Corporate Law and Economics

Department of Economics

Economics 490 - Spring 2026 – MSPE Students

Economics Elective Course (4 Credits)
Tuesday and Thursday
12:30 pm – 1:50 pm
David Kinley Hall – Room 113

Instructor: Martin K. Perry, Ph.D., J.D. (Call me Marty)
Email: mkperry@illinois.edu
Questions: By email
Office Hours: Room DKH 117 at 5:00 pm on Thursday
Appointments by arrangement: Office or by Zoom

Course Information: This is a four-credit elective course. The prerequisite is Intermediate Microeconomic Theory (Econ 302). This course contributes to the Economics Learning Outcomes of (i) Critical Thinking and (ii) Specialized Knowledge and Practical Application.

Readings: There is no required or recommended textbook. Instead, we will use readings that I have developed from statutes, legal cases, and other readings. I will email these readings to everyone as we prepare for each new section of the course.

Lecture Notes: I have written lecture notes for most of the sections of the course. I will email those lecture notes to everyone AFTER the lectures on each section.

Course Description: The course topics are divided into seven sections. The first section provides an introduction on the origins of corporations, their rights under the U.S. Constitution, and the limits on the regulation of corporations by federal and state governments. The second section introduces the basics of property law, and then discusses zoning laws, eminent domain, and regulatory takings by government. The third section introduces the basics of contract enforcement by expectations damages, the modern codification of contract damages under the UCC, and then discusses contract formation and requirements contracts. The fourth section then describes the development of the legal rules for hostile takeover battles, discussing the duties created by the Delaware courts in the cases of Unocal and Revlon. The fifth section discusses product liability and the large damage awards that can arise from class action lawsuits over product defects or failure to warn consumers about product risks. The sixth section explains the procedures of bankruptcy reorganization and then discusses how bankruptcy judges have employed various provisions of bankruptcy law to facilitate complicated reorganizations. The seventh section examines the role of private equity for the recent bankruptcies in retailing, restaurants, health care, and housing.

Grading: The maximum number of points for the course is 400. The Midterm Exam will be worth 100 points, and the Final Exam will be worth 200 points. Finally, there will be a required Research Paper worth 100 points. This paper is the additional requirement for the MSPE students to obtain the fourth credit for the course.

The following is a tentative schedule for the Midterm and Final Exams. The day and time for the Final Exam is set by the University. We can change the day for the Midterm based on where we are in the lectures.

Midterm Exam: Tuesday, March 3 - tentative date, In Class
(100 points) Sections: Introduction, Property Law, Contract Law
March 13 is the deadline for dropping the course without a W grade.

Final Exam: Monday, May 11, 1:30 PM – 4:30 PM
(200 points) CUMULATIVE, but heavy emphasis on last fourth sections

The questions on both examinations will be multiple choice questions. The Midterm Exam will have 20 questions worth five points each, for a total of 100 points. The Final Exam will have 40 questions worth five points each, for a total of 200 points. During the class before the Midterm Exam, I will hold a review session. On the last day of class (May 5), I will hold a review session for the Final Exam.

Both examinations will be open book. You can use the Readings and Lecture Notes, your own notes, and any notes from your fellow students. If you decide to go totally paperless, you may also use your laptop during the exams. I will bring power strips for the exams. There will be NO extra credit assignments, either during the semester or after the Final Exam.

Grading: One Short Research Paper (100 Points)

In addition to the two exams, you will write one short Research Paper. The Paper should have a maximum length of 6 pages, using one-inch margins, 12 point font, and 1.5 line spacing. The references can be cited by listing their links. The paper will be due on Monday, May 18, after the Final Exam. This will give me time to read them before the grades have to be posted on May 22.

After consulting with me, you will be able to choose a topic for your paper from the topics in the course. Your paper may be based on a case or complaint related to a case from the course material. You can NOT write your paper about a case that we discussed in class. Ideally, your paper should be based on a new case or complaint since the ones that we discussed in class. Alternatively, your paper may be based on a policy issue from the course material. Later in the course, I will provide lists of cases and policy issues that can be topics for your paper. There will surely be some new cases that arise in the business news.

Corporate Law and Economics
Outline of Topics and Cases
Spring 2026

Introduction: 5 days — Cases

Legal Foundations for Corporations
- U.S. Constitution
- Federal and State Courts
- Statutory and Regulatory Law
- Common Law and Precedent
- Origins of Corporations and Delaware Incorporation Statute

Legal Rights of Corporations and Limits of Government Regulation
- Due Process - Fifth and Fourteen Amendment — Ames, Hope
- Rational Basis Test and Strict Scrutiny — West Coast Hotel, Carolene
- First Amendment – Free Speech — Virginia, Bellotti
- First Amendment – Campaign Finance — Citizens United
- First Amendment – Free Exercise of Religion — Hobby Lobby

Property Law: 4 days

Personal Property – Tangible and Intangible Property

Real Property – Land and Structures on Land
- Origins of Private Property in Land
- Private Nuisance and Coase Theorem — Bove, Boomer, Spur

Government Regulation of Land Use
- Zoning and the Rational Basis Test — Ambler, Nectow
- Eminent Domain and Fifth Amendment — Berman, Kelo
  - Recent Cases of Eminent Domain — Sports Stadiums
- Regulatory Takings — Penn Central, Lucas

Contract Law: 3 days

Expectations Damages and Futures Markets — Shepherd
- Futures Contracts and Markets

Uniform Commercial Code Remedies — Hinckley, Lieberman
- Lost Profits Seller — Neri, Jordan

Contract Formation and Mergers — Texaco

Requirements Contracts and Breach — Uranium Cases

Takeover Battles and Defenses: 5 days

Duties of Loyalty and Care	
Proxy Contests	Hewlett-Packard
Tender Offers and Freeze-Out Mergers	UOP
Unocal Duties for Takeover Defenses	Unocal
Poison Pills	Interco
Revlon Duties for Takeover Defenses	Revlon
Time-Warner Interpretation	Time-Warner
Proxy Contests	ITT
Recent Cases	Netflix and Paramount Battle for Warner Bros.

Product Liability: 3 days

Duty of Reasonable Care (Negligence)	MacPherson
Manufacturing Defect - Strict Liability	Suvada
Design Defect – Negligence	Larsen
Duty to Warn	Vassallo
Consumer Class Action Lawsuits	Examples
Recent Cases	J&J (baby powder), Bayer (roundup)

Bankruptcy: 5 days

Reorganization	Greate Bay, Trump, Texaco
Mass Torts – Asbestos	Manville, Dow-Corning
Rejection of Leases	K-Mart
Rejection of Union Contracts	Wheeling, Northwest
Termination of Pension Plans	US Airways
Section 363 Sale of Assets	General Motors
Recent Cases (Transportation)	Spirit Airlines, Trucking Companies
Recent Cases (Pharmaceuticals)	Purdue Pharma (opioids)

Private Equity and Bankruptcies: 2 days

Retailing	Toys-R-Us, Party City
Restaurants	Red Lobster, TGI Fridays
Health Care	Nursing Homes and Medical Practices
Housing	Rental Single-Family Homes

CORPORATE LAW AND ECONOMICS
Brief Description of Topics and Cases
Spring 2026

INTRODUCTION

Federal and State Courts

Since we will be reading many cases, some in federal courts and some in state courts, you need to know the distinction between the basic trial courts, the appeals courts, and the supreme courts for final appeals. Trial courts determine the facts of a dispute, but also render a legal decision. Appeals courts review the legal decision in light of other trial court decisions on similar facts, but are not supposed to revisit the facts determined by the trial court.

Statutory and Regulatory Law

There are three types of federal law: constitutional, statutory, and regulatory. Regulatory law arises from the rules and regulations of federal agencies within the authority delegated to them by their authorizing statutes passed by Congress. States also have constitutions but for the most part, their substantive provisions mirror the U.S. Constitution. States have statutory and regulatory law. All judicial decisions build on the relevant constitutional, statutory, or regulatory language, but they are also constrained by the decisions of prior judges in cases with similar fact patterns.

Common Law and Precedent

States also have a fourth type of law called the common law inherited from the English law of property, contracts, and torts. The common law is derived from the decisions of English judges over many years since the Norman conquest in 1066. Thus, the common law causes of action first arose from decisions by judges, and then developed over time as the judges constrained themselves to respect the prior decisions (precedents) of judges in cases with similar fact patterns.

Origins of Corporations and the Delaware Incorporation Statute

Under the U.S. Constitution, corporations are created by states, and all states allow self-incorporation by general incorporation statutes. For many reasons discussed in the course, most major corporations are incorporated under the Delaware statute. So we discuss the provisions of the Delaware statute, such as the bylaws, the board of directors, and shareholder voting.

Fifth and Fourteenth Amendments: Ames (1897) and Hope (1944)

These two older cases illustrate how the Due Process Clause in the Fifth and Fourteenth Amendments provides a substantive limitation on federal and state laws and regulations. Both cases dealt with price regulation by a state agency (Ames) or federal agency (Hope). In particular, the price regulations must satisfy a basic rationality test called the "rational basis test" in which the law must be rationally related to a legitimate state interest. Legitimate state interests for the federal government are defined by the powers of Congress under Article II of the US Constitution. Legitimate state interests for state governments are the "police powers" under the Tenth Amendment.

Fifth and Fourteenth Amendments: West Coast Hotel v. Parrish (1937)

This older case concerns the regulation of minimum wages. The case involved a minimum wage adopted by the State of Washington. This case discusses the different types of protections that states were enacting to protect workers in the early 20th century. Even though the minimum wage only applied to women workers, the Supreme Court upheld the legislation using the rational basis test. This is one of the first cases to articulate and apply the rational basis test to evaluate state statutes.

Fifth and Fourteenth Amendments: U.S. v Caroline Products (1938)

This older case concerns the regulation of food products. The case provides a better statement of the rational basis test than the previous two cases. But more importantly, footnote 4 of this case provides the first statement by the U.S. Supreme Court that there would be a higher standard for government regulation of economic activity which would have protection under the other Amendments, particularly the First Amendment. Thus, this case anticipates the next case on commercial advertising.

First Amendment – Free Speech: Virginia (1976) and Bellotti (1978)

These two famous cases were decided in the 1970s. In the first case, the U.S. Supreme Court held the advertising is protected under the freedom of speech in the First Amendment of the U.S. Constitution. That means that state or federal regulation of advertising by corporations requires a higher standard of review called the "strict scrutiny test" in which the law must be narrowly tailored to a compelling state interest. This decision makes it more difficult for state and federal agencies to regulate false and misleading advertising. The Bellotti case then confirms that political speech by corporations is also protected by the First Amendment.

First Amendment - Campaign Expenditures: Citizens United (2010)

The U.S. Supreme Court narrowed the ability of state and federal governments to regulate corporate expenses to advertise on behave of candidates and political parties during election. The Citizens United case continues to be very controversial because it has fueled negative campaign advertising by political action committees (PACs).

First Amendment – Religious Beliefs: Hobby Lobby (2014)

This case examines the ability of corporations to prevent their health care plans from providing federally required coverage for specific health problems that would offend their religious beliefs. In particular, the Supreme Court upheld the ability of Hobby Lobby to not provide contraception coverage to its workers. Hobby Lobby was a corporation with outstanding shares owned by the public, but one family owned a majority controlling interest and the religious beliefs of the family members would be offended by the provision of contraceptives under the health plan of the corporation. This case does not recognize that corporations have religious rights under the First Amendment, but instead relies on the Religious Freedom Restoration Act of 1993.

PROPERTY LAW

Origins of Private Property: Magna Carta (1215)

This discussion provides a brief history of the development of private property in English Common Law. I explain the development of the three key rights: exclusive possession, inherit and devise (will), and alienate (rent or sell). The first two of these rights are incorporated into the Magna Carta, for the nobility.

Private Nuisance: Bove (NY 1932), Boomer (NY 1970), Spur (AZ 1972)

Private Nuisance is an early common law doctrine to prevent inference by a neighbor in the use and enjoyment of one's private property. The three cases from New York and Arizona illustrate how the doctrine of private nuisance is not suited to resolve conflicting uses between residential and industry uses of neighboring land. As a result these cases illustrate the economic demand for zoning laws. They also illustrate how the Coase Theorem cannot resolve these conflicts because there are transactions costs in the form of either a free-rider or a holdout problem.

Zoning and the Rational Basis Test: Ambler (1926) and Nectow (1928)

In the Ambler case, the U.S. Supreme Court upheld the validity of zoning by municipalities (created by states) under the rational basis test. The companion Nectow case illustrated the limits of zoning in that the separation between residential and industrial uses cannot be arbitrary. These cases stimulated the zoning movement in the U.S. which then eventually created problems with exclusive zoning.

Eminent Domain: Berman (1954) and Kelo (2005)

State and federal constitutions allow government to take private property for public uses such as roads and government buildings, but the government must pay "just compensation" meaning the fair value of the land. The controversial issue with this power of eminent domain is that cities and towns want to redevelop certain parts with private development such as shopping, restaurants, and new housing. These two cases illustrate the Constitutional limits on the use of eminent domain for economic redevelopment. The Berman case involves redevelopment in Washington DC in the 1950s and the Kelo case involves redevelopment in New London Connecticut in the 2000s. Both were very controversial and the planned redevelopments never occurred even after the cities took ownership of the land.

Regulatory Takings: Penn Central (1978) and Lucas (1992)

There are many examples in which state and federal regulation of land use is so restrictive that it can eliminate virtually all uses of the property for the private owner. The classic examples are historic (Penn Central) and environment (Lucas) preservation. The U.S. Supreme Court has upheld these laws, but there are limits. If the laws prevent all beneficial uses of the land of a private owner, the government may be required to pay the owner just compensation. Of course, the government wants to avoid such payments to the private owners.

CONTRACT LAW

Expectations Damages and Futures Markets: Shepherd (1918)

In this old case, the U.S. Supreme Court defined the notion of expectation damages for breach of a contract. The goal of expectations damages is to make the non-breaching party equivalent to what they would have been if the other party had not breached and performed on the contract. Expectation damages is the key to the existence of executory contracts for future delivery and payment. For example, expectations damages is crucial for the existence of futures markets.

Uniform Commercial Code

The Uniform Commercial Code (UCC) is a state statute defining contracts that nearly all states have adopted. The UCC defines the modern approach to damages for breach of contract. If the seller breaches the contract by refusing to deliver the goods, the buyer should "cover" by purchasing substitute goods and sue for the difference in the cover price and the contract price. If the buyer breaches by refusing to take delivery and pay for the goods, the seller should "resell" the goods to another buyer and sue for the difference in the contract price and the resale price.

Lost Profits - Manufacturers: Hinckley (IL 1877), Lieberman (NY 1922)

These two cases discuss the problem when a buyer breaches the contract by announcing that he/she will not take delivery prior to the manufacturer even building the goods. In that case, the non-breaching manufacturer would be relieved of any obligation to actually build the goods, and can sue for the lost profits that he/she would have made from selling the goods at the contract price. The old Hinckley case is one of the earliest cases to allow damages for lost profits on rails for railroads. The Lieberman case involved bodies for a new automobile that consumers did not find attractive.

Lost Profits - Retailers: Neri (NY 1972) and Jordan (2007)

These two cases apply the lost profits damage remedy to retailers. The Neri case involved a boat retailer. The Jordan case is an amusing and interesting application of that principle to the breach of a promotion contract by Worldcom with Michael Jordan, the famous basketball player for the Chicago Bulls.

Contract Formation and Mergers: Texaco (1987)

The Texaco case is the leading case in defining whether an announcement of an agreement in principle to execute a merger is a contract or whether the contract only arises after the agreement is formalized into a writing. The answer is that the agreement in principle can be a contract if it includes all of the important terms of the agreement. This decision resulted in Texaco having to declare bankruptcy, and we discuss that case in the section of bankruptcy.

Requirements Contracts: Westinghouse Uranium Cases (1975)

Requirement contracts are long-term contracts which allow the buyer to determine each year how much he wants the seller to deliver.

Requirements contracts typically have prices that are linked to inflation in some manner. We then discuss the famous breach by Westinghouse in the supply of uranium rods to the electric utility companies that purchased nuclear power plants from Westinghouse. This case resulted in the largest damage award in the history of contracts, nearly one billion dollars.

TAKEOVER BATTLES AND DEFENSES

Duties of Loyalty and Care – Delaware Incorporation Law

The duty of loyalty and care are the two duties of the board of directors and the managers of a corporation. The duty of loyalty requires the managers to avoid conflicts of interest and the duty of care requires the managers to make decisions based on obtaining good information. Both will be important for how the managers can respond to hostile takeover attempts on their corporation.

Proxy Contests: Hewlett-Packard (2002)

Proxy contests arise when there are competing issues before the shareholders. In the Hewlett-Packard case, there was a proxy contest over the shareholder vote for HP to acquire Compaq. This case is a nice illustration about how the management would seek support for the proposed merger by contacting investment funds holding HP shares on behalf of investors.

Tender Offers: Williams Act (1968)

This section introduces tender offers in which hostile acquiring corporations can purchase the shares of another target corporation directly from the shareholders. Tender offers must offer the same price to all shareholders and specify a minimum number of shares to be purchase, usually 50% or more of the outstanding shares of the target corporation. Tender offers were permitted by amendments to the Securities laws in 1968 and initiated the period of hostile takeovers and takeover defenses soon after.

Freeze-Out Mergers: UOP (1983)

A freeze-out merger is a merger in which a parent corporation owning 50% or more of an operating subsidiary creates a new shell subsidiary to merge and acquire the remaining minority shareholders of the operating subsidiary. As a result, the operating subsidiary becomes a wholly-owned subsidiary of the parent corporation. Freeze-out mergers are an important aspect of the early hostile takeover game in the 1980s.

Unocal Duty: Unocal (1985)

The Unocal duty is an additional fiduciary duty for the management of a target corporation to its shareholders. The Unocal duty was defined by the Delaware Supreme Court in this case in which a strange takeover defense by Unocal's management blocked Mesa from making a the hostile tender offer to the Unocal shareholders. In particular, the management cannot maintain a takeover defense in response to any price that would be offered by the acquiring corporation.

Poison Pills as the Primary Takeover Defense: Interco (1988)

Poison pills were developed immediately after the Unocal case. A poison pill is an artificial share purchase option that would block a hostile tender offer irrespective of the price offered. Under the Unocal Duty, management must "redeem" a poison pill once the hostile acquiring corporation has made a tender offer at a price corresponding the value of the corporation. The Interco case illustrates the difficulty for courts in deciding at what tender offer price the management would have to redeem the poison pill in order to avoid violating their Unocal duty.

Revlon Duty: Revlon (1986)

One of the typical takeover defenses is for the target corporation to find a "white knight" corporation to make a competing tender offer for the target corporation. A white knight is a corporation that would maintain the existing management of the target. This case illustrates this strategy. The Delaware Supreme Court used the Revlon case to define a new fiduciary duty for the management of a target corporation. The Revlon duty arises when it is clear that the target corporation will be acquired by some other corporation and broken-up by selling its subsidiary corporations. If so, the management of the target corporation must hold an auction among the acquiring corporations to obtain the highest price per share for its shareholders. This implies that the target management cannot favor one acquiring corporation over the other in the auction.

Time-Warner Decision on Unocal and Revlon: Time-Warner (1990)

The famous Time-Warner case arose from the strategic plans of media corporations to vertically integrate into the production of programming. Time initiated a friendly merger with Warner, but before the merger could be approved by the Time shareholders, Paramount initiated a hostile tender offer to acquire Time. This case addresses both the Unocal and Revlon duties of the Time management. Although the Delaware Supreme Court

held that neither duty was violated, its decision created new confusion in the legal rules for hostile takeovers. This confusion lead to the ITT case.

Tender Offer and Proxy Contest: ITT (1997)

The ITT case redefined the hostile takeover game and it remains roughly the same since then. The hostile acquiring corporation initiates a contingent tender offer to the shareholders of the target corporation, contingent on redemption of the poison pill. The new feature is that the hostile acquiring corporation mounts a proxy contest to elect a new board of directors at the next shareholder meeting. If elected, the new board would redeem the poison pill and let the tender offer be made. The court prevented the management of the target corporation from interfering with the proxy contest or the ability of the new board to redeem the poison pill.

PRODUCT LIABILITY IN TORT

Duty of Reasonable Care (Negligence): MacPherson (NY 1912)

The development of manufacturer liability for consumer injury from the use of its products begins with this famous MacPherson case against Buick decided by the New York Court of Appeals. This case involves a broken wheel spoke that caused an accident. The court used this case to define a general duty for any manufacturer to take reasonable care in manufacturing its products to avoid harm to the users of the product. Negligence occurs when the duty is breached and the users can obtain damages for their injuries. This is a duty in tort law because the users harmed need not have had a contractual relationship with the manufacturer.

Strict Product Liability: Suvada (IL 1965)

Strict liability occurs when the manufacturer is liable for the injuries of the user as long as the product was being used as it was intended. This case applies strict liability for manufacturing defects in Illinois. This is a major expansion of liability for manufacturers. The economic argument is that consumers are poorly suited to inspect products for manufacturing defects because many durable goods have become complicated (automobiles) and smaller durable goods are prepackaged.

Negligent Design – Automobiles: Larsen (MI 1968)

The next evolution of product liability law involves the standard of care for the design of products. This development is best illustrated in the design of automobiles, a very controversial issue in the 1960s. The Larsen case (GM Corvair) illustrates design defects in cars that did not cause the

accident but increased the injuries of the driver. The automobile industry fought the extension of tort liability for such defects, but these cases were the first to extend the duty of reasonable care (negligence standard) to these type of design defects. The legal argument is that manufacturers can reasonably expect that their cars will be involved in accidents that might injure the driver and passengers.

Duty to Warn: Vassallo (MA 1998)

The most recent development in product liability is the extension of liability for the failure of the manufacturer to adequately warn about the known or knowable dangers of its products. This duty imposes an obligation on a manufacturer to continually monitor and research the potential dangers of its products, and to then adequately warn its customers. The Vassallo case involved silicon breast implants. This duty is particularly important for medical products that have important benefits but unavoidable side effects. These cases have resulted in class action lawsuits and large damage awards that have forced the manufacturers into bankruptcy. These bankruptcies have created unexpected challenges for bankruptcy judges as discussed in the next section.

Class Action Lawsuits: Volkswagen "Clean Diesel" Engines (PDF)

Volkswagen designed and marketed its "clean diesel" throughout the world. In order to satisfy EPA and California emission controls in the U.S., the engine software slowed the engine when the emissions were being tested. The software recognized the testing when the wheels were not turning. Volkswagen settled various class action lawsuits costing the company close to $15 billion dollars.

BANKRUPTCY

Reorganization: Greate Bay (2000), Trump (2010), Texaco (1988)

We first discuss the mechanics of a reorganization from the Bankruptcy Code (1978). The management of the bankrupt corporation propose a plan for a financial and business reorganization, the creditors are then formed into classes and vote on the plan. If a creditor class votes against the plan, the bankruptcy judge can "cramdown" the plan against that class, and confirm the plan for the corporation to exit bankruptcy with a new lower debt service. The Greate Bay and Trump cases illustrate these mechanics in the context of casino bankruptcies in Atlantic City. The Texaco case illustrates the unusual situation in which the bankruptcy arose from one large legal judgment to Pennzoil from the prior case on a merger

agreements. The remainder of the cases in this section present other unusual situations for the bankruptcy courts to resolve.

Mass Torts and Bankruptcy: Manville (1988), Dow-Corning (1999)

The Manville case is the leading case on how to resolve a bankruptcy which arises from a large product liability damage award that exceeds the net value of the corporation. In the Manville case, the judge created a trust fund to compensate the workers and consumers harmed by the use of asbestos in its building products. Manville and its insurance companies were required to fund the trust and the injured parties must take their claims to the trust, not to the new Manville. Trusts became the model to resolve these mass tort bankruptcies and the procedures were also incorporated into the Bankruptcy Code.

Rejection of Leases: K-Mart (2004-2007)

Section 365 of the Bankruptcy Code allows the bankrupt corporation to reject leases and contracts that would be unprofitable when it exits bankruptcy. The K-Mart cases illustrates how this power can be used strategically to negotiate lower rents from landlords on the building leases that K-Mart wanted to continue (assume) after it exited bankruptcy. This power dramatically facilitates the business downsizing of the reorganized corporation.

Rejection of Union Contracts: Wheeling (1986), Northwest Air (2006)

The U.S. Supreme Court interpreted Section 365 to allow the bankrupt corporation to reject collective bargaining agreements with unions, and to lower the wages of workers. As a result, Congress amended the Bankruptcy Code (Section 1113) to impose restrictions on the ability of bankruptcy judges to approve rejections of collective bargaining agreements. The restrictions impose obligations to negotiate on the wage reductions consistent with the National Labor Relations Act (1935). Despite the restrictions, this power has allowed many corporations to negotiate lower wages outside of bankruptcy by threatening unions that their failure to agree to lower wages will force the corporation into bankruptcy and result in rejection of the collective bargaining agreement. This power has been used by corporations in certain industries facing competition from foreign corporations, such as the steel industry.

Termination of Pension Plans: US Airways (2003-2004)

After 9/11 in 2001, airline passenger traffic declined sharply forcing most of the airlines into bankruptcy despite a government bailout program.

The airlines first negotiated large wage reductions with the unions for the pilots, machinists, and flight attendants. But in several cases, the airlines were still unable to propose a viable reorganization plan because of the large unfunded liabilities to support their pension plans, mostly the defined benefit plans with their unions. The federal law governing pensions, ERISA (1974), provides that a bankruptcy judge can terminate a pension plan if doing so is necessary for a successful reorganization of the corporation. In the cases of US Airways, the pension plans of the three unions were terminated. Once terminated, the funds already set aside to fund the pensions are transferred to a federal agency PBGC and the retirees will receive reduced pension payments from the PBGC. When US Airways exited bankruptcy, it created a new defined contribution for its existing and new employees. Thus, the burden of the reorganization fell primarily on the retired employees. This process has also occurred for corporations in other industries.

Section 363 Sale of Assets: General Motors (2009)

The Great Recession starting in 2008 resulted in a dramatic reduction in the sales of durable goods, particularly automobiles. Despite a government bailout, GM was depleted of cash by the spring of 2009 and declared bankruptcy. There was no time for a traditional reorganization proceeding which would have taken years. Thus, the Treasury and bankruptcy court worked out an agreement to sell all of the assets to a new corporation called New GM with the Treasury owning a large share of the common stock in the New GM in return for a large infusion of cash. The original GM was now stripped of it valuable assets but retained all of its prior debts. The cash payment for the assets was well below the balance due on all of the debts and other liabilities. This intervention by the Treasury was very controversial at the time. The case also illustrates other aspects of the reorganization plans.

PRIVATE EQUITY AND BANKRUPTCIES

In this new section, we will explore how private equity firms have used the takeover strategies to gain control over corporations in various industries, looted them in various ways and left them with high levels of debt. The result is that many of these corporations have filed for bankruptcy in recent years. We will discuss the reorganization or liquidation of these corporations.

Academic Assistance

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. We recommend that you seek them out starting early in the semester, not just in times of academic need, in order to develop good study habits and submit work which represents your full academic potential. Many resources are found on the Economics Website including details about the Economics Tutoring Center, Academic Advising, and other academic support options: https://economics.illinois.edu/academics/undergraduate-program/academic-student-support

Academic Integrity

According to the Student Code, `It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.' Please know that it is my responsibility as an instructor to uphold the academic integrity policy of the University, which can be found here: https://studentcode.illinois.edu/article1/part4/1-401/

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. It is your responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. **Read the full Student Code at** https://studentcode.illinois.edu/

Students with Disabilities

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to disability@illinois.edu. DRES Website: www.disability.illinois.edu/

Community of Care

As members of the Illinois community, we each have a responsibility to express care and concern for one another. If you come across a classmate whose behavior concerns you, whether in regards to their well-being or yours, we encourage you to refer this behavior to the Student Assistance Center (217-333-0050 or http://odos.illinois.edu/community-of-care/referral/). Based on your report, the staff in the Student Assistance Center reaches out to students to make sure they have the support they need to be healthy and safe. Further, we understand the impact that struggles with mental health can have on your experience at Illinois. Significant stress, strained relationships, anxiety, excessive worry, alcohol/drug problems, a loss of motivation, or problems with eating and/or sleeping can all interfere with optimal academic performance. We encourage all students to reach out to talk with someone, and we want to make sure you are aware that you can access mental health support at the Counseling Center (https://counselingcenter.illinois.edu/) or McKinley Health Center (https://mckinley.illinois.edu/).
For mental health emergencies, you can call 911 or walk into the Counseling Center, no appointment needed.

Disruptive Behavior

Behavior that persistently or grossly interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other

students' ability to learn and an instructor's ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office for Student Conflict Resolution for disciplinary action.

Emergency Response Recommendations

Emergency response recommendations can be found at the following website: http://police.illinois.edu/emergency-preparedness/. I encourage you to review this website and the campus building floor plans website within the first 10 days of class. http://police.illinois.edu/emergency-preparedness/building-emergency-actionplans/.

Religious Observances

The Religious Observance Accommodation Request form is available at https://odos.illinois.edu/community-of-care/resources/students/religious-observances/. Submit the form to the instructor and to the Office of the Dean of Students (helpdean@illinois.edu) by the end of the second week of the course; in the case of exams or assignments scheduled after this period, students should submit the form to the instructor and to the Office of the Dean of Students as soon as possible.

Family Educational Rights and Privacy Act (FERPA)

Any student who has suppressed their directory information pursuant to Family Educational Rights and Privacy Act (FERPA) should self- identify to the instructor to ensure protection of the privacy of their attendance in this course. See http://registrar.illinois.edu/ferpa for more information on FERPA. Student information and records will not be released to anyone other than the student unless the student has provided written approval or as required by law.

Sexual Misconduct Reporting Obligation

The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options. A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain confidentiality, can be found here: http://www.wecare.illinois.edu/resources/students/#confidential.
Other information about resources and reporting is available here:
http://wecare.illinois.edu/.

Student Support

The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. Please visit their website to find valuable resources and services: https://counselingcenter.illinois.edu/.

Counseling Center Information: 217-333-3704
Location: Room 206, Student Services Building (610 East John Street, Champaign IL)

McKinley Mental Health Information: 217-333-2705
Location: 3rd Floor McKinley Health Center 1109 South Lincoln, Urbana, IL

Emergency Dean: The Emergency Dean may be reached at (217) 333-0050 and supports students who are experiencing an emergency situation after 5 pm, in which an immediate University response is needed and which cannot wait until the next business day. The Emergency Dean is not a substitute for trained emergency personnel such as 911, Police or

Fire. If you are experiencing a life threatening emergency, call 911. Please review the Emergency Dean procedures: http://odos.illinois.edu/emergency/

Academic Dates and Deadlines

Students should make note of important academic deadlines for making changes to their courses (add, drop, credit/no-credit, grade replacement, etc.).
https://registrar.illinois.edu/academic-calendars
Please check with your academic department regarding specific procedures and policies.