
AFCI 720w (01)
Financial Scandals, Upheavals, and Crises (Writing Intensive)
Spring 2019
Tuesdays, 5:10 to 8pm in Paul 115
University of New Hampshire

Instructors

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Class Notes, any change in assignments, and alerts for classes or course materials will be posted on **MyCourses/Canvas**.

Course Description and Objectives

Finance is the all-encompassing term for the monetary resources and affairs of a government, enterprise, household, or person. In the end, whether the discussion is about capitalism versus other economic models, the role of formal organizations in society (gov't, business, family, etc.), economic justice, or taxes, finance plays a seminal role in the plot line. A financial crisis for any entity is also a social crisis for that entity; conversely, a social crisis inevitably sparks a financial challenge (such as how to finance a divorce, or create a social safety net).

This seminar takes a multidimensional approach to the exploration of the circumstances which create tumult in the financial world and, by extension, society. **It requires extensive reading, deep introspection, and critical thinking.** It also fulfills the requirements of a "writing intensive course".

The course begins with Niall Ferguson's *The Ascent of Money* to place money and finance in its historical context. This look at finance will show its significant and often pivotal role in human progress and as a backstory for much of the human saga. From this vantage point, we will explore innovations of finance, the foundations and construction of financial firms, instruments, and markets, and their role in, interaction with, and effect on society. Ferguson weaves his story by examining innovation and crisis in banks and banking, the bond markets, the equity markets, insurance, real estate, and finally cross-border trade and monetary flows. As a compliment to Ferguson, we will read the lecture notes of Guido Palazzo and Ulrich Hoffrage, *Unethical Decision Making*, a Coursera transcript (made available to you on Canvas). Our initial weeks will follow that path.

Our investigation will reach into numerous present day and historical financial events and circumstances, including the collapse of countries like the Soviet Union (or the collapse of a currency like the Mexican Peso),

scandals at companies like Enron and Lehman Brothers, and the impact of individuals going “off the rails” like Bernie Madoff.

At the end of the seminar, we expect you to have a strong evidence-based and theory-based understanding of financial scandals, upheavals, and crisis. You should also have acquired an appreciation for the embedded role of finance in our culture and its overall importance to and impact on our society. This aspect of the seminar should transcend the specific topic at hand and be of value throughout your life, no matter where it should take you. Further, as a Writing Intensive Course, your own writing becomes a supplement text for the course.

Course Requirements and Grading Criteria

The primary focus of class sessions will be faculty- and student-led discussions of books, papers and other materials relevant to the topic.

During the first part of the semester, the instructors will organize lectures and conversations around chapters of the Ferguson book, *The Ascent of Money*, and the lecture notes of Guido Palazzo and Ulrich Hoffrage, *Unethical Decision Making*.

In the second half of the term, the students will lead class discussions on a topic relevant to the course and of personal interest.

Grading will be based on submitted papers and your contribution to the quality of the learning throughout the course. More specifically, we will grade you on (a) your **level of engagement** in the course, (b) the **depth** of that engagement, (c) your **growth** during the course as evidenced by your written work and participation, and (d) fulfilling the basic requirements of the course.

As discussed further below, your grade will consist of 40% weekly submissions, 40% class participation, and 20% for the final research paper. Further, the instructors will ask you to give us insight into your own proposed grade for the course. Grading may not follow UNH conventions.

This is a Writing Intensive course and, as such, is designed to meet the following three UNH guidelines:

- (1) Writing should be a “substantial” and “integral” part of the course and should account for “50%” or more of the final grade. *In this course it is 60%, consisting of 40% for the weekly reflection papers and 20% for the final paper.*
- (2) Writing needs to be assigned in such a manner as to require students to write “regularly” throughout the course. Further, there is “feedback & revision as part of the course structure”. *The weekly reflection papers fulfill this requirement, and the instructors provide meaningful feedback and seek to be guides for improvements in subsequent writings.*
- (3) The course needs to include both formal (graded) and informal (self-discovery) writing. *In this class, the final paper will be graded more formally/rigorously, while the reflection papers are designed to promote self-learning and self-discovery.*

Please take full advantage of the Connors Writing Center and Online Writing Lab located on the third floor of Dimond Library. Their URL is: <https://www.unh.edu/writing/cwc> By clicking through to “Resources”, you will find a significant number of tools relating to the appropriate use of citations, elements of writing a paper, as well as grammar usage and tips on writing styles. These on-line resources are also available as handouts in the Connors Writing Center.

(I) Required Reading

Niall Ferguson, *The Ascent of Money*, Penguin Press 2008 (The book is readily available in used or new condition.)

Guido Palazzo and Ulrich Hoffrage, *Unethical Decision Making*, a Coursera course transcript (made available to you on Canvas).

Some additional required readings are noted in the class schedule, while others will be assigned throughout the course. Specifically, student presentations later in the term will have required preparatory readings.

(II) Weekly reflection papers

These weekly reflection papers will comprise 40% of the grade.

With the exception of the two weeks noted in the Class Schedule (when you will initiate and participate in the discussion forum which is outlined in more detail below), you will write a paper after each class session in which you reflect on what you took away from that class session, the readings, and (this is mandatory) other inputs (e.g. family anecdotes, newspaper articles, or research pulled in from other sources). Proper APA citations are necessary. These papers are not about “what you expect the instructors want” but, instead, about how the course is impacting your thinking about the particular class topic, finance, your career prospects, or other aspects of your personal journey. The purpose of these papers is to capture and clarify **your** thinking and to be something of a diary of **your** journey.

- (1) You will post these papers **in Canvas by Thursday at 9pm** to allow the instructors to read them prior to the next class session. These must be **submitted in Microsoft Word**.
- (2) **Your first paper** will include a reaction to the first class, why you signed up for this course, and what you hope to gain from it. **Your last paper** will include concluding or summary comments from the course experience and your proposed course grade with your justification for it.
- (3) The explicit objective of the instructors is to read and coach you on these papers, not grade them. However, these weekly papers are **worth 3 points** each towards your final grade.
- (4) **Grading criteria.** The instructors view their role as guides in this process and will look for your level of engagement, depth of engagement, and growth as the objectives of the weekly papers. The papers must be submitted every week (you can’t “skip” any whether you miss a class session or not) and “growth” requires the papers to improve through the semester. In principle, these are conceptually ungraded as the instructors desire to award a 3 to every paper as a marker of engagement. However, late papers or papers submitted when a class session is missed will receive a maximum grade of 2. Other mark-downs will occur if the paper is inadequate as to level and depth of engagement, if it lacks improvement (based on prior feedback) or if the grammar or writing are unbecoming a university senior.

Discussion forum participation. In lieu of your weekly reflection paper after the February 12th and February 26th class sessions, you will:

- (1) **Initiate a discussion forum** in Canvas before Thursday at noon. This should include a substantive opening statement that sets up a question or two. You must also post a substantive reply to at least one classmate’s response to the question(s) you posed before Sunday at midnight.
- (2) You must **post responses to the discussion forums** created by your classmates. There should be at least 3 posts, including the reply to responses of classmates to questions that you pose (but if there are none, then at least 3 total responses) by Sunday at midnight. Use these postings to react to and

comment on the thoughts of your classmates. In total, you are posting one “initial post” and at least three responses, for a minimum of four total posts.

(3) **Grading Rubric.** Each discussion is worth that same 3 points as the weekly paper.

	No Credit	Partial Credit	Full Credit
Promptness & Completeness	Does not post	Does not post in all three areas (create a forum, respond to responses, respond to other forums)	Posts in all three areas.
Relevance	Postings have no relevance on the topic or assignment.	Posting is somewhat pertinent to topic and assignment.	Postings are consistently connected to the topic and assignment and reflect student’s preparation.
Expression & Organization of Ideas	Ideas and or opinions are not organized.	Postings are lacking in organization or original expression.	Contributions are clearly articulated; reflect understanding of topic, substantive insights and persuasive logic.

(III) Discussion Participation

These contributions will comprise 40% of the grade.

(A) Classroom discussion participation. Your preparation for a class session should be evident in the quality of your contributions to instructor and student led class discussions. The instructors will take into account that the size of the class can make it difficult for everyone to participate as fully as we would like. We grade your classroom participation on a scale of 1-10 and then that becomes 25% of the overall participation grade (25% of the 40% participation grade).

(B) In-Class Group Presentation.

(1) This presentation is expected to **take up roughly an hour of class time.**

(2) You will **form a team of 3 students** by the end of February and arrange, as a team, for a meeting with one or both instructors (separately, if both) at least two weeks before your presentation. Explicitly, this means that the ideas for these classroom presentations will be reviewed with the instructors for guidance prior to the presentation to the class.

(3) **Grading Rubric.** This is the basic rubric the instructors will be using for this presentation, which is 75% of the participation grade (75% of the 40% participation grade):

Group Presentation Grading Rubric		
Category	Scoring Criteria	Points
Organization 20 Points	The presentation topic is appropriate for the course and audience	5
	Preparation included all members meeting with instructor(s) at least two weeks before the presentation	5
	The readings/preparation assigned to the class more than a week before the presentation and were sufficiently topical and rigorous	10
	Introduction is attention-getting, lays out the problem well, and establishes a framework for the rest of the presentation	5

Content 50 Points	Technical terms are well-defined and their importance to the topic is explained	5
	Presentation contains accurate information in that it appropriately uses data as well as a sufficient number of experts / facts, and gives citations for them	10
	Information is presented in a logical sequence	5
	Material included is relevant to the overall message/purpose	10
	Appropriate amount of material is prepared, and the points made properly reflect their relative importance	10
	There is an obvious conclusion summarizing the presentation	5
Delivery 30 Points	Delivery is clear, smooth, and poised - Speakers maintain good eye contact with the audience and are appropriately animated	5
	The presentation includes and interacts with the audience	10
	Visual aids are well prepared, informative, effective, and not distracting	10
	Presentation makes appropriate use of time	5
Total Points		100

- (4) Groups can form around a topic or you can create a group and then find a topic of common interest. (Note that the topic you and your group select for this presentation may, or may not, form the primary basis for your major paper due at the end of the term, and that your final paper is an individual, not a group, paper.) **This course gives you the opportunity to explore in a deep way a question that has intrigued you and, perhaps, vexed you for some time. The following are, therefore, only suggestions and idea starters.**

A **major policy change** that substantially altered the structure of finance in reaction to a major scandal/crisis/upheaval and/or which has been seen as a significant contributor to a major scandal/etc. For example,

- (a) The Social Security Act of 1934. Here you could also look at the question of whether it is sustainable and/or should be privatized.
- (b) Glass-Steagall Act of 1933, and the repeal of its restrictions in 1999; or Dodd-Frank, the Patriot Act, or Sarbanes-Oxley.
- (c) The role of the US Federal Reserve—its unique structure; how its role in “managing” the economy has evolved; etc.
- (d) Other connections between government & social policy with finance

Predict the next crisis. Charles Kindleberger and Robert Aliber in their book *Manias, Panics and Crashes: a History of Financial Crises* observe that “each wave of crises follows a wave of credit bubbles, when the indebtedness of similarly placed groups of borrowers increased at a rate of two or three times higher than the interest rate for three, four, or more years.” They also observe that bubbles are fueled by a rapid growth in the supply of credit. Given these observations, where do you see the next bubble(s) forming?

Institutional failure. Why did the people/organizations who have the responsibility for keeping things from going off the rails (boards, auditors, regulators, investigative journalists, etc.) fail to prevent the malfeasance of Madoff, Fastow, et al, or to let other financial institutions get “too big to fail” (AIG, Citigroup) and then to be managed in such a way where they had a reasonable/possible chance of failing?

(a) Does a significant portion of the blame for the corporate chicanery we discussed belong to **the boards**? Aren't they supposed to be responsible for understanding the business, its strategy, etc. and for being sure the CEO is conducting the affairs of the company in an appropriate way? Could we see the issues at WorldCom and Enron, along with those of Tyco and Lehman to be failures of corporate governance every bit as much as they might have been failures of regulators or auditors?

(b) **Regulators**, it seems, are in a no-win situation: if, on the one hand, they clamp down too hard, they stifle needed innovation and impose too severe of a "cost of compliance" on organizations; if, on the other hand, they are not rigorous enough, then they let things get out of hand, sometimes with catastrophic results. How do you view regulation? While (arguably) the regulators have done a decent job of figuring out how to keep the excesses of financial innovations or new forms of malfeasance from repeating, should we also expect them to use preemptive regulations to prevent problems that have not yet occurred? (Such as if the Fed is responsible for preventing bubbles from forming.) Is it even a realistic expectation for the regulators to be able to do so? (Such as is a part of Dodd-Frank.) If regulation was to make all safe, who after all wants to play at a very safe playground? They'd rather hang out at the street corner. And if regulation did fail, is the answer more regulation?

(c) And then there is the issue of "**ethics statements**" and **company culture**. There appears to be a gap between the theoretical and practical application of ethics. Enron often touted their ethics statement and their commitment to operating with the highest standards of honesty. The auditors from Arthur Anderson all subscribed to the "professional standards" of their craft. What gives? Is the fact that we are becoming more secular as a society a factor? That is, was a broader adherence to formal religion a deterrent to "bad corporate behavior"?

The **relationship between finance, capitalism, and democracy**. Ferguson's core hypothesis that the reason why the West became the dominant economic force in the world is the financial innovations (which depended on the rule of law and valid contracts) it was able to foster and leverage. Is this reason more robust than democracy, or individual rights? Given this perspective, is it right to assume that the financial innovations outlined by Ferguson were the necessary pre-requisites for America's notion of democracy, the middle class, the consent of the governed, and individual rights to be the basis for a society such as ours? Or, did they rise together—is one dependent on the other; that is, that political/civic/social innovation is a necessary antecedent or critical partner in financial innovation, and vice versa?

Another angle on this is to look at the relationship between "democracy" and "capitalism". Is one possible without the other? Did they rise together? Is one the balancing corrective for the other? If they are inter-dependent, then how do you explain China's economic performance over the past 25 years or so?

Why do people go "off the rails"? Madoff, Fastow, Martha Stewart, Dick Fuld, et al? Do you buy the assertion that we are all capable of such behavior, that such folks are, sadly, more similar to us than dissimilar? That, in the same way that some people who are "just like us" make it big, so some people who are "just like us" engage in this sort of massive chicanery? Is part of this narrative our pure humanness, complete with foibles, good intentions and self-delusion? And, why did these people commit fraud to begin with? So many of them were already highly successful, so why risk all their achievements for another dollar? An extension of this idea probes the emerging discipline of Behavioral Finance. Ferguson states that finance magnifies who we are and how we behave as humans. This is a rich vein to mine.

Shareholder primacy and the role of commerce in society. The "short-term profit motive" appears to be a variable in many of the scandals and crises. What is the role of the rise of "shareholder primacy" over the past 50 years or so in all of this? Does the fact that all types incorporated for-profit organizations are granted rights and privileges by the state mean that they have an intrinsic obligation to operate in a way that serves the public good? Or was Milton Friedman right in avowing that the sole "business of business is business"? Is the primary focus on "shareholder value" the best way for such organizations to provide "public good"? Conversely, if such organizations focused on being "a good corporate citizen", are they more likely to, in the

end, deliver the highest shareholder value and, simultaneously, dramatically lower the probability of their involvement in malfeasance? Or do markets understand managers that take the long-term view of intrinsic value – with all constituencies that entails - and are only seldom fooled by the managers that are only short-term oriented?

Are the crises and scandals that we have seen in human history **the inevitable cost of financial innovation?** A sort of “cost of doing business” for such innovations—costs which can’t be avoided and which, when compared to the economic upside of such innovations, are justified (that is, that the societal gain is much, much larger than the societal pain)?

Another angle to take is to look at **why the economy exists**. What, in the end, should the primary goal of the economy be? Solely financial wealth? Does “GDP” correctly measure what is important?

The American Dream, The Middle Class, and being An American. These are separate, but highly intertwined, concepts. You could work on a few ideas here. Either way, what is the role of finance in the evolution of these ideas? How did home ownership become so central to being “in the middle class”? Was the American Dream based on “consumerism” as it now appears to be? What was the role of finance in that change?

(IV) Your final paper

This will be composed of one or more essays that clearly demonstrate your depth of thought, engagement, and intellectual rigor. As with the selection of your class-presentation topic, you will be free to take an approach and select topic(s) that work best for you. Unlike the reflection papers, this is a “research paper” and, unlike your groups’ presentation, this is individual work. For some students, this becomes pure research on an issue or a topic, but for many (if not most students) research is used to inform and expand on their personal journey.

In picking a topic of your own choosing, you are adding your voice to Ferguson, Palazzo & Hoffrage, and other readings from the course, likely synthesizing, analyzing and applying these to your journey. You will research a topic or issue and advance an informed opinion about it. If you choose an “issue”, then your essay will deal with a point of public debate (as an issue has two (or more!) sides, and you are taking a side); if you choose a “topic”, then you are informing the reader about something that matters.

For guidance, your paper would likely do the following. (Note that this is a suggested framework, so not all of these elements are required or expected to be presented in this order.)

- (a) Introduce the issue or topic under discussion
- (b) Inform a moderate, impartial, educated but non-expert audience on the issue or topic
- (c) Characterize and explain the research and/or points of view on the issue or topic
- (d) Communicate an informed, persuasive preference for one position, or recommended action
- (e) Demonstrate why the topic is (or should be) important or relevant to your reader

The paper requires full documentation. Your annotated list of references (or bibliography) must contain at least six entries, reflecting your background research on the topic/issue. These are reference material you have vetted, and may or may not be cited in the paper. Your “works cited” must include at least four sources. The larger your variety of sources, the better. You may not cite encyclopedias, Wikipedia, or any web-only page, including videos, as a source for your paper.

Helpful resources: UNH Writing Programs resources (<https://www.unh.edu/writing/resources>); Purdue OWL: APA formatting and Style Guide; Any of the many APA citation generators found on-line.

Further:

- (a) It can be based on your class presentation, using what you learned in preparing and presenting that, plus the feedback you received from the class to further shape the topic. It can also be on a different topic, including 2, 3, or 4 shorter essays on a number of themes that have woven their way through your weekly essays or exploration of other topics revealed by the course or your journey in finance or at UNH.
- (b) This paper will make up 20% of your grade and is **due Friday May 10th, close of business**.
- (c) Grading Rubric for your Final Paper:

Final Paper Grading Rubric		
Category	Scoring Criteria	Points
Introduction	Lays out the problem well. Establishes a framework for the rest of the paper	2
Organization & Style	The paper is well written. It is cohesive, coherent, and correctly written. It has mature paragraph development with transitions, is organized, is unified around supporting its premise/thesis, and appears to have benefitted from an editing process.	5
Substance	Paper is well argued. It contains accurate information, deals with the complexity of the topic, makes reasonable arguments, and uses learning from the course. It delivers on the premise in the introduction.	6
Support	Arguments are well defended. It appropriately uses data, has a sufficient number of appropriate sources, gives proper citations, and uses APA Style for those citations.	5
Conclusion	There is an obvious conclusion that pulls the paper together.	2
Total Points		20

Classroom Policies

You are expected to attend class and to be on time, as you would for a client meeting. Please sit in the same general location and display your name card.

The format and goals of the class require **your active participation and respectful support** of the learning of your classmates. You also appreciate that clients take a dim view of texting during a meeting and therefore, consistent with that mindset, you will **put away distracting devices**.

If you miss a class, you have to notify us and secure any class notes or handouts on your own. You are still responsible for a paper each week. Similar to missing meetings at work, missing class severely impacts your effectiveness and performance. What we call a “grade” in an academic setting is called a “performance review” in the business world.

This course observes all University of New Hampshire policies, including:

Academic Dishonesty: At a minimum, any instance of academic dishonesty will result in a failing grade. Please consult University Academic Honesty Policy: <https://d7admin.unh.edu/student-life/09-academic-honesty-2017>. There is also a Tutorial on Plagiarism: <https://cola.unh.edu/plagiarism-tutorial-0>

Disability Services: According to the Americans with Disabilities Act (as amended, 2008), each student with a disability has the right to request services from UNH to accommodate his/her disability. If you are a

student with a documented disability or believe you may have a disability that requires accommodations, please contact Student Accessibility Services (SAS) at 201 Smith Hall. Accommodation letters are created by SAS with the student. Please follow-up with your instructor as soon as possible to ensure timely implementation of the identified accommodations in the letter. Faculty have an obligation to respond once they receive official notice of accommodations from SAS, but are under no obligation to provide retroactive accommodations. For more information refer to www.unh.edu/studentaccessibility or contact SAS at 603.862.2607, 711 (Relay NH) or sas.office@unh.edu.”

Your academic success in this course is very important to us. If, during the semester, you find emotional or mental health issues are affecting that success, please contact the Psychological and Counseling Services (PACS) (3rd floor, Smith Hall; 603 862-2090/TTY:7-1-1), which provides counseling appointments and other mental health services.

If you require any special arrangements, tell us privately as early as possible. This may pertain to athletes, or any others needing any accommodation.

To ensure a climate of learning for all, disruptive or inappropriate behavior may result in exclusion (removal) from this class. As a reminder, cell phone/pda, etc. use, including text messaging, is not permitted in this class by Faculty Senate rule unless by instructor permission.

Confidentiality and Mandatory Reporting: The University of New Hampshire and its faculty are committed to assuring a safe and productive educational environment for all students and for the university as a whole. To this end, the university requires faculty members to report to the university’s Title IX Coordinator (Donna Marie Sorrentino, dms@unh.edu, 603-862-2930/1527 TTY) any incidents of sexual violence and harassment shared by students. If you wish to speak to a confidential support service provider who does not have this reporting responsibility because their discussions with clients are subject to legal privilege, you can find a list of resources here: <https://www.unh.edu/affirmativeaction/offices-resources-support>

For more information about what happens when you report, how the university considers your requests for confidentiality once a report is made to the Title IX Coordinator, your rights and report options at UNH (including anonymous report options) please visit: <https://www.unh.edu/affirmativeaction/reporting-students>

Behavior Intervention Team (BIT): This team provides assistance to the UNH community when a student's behavior suggests harm to self or others, making referrals to appropriate resources and recommends appropriate actions to the Dean of Students when needed. (<https://www.unh.edu/student-life/behavioral-intervention-team-bit>). More information can be provided by calling The Office of the Dean of Students at 862-2053.

Class Schedule

January 22, Class 1 – Introduction and course objectives. What is finance, and what is its role in society? What are the instructor’s expectations? What are the writing requirements and how are they handled? Plus, a look at commodities & Enron – who was Enron and what occurred there? Excerpts from a film based on McLean and Elkind, *The Smartest Guys in the Room*, Portfolio 2003

January 29, Class 2 – Banks: Their structure, fragility and role in economic growth and economic crises. Also, how credit is an essential building block of economic development. Required preparation for class:

Niall Ferguson, *The Ascent of Money*, Introduction & Chapter 1

Reflect on the following questions as you read this chapter: Why has Western civilization been hostile to finance? Is it justified? What is money? What was the key to the Medici’s success? What were the

key innovations of banks that created an alternative to the historical basis of value derived from precious metals?

Wells Fargo readings posted on Canvas

Palazzo/Hoffrage, *Unethical Decision Making*, “The History of Evil” and “Intro to Unethical Decisions in Organizations”

February 5, Class 3 – Debt, bonds, and the bond market: lend to me and I’ll pay you back. Required preparation for class:

Ferguson, *The Ascent of Money*, Chapter 2

Reflect on the following questions as you read this chapter: How did a bond market broaden the ability to raise funds? How does the cost of credit impact other markets? Is the bond market a big voting machine? For what are the Rothschilds famous? How did access to funds impact the US Civil War? What is inflation? How does Ferguson distinguish it from hyperinflation?

National debt articles

Palazzo, *Unethical Decision Making*, “The Power of Frames: How People Construct Their Reality”

February 12, Class 4 – Stocks, equity, shares: it’s all owners’ capital. **NOTE: You will create and participate in discussion forums this week instead of writing a reflection paper.** Required preparation for class:

Ferguson, *The Ascent of Money*, Chapter 3

Reflect on the following questions as you read this chapter: What is a corporation? What is its role in society? What are the features of bubbles? Who was VOC? What is the agency problem? How did Law bring down France? What caused the 1929 stock market crash? What does he mean by “fat tails” and “sheer cliffs”?

IPO articles

Palazzo, *Unethical Decision Making*, “The Power of Routines”

February 19, Class 5 – Insurance: property, life, and health. Required preparation for class:

Ferguson, *The Ascent of Money*, Chapter 4

Reflect on the following questions as you read this chapter: What are the theoretical essentials that make insurance “work”? Why is insurance described as “where the risks and uncertainties of life meet the risks and uncertainties of finance”? What pushed England and Japan towards the “welfare state”? Why have the results been so different, in those countries, and in Chile? What financial instruments resemble the risk mitigating aspects of insurance?

AIG articles

Palazzo, *Unethical Decision Making*, “The Power of Strong Situations”

February 26, Class 6 – Real Estate: Safe as Houses. **NOTE: You will create and participate in discussion forums this week instead of writing a reflection paper.** Required preparation for class:

Ferguson, *The Ascent of Money*, Chapter 5

Reflect on the following questions as you read this chapter: Why is there nothing safer than lending money to people with property? How are houses actually different than other forms of capital assets? How have US government programs shaped the housing market? What is sub-prime lending? What is “dead capital”, “microfinance”? Does Ferguson advocate borrowing as a percentage of property values, or on anticipated future earnings? Why the distinction?

The Big Short – reviewing the movie might be worth your time

Mortgage articles

Palazzo, *Unethical Decision Making*, “The Power of Institutions”

March 5, Class 7 – Global Capital Flows: Currency & Trade, macro and international “imbalances”. Required preparation for class:

Ferguson, *The Ascent of Money*, Chapter 6 and Afterword

Reflect on the following questions as you read this chapter: How does he explain the “great divergence”? What forces push towards globalization and what are the backlashes? How does he describe the relationship between the British government and China? How does the 1914 market-based narrative that accompanied the start of WWI contrast with the typical political view? What are the three policy options of central banking and why are only two achievable at a time? How did Soros “beat” the Bank of England? Why did diversification fail at LTCM? How does the Afterword seem to downplay finance as resembling physics and instead claim finance is more like biology?

Selected articles on the '08 Financial Crisis

Palazzo, *Unethical Decision Making*, “How to Fight Ethical Blindness”

March 12, No class Spring Recess

March 19, Class 8 – Student choice on an instructor-led topic. Suggestions:

- The Mortgage Market, Securitization and Security Design – Understanding a typical mortgage backed securities deal. With liars and liar’s loans, the American Dream of owning a house becomes a nightmare.
- Madoff – Why did a social and business pillar go off the rails?
- More on Wall St – What’s an iBank, a Broker, a Dealer, an Advisor?
- Technology & Finance come together as Fintech

March 26, Class 9 – Student-led Presentations and discussion— Readings assigned & topics TBD

April 2, Class 10 – Student-led Presentations and discussion— Readings assigned & topics TBD

April 9, Class 11 – Student-led Presentations and discussion— Readings assigned & topics TBD

April 16, Class 12 – Student-led Presentations and discussion— Readings assigned & topics TBD

April 23, Class 13 – Student-led Presentations and discussion— Readings assigned & topics TBD

April 30, Class 14 – Student-led Presentations and discussion— Readings assigned & topics TBD