

# Contents

<i>Foreword by the HONORABLE RICHARD A. POSNER</i>	<i>page xi</i>
Preface	xv
<i>Part I. The role of credit</i>	1
1 Leverage, Nobel Memorial Prize Lecture (1990) MERTON H. MILLER	3
2 Agency costs of free cash flow, corporate finance, and takeovers MICHAEL C. JENSEN	11
3 A theory of loan priorities ALAN SCHWARTZ	17
<i>Part II. Bankruptcy as a reflection of the creditors' implicit bargain</i>	25
4 A world without bankruptcy DOUGLAS G. BAIRD	29
5 Bankruptcy, nonbankruptcy entitlements, and the creditors' bargain THOMAS H. JACKSON	39
6 Translating assets and liabilities to the bankruptcy forum THOMAS H. JACKSON	58
7 Bankruptcy policy ELIZABETH WARREN	73
8 Loss distribution, forum shopping, and bankruptcy: A reply to Warren DOUGLAS G. BAIRD	95
<i>Part III. Beyond the basic creditors' bargain</i>	109
9 Bargaining after the fall and the contours of the absolute priority rule DOUGLAS G. BAIRD and THOMAS H. JACKSON	113
10 On the nature of bankruptcy: An essay on bankruptcy sharing and the creditors' bargain THOMAS H. JACKSON and ROBERT E. SCOTT	141

11	A simple noncooperative bargaining model of corporate reorganizations	168
	DOUGLAS G. BAIRD and RANDAL C. PICKER	
12	Commentary on "On the nature of bankruptcy": bankruptcy, priority, and economics	181
	MARK J. ROE	
13	Bankruptcy and risk allocation	190
	BARRY E. ADLER	
14	The corporate bankruptcy decision	207
	MICHELLE J. WHITE	
15	Bargaining over equity's share in the bankruptcy reorganization of large, publicly held companies	232
	LYNN M. LOPUCKI and WILLIAM C. WHITFORD	
16	Bankruptcy resolution: Direct costs and violation of priority of claims	260
	LAWRENCE A. WEISS	
17	The costs of conflict resolution and financial distress: Evidence from the Texaco-Pennzoil litigation	279
	DAVID M. CUTLER and LAWRENCE H. SUMMERS	
18	Survey of evidence on business bankruptcy	298
	MICHELLE J. WHITE	
	<i>Part IV. Workouts or bargaining in the shadow of bankruptcy</i>	307
19	Managing default: Some evidence on how firms choose between workouts and chapter 11	308
	STUART C. GILSON	
20	The economics of pre-packaged bankruptcy	322
	JOHN MCCONNELL and HENRI SERVAES	
	<i>Part V. Alternatives to bankruptcy and the creditors' bargain</i>	327
21	Corporate control and the politics of finance	329
	MICHAEL C. JENSEN	
22	The uneasy case for corporate reorganizations	336
	DOUGLAS G. BAIRD	
23	Bankruptcy and debt: A new model for corporate reorganization	351
	MARK J. ROE	
24	A new approach to corporate reorganizations	370
	LUCIAN ARYE BEBCHUK	
25	Debtor's choice: A menu approach to corporate bankruptcy	395
	ROBERT K. RASMUSSEN	

## Contents

26	Is corporate bankruptcy efficient? FRANK H. EASTERBROOK	408
27	The voting prohibition in bond workouts MARK J. ROE	415
28	Financial and political theories of American corporate bankruptcy BARRY E. ADLER	434
	<i>Part VI. Experience of other countries</i>	449
29	Lessons from a comparison of U.S. and U.K. insolvency codes JULIAN R. FRANKS and WALTER N. TOROUS	450
30	The costs of corporate bankruptcy: A U.S.–European comparison MICHELLE J. WHITE	467
31	Should we abolish Chapter 11? The evidence from Japan THEODORE EISENBERG and SHOICHI TAGASHIRA	501
32	The role of banks in reducing the costs of financial distress in Japan TAKEO HOSHI, ANIL KASHYAP, and DAVID SHARFSTEIN	531
	Index	550