

STANFORD UNIVERSITY

ECON 143/POLITICAL SCIENCE 127A/
PUBLIC POLICY 143/INTERNATIONAL POLICY STUDIES 227

FINANCE, CORPORATIONS AND SOCIETY FALL 2020

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Meeting time: Tue/Thu 8:30am-9:50am; Tue/Thu 10:30am-11:50am

COURSE DESCRIPTION

Both “free market capitalism” and democracy are in crisis around the world. This interdisciplinary course will help you understand these issues by exploring the interactions between the financial system, corporations, governments, and broader society. Topics include basic financial decisions of individuals and corporations, consumer finance (including mortgages, student loans, insurance and savings), financial markets and firms, corporations and their governance, the role of disclosures and regulations, political economy and government institutions, and the role of the media. We will discuss current events and policy debates regularly throughout the course. The approach will be rigorous and analytical but not overly mathematical. Visitors with relevant experience will enrich the discussion.

WHO THE COURSE IS INTENDED FOR AND WHAT YOU CAN HOPE TO GAIN

This course expands the scope of the “Finance and Society” course (with the same course numbers) taught in 2015-2019. It draws from many disciplines in the Social Sciences, Business and Law. The course should be accessible to all students, undergraduate or graduate, independent of their background, major, or field. We all interact routinely with corporations, the financial system and the government, and your professional and personal lives will undoubtedly involve even more of these interactions. These interactions can be confusing if you don’t understand the jargon, don’t appreciate the incentives of the other party, or can’t assess the validity of statements you encounter. This course will make you savvier and enhance your understanding of the workings of key parts of the economy and of the political system. You will also appreciate the roles each of us play and the opportunities we may have to make the system better. We will discuss financial institutions such as banks, but also cover other sectors and specific examples taken from recent events, including the controversies surrounding WeWork and PG&E, the new

role of tech and internet platforms, the role of the media, and the impact of and policy responses to COVID-19.

The course will maintain a big picture perspective, but we will also delve into details, which are essential for understanding the issues. You will have the opportunity to interact with and ask questions to individuals from across the economic and political spectrum. Many topics we will touch upon are covered in more detail in other courses across campus, so you will potentially be able to find new interests and passions. You will also gain a better understanding of the areas of research, teaching and careers that Business Schools and Law schools focus on. By the end of the course, you should have a deeper understanding of the economic and political system we live in, and the events we are living through.

FORMAT AND COURSE INGREDIENTS

The course will be conducted virtually over Zoom, but the teaching team will make significant efforts to make the experience as engaging, meaningful, educational, and memorable as possible. We will make frequent use of PollEverywhere in synchronous sessions and provide engagement opportunities in breakout rooms and with visitors. Engagement and participation in class (unless your location does not allow it, as discussed below) as well as through discussion boards, interactions with the teaching team, and collaborative work with your study group will all be important for you to benefit most from this class as well as for your grade.

While making the material engaging and relevant, the class will cover many topics rigorously, and students and their work will be held to a high academic standard. We recognize, however, that this is an unprecedented time and understand that students are facing a wide variety of unusual and possibly difficult circumstances. We will extend due grace and accommodation, and commit to being flexible, reasonable, and creative as necessary with all student circumstances, as long as you communicate with us in honesty and good faith, and in the spirit of the honor code and the learning mission of Stanford University. The main ingredients of the course are:

- **Before the course:**
 - *As soon as you register for this class, download the polling application PollEverywhere ([here](#)) and login using your Stanford email. Then respond to the class pre-course survey under [PollEv.com/anat](https://poll Everywhere.com/anat). The survey will ask you about your circumstances and what you look forward to most in this class. It will also help us get to know you. **Note:** *Using PollEverywhere and filling the pre-course survey is essential for making sure we can track your responses to polls that will be used routinely in class and count towards your participation grade.**
 - If you would like a flavor of the kind of issues we will discuss in the course, you can find below a list of books, movies, videos and podcasts to get you started.
- **Lectures:** The class will meet virtually on Tuesday and Thursday mornings on Zoom. These meetings will be recorded, and uploaded to our Canvas page for anyone who is unable to connect during these times or for reviews. There will be a combination of lectures, guest speakers' talks, and small group breakout sessions where you will discuss and complete activities with your fellow classmates.
- **Review Sessions:** TAs will hold optional sessions each week, where course assistants will discuss the problem sets and the course material, and help you prepare for later classes. We will gather

information from students about their availability for review sessions and make sure everyone can attend at least one of the sessions.

- **Office Hours:** Professor Admati and each of the Course Assistants will hold office hours each week on Zoom. We will try to schedule them at various times so that all students can go to at least one of them. The first half hour of each office hour will be devoted to individual or group meetings scheduled by appointment only, and the rest will be open for drop-ins. Please sign up on this [spreadsheet](#) for office hours.
- **Homework:** For each class, there will be required readings (sometimes listening or watching), which you should do as these will provide a basis for poll questions and discussions or breakout rooms during class. (A tool that can make it easier to read online is BeeLine Reader, which you can learn about and download [here](#); SU login required.) If we have a visitor (see below), it will be good to submit questions in advance as well as during the visit. In addition, there will be problemsets, mostly in the first part of the course, and a final project that you will work on in groups in the second half of the course.
- **Asynchronous Engagement** (see below under Canvas). Asynchronous engagement, including posting on the discussion board on Canvas, will count towards the Class Engagement grade, especially for students who cannot attend the lectures in real time.

If you are located in a time zone (e.g., in Asia) that makes it difficult to attend class at the usual time, please contact the course assistants at Econ143Stanford@gmail.com to request alternative arrangements *as soon as possible*. You will be able to watch the recorded lectures. We will replace class participation with alternative asynchronous assignments. *If you find yourself facing additional challenges that make it difficult for you to keep up with the coursework, please do not hesitate to contact any of us, and we can figure out ways to support you.*

We would also appreciate if you have suggestions for how we may improve your learning experience. We will ask for feedback at least once during the quarter, but please feel free to contact us at any point with any comments or suggestions. The virtual format can make it more difficult for us to assess how students are doing, but we are anxious to overcome these obstacles and find ways to engage with you.

VISITORS

Visitors will provide insights and opportunities to engage that are invaluable and not easily found elsewhere. Engaging with visitors will include submitting questions for them in advance as well as during sessions when visitors are present. Visitors will typically spend 25-40 minutes with us. We will ask you to read the visitors' bios and try to call on students to ask questions. Visitors will come from varied backgrounds and will bring to life and put faces on many of the issues we discuss.¹ We will engage with visitors for about 30-40 minutes of each class. Classes without a visitor will include breakout room discussions.

POLL EVERYWHERE

To engage students during sessions, we will use a technology called Poll Everywhere to allow students to answer questions and then collect and often display the answers. Ideally, you will use a device other than the computer or laptop on which you are watching the lecture to answer the questions. Use [this link](#) to install Poll Everywhere *and make sure you log on with your Stanford name and account*. We will ask

¹ Visitors' names have been deleted from this posted syllabus to protect their privacy. For the online version of the course, we had a total of 13 visitors. Students submitted questions in advance and interacted with the visitor for about 30-40 minutes of each class.

registered students to answer a poll prior to the first class so as to make sure we can track students' answers, some of which will be used for grading class participation. This poll will be available on Canvas on September 1. Only registered students will have access to the polls.

CANVAS

All course materials will be hosted on Canvas ([click here](#)), where you'll find Zoom Links for all classes, course announcements, discussion boards and more. The Canvas site will be closely monitored by the teaching staff. We'll be using the following features in Canvas:

- **The Syllabus Tab** will contain the course syllabus, as well as a course summary, from which you should be able to access all Zoom classes.
- **The Zoom Tab** links and lecture recordings will be available [here](#) (to access recordings, click on the "Cloud Recordings" tab).
- **The Announcements Tab** will contain reminders about the content and required readings for upcoming courses, as well as any upcoming assignments and other course announcements. You will be able to comment on announcements in case you need any clarifications.
- **The Discussions Tab** will be used for asynchronous engagement by students, who can start Discussions. This can include books, research or news articles you've read, videos you've watched, podcasts you've listened to and any other experience you've had that pertains to the course content being discussed. You should also discuss the main themes of what you've read/watched/heard, the main ideas you took away and how they connect to the course. We strongly encourage you to comment on material posted by other students – for instance, if you've read the same article and have a different point of view than the original poster. The teaching team will monitor the Discussions tab, and engagement here will count toward your Course Engagement grade. Further instructions on how to use the Discussions tab are available on Canvas.
- **The Modules tab** will contain lecture slides and other materials relevant for each session. **The Files Tab** may contain additional content that is related to the course.
- **Problem sets** will be submitted via **the Assignments Tab**. Instructions on how to do this will be available on Canvas.

ZOOM ETIQUETTE

We will assume that you have access to Zoom. [This link](#) can help you get set up. It is important that you do not share our course Zoom links or meeting passwords with anyone outside our course to protect the privacy of everyone in attendance.

We ask that, to the extent possible, students have their **video on and microphone muted** during class when not speaking. Please communicate with the teaching team through the pre-course survey if your situation might prevent you from joining with a video or otherwise participating in the live classes. You should prepare to be "warm called," for example to explain to the class why you answered a PollEverywhere question as you did. Please treat Zoom classes as a friendly but ultimately *professional* setting and always adhere to the fundamental standards of treating everyone with respect.

Students should use Zoom chats to indicate that they would like to ask a question or make a comment. Teaching staff will monitor the chat room and alert students who are about to be called to speak so they can unmute themselves.

COURSE PRIVACY STATEMENT

As per the University's [recording and broadcasting courses policy](#), students may *NOT* audio or video record class meetings without permission from the instructor and guest speakers. Video recordings of lectures are only for students in this class and are to be used only in the context of this class. You may not share or otherwise distribute recordings or post them on the Internet. These policies protect the privacy rights of instructors, visitors, and students, as well as the intellectual property and other rights of the University. Students who need more materials recorded for the purposes of an academic accommodation should contact the [Office of Accessible Education](#).

RESPECT FOR DIVERSITY STATEMENT

This course serves students from all backgrounds, perspectives, and situations; and it is our intent that the diversity that students bring to this class will be a resource, strength and benefit to all of us. We commit to present materials and activities that are respectful of diversity, which may include but not limited to: gender, sexuality, disability, age, socioeconomic status, ethnicity, race, religion, political affiliation, culture, and so on. We acknowledge that there is likely to be a diversity of access to resources among students. Please let us know how we can help, both through the pre-course survey and any time you encounter difficulties.

SUPPORT SERVICES

We understand the Covid-19 pandemic is a stressful time for us all. Please know that Stanford is committed to advancing the mental health and well-being of every student, and there are many resources available to you should you need help. If you, or someone you know is feeling overwhelmed, depressed, and/or in need of support, you can learn more about the broad range of confidential mental health services available on campus [here](#). Please feel free to reach out to the teaching team with any concern on these issues.

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TEXTBOOK AND SUPPLEMENTARY READINGS

The required textbooks for the course are

The Bankers' New Clothes: What's Wrong with Banking and What to Do about It, Admati, Anat and Martin Hellwig, Princeton University Press, 2013 (paperback or ebook edition, 2014). Book website [here](#).

How to Speak Money: What the Money People Say – and What it Really Means, John Lanchester, Norton, 2014.

Additional materials will be accessible online or posted on Canvas. Note that as a Stanford student, you can access the *Wall Street Journal* and *The Financial Times*. You must use your Stanford email address to create accounts. See also this [FAQ](#) about news resources at the GSB library, which include in particular *The New York Times* and *The Washington Post*. More data sources are available [here](#).

GRADING

The course grade will be determined by the following:

- Class Engagement 40%
- Problem Sets 15%
- Project 45%

Please consult teaching staff as soon as possible regarding any conflicts or accommodations you may need by the end of Week 2 of the quarter.

Class Engagement will be an important ingredient of your grade. Students should be prepared for class, respond to PollEverywhere questions posted during the session, engage in breakout rooms when we have them, and take advantage of other opportunities, such as question submission for visitors (in advance and/or during class), Canvas Discussions, etc. Students who cannot attend the class due to their location will be able to submit questions ahead of the class. They will then have access to the class recording, and will be required to respond to questions about what happened in the class. Class participation grades will reflect attendance and quality of contribution to the discussion in the top 16 class sessions (out of 20). *Participation is particularly important for those sessions when we have visitors.* As mentioned, we will also evaluate quality of comments and of asynchronous engagement in review sessions and in Canvas Discussions.

Problem Sets (and short assignments) should be submitted on Canvas. You can collaborate freely on the problem sets, *but no more than three students can submit any problem set jointly.* The problem sets will track the material covered in class and will provide important opportunities to ensure that you are absorbing the content. The problem sets will be discussed in review sessions.

Project(s): An important part of the course, an opportunity to put the material to practice, and a significant part of the grade, will be one or more projects that students will choose by around the middle of the quarter.

The projects will synthesize the material while allowing students to choose issues to explore independently and collaboratively in study groups of 3-5. You can form your own group (or part of a group) and we will help groups form as needed. Importantly, unlike problem sets, *you should only work on the projects with your group*. More details on the projects will be provided later.

THE HONOR CODE

Students are bound by the Honor Code to follow instructions regarding which collaborations are permitted and when. You are encouraged to engage and exchange ideas with your classmates while studying and working on problem sets, but *we expect you to answer PollEverywhere questions on your own, submit problem sets in group of up to three, and collaborate only with your study group on projects*. Compromising your academic integrity harms other course participants and creates an unfair playing field, and may lead to serious consequences for you. For tips on upholding the honor code in an online environment, read [these recommendations](#). If you have any questions regarding this policy, please contact the teaching team.

OPTIONAL PRE-COURSE BOOKS/MOVIES/PODCASTS

Below is a list of books, movies and podcast that you might enjoy reading, watching or listening to. This is optional, but any of them will provide useful background for the class.

Books/Movies

- *The Big Short* (book by Michael Lewis, 2010, Feature film 2015).
- *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron* (book by Bethany McLean and Peter Elkind, 2004; Documentary, 2005; [Podcast interview](#) with Elkind; Note: Bethany McLean will visit our class)
- *Merchants of Doubt* (book by Naomi Oreskes and Eric Conway 2011, Documentary 2014)
- *Bad Blood: Secrets and Lies in a Silicon Valley Startup* (book by John Carreyrou 2018, HBO Documentary “The Inventor: Out for Blood in Silicon Valley” 2019)

Books

- *Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street*, Neil Barofsky (2012)
- *Dark Towers: Deutsche Bank, Donald Trump, and an Epic Trail of Destruction*, David Enrich (2020) (See [video of event](#) hosted at Stanford in April 2020.)
- *Bottle of Lies: The Inside Story of the Generic Drug Boom*, Katharine Eban (2019)

Movies (Feature and Documentaries)

- “Amazon Empire,” Frontline Documentary, 2020 (and related content; Note: Stacy Mitchell will visit our class)
- “Dirty Money” Documentary series on Netflix, 2018-2019: Season 1, Episodes 2-4, (Fahmi Quadir and Bethany McLean in #3 will visit our class), Season 2, Episodes 1-3.
- “Plastic Wars,” Frontline Documentary, 2020
- “Dark Waters” (feature, 2019, based on book by Robert Billot)

Podcasts

- “Foundering” (on WeWork, which we will discuss), 2020
- “Against the Rules” with Michael Lewis, Season 1 on referees, 2019

Schedule

Students should always check Canvas for announcements and updated assignments

BNC refers to *Bankers New Clothes*, HSM refers to *How to Speak Money*

Session 1

Tuesday, 9-15-20

Overview and Key Themes

Topics:

Course overview; a general governance framework for discussing corporations, governments, rules and who sets and enforces them, the role of the financial system and why it matters.

Required Reading:

BNC: Prefaces; HSM: pp. 3-30, Bullshit vs nonsense

“Businesses, sick of policing mask use to prevent coronavirus, ask government to step in,” Noah Higgins-Dunn, CNBC, July 7, 2020. [Link](#)

“Jeb Hensarling and the Allure of Economism,” James Kwak, Baseline Scenario, December 20, 2016. [Link](#)

Session 2

Thursday, 9-17-20

Time and Money: Basic Financial Savvy

Topics:

Interest rates and financial decisions, the confusing jargon and the economics of consumer debt markets; understanding real and hidden terms; car loan example, present and net present value. .

Required Reading:

HSM: Interest rates, Inflation, Deflation, Bond, Compound interest, Hyperinflation, Real and nominal.

“What is a Truth-in-Lending Disclosure? When do I get to See it?” Consumer Financial Protection Bureau explainer. [Link](#)

“Note on the Time Value of Money” (posted on Canvas).

Session 3

Tuesday, 9-22-20

Risk, Insurance, and Diversification

Topics:

Random variables and expected value, insurance and diversification with fire insurance example; prices, returns and risk-adjusted discount rates.

Required Reading

HSM: Hedge (pp 21-22), Insurance, Risk, Yield, Hedge.

“Wildfires Hasten Another Climate Crisis: Homeowners Who Can’t Get Insurance,” Christopher Flavelle, *New York Times*, September 2, 2020, [Link](#)

“Insurance Firms Gain Early Lead in Coronavirus Legal Fight with Businesses,” Leslie Scism, *Wall Street Journal*, September 1, 2020, [Link](#)

Required listening

“Summer School 8: Risk and Disaster,” Planet Money, August 20, 2020, [Link](#)

Session 4

Thursday, 9-24-20

Household Debt

Topics:

Mortgages and mortgage terms; leverage and risk, housing policies, student loans, car loans, default and financial distress.

Required Reading:

BNC: Chapter 2 (pp. 17-25)

HSM: Default, Mortgage, No-recourse loan, Student loans

“Could reforming student loan debt provide a long-term U.S. economic boost?” Victoria Craig, Marketplace, August 10, 2020, [Link](#)

“A House is Not a Credit Card,” Bethany McLean, *New York Times*, November 13, 2014 [Link](#)

Required Watching

“Segregated by Design, short film, [Link](#)

Session 5

Tuesday, 9-29-20

Corporate Purpose, Funding and Governance

Topics:

What is a corporation? Balance sheets and limited liability; Stakeholders and the corporate veil, corporate governance, “business judgement rule,” shareholder value and managerial incentives,

Required Reading:

BNC: Chapter 2 (pp. 26-31)

HSM: Balance sheet, Limited liability; Private Company; Governance, Shareholder Value, Securities

Required Listening:

Foundering Podcast on WeWork, episodes 6 and 7. [Link](#) (The podcast is also available on Spotify for free registration.)

Required Watching:

“Enron: The Smartest Guys in the Room Movie clip - Something Didn't Add Up, (2005)” [Link](#) (YouTube)

Highly recommended:

Prepare questions for the guest; submit [here](#) by 3 pm Monday, 9-28-20.

Session 6

Thursday, 10-1-20

The Dark Side of Corporate Borrowing

Topics: The bankruptcy process; liquidity problems, insolvency, conflicts of interest, debt overhang, risk-shifting.

Required Reading: BNC: Chapter 3.

HSM: Bankruptcy, Chapter 11, Haircut, Restructuring

“Bankruptcy filings are mounting. And that's just the tip of the iceberg,” Matt Egan, CNN Business, September 11, 2020, [Link](#)

“California’s Wildfire Victims Fear Coming Last in PG&E Payout,” Michael Liedtke and Daisy Nguyen, KQED, February 26, 2020, [Link](#)

Highly recommended: Prepare questions for the guest; submit [here](#) by 3 pm Wednesday, 9-30-20.

Session 7 **Banking Basics**

Tuesday, 10-6-20

Topics: Commercial banks and central banks; deposits and payment system; loans; risks in banking; bank runs; deposit insurance;

Required Reading: BNC: Chapter 4, Chapter 10, pp. 148-158

HSM: Bank of England, Banking Union, Cajas, Central banks, ECB, Extend and pretend, Federal Reserve, Fiat money, Lender of last resort, Quantitative easing (QE), Reserve currency, SMEs, ZIRP, Zombie bank

“Banks Made Billions On PPP Loans. Learn What They’re Doing with the Cash,” Robin Saks Frankel, *Forbes*, July 10, 2020, [Link](#).

Required Watching: “That Film about Money,” We the Economy, Episode 6; [Link](#) and Episode 7; [Link](#) (Alternative links [here](#) and [here](#).)

Session 8 **Systemic Risk and Financial Crises**

Thursday, 10-8-20

Topics: Securitization, investment banks; derivatives and other innovations; the interconnectedness of the system; financial crises and systemic risk.

Required Reading: BNC: Chapter 5.

HSM: Black Scholes, Credit Default Swap (CDS), Derivatives, Interest Rate Swaps, Investment Banks, London Whale, Options, OTC, Prop trading, Repo, Shadow Banking, Synthetic, Traders, analysts & quants

“CLOs: Ground Zero for the Next Stage of the Financial Crisis?” Joe Rennison and Robert Smith, *Financial Times*, May 12, 2020, [Link](#)

Highly recommended: Prepare questions for the guest by 3 pm on Wednesday, 10-7-20, [Link](#).

Session 9

Tuesday, 10-13-20

Governments and Political Systems

Topics: The U.S. Federal government and other political systems, how the rules are written, lobbying and money in politics.

Required Reading: BNC: Chapters 1 and 12.

HSM: Davos, Externalities; Deregulation, City of London, Regulatory, G7, G8, G20, ESM, IMF, Nationalization, Moral Hazard, Rent. “Tragedy of the commons,” Troika, sovereign, technocrat

“Bank Regulator’s Battle With Anti-Redlining Law Comes to an End,” Emily Flitter and Jeanna Smialek, *The New York Times*, May 29, 2020, [Link](#)

Session 10

Thursday, 10-15-20

Regulating Corporations

(Guest: Linda Ginzel)

Topics: Corporate attitudes to safety; the role of government in consumer protection; consumer advocacy, nonprofit organizations; leadership.

Required Reading: “Congressional Inquiry Faults Boeing And FAA Failures For Deadly 737 Max Plane Crashes,” David Shaper, NPR, September 16, 2020 (listen too) <https://www.npr.org/2020/09/16/913426448/congressional-inquiry-faults-boeing-and-faa-failures-for-deadly-737-max-plane-cr>

“Why Danny Died: Cribs and Other Potentially Dangerous Products — The Advocates’ Perspective,” Boaz Keysar and Linda Ginzel, *Pediatric Annals*, September 2008 646-651, [Link](#)

“The Consumer Product Safety Improvement Act and Section 104: The Danny Keysar Child Product Notification Act,” [Link](#)

Session 11

Tuesday, 10-20-20

Governments, Rescues, and Financial Regulations

(Guest: Sarah Bloom Raskin)

Topics: Bailouts and rescues by governments and central banks; the role and challenge of financial regulations

Required Reading: BNC: Chapters 6

HSM: Basel III, Core capital, Glass Steagall, Reform, Risk weighting, leverage, Volcker rule,

“How Pimco’s Cayman-Based Hedge Fund Can Profit From the Fed’s Rescue,” Jeanna Smialek, *New York Times*, July 30, 2020

[Link](#)

“Where is the Courage to Act on the Banks?” Anat R. Admati, Bloomberg View, October 12, 2015. [Link](#)

Optional Reading

“The Big Corporate Rescue and the America that’s Too Small to Save,” Lydia DePillis, Justin Elliott and Paul Kiel, Pro Publica, September 12, 2020, [Link](#)

Session 12

Thursday, 10-22-20

The Economics of Corporate Funding

Topics:

Debt and equity funding for corporations and for banks, book and market values, raising equity, the dilution fallacy; shareholder payouts; debt subsidies and guarantees, too big to fail institutions.

Required Reading:

BNC, Chapter 7 and 9

HSM: Bond market, Debt for equity, Equities, Rights issue, Market capitalization, Deleveraging, Repo

“Companies are Dangerously Drunk on Debt,” Robert Armstrong, *Financial Times*, May 6, 2020, [Link](#)

Session 13

Tuesday, 10-27-20

Financial Disclosures, Accounting and Auditing

Topics

Accounting standards and auditors; regulation of auditors; enforcement.

Required Reading:

BNC, Chapter 8

“Wirecard: Inside an Accounting Scandal,” Dan McCrum and Stefania Palma, *Financial Times*, February 7, 2019, [Link](#).

Required Listening:

“A String of Scandals, the Same Auditor,” The Journal Podcast episode, October 19, 2020. [Link](#)

Session 14

Thursday, 10-29-20

Stock Markets, Short sellers and Corporate Governance

Topics:

Hedge funds; long and short positions in financial markets, fraud.

Required Reading: HSM: Stocks and shares, Greater Fool theory, Hot money, Long and short, Mr. Market, Holes in the balance sheet

“Comment to BaFin about the Ban on Short-Selling Wirecard Stock,” Fahmi Quadir, March 15, 2019, [Link](#)

“Wirecard: Scandal Spreads to German Politics,” Guy Chazan and Olaf Storbeck, *Financial Times*, September 28, 2020 [Link](#)

Session 15

Tuesday, 11-3-20

Pre-Recorded 10-30-20

Institutional Investors and Financial Markets

Asynchronous

Topics: Institutional investor types including asset managers, endowments, sovereign wealth funds. How individuals can invest.

Required Reading: HSM: Asset Allocation, Arbitrage, EFFs, Fundamentals, Graham, Ben (1894-1976)

“University Finances” (starting from “Endowments” to the end), John Cochrane, *Grumpy Economist* blog, [Link](#)

“Oil-rich Norway will withdraw a record \$37 billion from wealth fund as COVID-19 batters economy,” Mikael Holter, *Fortune*, May 12, 2020. [Link](#)

For Class participation credit If you have not attended the session on October 30, submit [this assignment](#) after watching the video of the class

Session 16

Thursday, 11-5-20

Internet Platforms and “Surveillance Capitalism”

Topics: Platform business models; big technology companies; antitrust laws and enforcement issues; the politics of tech power, focus on Amazon.

Required Reading: “John Oliver rips Amazon over warehouse work and tech giant’s operations chief calls it ‘insulting’,” Kurt Schlosser, *GeekWire*, July 1, 2019, [Link](#). Watching the full Oliver episode, linked also [here](#), is strongly recommended. (Note it includes an expletive.)

“Prime and Punishment: Dirty Dealings in the \$175 Billion Amazon Marketplace,” Josh Dzieza, *The Verge*, December 19, 2018, [Link](#)

“Amazon Knows What You Buy. And It’s Building a Big Ad Business From It,” Karen Weise, *The New York Times*, January 20, 2019, [Link](#).

Session 17
Tuesday, 11-10-20

Internet Governance: Who Sets the Rules and How?
(Guest: Nikhil Pahwa)

Topics: Net neutrality, privacy, fake news, policy issues and civic action.

Required Reading: “The Inside Story of Facebook's Biggest Setback,” Rahul Bahtia, *Guardian*, May 12, 2016, [Link](#)

“Facebook’s Hate-Speech Rules Collide with Indian Politics,” Neuley Purnell and Jeff Horwitz, *Wall Street Journal*, August 14, 2020
[Link](#)

Session 18
Thursday, 11-12-20

Corporate Justice, and the Role of Media

Topics: The role of media in informing and educating the public; why and how media can become distorted; the impact of social media; the justice system in corporate context.

Required Reading: “Walmart Was Almost Charged Criminally Over Opioids. Trump Appointees Killed the Indictment,” Jesse Eisinger and James Bandler. *ProPublica*, March 25, 2020, [Link](#)

“Milton Friedman and the Need for Justice,” Anat Admati, ProMarket, October 5, 2020, [Link](#)

Session 19
Tuesday, 11-17-20

China and the Global Economy

Topics: China and its relations around the globe, data governance issues, state-controlled “capitalism.”

Required reading: “Before Ant IPO was pulled, regulators warned of risks,” TechNodes, November 7, 2020; [Link](#)

“Alibaba’s Big India Bet,” Saumya Roy, *The Wire China*, July 19, 2020; [Link](#) (Access *The Wire China* [here](#))

Session 20
Thursday, 11-19-20

Corporations, Democracy, and You

Topics: Course summary, student project presentation

Required reading: BNC Chapter 13

ECON 143, POLISCI 127A, PUBLPOL 143, IPS 227
Finance, Corporations and Society
Fall 2020
Professor Admati

FINAL PROJECT

The final project for this class will be carried out in groups and will build in several parts during the quarter. The project will synthesize the material and analytical frameworks developed throughout the course, and will culminate with a summary of a challenge for society and actionable proposal(s). There will be regular deadlines scheduled throughout the quarter, at which students will meet with a Course Assistant to guide their project forward. At the end, the teaching team will select up to three of the most promising projects to be honored with presentations before the whole class. Groups may be 3, 4, or 5 students and may be from different sections of the course. We expect all group members to contribute equally to the project, and recommend that, if possible, all students in a group take the class with the same grading basis (letter grade or pass/fail). The standards and maximum lengths of final projects will be adjusted based on the group size (see below). Students may form their own groups, or ask the teaching team to assign them a group based on their background and interests.

Collaboration and Honor Code

Students may only collaborate with members of their group, and any collaboration between members of different groups will be considered an Honor Code violation.

Students will be expected to draw upon many external sources and conduct independent research on their chosen topics. Proper citation and attribution of all sources is critical. The use of outside sources without attribution is an honor code violation.

Prompt

Choose (i) an institution or a set of institutions such as one or more corporation(s) or non-profit(s) in the private sector, or a government body (e.g., a regulatory agency, an international body of regulators, etc.), (ii) a particular issue and (iii) if appropriate, a particular period of time, where the following conditions hold:

- a) At least one corporation is meaningfully involved. (If you focus on a government entity, the context must include interactions with private sector corporations.)
- b) A substantial number of individuals are affected by the actions of your chosen institution.
- c) The institution(s) and issue you are discussing are related to or illustrate the topics discussed in this course.

The project will involve analyzing the institution(s) and the specific issue you choose across the following dimensions:

1. How is your project related to the main themes and content of this course?
2. Who are the stakeholders involved, including both decision makers at different levels within and outside the institution(s)?
3. How well informed are various stakeholders about the issue you are discussing?
4. What do different stakeholders want in the situation you are discussing? (People may have different preferences even within the same stakeholder group such as employees, customers, others, and you should discuss these.)
5. How much control do various stakeholders have on decisions made by this institution(s)? What can they do to achieve their goals?
6. What would you like to change related to the issue you are discussing, and how would you go about achieving this change? How would you deal with potential obstacles to making these changes?

Students will be expected to conduct their analyses through the frameworks learned in this course and to connect their findings to themes and specific cases discussed in class as appropriate. A good final project will compare and contrast different (private sector and/or government) policy approaches to your problem and/or similar problems in similar systems in the same or other countries. What about the governance or regulatory systems in your setting causes it to have different outcomes from other settings? How have activists or political actors attempted to solve this problem in your setting, and in others? Have they been successful or unsuccessful? In which ways or how?

Sources of Ideas: We created a document, linked [here](#) that provides accessible media sources to help you look for project topics. (If you have other suggested sources we may have missed, please contact the teaching team and we will add!)

Note: We will discuss specific corporations and government bodies, such as PG&E, WeWork, Wells Fargo Bank, Wirecard, Amazon, FDIC, PCAOB, etc., in classes, readings, and problem sets. If you choose one of these, we expect that you go much beyond what was assigned and discussed.

Timeline for the final project:

By Saturday, 10/24/20: Project Idea Sign off

Students should start thinking about project ideas starting immediately and find opportunities to discuss them with other students through Canvas Discussions, review sessions, office hours and informally. Groups must get approval from a Course Assistant to their planned project, which would involve setting up a 10 minute meeting with one of the Course Assistants no later than Saturday, October 24, 2020 in order to obtain approval for the project proposal. Groups should come to these meetings with a written outline of their plan for the project. If you have multiple ideas, this meeting can be used to finalize which one to pursue.

By Saturday, 10/31/20, 5 pm PT: Part I Due

For this part, groups are required to submit a written document describing how the project fits parts (a)-(c) of the prompt above, and provide a tentative answer to questions (1)-(6) above. This document will be the skeleton on which your project will build.

*Part I Maximum length*¹ (we expect more detailed discussion from larger groups):

3-student group: up to 1,500 words

4-student group: up to 2,000 words

5-student group: up to 2,500 words

By Saturday, 11/14/20, 8 am PT: Final Project Due

The final project will consist of a document that builds upon Part I and answers questions 1-6 above.

Final Project Maximum length (we expect more detailed discussion from larger groups)

3-student group: up to 4,500 words

4-student group: up to 6,000 words

5-student group: up to 7,500 words

Monday, 11/16/20: Exemplary Projects Notified

A few exemplary projects will be notified & invited to prepare slides to present before the entire class in the final session on November 19, 2020.

¹ All word limits are exclusive of footnotes, references, tables and figures.