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Faculty News and Research Highlights

Eric Talley and co-authors Antonio E. Bernardo and Ivo Welch published "[A Model of Optimal Corporate Bailouts](#)." This paper analyzes incentive-efficient government bailouts within a canonical model of intra-firm moral hazard. Bailouts exacerbate the moral hazard of firms and managers in two ways. First, they make them less averse to failing. Second, the taxes to fund bailouts dampen their incentives. A presentation of this paper was given by Talley at the Pennsylvania University on October 27, 2011. [Read more](#)

On November 3, 2011 at Stanford University, **Eric Talley** presented the paper, "[The Measure of a MAC: A Machine-Learning Protocol for Analyzing Force Majeure Clauses in M&A Agreements](#)," co-authored with Drew O'Kane. The paper describes a software program that Talley and O'Kane developed to analyze the text of transactional legal documents. Potential applications of the program include identifying trends in deal document terms, facilitating regulators' understanding of evolving securities offering terms and disclosures, and providing scholars with access to transaction document databases.

Robert Bartlett contributed to "[Rebuilding the IPO On-Ramp: Putting Emerging Companies and the Job Market Back on the Road to Growth](#)," a report issued on October 20, 2011, by the IPO Task Force, an independent group of venture capitalists, emerging growth company CEOs, public investors, securities lawyers, academicians and investment bankers. The report was prepared for the U.S. Department of the Treasury. [Read more](#)

In his *WSJ* blog post "[A Glimpse into Chinese Law-Making](#)," **Stanley Lubman** draws from examples ranging from product liability to antitrust discussing how laws are drafted in China. He provides insights into what this process means for the country's progress toward an effective legal system – one that defines, protects and vindicates the rights of Chinese business enterprises and individuals.

Events

Monday, November 21, 2011

Boalt Hall, Room 134; 12:30-1:50 pm

Law & Economics Workshop

[Taxes, Penalties, and the Minimum Coverage Provision](#)

Neil S. Siegel, Duke University School of Law

Wednesday, November 30, 2011

Boalt Hall, Room 134; 12:30-1:50 pm

Law & Economics Workshop

[Regulating Opt Out: An Economic Theory of Altering Rules](#)

Ian Ayres, Yale Law School

Ayres will discuss the controversial logic behind "altering rules," the rules that determine when the default legal treatment of a transaction may be overridden by the contracting parties. He will also discuss situations in which lawmakers may wish to deviate from strict transaction-cost minimization rules.

Events Recap

In **Euro Crisis in Greece: Causes and Conditions for Reform**, **Thanos Veremis** (University of Athens) analyzed the causes of Greece's sovereign debt crisis and its impact on the European and world economies. He argued that the current situation reflects a political and public policy crisis. Over the past decade, Greek politicians sought to improve the social welfare in a country with an uncompetitive economy and a weak political system. Furthermore, the crisis has exposed the lack of institutional and policy instruments to face the Euro crisis. Going forward, Veremis suggested, governments coordinating their national policies will replace financial markets as the main instruments of globalization.

At [The Global Marketplace: Keys to Success](#) Conference in Palo Alto (organized by BCLBE and co-sponsor Latham & Watkins) executives and corporate counsel from emerging and established companies heard presentations on a range of issues pertinent to operating successfully in a global economy. Panel topics included: Doing Business in China; Governance Strategies to Mitigate Risk; Antitrust; Cross Border Protection of Intellectual Property Rights; and Ensuring Global Privacy Compliance. Oracle President and CFO, Safra Catz, was the keynote lunch speaker at the event.

Curriculum

Prasad Krishnamurthy and **Mark Perlow** will teach **Regulation of Capital Markets and Financial Institutions**. This [course](#) will address the institutional and regulatory framework of the US capital markets and the role that financial institutions, particularly investment banks and investment funds, perform in these markets. The course provides an overview of the functions and regulation of banks, exchanges, over-the-counter markets, broker-dealers, institutional investors, and mutual and hedge funds. It will focus on the recent crisis, including the rise and fall of securitization, failures in investment banks, government-sponsored enterprises, credit derivatives, money market funds and hedge funds. It will also cover the division of regulatory responsibilities after Gramm-Leach-Bliley (GLB) repealed Glass-Steagall, and how these responsibilities correspond, or do not correspond, with the various financial "functions" that GLB intended to regulate. It will examine a range of actual and proposed regulatory responses to the crisis, including the many actions of the banking, securities and futures regulators, and the legislative proposals and actions of Congress and the Treasury.

Visiting Scholars Highlights



Su Qi is a recipient of the Fulbright Scholarship for Ph.D. dissertation academic research. She is a Ph.D. candidate at the Institute for Intellectual Property Strategy at the Huazhong University of Science and Technology, China. Her research focuses on IP Law and IP Management. Her doctoral thesis

on IP Management in Multinational Enterprises analyzes network relationships in IP management and international business strategy to provide new insights for international entrepreneurship. It further analyzes differences between the fundamental preconditions, cultural values, and IP legal environment between the US and China.

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Events Recap *(continued)*

In [Do China's Stock Markets Matter](#), **Carl E. Walter** discussed the importance of China's two stock exchanges, Shenzhen and Shanghai. He also addressed questions such as the stock markets' role in a country with no private property, and how western legal, accounting and financial concepts have changed China's economic landscape. To view a recording of the lecture, click [here](#).

Susan H. Mc Cormac's presentation on **New Corporate Forms, Flexible Purpose Corporations, B Corps and L3Cs** addressed the positives and negatives of each of these new [corporate forms](#) based on results from California and other states. She also explained why these new forms were developed and which model can best serve to promote environmental sustainability. For further details on this legislation click [here](#). To view a recording of the lecture click [here](#).

Eric Posner's Law and Economics Workshop presentation on **Regulation, Unemployment, and Cost-Benefit Analysis** gave an overview on how cost-benefit analysis as traditionally performed does not take into account employment effects, and how cost-benefit analysis of a regulation compares the benefits for the public with the costs of complying with the regulation. The benefits of an environmental regulation, for example, take the form of improvements to human health; the costs are measured in terms of losses to consumers and shareholders. For Posner's working paper click [here](#).

BCLBE Online

A recent post to [The Network: Business at Berkeley Law](#) discussed the legal and economic implications of the ECJ's decision on the [Brüstle stem cell patent](#). Another article looked at the effect of the advisory say-on-pay votes required by the [Dodd-Frank Act](#), posing the question: "[Say-on-pay](#): Will it turn into sue-on-pay?" Read more Network [entries](#)>

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