

Mendoza College of Business  
University of Notre Dame

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Spring 2008

## **MBET 60370: ETHICS IN FINANCE AND BANKING**

January 15 to February 26  
Tuesday and Thursday, 3:00 pm - 4:50 pm

### **Course Description**

This 2-credit course builds on the previous course “Conceptual Foundations of Business Ethics” and focuses on the ethics in finance and banking. It covers the following topic areas:

- A Critical View on American Capitalism
- Foundational Issues of Ethics and Economics
- Focus on the Creation of Wealth – Muslim, Christian, and Jewish Views
- Global Principles for Investment
- Potential and Limits of Socially Responsible Investment
- Ethics in Investment Management
- Managing Environmental and Social Risks
- Fiduciary Responsibilities in the Financial Service Industry
- Business Ethics and Corporate Governance: Cases and Regional Reports
- Fairness and the RMB-Dollar Exchange Rate

The course pursues a strongly interdisciplinary approach. Faculty specializing in economics, finance, banking, and ethics will help the students to analyze these complex topic areas and explore their ethical implications. The instructors are: Tom Cosimano, Georges Enderle, Roger Huang, Jerry Langley, Ann Oestreich and Raymond Wicklander. The course is coordinated by Georges Enderle.

### **Objectives**

In this course business ethics is understood in a comprehensive and differentiated sense, as it has evolved in recent years under the influence of globalization. Accordingly, its fundamental task is *to enhance the quality of decision making and taking action at all levels of business*: at the personal (micro-), organizational (meso-), and systemic (macro-) levels. Therefore, we will discuss ethical challenges for individuals (for instance, investment managers), ethical responsibilities of organizations (for example, international banks), and ethical issues of systems (for instance, fairness of RMB-Dollar exchange rate policies).

The objectives are to:

- Understand the broader economic and ethical context of finance.
- Comprehend the need for ethics in finance and the role of morality in financial activity.
- Examine the ethical concepts of responsibility, integrity, fairness, and sustainability.
- Discern the fiduciary responsibilities in the financial service industry.
- Understand the professional responsibilities of investment managers and consultants.
- Investigate concrete examples of corporate governance.
- Explore different types of corporate governance around the world.
- Familiarize yourself with religious views on wealth creation.

### **Assignments (explanations see below)**

- Required readings to be completed prior to each session.
- Group presentations of regional reports and case studies on “Business Ethics and Corporate Governance.”
- Cases to be individually prepared prior to the sessions.
- Research paper written by two students.

### **Grading**

The final grade will be computed on the basis of active class participation (including the use of required readings and individual cases: 30%), group presentation of one report or one case (20%) and research paper (50%).

### **Remember the Honor Code Pledge**

"As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty."

### **Readings**

John C. Bogle: *The Battle for the Soul of Capitalism*. New Haven: Yale University Press. 2005. Available at the Hammes N. D. bookstore.

Julie A. Nelson: *Economics for Humans*. Chicago: University of Chicago Press. 2007. Available at the Hammes N. D. bookstore.

Course Packet MBET 60370 (referred to as CP) is accessible at the course website:  
I:\coursesp.08\mbet\mbet60370.01.

## **Explanations of Assignments**

Required readings are indicated for each session.

For sessions on February 7: Discuss two of four cases on half a page (approximately 175 words) each.

For sessions on February 19 and 21: Group preparation and presentation of one regional report or one case study on corporate governance. (Reports and cases are accessible at the course website.)

Research paper (see guidelines)

The paper of 10 - 12 pages (i.e., 3,500 to 4,200 words) is a joint-paper written by two students. It deals with a freely chosen topic. A draft of about half a page (200 words) including title, structure and main references is to be submitted to G. Enderle by *January 31*. The final paper is due by *February 29*.

The research paper requires major efforts. It should include a "business" dimension, an "international" dimension and an "ethical" dimension, and will be evaluated according to *the following criteria*:

1. Choice and precise identification of topic (problem)
2. Problem addressed
3. Clear concepts
4. Consistent structure of the paper
5. Personal view, experience
6. Reference to literature
7. Reasoning
8. Recommendations

## Class Schedule

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- January 15: Introduction and Overview  
Session with Professor G. Enderle  
Video: John Brennan: “The Market Value of Integrity”  
Readings: Bogle:  
Introduction  
Part I: Corporate America
- January 17: A Critical View on American Capitalism  
Session with Professor G. Enderle  
Readings: Bogle:  
Part II: Investment America  
Part III: Mutual Fund America  
Video: Wall Street Ethics II (PBS)
- January 22: Economics for Humans I  
Session with Professor G. Enderle  
Readings: Nelson:  
Chap. 1: Tending the Body: The History of Economics  
Chap. 2: Tending the Soul: The Defense of “Noneconomic Values”  
Chap. 3: Bringing Body and Soul Together
- January 24: Economics for Humans II  
Session with Professor G. Enderle  
Readings: Nelson:  
Chap. 4: Love and Money: The Question of Individual Motivation  
Chap. 5: Business and Ethics: The Question of Organizational Behavior  
Chap. 6: Keeping Body and Soul Together
- January 29: Focus on the Creation of Wealth: Need, Clarifications, and Challenges  
Session with Professor G. Enderle  
Visit website: [business.nd.edu/wealthcreation](http://business.nd.edu/wealthcreation)  
Readings: G. Enderle: Focus on the Creation of Wealth (CP)  
*Financial Times*: Long-Term Investment (Insert of Nov. 29, 2007)  
S. Lydenberg: Long-Term Investing: A Proposal for How to Define and Implement Long-Term Investing (CP)  
UN Principles for Responsible Investment (CP; [www.unpri.org](http://www.unpri.org))
- January 31: Muslim, Christian, and Jewish Views on the Creation of Wealth  
Session with Professor G. Enderle  
Visit website: [business.nd.edu/wealthcreation](http://business.nd.edu/wealthcreation)  
Readings: S. Webley: Interfaith Declaration of International Business Ethics

(CP)

D. Miller: Wealth Creation as Integrated with Faith (CP)

F. Hannafey: Entrepreneurship in Papal Thought (CP)

Submitting draft of research paper

- February 5: Potential and Limits of Socially Responsible Investment  
Session with R. Wicklander and Sr. Ann Oestreich, C.S.C.  
Visit websites: [www.greatlakesadvisors.com](http://www.greatlakesadvisors.com); [www.cscsisters.org](http://www.cscsisters.org)  
Readings: S. Lydenberg: Corporations and the Public Interest (excerpts; CP)
- February 7: Ethical Issues in Investment Management  
Session with R. Wicklander, Great Lakes Advisors, Inc.  
Readings: CFA Institute: [www.cfainstitute.org](http://www.cfainstitute.org)  
Investment Management Consultants Association (IMCA):  
[www.imca.org](http://www.imca.org)  
Codes of CFA and IMCA (websites and CP)  
IMCA Standards of Practice (CP)  
Cases: #1: Losing It? (CP)  
#2: No Holds Barred (CP)  
#3: Hank's Friendly Relations to Tina (CP)  
#4: Pedro's Different Challenges (CP)
- February 12: Fiduciary Responsibilities in the Financial Service Industry:  
Lessons from the Enron Scandal for the Subprime Lending Debacle  
Session with Professor T. Cosimano  
Reading: T. Cosimano: Financial Institutions and Trustworthy Behavior in  
Business Transactions (CP)
- February 14: International Banks Managing Environmental and Social Risks  
Session with Professor T. Cosimano  
Reading: The Equator Principles (CP; [www.equator-principles.com](http://www.equator-principles.com))  
Case study: The Equator Principles: An Industry Approach to Managing  
Environmental and Social Risks (CP)
- February 19: Business Ethics and Corporate Governance: Cases and Reports I  
Session with Professor J. Langley  
Readings: D. Rossouw: Business Ethics and Corporate Governance: A  
Survey (CP)  
OECD Principles of Corporate Governance (CP):  
[www.oecd.org/dataoecd/32/18/31557724.pdf](http://www.oecd.org/dataoecd/32/18/31557724.pdf)

Group presentations

Cases and research reports on Business Ethics and Corporate Governance in North America and the Asia-Pacific Region (see CP)

February 21: Business Ethics and Corporate Governance: Cases and Reports II  
Session with Professor J. Langley

Group presentations

Cases and research reports on Business Ethics and Corporate Governance in Africa, Europe, Japan, and Latin America (see CP)

February 26: Fairness and the Renminbi-Dollar Exchange Rate: An Integrated Market and Ethical Framework and Some Recommendations

Session with Professors R. Huang and G. Enderle

Reading: G. Enderle, R. Huang: Fairness and the Renminbi-Dollar Exchange Rate: An Integrated Market and Ethical Framework and Some Policy Recommendations (CP)

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February 29: Submission of research paper