serve the interests of future business professionals by providing them the opportunity to think about the coincidental nature of these issues in the context of the principles of applied economics. Better integration of topics related to ethics and corporate social responsibility into managerial economics textbooks would be an important step in this direction.

## Notes

- <sup>1</sup> Our 17 texts overlap with the 21 used by Arce in the following ways: one of the books, Boyes 2004, is the same. We include four first editions not in Arce's study and eliminate six of Arce's texts published prior to 2004 for which we could not locate later editions. We also eliminate three that have microeconomic or business economics titles. We use new editions of 11 texts in Arce's study. We also include both versions of Hirshey's text because we find a slightly differing treatment of ethics in them.
- <sup>2</sup> Following Arce, the keywords we searched for 'ethics' were business ethics, code of ethics, corporate ethics, ethics, managerial ethics, morals, and morality. The keywords we searched for CSR were corporate social responsibility, Milton Friedman (for reference to his 1970 *New York Times Magazine* article), social contract, social responsibility, socially desirable, stakeholders, stewardship, values, and whistle blowing. We added 'moral principles' and 'goals and objectives of firms' to Arce's list of keywords.

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