

**LGST 202-401/802-401**  
**Law of Corporate Management and Finance**  
**Spring 2016**

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Tuesday and Thursday  
Room: JMHH F50  
Time: 10:30am-12noon

Office Hours: TBD

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**Course Description:** This course provides an introduction to the law of corporate management and finance. It covers the basic law of business organization, including agency, partnerships, and corporations, with an emphasis on the governance of large publicly held corporations. The course covers the basic obligations of corporate directors and managers under state corporate law and the federal securities law in the United States, including the substantive areas of fiduciary duties, insider trading, shareholder voting, and mergers and acquisitions. The rights and responsibilities of major players in corporate governance, including manages, shareholders, lawyers, and accountants. We will, on occasion, seek to include comparative perspectives, looking at the law of corporate governance in countries other than the U.S., though our focus will be on U.S. law. We will also consider issues of public and social policy in relation to the regulation of large corporations.

**Required texts:**

William A. Klein, J. Mark Ramseyer & Stephen M. Bainbridge, *Business Associations: Cases and Materials on Agency, Partnerships, and Corporations* (Foundation Press, 9th ed. 2015).

William A. Klein, John C. Coffee, Jr. & Frank Partnoy, *Business Organization and Finance: Legal and Economic Principles* (11th ed. 2010).

Books are available at the Penn Book Center (on the corner of 34<sup>th</sup> and Sansom – not the Penn Book Store). A somewhat less expensive electronic version of the primary text is available at:

<http://store.westacademic.com/s.nl/it.A/id.53878/f>

Handouts may also occasionally be distributed, and will be considered required reading when this is done.

**Class Format and Student Participation:** Students are expected to finish all assigned readings and attend class prepared to discuss the readings. Classes will combine lecture, Socratic dialogue, and group discussion. Regular and excellent class participation and attendance will therefore increase a student's final grade. Poor attendance, unpreparedness, or failure to participate in class will reduce a student's final grade.

**Exams and grading:** There will be one required exam covering materials formally assigned for the class primarily on U.S. law (but not including materials presented by students). In addition, there will be required student team presentations on selected topics in corporate governance, focused especially on covering international dimensions. Final grades for the course will be based on performance on the exam (one half), team presentation (one quarter), and class participation (one quarter).

**Exam:** The scheduled in-class exam will be a mixture of multiple choice and essay. It will include fact-based scenarios (including an expectation of “issue spotting”) calling for assessments of legal and business actions to take. A policy question is also possible. The exam will require essay-style responses in blue books. The exam will be closed-book.

**Group Presentation:** A primary component of the course is a group presentation. Students should begin to consider a topic that they would like to investigate relatively early in the semester. Possible topics are indicated on the syllabus and in reading materials, but most of the presentations will be scheduled near the end of the semester. Departures from the syllabus-listed topics are possible and even encouraged, and topics must be cleared with the professor in advance. Groups are limited to two or three students (a partnership in which students divide work according to informal arrangement and share the same grade for the result). Grades for the projects will be based on the quality and coherence of the final presentation itself, as well as any supplementary written or other submissions provided indicating sources and research.

**Some other Policies:** None of the questions we will consider in this class have fully obvious or easy answers. A variety of views are reasonable and worthy of consideration. Therefore, it is necessary to treat the views of your classmates with respect. This will lead to a happier and more fruitful learning environment for everyone. Rude or disrespectful behavior will not be accepted. (This applies, of course, to racists or sexist statements, but not only to these. Please use common sense and courtesy.) Additionally, it is important that everyone get the chance to take part in discussion, so please try to not monopolize discussion. There is often as much to learn by listening as by talking

Please do not use phones or text or email during class. It is very distracting and annoying to others. If you have a legitimate reason why you might need to receive a message during class, please let me know beforehand.

**Academic Honesty:** All of the normal rules about academic honesty apply. If you have any doubts about whether something meets these rules, please check. The normal penalties, none of which are pleasant, will apply in cases of academic dishonesty.

**Class Schedule and Reading Assignments (note that this is a tentative schedule, subject to change with appropriate notice!)**

Week 1: Aug. 27 Introduction: Why *business* ethics? Why *corporate* responsibility? (no readings)

Week 2: Sept. 1 Labor Day- no class

Sept. 2 Introduction to Moral Theory: Consequentialism (Pettit); Utility and the Good

(Goodin)

Week 3: Sept. 8 Introduction to Moral Theory: Kantian Ethics (O’Neil)

Sept. 10 Introduction to Moral Theory: Intuitionism & Natural Law- “An ethic of prima facie duties” (Dancy)

Week 4: Sept. 15 Introduction to Moral Theory: Virtue Theory (Pence) (course selection period ends)

Sept. 17 Montaigne essay, Friedman, “The Social Responsibility of Business is to Increase its Profits”

Week 5: Sept. 22 Stout, “The Problem of Corporate Purpose”; Freeman, “Stakeholder Theory and the Modern Corporation”

Sept. 24 Hardimon, “Role Obligations”

Week 6: Sept. 29 The Invisible Hand- excerpts from *The Wealth of Nations* and *The Theory of Moral Sentiments* (Smith)

Oct. 1 Private Vices, Public Good- excerpts from *The Fable of the Bees* (Mandeville) (drop period ends Oct. 3)

Week 7: Oct. 6 Morality and the Limits of the Market: “The Market: Freedom from Morality” (Gauthier)

Oct. 8 Morality and the Limits of the Market: “Why the market actually depends on government” (Heath) (Fall break, Oct. 9-12)

Week 8: Oct. 13 Limits of the Market: Commodification “The Economics of the Baby Shortage” (Landes and Posner)

Oct. 15: Limits of the Market: Commodification *Why Some Things Should Not Be for Sale*, Introduction and Part I (Satz)

Week 9: Oct. 20 Mid-Term exam (in class)

Oct. 22 Morality and Corporate Purpose: Chick-fil-A and Gay Marriage, Hobby Lobby, “Is Ethical Consumerism an Impermissible Form of Vigilantism?” (Hussain), Mozilla And the resignation of Brendan Eich

Week 10: Oct. 27 Paternalism: “Of the Limits to the Authority of Society over the Individual (Mill); “Paternalism” (Dworkin)

Oct. 29 Paternalism and Regulation: “The Market for ‘Lemons’” (Akerlof); Paternalism and Employees: Anti-smoking rules, Whole Foods BMI-Based Employee

Discounts (Oct. 31- last day to withdraw from a course.)

Week 11: Nov. 3 Workers: “Why Some Jobs Must Suck, in Every Aspect” (Heath); “Selling in Minnesota” (Ehrenreich)

Nov. 5 Workers: “Why Capitalism Produces so few Capitalists” (Heath); “Democratic Management and the Stakeholder Idea” (Gould)

Week 12: Nov. 10 Ethics in Hiring: Discrimination and Affirmative Action (readings TBA)

Nov. 12 Ethics in Hiring: Nepotism, Connections, and Equal Opportunity (readings TBA)

Week 13: Nov. 17 Sexual Harassment: “Recent Thinking about Sexual Harassment” (Anderson)

Nov. 19 Bribery and Corruption: “Cheating” and “Bribery” (Green)

Week 14: Nov. 24 “Insider Trading” (Green) Conflict of Interest: “Clients Worried About Goldman’s Dueling Goals” (New York Times)

Nov. 26- (No class- Friday classes scheduled for this day) (Nov. 27-30 Thanksgiving Break)

Week 15: Dec. 1 Taxes: “Tax Evasion” (Green); The morality of avoiding taxes on “foreign” Profits”

Dec. 3 Advertising, Puffery, and Protection of Commercial Speech (readings TBA)

Week 16: Dec. 8 Last Class: Open/Wrap-up  
(Last Day of Classes, Dec. 9. Reading days, Dec. 10-11)

Final Paper Due on Assigned Final Exam Day