

Online Appendix for: Putting Integrity Into Finance: A Purely Positive Approach

19 March 2014

WERNER ERHARD

Independent
werhard@ssrn.com

MICHAEL C. JENSEN

Jessie Isidor Strauss Professor of Business Administration, Emeritus, Harvard Business School
mjensen@hbs.edu

FAIR USE: You may redistribute this document freely, but **do not post** the electronic file on the web. We welcome web links to this document at:

<http://www.nber.org/data-appendix/w19986/Online%20Appendix%20for%20Putting%20wCXs.pdf>

We revise our papers regularly, and providing a link to the original ensures that readers will receive the most recent version. Thank you, W. Erhard and M. Jensen.

Abstract

This Online Appendix to “Putting Integrity Into Finance: A Purely Positive Approach” available at <http://www.nber.org/w19986> rigorously defines and discusses the meaning of one’s word, whether that word be the word of an individual human being or the word of a human entity such as a partnership, corporation or governmental agency.

Online Appendix for: Putting Integrity Into Finance: A Purely Positive Approach¹

WERNER ERHARD

Independent

werhard@ssrn.com

MICHAEL C. JENSEN

Jessie Isidor Strauss Professor of Business Administration, Emeritus, Harvard Business School

mjensen@hbs.edu

The paper for which this is an online appendix is available at:

<http://www.nber.org/papers/w19986>

¹ We are indebted to Sandra Carr, Miriam Diesendruck, Anders Dillan, Allan Scherr, Gonneke Spits, Sue Strober, and Steve Zaffron for their willingness to share their efforts, knowledge and insights into matters relevant to this paper, and especially Kevin Murphy for his insightful challenges, questions, and comments on this paper, and his willingness to share with us his knowledge, data and exhibits relevant to executive compensation. We acknowledge our students and seminar participants for their contribution to us, in particular the critical lessons about the viability of the material and the methodology for mastering it. We are also indebted to two anonymous referees for their valuable comments, criticisms, and suggestions. All errors are our responsibility.

Disclosure Statement: Jensen has received financial support from the Harvard Business School Division of Research. Both authors are associated with the non-profit Erhard-Jensen Ontological / Phenomenological Initiative (from which the authors receive no financial benefit other than a reimbursement of travel expenses when dealing with the Initiative's activities). The purpose of the Initiative is to stimulate and support research into and the application of the *ontological / phenomenological perspective on human nature and behavior*, and the impact of such a perspective on life, living, and self. Various management consulting and public program delivery firms (some from which the authors derive a financial benefit) utilize some of the ideas presented in this paper in their consulting activities or programs.

ONLINE APPENDIX: ONE'S WORD – DEFINITIONS AND CLARIFICATIONS²

A. ONE'S WORD DEFINED

We define a person's or other human entity's word as consisting of each of the following six elements:

Word-1. **What You Said:** Whatever you have said you will do or will not do, and in the case of do, by when you said you would do it.

Note: *Requests Of You Become Your Word Unless You Have Timely Responded To Them:* There are four legitimate canonical responses to a request, namely: accept, decline, counter offer, or promise to timely respond at some specific later time. If when you receive a request you do not timely respond to that request with one of the four legitimate responses, you have in effect accepted (given your word to) that request. That is to say, that request is part of your Word 1.

Note: *In Contrast, Your Requests Of Others Do Not For You Become Their Word When They Have Not Responded In A Timely Fashion:* The efficacy (workability) of the asymmetry between the Note directly above and this Note is explained below in Section B, Word-1.

Word-2. **What You Know:** Whatever you know to do or know not to do; and in the case of do, doing it as you know it is meant to be done and doing it on time – unless you have explicitly said the contrary to those who are counting on you.

Also see in Section B below, Word-2

Word-3. **What Is Expected of You (that is, expectations that are in fact unexpressed requests of you):** Whatever anyone with whom you desire a workable relationship expects you to do or not do, and in the case of do, doing it on time – unless you have explicitly said to the contrary. (Obviously, this includes what you have *allowed* others to expect of you even though you have not *said* that you could be expected to do it or not do it.)

For the rationale for this, see Section B below, Word-3 (including numbers 1 through 5).

Note: *Your Expectations Of Others (Expectations That Are In Fact Unexpressed Requests) Are Not For You Their Word:* What you expect of others and have not explicitly expressed to them (requested of them) is not for you part of their word as defined in this new model. Only those expectations you have of others that you have made clear to them by an explicit request is part of their word for you (unless they decline or counter-propose your request). The efficacy (workability) of the asymmetry between 1) others' expectations of you being (for you) your word, while 2) your

² The content of this Appendix is a revised version of the definition of one's word contained in: Werner Erhard, Michael C. Jensen, and Steve Zaffron, "Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics, and Legality – Abridged" (March 7, 2010). <http://ssrn.com/abstract=1542759>

expectations of others are not (for you) their word, is explained below in Section B, Word-3 Note.

Word-4. What You Say Is So: Whenever you have given your word to others as to the existence of some thing or some state of the world (canonically, an assertion), your word includes you being willing to be held accountable that the others would find your evidence for what you have asserted makes what you have asserted valid for those others.³

Note: *What You Knowingly Allow Others To Assume Or Believe:* In addition to what you have outright asserted, your Word-4 includes anything you knowingly allow others to assume or believe. If you allow them to continue to assume or believe it, your word includes you being willing to be held accountable that they would find that your evidence (including any contrary evidence) for what you have allowed them to assume or believe also makes it valid for them.

Notice that at one end of the spectrum of Word-4 there is outright lying, while the other end of the spectrum involves simply allowing others to believe or assume something that is for you not valid.

Also see in Section B below, Word-4

Word-5. What You Stand For: What you stand for is a fundamental aspect of who you are for others. And, while perhaps less obvious, what you stand for is even a fundamental aspect of who you are for yourself. In each case, what you stand for is your word.

What you stand for (canonically, a declaration) is constituted by 1) who you hold yourself out to be for others (the way of being and acting you say others can or you allow others to count on from you), and 2) who you hold yourself to be for yourself (the way of being and acting you say or you assume you can count on from yourself, whether specifically articulated by you or not).

Given that your word as what you stand for with others and with yourself is a fundamental aspect of who you are, when your word as what you stand for lacks integrity (is less than whole, complete, unbroken, sound, in perfect condition), you as a person lack integrity. In a real sense you are less than whole, complete, unbroken, sound, in perfect condition as a person. This is true not only for a person, but just as true for any other human entity, e.g., a corporation, partnership, agency, or association.

Also see Section B, Word-5

Word-6. Moral, Ethical And Legal Standards: The *social moral standards*, the *group ethical standards* and the *governmental legal standards* of right and wrong or good and bad behavior in the society, groups and state in which one enjoys the benefits of membership are also part of one's word (what one is expected to do or not do) unless a) one has explicitly and publicly expressed an intention to not keep one or more of these standards, and b) one is willing to bear the costs of refusing to conform to these standards (the rules of the game one is in).

³ See: Searle, 1969, *Speech Acts: An Essay in the Philosophy of Language*, Cambridge, UK: Cambridge University Press, especially for his discussion of assertions.

Also see Section B, Word-6

Note that what we have defined above is what constitutes a “*person’s or other human entity’s word*” – not what constitutes integrity. Integrity for a person or other human entity is that person’s or that human entity’s word (each of the six aspects of one’s word spelled-out above) being whole, complete, unbroken, sound, in perfect condition.

B. CLARIFICATIONS OF “ONE’S WORD” AS DEFINED ABOVE

Word-1. Most people will not have a problem with Word-1 (*their word being constituted by that to which they have given their word*).

About The Two Notes In Word-1: However, many people will have a problem in Word-1 with the seeming “unfairness” of the asymmetry of Note B: Your requests of others *do not become for you* their word when they have not responded to your request in a timely fashion. Assuming that the non-response of another to your request is an acceptance on their part invites a breakdown in workability and a consequential decline in the opportunity for performance. Where another has not timely responded to your request, you avoid the chance of such a breakdown if you hold yourself accountable for obtaining a response. Note that integrity is a matter of the workability resulting from being whole and complete as to one’s word, not an issue of fairness.

Conversely, others requests of you *do become for you* your word if you have not timely declined, counteroffered, or promised to timely respond at some specific later time. This asymmetry avoids the possible breakdown of the other assuming your acceptance of their request, when you might have intended to decline their request. Again, integrity is a matter of the workability resulting from being whole and complete as to one’s word, not an issue of fairness.

Word-2. Some people may have a problem with Word-2 (their word also being constituted by what they *know to do and doing it as it was meant to be done*), because there might be situations in which they don’t know what to do, or may not know how it is meant to be done. If one does not know what to do, and one *does not know* that one does not know what to do, that does not fit the definition of one’s word as stated in Word-2, (*doing what you know to do*). However, if one does not know what to do and one *knows* that one does not know, that does fit the definition of one’s Word-2, and explicitly saying that one does not know what to do would be a part of one’s word, otherwise the other would be left with the belief that one does know what to do. Likewise with knowing how it is meant to be done.

Word-3. Many people will have a problem with their word being constituted by Word-3 (*whatever is expected of you by those with whom you desire a workable relationship unless you have said to the contrary*). Of course if someone has expressed his or her expectation of me in the form of an explicit request, I can accept, decline or counteroffer that expectation – no problem with that. It is being obligated by expectations that have not been expressed explicitly, and certainly those about which one is unaware, with which many people will have a problem. When these are also considered as being part of one’s word, it

occurs for many as wrong that one should be obligated to fulfill the unexpressed expectations that others have of one. There are five points to be considered.

1. In this model you are not obligated to fulfill others expectations of you. However, if you do not either decline the expectations of others or fulfill them there will be a breakdown in your opportunity for performance in the relationship.
2. Suppose someone has expectations (expectations that are in fact unexpressed requests) of another. For better or for worse, what is expected of one is expected of one; in life there is no escaping expectations. And if there is an expectation, and you do not either meet that expectation, or uncover it and explicitly declare that you will not meet it, the outcome is much the same as having given your word and not kept that word. That is, there will be a breakdown and your opportunity for performance in that relationship will decline. When one's word in a relationship is less than whole, complete, unbroken, sound, in perfect condition, one's opportunity for performance in that relationship declines.
3. The notion of it being wrong or right (or bad or good, or unfair or fair) that you are affected by the unannounced expectations of others with whom you desire to have a workable relationship is a normative value judgment, and in this new model of integrity, integrity is devoid of such normative value judgments. Whether you like it or not is irrelevant from the standpoint of integrity, and therefore of workability and performance. Given the obvious impact of unmet expectations on the workability of relationships, recognizing that the expectations of others matter (treating all expectations of those with whom you desire to have a workable relationship as part of your word unless you have explicitly declared you will not meet them), your integrity will increase. When integrity increases (that is, your word is more fully whole, complete, unbroken, sound, in perfect condition), the workability of your life increases, and your opportunity for performance increases. One follows the other, willy-nilly (i.e. willingly or unwillingly).
4. In light of the above two points, it follows that for a person's word to be whole and complete and to thereby create a life with high workability and high performance, one has to be "cause in the matter" of what is expected of one. By looking at life from the perspective that I am cause in the matter (a declaration, not an assertion⁴) of what people expect of me, I am then led to be highly sensitive, and motivated to ferret out those expectations and to take action to manage them. If I am straight with those who have expectations that I will not fulfill, my word will be intact, life will have greater workability, and my performance (however defined) will be greater.
5. Expectations and requests of you are your word only if you have failed to decline them. Consequently, when declining an expectation of you, you do

⁴ See: Searle (1969)

not have to deal with any mess that arises as a result of your decline. Note that there may well be a mess in the relationship as a human system as a result of your decline. On the other hand, you will have continuing messes, and misidentify the cause of those messes, that arise from not being straight with those who have expectations that you will not fulfill. Speaking about the impact on one as a person of not being straight with those who have expectations that you will not fulfill, as the old adage says: “If you can’t say ‘no’, you can’t really say ‘yes’.” While not needing to do so as a matter of integrity, you would be wise to do something to deal with the mess that results from your decline. If you ignore the mess, the relationship itself (a human system) will be less than whole, complete, unbroken, sound, in perfect condition.

In summary, one’s word as we have defined it in this new model is not a matter of being obligated or not (or even of being willing or not willing) to fulfill the expectations (expectations that are in fact unexpressed requests) of others. If there is an expectation, there is an expectation, and if you do not fulfill the expectation and have not said that you will not fulfill the expectation the consequence on workability and performance is the same as that to which you have explicitly given your word. This is true even though you have a justification for not fulfilling the expectation. For example, like it or not a person’s performance is often judged against expectations (unexpressed requests), even if that person has never agreed to, or was not even aware of, those expectations (requests). Thus, to create workability with those with whom you desire to have a relationship you must clean up any mess created in their lives that result from their expectations of you that you do not meet and that you have not explicitly declined. This is what it means to take yourself to be cause in the matter of expectations of you.

Word-3

Note Your Expectations (unexpressed requests) of others Are Not The Word Of Others: There is an asymmetry here: As we said above, your word *includes* the unexpressed expectations of others unless you formally decline them; yet your unexpressed expectations are *not* the word of others. Thus you cannot hold others accountable for fulfilling your unexpressed expectations. Indeed, holding others accountable for fulfilling your unexpressed expectations will result in a diminution of workability and performance, a consequence of your being out of integrity. This asymmetry – in effect an instance of “what’s good for the goose is not good for the gander” – is required to be whole and complete in one’s word with oneself and with others.

Word-4. With respect to Word-4, some people will have a problem that one’s word as to the existence of some thing or some state of the world includes being accountable that the other would find valid for themselves the evidence that one

had for asserting something to be the case. Of course there are times when one says that this or that is so, or not so, but one would not be willing to be held to account for having evidence that the other would find valid. In such cases, one's word would include acknowledging that, and perhaps saying what level of evidence one does have: for example when one *assumes* that something is the case.

- Word-5. The explicit content of what you stand for is not a matter of your integrity. However big or small what you stand for, if you deal with what you stand for with full integrity, you have the maximum opportunity for living up to that stand. Integrity is determined by simply living up to (living consistent with) what you said you stand for, and when you will not or have not, you honor your word by saying that you will not or have not, and by when you will or that you never will, and you clean up the mess your not having lived up to what you said you stand for with those who were counting on you. However, you should be aware that to a large extent the magnitude of what you stand for determines the size of your opportunity set for performance in the world, with others, and with yourself – performance defined in whatever way you wish to define it.
- Word-6. The moral, ethical and legal standards of the society, group and governmental entities in which one enjoys membership are a part of one's word. Word-6 re-contextualizes the moral, ethical and legal standards of the society, group and governmental entities in which one enjoys membership from something inflicted on me – someone else's will or in the language of this new model "someone else's word" – to *my word*, thus, leaving me with the power to honor my word, either by keeping it, or saying I will not and accepting the consequences. As *my word*, I can enter with power (rather than force) the discussion about just what those standards should be.

A detailed discussion of the issues associated with defining one's word is available on SSRN at the following:

Erhard, Werner and Jensen, Michael C., A Positive Theory of the Normative Virtues (Chapters 1 through 3) (December 7, 2011). Harvard Business School NOM Unit Working Paper No. 12-007; Barbados Group Working Paper No. 11-06. Available at SSRN: <http://ssrn.com/abstract=1906328>

Werner Erhard, Michael C. Jensen, Steve Zaffron, "Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics and Legality" <http://ssrn.com/abstract=920625>

Werner Erhard, Michael C. Jensen, and Steve Zaffron, "Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics, and Legality – Abridged" (March 7, 2010). <http://ssrn.com/abstract=1542759>

References

- Abdulali, Adil, 2006. *The Bias Ratio™: Measuring the Shape of Fraud* (Protégé Partners, New York).
- Agarwal, Vikas, Daniel, Naveen D. and Naik, Narayan Y., Do Hedge Funds Manage Their Reported Returns? (November 15, 2010). *The Review of Financial Studies*, Forthcoming. Available at SSRN: <http://ssrn.com/abstract=891169>
- Aggarwal, Rajesh K., Laurie Krigman, and Kent L. Womack. 2002. "Strategic IP Underpricing, Information Momentum, and Lockup Expiration Selling." *Journal of Financial Economics*, V. 66, No. 1: pp 105-137.
- Anand, "Harmed Investor? Just Wait – Brokerage Firms Pay \$255 Million, but Getting It Takes Time," *Wall Street Journal* (2006)
- Argyris, Chris. 1991. *Teaching Smart People How to Learn*. Harvard Business Review: May-June
- Barrett, Devlin, and Evan Perez, HSBC to Pay Record U.S. Penalty: U.K.-Based Bank Expected to Admit Money-Laundering Lapses as Part of \$1.9 Billion Agreement, *Wall Street Journal* (2012)
<http://online.wsj.com/article/SB10001424127887324478304578171650887467568.html?KEYWORDS=HSBC+Money+lauding> (Accessed Feb 25, 2013)
- Bartov, Eli, Givoly, Dan and Hayn, Carla, "The Rewards to Meeting or Beating Earnings Expectations" (October 2000). Available at SSRN: <http://ssrn.com/abstract=247435>
- Bird, Alexander, "Thomas Kuhn", *The Stanford Encyclopedia of Philosophy* (Winter 2011 Edition), Edward N. Zalta (ed.), 4.2 Perception, Observational Incommensurability, and World Change, URL = <<http://plato.stanford.edu/archives/win2011/entries/thomas-kuhn/>>
- Bodnaruk, Andriy, Massa, Massimo and Simonov, Andrei, "The Dark Role of Investment Banks in the Market for Corporate Control" (December 2007). EFA 2007 Ljubljana Meetings Paper, <http://www.econ.upf.edu/docs/seminars/bodnaruk.pdf>
- Brunnermeier, Markus K. "Deciphering the Liquidity and Credit Crunch 2007-2008, *Journal of Economic Perspectives*, V. 23, No. 1, Winter 2009, pp. 77-100.
- Bradshaw, Mark T., Scott A. Richardson, and Richard G. Sloan. 2005. "The Relation between Corporate Financing Activities, Analysts' Forecasts and Stock Returns". In *Journal of Accounting and Economics Conference*, 2004.

- Burgstahler, D., and I. Dichev. 1997. Earnings management to avoid earnings decreases and losses. *Journal of Accounting & Economics* 24 (December): 99-126.
- Bushee, Brian. 2004. "Identifying and Attracting the "Right" Investors: Evidence on the Behavior of Institutional Investors." *Journal of Applied Corporate Finance*, V. 16, No. 4: Fall, pp. 28-35.
- Burton, Jonathan, 2003, Fund Roundup: A review of the firms implicated so far in trading scandal, *Wall Street Journal*, Market Watch (Dow Jones).
- Clement, Michael B. 1999. "Analyst Forecast Accuracy: Do Ability, Resources, and Portfolio Complexity Matter?" *Journal of Accounting and Economics*, V. 27, No. 3: pp 285-303.
- Cowen, Amanda, Groysberg, Boris and Healy, Paul M., "Which Types of Analyst Firms Make More Optimistic Forecasts?" (July 8, 2003). Harvard NOM Working Paper No. 03-46. <http://ssrn.com/abstract=436686>
- Darrough, Masako, and Rangan, Srinivasan, Do Insiders Manipulate Earnings When They Sell Their Shares in an Initial Public Offering?, *Journal of Accounting Research*, Vol. 43 No. 1 March 2005, pp. 1-33.
- Dealbook, "Goldman Settles With S.E.C. for \$550 Million", July 15, 2010. <http://dealbook.nytimes.com/2010/07/15/goldman-to-settle-with-s-e-c-for-550-million/> (accessed March 3, 2013)
- Dealbook, "2 Former UBS Traders Exposed in in Rate-Rigging Case" <http://dealbook.nytimes.com/2012/12/19/2-former-ubs-traders-exposed-in-rate-rigging-case/> (accessed Feb 25, 2013)
- Dechow, Patricia M., Hutton, Amy P. and Sloan, Richard G., "The Relation between Analysts' Forecasts of Long-Term Earnings Growth and Stock Price Performance Following Equity Offerings" (June 1999). <http://ssrn.com/abstract=168488>
- Dealbook, "Goldman Settles With S.E.C. for \$550 Million", July 15, 2010. <http://dealbook.nytimes.com/2010/07/15/goldman-to-settle-with-s-e-c-for-550-million/> (accessed March 3, 2013)
- Degeorge, François, Jayendu Patel and Richard Zeckhauser. 1999. "Earnings Management to Exceed Thresholds." *Journal of Business*, V. 72, No. 1: pp. 1-33.
- Douglas, Keenan, "My Thwarted Attempt To Tell of Libor Shenanigans" *Financial Times*, July 27, 2012. Manipulation w <http://www.informath.org/media/a72/b1.pdf> and <http://www.informath.org/media/a72/b3.htm>

- Dyson, Freeman. 2011. "How to Dispel Your Illusions". Review of *Thinking, Fast and Slow*, by Daniel Kahneman. *The New York Review of Books*, 22 December. Accessed 6 February, 2012. <http://www.nybooks.com/articles/archives/2011/dec/22/how-dispel-your-illusions/>
- Eaglesham, Jean, and Dan Fitzpatrick. (October 1, 2012). "J.P. Morgan Sued on Mortgage Bonds," *Wall Street Journal*, <http://online.wsj.com/article/SB10000872396390444138104578030903731665328.html> (accessed March 3, 2013)
- Erhard, Werner and Jensen, Michael C., A Positive Theory of the Normative Virtues (December 7, 2011). Harvard Business School NOM Unit Working Paper No. 12-007; Barbados Group Working Paper No. 11-06. Available at SSRN: <http://ssrn.com/abstract=1906328>
- Erhard, Werner, Jensen, Michael C. and Granger, Kari L., Creating Leaders: An Ontological/Phenomenological Model (July 5, 2012). THE HANDBOOK FOR TEACHING LEADERSHIP, Chapter 16, Scott Snook, Nitin Nohria, Rakesh Khurana, eds., Sage Publications, 2011; Harvard Business School NOM Unit Working Paper 11-037; Barbados Group Working Paper No. 10-10; Simon School Working Paper Series No. FR 10-30. Available at SSRN: <http://ssrn.com/abstract=1681682>
- Erhard, Werner, Jensen, Michael C. and Barbados Group, A New Paradigm of Individual, Group, and Organizational Performance (November 17, 2010). Harvard Business School NOM Unit Working Paper No. 11-006; Barbados Group Working Paper No. 09-02. Available at SSRN: <http://ssrn.com/abstract=1437027>
- Erhard, Werner, Jensen, Michael C. and Zaffron, Steve, Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics and Legality (March 23, 2009). Harvard Business School NOM Working Paper No. 06-11; Barbados Group Working Paper No. 06-03; Simon School Working Paper No. FR 08-05. Available at SSRN: <http://ssrn.com/abstract=920625>
- Erhard, Werner, Jensen, Michael C. and Zaffron, Steve, Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics, and Legality - Abridged (English Language Version) (March 7, 2010). Harvard Business School NOM Unit Working Paper No. 10-061; Barbados Group Working Paper No. 10-01; Simon School Working Paper No. 10-07. Available at SSRN: <http://ssrn.com/abstract=1542759>
- Erhard, Werner and Jensen, Michael C., Putting Integrity into Finance: A Purely Positive Approach (January, 15 2012). Available at SSRN: <http://ssrn.com/abstract=1985594>
- Finch, Gavin, Lindsay Fortado and Silla Brush, "RBS Fined \$612 million by regulators for Manipulating Libor Rate", Bloomberg, (Feb. 6, 2013) <http://www.bloomberg.com/news/2013-02-05/rbs-said-to-face-up-to-783-million-fine-for-manipulating-libor.html> (Accessed March 3, 2013)

- Fireman, Paul: "Commencement Address to the Suffolk University Sawyer Business School", May 19th, 2013, Boston, Massachusetts, <http://www.youtube.com/watch?gl=US&hl=en&client=mv-google&v=ITw0GX4nVXs&nomobile=1> (Accessed February 28, 2014)
- Forbes, "7 Banks Hit With libor Subpoenas Courtesy of NY Attorney General Schneiderman" (August 15, 2012) <http://www.forbes.com/sites/halahtouryalai/2012/08/15/7-banks-hit-with-libor-subpoenas-courtesy-of-ny-attorney-general-schneiderman/> (Accessed March 3, 2013)
- Forstmoser, Peter. "Integrity in Finance" (speech given to Swiss Banking Institute, 11-15-2006)
- Fuller, Joseph and Jensen, Michael C., "Just Say No To Wall Street". *Journal of Applied Corporate Finance*, Vol. 14, No. 4 (Winter 2002) pp. 41-46. <http://ssrn.com/abstract=297156>
- Goldstein, Noah J., Steven J. Martin, Robert B. Cialdini. 2007. *Yes! 50 Secrets From The Science Of Persuasion*. London: Profile Books.
- Graham, Harvey & Rajgopal survey "Economic Implications of Corp. Fin. Reporting" <http://ssrn.com/abstract=491627>
- Harsanyi, John C. 1953. "Cardinal Utility in Welfare Economics and in the Theory of Risk-Taking". *Journal of Political Economy* 61: 434-435.
- Harsanyi, John C. 1955. "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparison of Utility". *Journal of Political Economy* 63: 309-321.
- Hayn, C. 1995. The information content of losses. *Journal of Accounting & Economics* 20 (September): 125-153.
- Hayward, Mathew L. A. and Warren Boeker. 1998. "Power and Conflicts of Interest in Professional Firms: Evidence from Investment Banking." *Administrative Science Quarterly*, V. 43, No. 1 (Mar., 1998): pp 1-22.
- Healy, Paul M. 1985. "The Effect of Bonus Schemes on Accounting Decisions." *Journal of Accounting & Economics*, V. 7, No. 1-3: pp. 85-107.
- Healy, Paul M., and Krishna Palepu."Information Asymmetry, Corporate Disclosure and the Capital Markets: A Review of the Empirical Disclosure Literature" (December 2000). JAE Rochester Conference April 2000. <http://ssrn.com/abstract=258524>
- Healy, P. M., and J. M. Wahlen. 1999. A review of the earnings management literature and its implications for standard setting. *Accounting Horizons* 13 (December): 365-383.
- Hong, Harrison and Jeffrey D. Kubik. 2003. "Analyzing the Analysts: Career Concerns and Biased Earnings Forecasts." *The Journal of Finance*, V. 58, No. 1: pp 313-351. <http://www.blackwell-synergy.com/loi/jofi>

- Hutton (1999) The Relation Between Analysts' Earnings Forecasts of Long-Term Earnings Growth and Stock Price Performance Following Equity Offerings
<http://ssrn.com/abstract=168488>
- Hutton, Amy, 2004. Determinants of Managerial Earnings Guidance Prior to Regulation Fair Disclosure and Bias in Analysts Earnings Forecasts, <http://ssrn.com/abstract=567441>
- Hutton, Amy. 2004. "Beyond Financial Reporting — An Integrated Approach to Disclosure." *Journal of Applied Corporate Finance*, V. 16, No. 4: Fall, pp. 8-16.
- Hutton, Amy, and James Weber, 2001, Progressive Insurance: Disclosure Strategy, Harvard Business School Case, 9-102-012, December 12.
- Isberg, Steven C., Tomas Thundiyil and Rob Owen, 2012. "Integrity and Learning: Enhancing Workability and Student Performance Outcomes," by Steven C. Isberg, Tomas Thundiyil, and Rob Owen, unpublished manuscript, <http://ssrn.com/abstract=2148783>
- Jacob, John, Thomas Z. Lys, and Margaret A. Neale. 1999. "Experience in Forecasting Performance of Security Analysts." *Journal of Accounting and Economics*, V. 28: pp 51-82.
- Jensen, Michael C., "Paying People to Lie: The Truth About the Budgeting Process" (Revised September, 2001). Harvard NOM Research Paper No. 01-03, and HBS Working Paper No. 01-072, *European Financial Management*, Vol. 9, pp. 379-406, September 2003
<http://ssrn.com/abstract=267651>
- Jensen, Michael C., Corporate Budgeting Is Broken, Let's Fix It. *Harvard Business Review*, pp. 94-101, November 2001. Available at SSRN: <http://ssrn.com/abstract=321520>
- Jensen, Michael C., "Agency Costs of Overvalued Equity" (March 2005). Harvard NOM Working Paper No. 04-26; ECGI - Finance Working Paper No. 39/2004, *Financial Management*, V. 34, No 1, Spring 2005. <http://ssrn.com/abstract=480421>
- Jensen, Michael C., "The Agency Cost of Overvalued Equity and the Current State of Corporate Finance". Harvard NOM Working Paper No. 04-29, *European Financial Management*, Vol. 10, pp. 549-565, December 2004 <http://ssrn.com/abstract=560961>
- Jensen, Michael C. and Erhard, Werner, A 'Value-Free' Approach to Values (PDF File of Powerpoint Slides) (April 11, 2011). Harvard Business School NOM Unit Working Paper No. 11-010; Barbados Group Working Paper No. 10-06; Simon School Working Paper No. FR10-26. Available at SSRN: <http://ssrn.com/abstract=1640302>
- Jensen, Michael C., Murphy, Kevin J. and Wruck, Eric G., "Remuneration: Where We've Been, How We Got to Here, What are the Problems, and How to Fix Them" (July 12, 2004). HBS NOM Paper No 04-28; ECGI - Finance Working Paper No. 44/2004.
<http://ssrn.com/abstract=561305>

- J. R., "UBS and Libor: Horribly Rotten, Comically Stupid" *Economist* Column: Schumpeter: Business and Management, 12-19-2012
<http://www.economist.com/blogs/schumpeter/2012/12/ubs-and-libor> (Accessed Feb. 27, 2013.)
- Jewish Virtual Library: Bernard Madoff.
http://www.jewishvirtuallibrary.org/jsource/biography/Bernard_Madoff.html Jewish Virtual Library (Accessed Feb. 25, 2013)
- Kahneman, Daniel. 2011. *Thinking, Fast and Slow*. London: Penguin.
- Kahneman, Daniel. "Nobel Prize Autobiography", accessed March 4, 2012
http://www.nobelprize.org/nobel_prizes/economics/laureates/2002/kahneman-autobio.html
- Kahneman, Daniel and Amos Tversky. "Prospect Theory: An Analysis of Decision under Risk". *Econometrica*, 47(2), pp. 263-291, March 1979
- Kothari, S. P, Elena Loutskina, and Valeri Nikolaev. 2005. "Agency Theory of Overvalued Equity as an Explanation for the Accrual Anomaly", (December 22, 2005).
<http://ssrn.com/abstract=871750>
- Kuhn, Thomas S. 1996. *The Structure of Scientific Revolutions*. Chicago: University of Chicago Press.
- Lauricella, Tom, 2003, "Strong Steps Down From Board But Stays On as Head of Firm," *Wall Street Journal* (Nov. 3).
- Lauricella, Tom, and Christopher Oster, 2003, "Second Strong Executive Snagged in Probe – Anthony D'Amato of CEO's Office Was Involved in a Deal to Allow Canary to Rapidly Trade Shares," *Wall Street Journal* (Nov. 19).
- Lauricella, Tom, and Christopher Oster, 2004, "Strong Funds And Regulators To Settle Case – Agreement Would Clear the Way For Possible Sale to Wells Fargo; Considerable Challenges Ahead," *Wall Street Journal* (June 5, 2008).
- "Libor (Barclays interest Rate Manipulation Case)" *New York Times*, March 3, 2013,
http://topics.nytimes.com/top/reference/timestopics/subjects/l/london_interbank_offered_rate_libor/index.html (accessed March 3, 2013)
- Lin, Hsiou-wei and Maureen F. McNichols. 1998. "Analyst Coverage of Initial Public Offerings": Stanford University. Unpublished manuscript.
- Lin, Hsiou-wei and Maureen F. McNichols. 1998. "Underwriting Relationships, Analysts' Earnings Forecasts and Investment Recommendations." *Journal of Accounting and Economics*, V. 25, No. 1: pp 101-127.

- Lin, Hsiou-wei, Maureen F. McNichols, and Patricia C. O'Brien. 2003. "Analyst Impartiality and Investment Banking Relationships": National Taiwan University, Stanford University, and University of Waterloo. Unpublished Manuscript.
- Ljungqvist, Alexander, Malloy, Christopher J. and Marston, Felicia C., "Rewriting History" (February 20, 2007). AFA 2007 Chicago Meetings Paper Available at SSRN: <http://ssrn.com/abstract=889322>
- Marquardt, Carol and Wiedman, Christine I., "How are Earnings Managed? An Examination of Specific Accruals" (December 2002). <http://ssrn.com/abstract=375660>
- Matsumoto, Dawn A. 2002. "Management's Incentives to Avoid Negative Earnings Surprises." *Accounting Review*, V. 77, No. 3: pp. 483-514.
- McLaughlin, David, "BofA Probed by New York Over Mortgage Securities", Bloomberg (March 1, 2013), <http://www.bloomberg.com/news/2013-03-01/bofa-probed-by-new-york-over-mortgage-securities.html> (Accessed March 3, 2013)
- McNichols, M., and P. O'Brien, 1997, Self-selection and analyst coverage, *Journal of Accounting Research* 35 (Supplement), 167-199.
- Michaely, R., and K. L. Womack, 1999, "Conflicts of Interest and the Credibility of Underwriter Analyst Recommendations," *Review of Accounting Studies*, V. 12: pp. 653-686.
- Murphy, Kevin J. "Executive Compensation: Where We Are, and How We Got There," Chapter 4 in George Constantinides, Milton Harris, and René Stulz (eds.), "Handbook of the Economics of Finance". Elsevier Science North Holland (forthcoming 2013)
- Murphy, Kevin J. and Jensen, Michael C., "CEO Bonus Plans: And How to Fix Them" (November 19, 2011). Harvard Business School NOM Unit Working Paper 12-022; Marshall School of Business Working Paper No. FBE 02-11. Available at SSRN: <http://ssrn.com/abstract=1935654>
- Myers, James N., Myers, Linda A. and Skinner, Douglas J., "Earnings Momentum and Earnings Management" (April 2005). <http://ssrn.com/abstract=741244>
- New Oxford American Dictionary*. Edited by Angus Stevenson and Christine A. Lindberg. Oxford University Press, 2010.
- New York Times*, March 3, 2013, "Libor (Barclays interest Rate Manipulation Case)", March 3, 2013
http://topics.nytimes.com/top/reference/timestopics/subjects/l/london_interbank_offered_rate_libor/index.html (accessed March 3, 2013)
- O'Brien, Patricia C. 1990. "Forecast Accuracy of Individual Analysts in Nine Industries." *Journal of Accounting Research*, V. 28, No. 2 (Autumn 1990): pp 286-304.

- O'Toole, James, and Charles Riley, "HSBC Pays \$1.9 Billion To Settle US Probe", CNNMoney (December 11, 2012) <http://money.cnn.com/2012/12/10/news/companies/hsbc-money-laundrying/index.html> (accessed March 3, 2013)
- Phenomenology Online. <http://www.phenomenologyonline.com/inquiry/11.html> (accessed 21 December 2010).
- Pool, Veronika Krepely and Bollen, Nicolas P.B., "Do Hedge Fund Managers Misreport Returns? Evidence from the Pooled Distribution" (November 19, 2007). Available at SSRN: <http://ssrn.com/abstract=1018663>
- Protes, Ben, and Mark Scott, 2012. "Barclays Settles Regulators' Claims Over Manipulation of Key Rates", Dealbook, June 6, 2012, <http://dealbook.nytimes.com/2012/06/27/barclays-said-to-settle-regulatory-claims-over-benchmark-manipulation/?ref=londoninterbankofferedratelibor>
- Rajan, Raghuram and Henri Servaes. 1997. "Analyst Following of Initial Public Offerings." *Journal of Finance*, V. 52, No. 2: pp 507-529.
- Rangan, S. 1998. Earnings management and the performance of seasoned equity offerings. *Journal of Financial Economics* 50: 101-22.
- Rawls, John. 1971. *A Theory of Justice*. Cambridge, MA: Belknap Press.
- Rawls, John. 2001. *Justice as Fairness: A Restatement*. Cambridge, MA: Belknap Press.
- Richardson, Scott, Siew Hong Teoh and Peter Wysocki. 2004. "The Walk-down to Beatable Analyst Forecasts: The Role of Equity Issuance and Insider Trading Incentives." *Contemporary Accounting Research*, V. 21, No. 4: Winter, pp. 885-924.
- Scott, Mark, and Ben Protes, "As Unit Pleads Guilty, UBS Pays \$1.5 Billion Over Rate Rigging", Dealbook, Dec. 19, 2012, <http://dealbook.nytimes.com/2012/12/19/as-unit-pleads-guilty-ubs-pays-1-5-billion-in-fines-over-rate-rigging/> (accessed March 3, 2013)
- Searle, John. 1969, *Speech Acts: An Essay in the Philosophy of Language*, Cambridge, UK: Cambridge University Press.
- SEC, Securities and Exchange Commission, "Goldman Sachs to Pay Record \$550 Million to Settle SEC Charges Related to Subprime Mortgage CDO", July 15, 2010. <http://www.sec.gov/news/press/2010/2010-123.htm>
- Skinner, Douglas J., and Richard G. Sloan, 2002, Earnings Surprises, Growth Expectations, and Stock Returns or Don't Let an Earnings Torpedo Sink Your Portfolio, *Review of Accounting Studies* 7, 289-312.

- Smith, Randal, and Tom Lauricella, 2006, "Moving the Market: Bear Stearns to Pay \$250 Million Fine; Net Rises 36%," Wall Street Journal (March 17).
- Stewart, Bennett. 2004. "Making Financial Goals and Reporting Policies Serve Corporate Strategy: The Case of Progressive Insurance. An Interview with Tom King, VP and Treasurer, Progressive Insurance." *Journal of Applied Corporate Finance*, V. 16, No. 1: pp. 8-19.
- Teoh, S., I. Welch, and T. Wong. 1998. Earnings management and the underperformance of seasoned equity offerings. *Journal of Financial Economics* 50: 63-99.
- Thaler, Richard H., and Cass R. Sunstein. *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Yale University Press, New Haven & London, 2008.
- Webster's New World Dictionary & Thesaurus, Accent Software International, Macmillan Publishers, Version 2.0 – 1998, Build #25.