



**MGMT 448 – Ethics in Finance**  
**Fall 2018; Tuesdays 6-9 p.m. ON LINE and IN PERSON**

**Revised: July 25, 2018**

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**Office Hours:** By appointment in Schreiber 526; on phone; or on line with Zoom

**Course Description:**

This course addresses business ethics, with a particular emphasis on issues that arise in the field of finance. It also meets the general ethics requirement for the MSF degrees.

**Course Overview:**

This course is presented in a “blended” format—that is some of the class sessions will be on line, while some will be in-person in Schreiber 201. See detailed class schedule below.

**Course Objectives and Learning Outcomes**

- Gain acquaintance with key ethical theories, especially as they apply to business.
- Consider the role of business in general, and finance in particular, and how the world of business contributes to society.
- Pass an ethics test from the Chartered Financial Association (CFA) Institute.

**Quinlan School of Business Policies**

**Attendance and Make-Up Examinations:**

For a student with a documented special testing need, please consult University policy concerning use of the testing center in Sullivan Center at Lake Shore Campus.

**Academic Integrity:**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood...Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved. For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:

<http://luc.edu/media/lucedu/quinlan-graduate/pdfs/Honor-Code-Quinlan-July2012.pdf>

### Instructor's Additional Policies on Academic Dishonesty:

Any student determined to be cheating will receive an F for the course and will be dismissed from the class.

### Academic Integrity and Quiz Behavior in this Course:

During each quiz you are free to use your textbook, your notes, your calculator, Excel, and all other such resources. The only restriction is the following: **Do not communicate with any other person during the quiz by any means, including but not limited to: phone conversations, emails, or texting.**

<b>Grading</b>	
Three equally-weighted exams per exam schedule	Together these three exams constitute 85% of the course grade
CFA Ethics Requirement	For this part of the course, you must register with the Chartered Financial Analyst Institute (CFA Institute), pass the Standards of Practice Exam, and email to me a copy of the certificate you earned by the deadline, <b>October 16.</b>  15% of the course grade; This is a binary outcome: 15% by submitting your certificate on time; zero otherwise

<b>Materials Needed for This Class</b>
<i>The Wisdom of Finance: Discovering Humanity in the World of Risk and Return</i> by Mihir Desai
Readings and lectures available on the box.com site for this course:  <a href="https://app.box.com/s/fq39ih2pblgxz1bgx2yrkag5pa9tmd8h">https://app.box.com/s/fq39ih2pblgxz1bgx2yrkag5pa9tmd8h</a>
<b>CFA Links and Materials:</b> Register for an account with the CFA: <a href="https://www.cfainstitute.org/Pages/index.aspx">https://www.cfainstitute.org/Pages/index.aspx</a>  Acquire the Standards of Practice Handbook and access the exam: <a href="https://www.cfainstitute.org/ethics/codes/standards-practice-handbook">https://www.cfainstitute.org/ethics/codes/standards-practice-handbook</a>  After completing and passing the exam obtain your certificate: <a href="https://learningcontent.cfainstitute.org/Transcript/AllMyTraining.aspx">https://learningcontent.cfainstitute.org/Transcript/AllMyTraining.aspx</a>  <b>Some Optional CFA Materials to Help You Prepare for CFA Exam:</b> See a CFA video "Introduction to the Code of Ethics and Standards of Professional Conduct" <a href="https://www.cfainstitute.org/en/research/multimedia/2018/introduction-code-of-ethics-standards-professional-conduct">https://www.cfainstitute.org/en/research/multimedia/2018/introduction-code-of-ethics-standards-professional-conduct</a>  Obtain some CFA cases with multiple-choice questions and answers: <a href="https://www.cfainstitute.org/en/ethics/ethical-decision-making">https://www.cfainstitute.org/en/ethics/ethical-decision-making</a>  View training videos etc.: <a href="https://www.cfainstitute.org/research/topics">https://www.cfainstitute.org/research/topics</a>

## MGMT 448—Fall 2018 Class Schedule

We have three types of class sessions:

**IN-PERSON:** Meets in Schreiber 201 in the flesh. I will comment on and we can discuss the assigned material from *The Wisdom of Finance* and other assigned readings. For the classes on September 11, October 2, and October 23, I will answer any questions you have about the material for next week’s exam. In advance of each class meeting, I will let you know the items on which I plan to focus for our discussion.

**SYNC ON LINE:** On line, we all meet together. I will record portions of the class as feasible. The three exams are given on line in this style of meeting.

**ASYNC STUDY DAY:** No class meeting; study on your own.

<b>Class Schedule</b>	
<b>Class/Date</b>	<b>Status/Activity</b>
<b>BEFORE</b> our first class meeting	Read syllabus Review generally the PowerPoints and readings available on box.com. Register with the CFA Institute and review the CFA ethics material available by download.
1: August 28	<b>IN-PERSON</b> I will review the syllabus and all of the course requirements. I will also give a “tour” of the resources for the course and answer questions.  <b>Read in advance of class and be prepared to discuss:</b> “Peck—Acertado/Boswin Case Scenario” We will have a brief (ungraded) test on this article, review the answers, and discuss the material. Other brief items I will specify as the date approaches.
2: September 4	<b>ASYNC STUDY DAY</b>
3: September 11	<b>IN-PERSON</b> <b>Read in advance of class and be prepared to discuss:</b> <i>The Wisdom of Finance:</i> Beginning through Chapter 2 Other brief items I will specify as the date approaches.  <b>Practice Exam:</b> We will have a practice exam to become familiar with the testing technology and to show you the kind of exam questions you should expect. <b>You will need your computer, not a phone or tablet!</b>
4: September 18	<b>SYNC ON LINE—Exam 1</b> <b>Exam Coverage</b> <b>The following recorded lectures and accompanying readings listed by section:</b> Section A: Introduction (entire) Section B: Business and Wealth Creation (lectures 1-11) <b>The following readings (which are not covered by lectures):</b> Boatright—Churning Boatright—Conflicts of Interest Boatright—Fiduciary Duty Overdahl—Banker’s Trust Rodriguez—Ponzi Scheme Schwartz—Madoff Scandal  <b>The readings and discussion from our class on September 11</b>

5: September 25	<b>ASYNC STUDY DAY</b>
6: October 2	<b>IN-PERSON</b> <b>Read in advance of class and be prepared to discuss:</b> <i>The Wisdom of Finance</i> : Chapters 3-5 Other brief items I will specify as the date approaches.
7: October 9	<b>SYNC ON LINE—Exam 2</b> <b>Exam Coverage</b> <b>The following recorded lectures and accompanying readings listed by section:</b> Section B: Business and Wealth Creation (lectures 12-18) Section C: Ethical Theory (entire) Section D: Rights (lectures 1-4) <b>The following readings (which are not covered by lectures):</b> Kolb—Executive Compensation Kolb—Option Backdating Marthinsen—Société Générale Overdahl—Barings Bank Ragatz—MF Global <b>The readings and discussion from our class on October 2</b>
8: October 16	<b>ASYNC STUDY DAY</b> <b>DEADLINE:</b> Submit a pdf showing the certificate you earned for passing the CFA ethics exam. (Copy and paste a screenshot of your certificate into a Word document, save as a pdf and email the pdf to me.) I will confirm receipt. Make sure you get my confirmation email.
9: October 23	<b>IN-PERSON</b> <b>Read in advance of class and be prepared to discuss:</b> <i>The Wisdom of Finance</i> : Chapters 6-Afterword Other brief items I will specify as the date approaches.  <b>ALSO: Review the recorded lectures for Section D: Rights and Section E: Justice before class.</b>
10: October 30	<b>SYNC ON LINE—Exam 3</b> <b>Exam Coverage</b> <b>The following recorded lectures and accompanying readings listed by section:</b> Section E: Rights (lectures 5-8) Section F: Justice (entire) Section G: The Morality of the Market (entire) Section H: The Purpose and Morality of the Corporation (entire) <b>The following readings (which are not covered by lectures):</b> Boatright—Ethical Issues in Bankruptcy Marthinsen—Strategic Default Boatright—LIBOR Scandal Kolb—Sovereign Debt Kolb—Vulture Investors <b>The readings and discussion from our class on October 23</b>

## Lectures and Associated Readings

**Note:** In the list below, lectures are preceded by a number, e.g., “01—Boatright on the Ethics in Finance.” Readings are indented and immediately follow their associated lecture. Unless indicated, you can read or view the lecture in the order your prefer.

### Section A: Introduction

- 01—Boatright on the Ethics in Finance (10 minutes)  
Boatright—Ethics of Finance
- 02—The Financial Crisis of 2008-2011—Part I (89 minutes)
- 03—The Financial Crisis of 2008-2011—Part II (86 minutes)
- 04—The Financial Crisis of 2008-2011—Part III (36 minutes)  
Kolb—Financial Crisis of 2008-2011

### Section B: Business and Wealth Creation

- 01—Introduction (8 minutes)
- 02—The Feudal Background and Agrarian Life (25 minutes)  
Hollister—The Evolution of Agrarian Life (recommended)
- 03—Toward a Commercial Society (14 minutes)
- 04—Angus Maddison and World Economic Growth (17 minutes)
- 05—Rosenberg and Birdzell on How the West Grew Rich (20 minutes)  
Rosenberg—How the West Grew Rich (recommended)
- 06—Lucas on Industrial Revolutions—Past and Future (14 minutes)  
Lucas—The Industrial Revolution
- 07—Meet Adam Smith (4 minutes)
- 08—The Division of Labor and Universal Opulence (22 minutes)
- 09—Dignity and Freedom in a Market Economy (14 minutes)  
Smith—Wealth of Nations—Book I Chapters 1-2
- 10—A Self-Organizing Economy and the Invisible Hand—Part 1 (20 minutes)
- 11—A Self-Organizing Economy and the Invisible Hand—Part 2 (28 minutes)
- 12—Gentle Commerce and the Bourgeois Virtues (15 minutes)  
Smith—Theory of Moral Sentiments—The Bourgeois Virtues  
McCloskey—Bourgeois Virtues
- 13—De Soto on the Mystery of Capital (13 minutes)  
DeSoto—The Mystery of Capital (recommended)
- 14—Friedman on the Relation Between Economic Freedom and Political Freedom (33 minutes)  
Friedman—The Relation Between Economic Freedom and Political Freedom
- 15—Summary—The Benefits of a Market Economy (7 minutes)
- 16—A New Discipline and the Degradation of the Worker (14 minutes)  
Smith—The Degrading Effects of Repetitive Labor
- 17—The Communist Critique of Capitalism—Part 1 (19 minutes)  
Engels—The Condition of the Working Class in England—excerpts
- 18—The Communist Critique of Capitalism—Part 2 (27 minutes)  
Marx—The Communist Manifesto—pp. 1-11

### **Section C: Ethical Theory**

- 01—An Introduction to Ethical Theory (9 minutes)
- 02—Utilitarianism (30 minutes)
- 03—Jeremy Bentham Mostly for Fun (6 minutes)
- 04—Deontological Ethics (31 minutes)
- 05—The “Trolley Problem” and Human Rights (16 minutes)
- 06—Virtue Ethics and Aristotle (44 minutes)
- 07—Adam Smith’s Theory of Moral Sentiments (42 minutes)  
    Smith—The Theory of Moral Sentiments—excerpts
- 08—Ethical Theory: Summary and Conclusion (22 minutes)

### **Section D: Rights**

- 01—The Basics of Rights (13 minutes)
- 02—The United States Bill of Rights (10 minutes)  
    US Bill of Rights
- 03—The United Nations Universal Declaration of Human Rights (5 minutes)  
    UN Universal Declaration of Human Rights
- 04—The Basics of Rights: Conclusion (5 minutes)
- 05—An Introduction to Social Contract Theory (19 minutes)
- 06—Freedom and Liberty (13 minutes)  
    Kolb—Freedom and Liberty
- 07—An Introduction to Property Rights (7 minutes)
- 08—John Locke on Property (19 minutes)

### **Section E: Distributive Justice**

- 01—An Overview of Distributive Justice (38 minutes)  
    Kolb—Distributive Justice
- 02—John Rawls’s Theory of Justice (32 minutes)
- 03—Robert Nozick’s Theory of Justice (44 minutes)

### **Section F: Markets and Morality**

- 01—Sandel on How Markets Crowd Out Morals (23 minutes)  
    Sandel—When Markets Crowd Out Morals
- 02—Maitland on Virtuous Markets (24 minutes)  
    Maitland—Virtuous Markets (recommended)

### **Section G: The Purpose and Morality of the Corporation**

- 01--An Introduction to the Purpose and Morality of the Corporation (12 minutes)
- 02—Friedman on the Social Responsibility of Business is to Increase Its Profits (19 minutes)  
    Friedman—The Social Responsibility of Business is to Increase Its Profits
- 03—Freeman on Managing for Stakeholders (16 minutes)  
    Freeman—Managing for Stakeholders recommended)
- 04—Stakeholder Theory with R. Edward Freeman (53 minutes)
- 05—Maitland on the Morality of the Corporation (24 minutes)  
    Maitland—The Morality of the Corporation (recommended)