

UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
DEPARTMENT OF LEGAL STUDIES & BUSINESS ETHICS
LGST 612 Section 002
Spring 2014
Responsibility in Professional Services

SYLLABUS

Classroom: [JMHH F45](#)
Office: 619 Huntsman Hall
Class times: Tuesdays, 3:00-6:00 PM
Office Hours: by appointment
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Instructors: Professors Paul Roth and Larry Zicklin:

Paul Roth (paul.roth@srz.com) is one of the founding partners in the law firm of Schulte Roth & Zabel LLP, where he advises public and private companies in the financial services business. He also has extensive experience in private investment funds, hedge funds, private equity funds, offshore funds, investment advisers and broker-dealers.

Larry Zicklin (lzicklin@nb.com) is a Clinical Professor of Finance at the Stern School at NYU and retired CEO and Chairman of Neuberger Berman where he is currently a Director and Chairman of the Audit Committee.

COURSE OBJECTIVES

The purpose of this course is to introduce students to a broad range of ethical issues that professional managers face with increasing frequency. Together, we will explore concepts and methods designed to make you a more effective and honorable professional. Your time in this course will be well invested if you learn about the types of traps that lure seemingly honorable business professionals into ethical lapses and criminal behaviors that can ruin careers, destroy companies, and bring shame to families, associates, and the business community. Our time will be designed to help the student develop a set of analytical perspectives for making judgments when such issues inevitably occur, and permit them to navigate ethical grey zones with more confidence and better results.

Your instructors will attempt to familiarize you with the basic principles for companies or teams that make them more effective and less prone to ethical lapses. When ethical lapses do occur, it is further proof that in the business world not every decision can be modeled or reduced to a

mathematical equation. Judgment, therefore, becomes the key factor that separates those executives who attain great success from those whose careers never quite reach their potential. To sharpen the student's judgment, we will examine the role of ethical norms and reasoning in resolving the "non-market" issues in managerial life, and in establishing standards of professional responsibility. This will require a study of writings in the fields of ethical reasoning, professional responsibility, and the law. As part of the experience, students in this course will exercise professional judgment through discussion and analysis of cases that will be a major part of each class.

In our particular section we will spend a little more time on the FINANCIAL SERVICES industry, as this is where we have spent much of our respective careers, Paul in the law, and Larry on Wall Street. It's also the place where so many shameful and unethical events have taken place over the past years. As you might imagine, there will be some time spent discussing the recent economic crisis as well as analyzing some relevant readings and/or cases that emanated from it. While we intend to have you read some of the seminal readings in the field; much of the course will come directly from **current events** that touch on contemporary business ethics. If history repeats itself, some of those events will involve lapses in professional responsibility that will occur during our semester together. We will then adjust our syllabus and discuss those events that seem most pertinent in the light of our quest for improved professional responsibility. We hope you will share in what we believe is the adventure of having contemporary business events contribute to your ethics education.

As indicated above, our semester will be centered on one of the most difficult of business subjects: that is the matter of exercising good ethical judgments during difficult periods. When those times occur, you will lack complete information and the ticking clock will add to your pressures. You will feel very isolated and fearful of the consequences of what you're about to do. And that's where judgment comes into play. No matter how many tools you acquire, the application of good judgment will make all the difference in your career. During these weeks we spend together, we will attempt to sensitize you to the seductions that money, ambition and ego create. We will emphasize the "slippery slope" and how it often overrides good judgment. If you doubt it, consider the following comment from Joseph Berardino, former CEO of Andersen Worldwide, who had one of the most senior positions in the accounting world. After the firm failed, Berardino said: **"I paid the price, I lost my job. I lost my firm. I've got less money today than I had as the newly elected CEO. I lost my partner capital. I lost my retirement. I don't have any stock options. I may never work again."**

In short, we are into serious subjects that poorly handled, can cost you a career and, as some highly placed executives have recently learned, your freedom.

PREPARATION FOR CLASS

The student's primary obligation in this course is to prepare for class discussion by a thorough reading and analysis of assigned materials. There will be many individual readings but they will normally be only a few pages in length and mostly derived from the current media. Case discussions and in-class activities are an essential part of the course and your participation will be reflected in your grade. In preparing for class, students are responsible for mentally preparing answers as to what happened, why it happened, how it demonstrated an ethical issue and how you might respond to the event if you were in a position of authority. As a basis for further discussion, we will occasionally call on students to provide answers. So be prepared, as we never want to embarrass anyone.

Final Exam

During our last class, there will be a final exam that will require you to exhibit an understanding of the readings and class discussions. We will talk more about the exam during the semester but be assured that we are always looking for a demonstration of reasoning and judgment as opposed to a recitation of facts.

GRADING

The weights for the student's overall grade are:

Class Participation 40%;

Final Exam 60%

March 18, 2014

Class 1: Introduction Course concepts– What is the purpose of the Corporation?

Cases:

“The Price of Lobster Thermidor” The Economist, August 23, 1997

“Curem Pharmaceutical” Larry Zicklin

Old City Enterprises” Larry Zicklin

Readings:

“The American Corporation” Ralph Gomory and Richard Sylla

http://www.amacad.org/pdfs/Sylla_Gomory.pdf

“The Social Responsibility of Business is to Increase Its Profits” Milton Friedman, New York Times Magazine, September 13, 1970

(Suggested viewing but not required)

“Milgram Experiments on Authority”

<http://vimeo.com/15348932>

March 25, 2014

Class 2: Responsibility and Truth in Business

Cases:

“Bitter Pill; How a Drug Firm Paid for a University Study, Then Undermined It,”

Ralph T.J. King, WSJ, April 25, 1996

Goldman Sachs and Abacus: “SEC Complaint against Goldman Sachs and Fabrice Tourre”

<http://www.sec.gov/litigation/litreleases/2010/lr21489.htm>

“Maker of Heart Device Kept Flaw from Doctors,” by Barry Meier, N.Y. Times 5/24/05

Readings:

“Reflections on Reputation and its Consequences” Governor Sarah Bloom Raskin at the 2013

Banking Outlook Conference at the Federal Reserve Bank of Atlanta, Atlanta Georgia, February 28, 2013

<http://www.federalreserve.gov/newsevents/speech/raskin20130228a.htm>

“Is Business Bluffing Ethical” Albert Carr

April 1, 2014

Class 3: Bribery, and Conflicts of Interest

Cases:

Goldman/Kinder Morgan/El Paso—As an Adviser, Goldman Guaranteed its Payday,
Andrew Ross Sorkin, New York Times 3/5/12

“Half-Off Tacos for Officers: Prohibited but Part of Job” Joseph Goldstein
New York Times 7/19/12

“Roger Berg” Ronald M. Green, The Ethical Manager 1994

Readings:

“The Economic Case for Bribery; You Get Who You Pay For” The Economist 6/2/12
<http://www.economist.com/node/21556255>

“Hiring in China by JPMorgan Under Scrutiny,” Jessica Silver-Greenberg, Ben Protess, and
David Barboza, NYT 8/17/13
<http://dealbook.nytimes.com/2013/08/17/hiring-in-china-by-jpmorgan-under-scrutiny/>

April 8, 2014

Class 4: Agency and Fiduciary Responsibility

Cases:

“MetLife Defends Death-Benefit Approach to Regulators,” Leslie Scism, Wall Street Journal

“West Virginia Consolidated Investment Fund,” Professor Ingo Walter, Stern School of Business
New York University

“U.S. and New York Sue Bank of New York Mellon Over Foreign Exchange Fees” by Eric Dash
and Peter Lattman, New York Times, October 4, 2011

Readings:

Agency and Fiduciary Duties in Business:

<http://education-portal.com/academy/lesson/fiduciary-duties-of-an-agent.html#lesson>

(Pls view only the first five minutes of this as the rest is repetitive)

“The Culture That Gave Rise to the Current Financial Crisis,” John C. Bogle, Founder and
Former Chief Executive of the Vanguard Group, May 13, 2009

http://www.vanguard.com/bogle_site/sp20090513.html

April 15, 2014

Class 5: Insider trading and The High Performance Workplace

Cases:

“Fair Play Measured In Slivers of a Second” James Stewart, N.Y. Times 7/13/13

<http://www.nytimes.com/2013/07/13/business/the-ethics-of-a-split-second-advantage-for-traders.html?pagewanted=all>

"Deciphering the Mosaic" Larry Zicklin

“Responsibility Yes, But to Whom” Larry Zicklin

Readings:

“The Case for Insider Trading,” Henry G. Manne, WSJ 3/17/03

“SAC Case Tests a Classic Dilemma” James B. Stewart, NYT May 32, 2013

<http://www.nytimes.com/2013/06/01/business/sac-case-tests-a-classic-dilemma.html>

April 22, 2014

Class 6: Moral Standards Across Borders

Cases:

“The Oil Rig” Joanne B. Ciulla

“The World of Wal-Mart,” S. Prakash Sethi May 13, 2013--

http://www.carnegiecouncil.org/people/data/s_prakash_sethi.html

Readings:

“In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs At All” Paul Krugman

http://www.slate.com/articles/business/the_dismal_science/1997/03/in_praise_of_cheap_labor.html

“Values in Tension: Ethics Away From Home” Thomas Donaldson, Harvard Business Review, September-October 1996

“Universal Declaration of Human Rights” <http://www.un.org>
