



**Fall 2022**  
**LGST 6430**

**OTHER PEOPLE’S MONEY: THE LAW, POLITICS, AND HISTORY OF FINANCIAL INSTITUTIONS**

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Regulation

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**Course Hours**      Mondays 3:30 – 6:30

**Office Hours**      Mondays 1:30 – 3:00, but email first to schedule a meeting.

**Course Description:**

Imagine a large pile of money. The virtue of the most basic forms of money is that they are fungible—meaning, you can buy anything with money and one dollar is as good as any other. But now place that pile of money into a bucket, and write something on that bucket: perhaps “hedge fund,” or “central bank,” or “payday lender.” The bucket is everything: even if the money on the inside is the same, the bucket will change the way insiders and outsiders alike treat that money. The law changes. The politics change. The history changes.

This course surveys a large number of these “buckets”—“financial institutions,” we’ll call them, though we use this term very broadly. These institutions are those that graduate students will encounter throughout their careers, whatever those careers might be. They include, among others:

1. Investment banks
2. Community banks
3. Central banks
4. University endowments
5. Hedge funds
6. State funded enterprises

7. Payday lenders
8. Public pension funds
9. Mutual funds
10. Financial Markets generally
11. Financial technology, or fintech
12. Distressed debt—markets, corporations, and those that advise and participate in each.

During this survey, we will ask a series of questions. Where does this institution come from? How has it changed over time? What is the political context? What is the regulatory context? In other words, we'll look at the institution's *law*, *history*, and *politics*, touching only briefly (and with no expectation of prior familiarity) on the economics and finance undergirding each one.

The course will be highly interactive as we learn these sometimes-technical topics. It is, again, not an economics or finance course. While a background or interest in finance may be helpful, I encourage students with no such background to enroll and will assume as much in each lecture.

This course is also reading intensive. The reading load is large and consists of several books and a number of scholarly articles and long-form journalism (supplemented by shorter pieces). This is by explicit design. I believe strongly in the mental, intellectual, even emotional benefits of sustained, focused reading. To compensate for this work load, there are no exams in the course.

### **Grading:**

Your grade is divided into four parts: 5% “in the news” contributions, 25% response papers (more below), 55% for the final projects, and 15% participation and professionalism.

*In the news.* I ask that you start reading the news with an eye toward the course themes. No extra writing needed here, but you do need to make sure you send me **at least three** articles during the course relevant to the class, one per month (due dates are as noted in Canvas).

Students will then present very briefly their news items, which will count toward their grade.

*Response Papers.* You should write eight short response papers, of 200 – 300 words. These will be uploaded to Canvas and be graded according to the depth of engagement with the material, originality of ideas, and quality of writing. You must submit them by 11:59pm the day prior to the relevant class session. Late submissions are given no credit.

You can choose the sessions to which you'll respond, with exceptions marked with an asterisk (\*) below. On those dates, everyone needs to write a response paper.

*Final Project.* The final project will be to choose a specific financial institution and provide a legal, political, and historical assessment of some controversy regarding that institution. The task is an analytical one—you must advance an argument, evaluate counter-arguments, and provide sufficient research so that readers can understand your position. A rubric and sample papers are included on Canvas.. The final paper should be 3,000 words. No group work here: everyone does her own project.

Due date noted on Canvas.

**Note: I will be running each report through anti-plagiarism software. Plagiarized work will result in severe consequences for the student, consistent with the University of Pennsylvania's rules. I reserve the right to penalize papers for failing to follow correct citation papers, up to and including failure of the assignment and failure of the course. All instances of plagiarism will be investigated by the Wharton MBA Executive Committee and can result in dismissal from the program.**

On plagiarism, it is my sad (but fortunately limited) experience that some students are not as careful on this point as they should be. Plagiarism is not just stealing other people's words, verbatim: it can also be lifting words without proper citation. We will discuss this process together in class, after the first week.

*Class participation.* Each class session, you will receive a grade of 0 or a 1 for class participation. I will also give partial credit and in exceptional cases, give more than 1 point. Punctuality, attendance, professionalism, and the quality of your comments (meaning, how engaged with the reading, how responsive to other students, how focused on the discussion, and how frequent) determine that grade. 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. For class participation, I will solicit volunteer comments on the reading material/class discussion but will also "cold call" to ask students to walk through the assigned readings. Each student can't comment in each session, of course, but I should hear from you at least every other session, at least once.

I'm very serious about attendance and punctuality, which will annoy some of you but affect all of you. This sounds harsh, I know. But hard experience teaches that prepared class participation is the best pedagogical tool we have available to us. If personal emergency means 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.

By “professionalism,” I essentially mean how you treat others during class and how you interact with me with respect to grade finagling outside of class. Students who constantly ask for exceptions to rules or want to relitigate grades run afoul of the professionalism standard. Those who demean others in class do so much more significantly.

**NOTE: Students who miss four (4) sessions, for any reason, are invited to withdraw from the course. Those who continue in the course with such absences will pass or fail at my sole discretion. I am very likely to fail students who miss four sessions.**

**Class Format and Policies:**

To better ensure class participation, electronic devices will only be permitted for pedagogical reasons—that is, only to access readings or to participate remotely as necessary. Email, online shopping, newspapers, etc. will not be permitted. If you become a “laptop zombie,” I reserve the right to penalize your grade for a lack of professionalism.

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## Required Texts:

### Course Outline (subject to revision):

1. Course Overview and Themes
  - A. Elizabeth Warren, “Unsafe at Any Rate,” Democracy, summer 2007
  - B. Reinhart & Rogoff, *This Time is Different: Eight Centuries of Financial Folly* (preface only), 2010
  - C. Hilsenrath & Timiraos, “Fed is Changing,” WSJ, 2020.
2. “Investment Banking”\*
  - A. David Enrich, *Dark Towers: Deutsche Bank, Donald Trump, and an Epic Trail of Destruction* (2020)
3. “Institutional Investors: Mutual Funds, Pensions, and Endowments”
  - A. Peter Conti-Brown, “Scarcity Amidst Wealth: The Law, Finance, and Culture of University Endowments in Financial Crisis,” *Stanford Law Review* vol 63, 2011 (introduction, part I, part II, and part V).
  - B. Walsh & Rappeport, “Rescue Package Includes \$86 Billion Bailout for Failing Pensions,” *New York Times*, March 7, 2021
  - C. Annie Lowery, “Could Index Funds Be ‘Worse than Marxism?’” *The Atlantic*, April 5, 2021
4. “Payday Lending”\*
  - A. Lisa Servon, *The Unbanking of America: How the New Middle Class Survives*, 2017
5. “Crisis”
  - A. James B. Stewart, “Eight Days,” *New Yorker* (2009)
  - B. Watch together in class *Margin Call* with Zoom commentary.
6. “Hedge Funds”\*
  - A. Sheelah Kolhatkar, *Black Edge: Inside Information, Dirty Money, and the Quest to Bring Down the Most Wanted Man on Wall Street* (2018)
7. “The Corporation”\*
  - A. Eliot Brown & Maureen Farrell, *The Cult of We: WeWork, Adam Neumann, and the Great Startup Delusion* (2021)
8. Fintech
  - A. Readings TBD
9. Central Banking\*

A. Nick Timiraos, Trillion Dollar Triage (2022)

**10. State Finance**

A. Readings TBD

**11. Venture Capital**

A. Sebastian Mallaby, The Power Law

**12. Last Class - TBD**