Instructor : Dr. Carolin Schellhorn  
Office : 270 Mandeville Hall  
Phone : 610-660-1657  
E-mail : schellho@sju.edu  
Office Hours : M,W,F 12:15 – 2:15 pm or by appointment

COURSE OBJECTIVES

The objective of this course is to develop a holistic view of the finance function within our economy and society. Economic, environmental and social externalities will be discussed along with possible ways to internalize them. The importance of responsible and ethical financial decision-making by households, businesses and governments will be emphasized in a variety of contexts. The following subject areas and topics will be covered:

I. The big picture: A sustainable global economy and society
   1. The main global challenges of our time: Climate change and income inequality
   2. The components of our economy and society: Markets, government, commons
   3. Forms of organization: Corporations, B-corporations, cooperatives, non-government organizations, public-private partnerships
   4. Economic paradigms: Growth, circularity, sharing

II. Relevant information and awareness: Internalizing environmental and social externalities in key industries
   1. Valuing our eco-systems and the atmosphere
   2. Education, financial literacy and inclusion
   3. The food - pharma - health nexus
   4. Energy and water
   5. Transportation and buildings

III. Responsibility for a thriving economy and society: Financial decision-making by individuals and organizations within our systems, policies, and cultures
   1. Transparency and accountability
   2. Supply chain risk disclosure and management
   3. Corporate social responsibility (CSR) and sustainable NPV analysis
   4. Sustainable investing with focus on environmental, social and governance (ESG) factors
Prerequisites: PHL 154 and FIN 200.

COURSE MATERIALS

1. Materials on Blackboard Learn
2. A primer on the economics of shale gas production – just how cheap is shale gas?, *Journal of Applied Corporate Finance*, Larry Lake et. al., Vol. 25, Number 4, Fall 2013.
3. The news.

COURSE FORMAT

You are expected to come prepared to each class. The entire class benefits when you ask questions and participate in the discussion. Your comments and questions are important and welcome. Taking detailed notes of classroom discussions and lectures is important.

PERFORMANCE EVALUATION

Your grades will be based on your in-class participation, three graded homework assignments, one midterm, and one cumulative final. Your composite score will be determined using the following relative weights:

- In-class participation: 10%
- Three graded ethics-related homework assignments: 45%
- One ethics-related midterm: 20%
- Cumulative ethics-related final exam: 25%

Subjects and course material discussed in class will be emphasized on the exams. You are responsible for any information given in class, even if you are unable to attend. Please acquaint yourself with someone else in the class so that you can get any information that you may miss.

It is important that you be present at the examinations. There will be no make-up exams and no assignments that can be completed for extra credit.

The final exam may be scheduled for the last day of exams. Please do not make plane reservations to leave before the end of the final exam period.

STUDENTS WITH DISABILITIES

In accordance with state and federal laws, the University will make reasonable accommodations for students with documented disabilities. Those of you who have or think that you may have a disability requiring an accommodation (learning, physical, psychological) should contact Services for Students with Disabilities, Room G10,
Bellarmine Hall, 610-660-1774 (voice) or 610-660-1620 (TTY) as early as possible in the semester for additional information and so that an accommodation, if appropriate, can be made in a timely manner. You will be required to provide current (within 3 years) documentation of the disability.

ACADEMIC HONESTY

Honesty and ethical behavior is essential, not only here at Saint Joseph’s University but also in your professional career and in your private life. Please review the academic honesty policy at Saint Joseph’s outlined in the University Catalogue. Any violation of this policy will result in a grade of zero for the exam or assignment and may, at the discretion of the instructor, result in an “F” for the course.
COURSE OUTLINE AND ASSIGNED READINGS

I. The big picture: A sustainable global economy and society

1. The main global challenges of our time: Climate change and income inequality

*Identify and understand the ethical and economic arguments in favor of climate action and reduced income inequality.*

“Ethical Dimensions of Climate Change,” Rock Ethics Institute, Penn State University, [http://rockethics.psu.edu/climate/edcc](http://rockethics.psu.edu/climate/edcc)


2. The components of our economy and society: Markets, government, the commons

*Identify the conditions that are required for markets to work. Give examples of market failure. Define the role of the government (federal, state, local) and the significance of deficits, and the total federal debt. Who maintains our common resources and common spaces?*


National Priorities Project [https://www.nationalpriorities.org/](https://www.nationalpriorities.org/)

3. Forms of organization: Corporations, B-corporations, non-government organizations, public-private partnerships

*Identify the main characteristics of corporations, B-corporations, non-government organizations, and public-private partnership. Compare and contrast their strengths and weaknesses.*

Business, Society and the Future of Capitalism

http://hbswk.hbs.edu/item/7537.html

B-Corporation: Welcome
http://www.bcorporation.net/

Cooperatives
“The Puzzling Lack of Cooperatives,” by Peter Molk

Non-government organizations
http://www.unrol.org/article.aspx?article_id=23

Non-profit finance

What are public-private partnerships?
http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships

4. Economic paradigms: Growth, circularity, sharing

*Can we grow our economies without limit? What are relevant measures of progress? Are we in the process of transitioning to a new economy? Keynesian economics (demand-side), supply-side economics, monetarism, the circular economy, the sharing economy*

Measures of Growth and Progress

Problems with GDP as an Economic Barometer (Joseph Stiglitz)
https://www.youtube.com/watch?v=QUaJMNtW6GA
The Genuine Progress Indicator
http://genuineprogress.net/

World Happiness Report 2013

The New Climate Economy Report, Better Growth And Better Climate
http://newclimateeconomy.report/

Towards the Circular Economy (World Economic Forum, 2014)

The Sharing Economy

First graded homework due
Graded Ethics Homework I: Use the two ethics paradigms, Utilitarianism (UTIL) and Rights-Justice-Fairness (RJF), as well as economic arguments to explain why firm financial decision-making should formally take into consideration the threats associated with climate change and the consequences of excessive income inequality.

II. Relevant information and awareness: Internalizing environmental and social externalities in key industries

1. Valuing our eco-systems and the atmosphere

How can we measure the costs to society of carbon emissions and the damage imposed on our ecosystem? How can we allocate these costs fairly to the responsible parties?

What is Nature Worth?
http://www.youtube.com/watch?v=TartoYpK1yI
http://www.theguardian.com/sustainable-business/finance-nature-no-value-natural-capital

Ecological Economics
http://video.vpt.org/video/1409029473/

Ecosystem valuation
http://www.ecosystemvaluation.org/1-02.htm
Technical update of the social cost of carbon (2013)

Social cost of carbon greatly underestimated

2. Education, financial literacy and inclusion

Education and financial literacy are prerequisites for responsible consumption and investment decisions, and for the proper functioning of our political, economic, social and ecosystems. Society benefits greatly from an educated and financially literate population.

The economic impact of the achievement gap in American schools

http://www.umass.edu/preferen/You%20Must%20Read%20This/Financial%20Literacy%20JEP%202014.pdf

The Center for Financial Inclusion
http://www.centerforfinancialinclusion.org/

MIDTERM EXAM

3. The food – pharma – health nexus

*Our health depends on a stable supply of healthy foods, a stable climate and access to healthcare. Can our dependence on pharmaceutical drugs be reduced with smart agricultural practices (e.g., reduced use of antibiotics, organic produce), healthy life and food choices? What are the issues: Organic, local, fair trade, impact on forests, climate, obesity, use of antibiotics, health? Give examples of how these issues impact business decisions and society’s well-being.*

Agriculture and food supply – climate change impact and adaption
http://www.epa.gov/climatechange/impacts-adaptation/agriculture.html
Climate smart with cool foods

Food wastage footprint – impacts on natural resources

Pfizer on climate change
http://www.pfizer.com/responsibility/protecting_environment/climate_change

Beyond pesticides – importance of pollinators
http://www.beyondpesticides.org/pollinators/index.php

Health care without harm
https://noharm.org/

4. Energy and water

Know the sources of information about energy. Understand the choices of energy sources that are available. What are the advantages and disadvantages of each? What is the future outlook for energy availability and energy investment opportunities? To what extent do our choices of energy source affect water issues? How does water scarcity affect business decisions in different parts of the world?

U.S. Energy Information Administration
http://www.eia.gov/

What you need to know about energy – The National Academies of Sciences
http://needtoknow.nas.edu/energy/

Revolution Now – U.S. Department of Energy

The Energy-Water-Food Nexus: Insights for the business community – U.S. Chamber of Commerce Foundation

Two types of water scarcity
http://thewaterproject.org/water_scarcity_2
Water and climate change: Understanding the risks and making climate smart investment decisions
http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/02/01/000333038_20100201020244/Rendered/PDF/529110NWP0Box31ge0web0large01128110.pdf

How to solve the world’s water crisis

5. Transportation and buildings

What are the economic, social and environmental aspects of sustainable transportation and green buildings? What economic incentives exist to invest in clean vehicles and energy-efficient buildings?

Transportation Sustainability Research Center – The University of California, Berkeley
http://tsrc.berkeley.edu/

Union of Concerned Scientist - Clean Vehicles

U.S. Green Building Council
http://www.usgbc.org/

Breakthrough for Sustainability in Commercial Real Estate – Deloitte

Second graded homework due
Graded Ethics Homework II: For an industry of your choice, list environmental and social externalities (positive and negative) that should be considered in a capital budgeting analysis, either as explicit cash flows or as risk premiums that are part of a discount rate. You should be able to give at least one ethics argument based on Utilitarianism (UTIL) or Rights-Justice-Fairness (RJF), and at least one economic argument for each variable that you think should be included in the analysis.
III. Responsibility for a thriving economy and society: Financial decision-making by individuals and organizations within our systems, policies, and cultures

1. Transparency and accountability

How can we increase the safety and soundness of our financial system so that the likelihood of future financial, environmental and social crises is minimized?

Seeing through “the banker’s new clothes” Anat Admati at TEDxStanford
http://www.youtube.com/watch?v=s_I4vx7gHPQ


Better Markets – Too Big To Fail: Proposals for reform
https://www.bettermarkets.com/reform-news/%E2%80%98too-big-fail%E2%80%99-too-big-ignore#.VCQ1QlfEeqk

Sustainability Accounting Standards Board – Accounting for a sustainable future
http://www.sasb.org/

2. Supply chain risk disclosure and management

How can we increase the safety and soundness of our businesses and supply chains so that the likelihood of future financial, environmental and social crises is minimized?

CDP Global Supply Chain Report


Sourcemap: The social network for supply chains
http://sourcemap.com/

3. Corporate social responsibility (CSR) and sustainable NPV analysis

What can we do as market participants in businesses to improve the climate crisis and reduce poverty and excessive income inequality?

The Foundations of Corporate Social Responsibility

The Social Value of Shareholder Value by Randall Morck (copyrighted article)
http://corpgov.net/2014/07/social-value-shareholder-value/

Global Initiative for Sustainability Ratings
http://ratesustainability.org/

Eco-value screen for private equity

A primer on the economics of shale gas production – just how cheap is shale gas?,
Journal of Applied Corporate Finance, Larry Lake et. al., Vol. 25, Number 4, Fall 2013.

4. Sustainable investing with focus on environmental, social and governance (ESG) factors

What can we do as institutional or individual investors to improve the climate crisis and reduce poverty and excessive income inequality?

The Investment Logic for Sustainability, State Street Global Advisors
http://www.ted.com/talks/chris_mcknett_the_investment_logic_for_sustainability

Why environmental externalities matter to institutional investors

Columbia Center on Sustainable Investment
http://ccsi.columbia.edu/

HIP Investor – Human Impact Plus Profit
http://hipinvestor.com/

The expanding bond market for green projects – JP Morgan Chase
http://www.jpmorganchase.com/corporate-responsibility/green-bonds
Third graded homework due

**Graded Ethics Homework III**: Can you think of a situation where it would make sense to reject a positive NPV project using ethics arguments based on Utilitarianism (UTIL) or Rights-Justice-Fairness (RJF), as well as economic arguments? (Hint: You may use the shale gas article by Lake et.al. as a basis for your answer.)

**CUMULATIVE FINAL EXAM**
IMPORTANT DATES

xx/xx/xxxx  First Homework due
xx/xx/xxxx  Midterm Exam
xx/xx/xxxx  Second Homework due
xx/xx/xxxx  Third Homework due
xx/xx/xxxx  Cumulative Final Exam