LGST 612
Responsibility in Business

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Q4, Spring 2020
Tuesday and Thursday 3:00 pm – 4:30 pm
Office Hours: by appointment

Course Description:

In this course we’ll be discussing the key pieces of law and regulation relevant to “responsibility” in business. To ground our discussion, we’ll consider and grapple with a range of concrete ethical dilemmas that arise in the business environment.

More specifically, the goal of this course is to push you to think critically about how you would make decisions in the “gray” areas that you’ll certainly encounter. To do that, we’ll be exploring current and cutting-edge issues in business ethics, conduct, and culture. Importantly, this class is practice-based and situational: so we’ll be thinking through case studies and engaging with guest speakers from the business world. A large portion of the class will focus on financial institutions and markets, so those interested in the financial services profession (very broadly construed) may find this section of 612 particularly useful.

Grading:

Your grade is divided into three parts: 20% class participation, 40% for four response papers, and 40% for the final exam.

Class participation. Your class participation grade will primarily be determined by the quality of your comments in class (meaning, how engaged with the reading, how responsive to other students, and how focused on the discussion questions I set out), your attendance, and your punctuality. I will take attendance and start each session precisely on time and will make a note of any latecomers or missing students each session for grading purposes.
If personal emergency or interviews mean you’ll have to miss class or arrive less prepared, please notify me at least an hour before the beginning of the session. Abuse of this notification system will be noted. See me of course with any concerns.

Response papers. You’ll each be required to upload to Canvass four short response papers (between 200 and 300 words). These papers should be written in response to our one case study and three guest speakers – we’ll have three guest speakers in the class, because I think insights from leaders in the industry will be extremely valuable to you in anticipating ethical dilemmas that may arise in your future careers, and putting yourself in the mindset of senior managers that have themselves worked through these issues.

Final Exam. There will be an open-book final exam in class, during out last session. The exam will be short-essay, and will cover the readings, lectures, and guest discussions. You may use any materials you wish, but may not collaborate with other students.

Course Materials:

All required reading materials (as listed by lecture below) will be available through Canvas, or linked in the syllabus.

Lectures and Assigned Readings:

Issue 1: Why Good People Act “Unethically” in Business
To kick off the course, we’ll spend our first week together discussing the basic concept of ethical conduct in business. Is there something about “money” that makes people act unethically? And going further, where is the line between legal and ethical – can something be legal, yet still unethical (and therefore conduct which should be avoided)? Who decides where that line is drawn? And who will care when it’s crossed (employers, investors, regulators)?

Session 1: What is it about money?

Reading:
A. Alain Cohn et al., Business Culture and Dishonesty in the Banking Industry, 516 Nature 86 (2014)
B. When Money Gets in the Way of Corporate Ethics, N.Y. Times, Apr. 17, 2017
Session 2: What does it mean to be “responsible”: the legal vs. ethical?

Readings:
A. The Financial Crisis Inquiry Committee Report, Conclusions (pp. xv – xxviii)
B. Patrick Radden Keefe, Why Corrupt Bankers Avoid Jail, New Yorker (July 24, 2017)
C. Raquel Baldeomar, Where is the Line between Ethical and Legal, Forbes (July 21, 2016)

Issue 2: Responsibility to whom?

When you make decisions in the corporate setting, there are a number of stakeholders that will be vying for priority. Where public companies are concerned, traditional corporate law theory maintains that managers and board members should act first and foremost with their shareholders’ interests in view. Meanwhile, investment professionals have to be mindful of the laws and regulation that require them to serve the best interests of their clients. Finally, in some settings (like large financial institutions) there may be social interests at stake, where decisions can impact the stability of the financial system overall. This is a foundational set of concepts and laws, so we will spend three sessions covering these topics.

Session 3: Responsibility to shareholders

Readings:

Session 4: Responsibility to clients

Readings:

Session 5: Responsibility to society

Session 6: Responsibility to public markets (We Work Case Study)

Readings:
A. Reeves Wiedeman, *The Sun Sets on We*, New York Magazine, Sept. 30, 2019

Issue 3: Securities Law

In these sessions, you’ll gain a high-level understanding of the range of securities laws and regulations that will be most relevant to your decisionmaking (particularly for those working in financial services or for a public company). No matter how good your lawyers are, you’ll need to know the basics of these securities laws in order to responsibly participate in an initial public offering, to file (or, more likely, review) periodic disclosures, and to steer clear of insider trading violations – to name just a few examples.

Session 7: Mandatory Disclosure

Readings:

Session 8: Insider Trading

Readings:
B. Stephen M. Bainbridge, *The Law and Economics of Insider Trading 2.0*

Session 9: Guest Speaker: Paul Shechtman, Partner, Bracewell LLP

Issue 4: Conduct and Culture

Conduct and “culture” in financial institutions has become an increasing focus of financial regulators since the financial crisis. Those planning to enter – or engage with – the financial services profession should be aware of this new regulatory initiative – and of how the financial institutions are responding.
Session 10: Conduct, culture, and ethics in financial services

Readings:

A. Christina Parajon Skinner, *Conduct and Culture in Global Banks* (Cambridge University Press, forthcoming 2020) (draft chapters 1, 2 and 5)

B. Guest speaker: Andraya Schneider, Managing Director, Bank of America Merrill Lynch

Session 11: Guest speaker: Tom Noone, Legal Counsel, Federal Reserve Bank of New York

Session 12: Exam