

This shape is drawn from Standard and Poor's 500 Index from August 2008 to December 2008.

Studying Corporate Law in an Uncertain Time

Yale Law School's Center for the Study of Corporate Law Marks Its 10th Anniversary With a Full Agenda

As the financial markets tumbled and businesses across the country filed for bankruptcy, Yale Law School's Center for the Study of Corporate Law was busier than ever this past year, hosting events to assemble some of the nation's top corporate leaders, academicians, and financial experts to help make sense of the global financial crisis.

Kronman and Lang photograph by Harold Shapiro

Yale Law School has had a long history of scholarship in corporate law, beginning in the 1800s with Simeon E. Baldwin who taught Constitutional and Mercantile Law and Corporations and Wills at Yale Law School from 1869–1919. But it wasn't until 1999 that corporate law's place at the Law School was formalized with the establishment of the Center for the Study of Corporate Law. As best can be determined, the Yale Center was the first corporate law center established in the United States, although such centers are now ubiquitous in American law schools.

The Center was inspired by conversations between then Dean Anthony T. Kronman '75 and Robert Todd Lang '47 (see photo at right). "Every year, Yale Law School has many programs that address questions of public law, as befits a school with as strong a tradition as ours in this field," said Kronman. "But many of our graduates work in the area of private law, and in that of corporate law in particular, and the contribution they make to this field is a large one. The same is true, of course, of the corporate law scholars on our faculty."



"I wanted to create a program that would give the practically important and intellectually fascinating challenges of corporate law a larger place in the day-to-day life of the Law School,"

Kronman explained. "My friend Todd Lang agreed, and in a series of exciting conversations, we began together to sketch the outlines of such a program. The result was the creation of the Center for the Study of Corporate Law, now in its tenth year."

"The Center has gone from strength to strength, and is today a vital part of the intellectual life of the School. Todd's generosity, deep wisdom about corporate law, and

uncanny good sense about what would work and what wouldn't, were essential to the establishment of the Center and its subsequent flourishing."

Today, under the leadership of Oscar M. Ruebhausen Professor of Law Roberta Romano '80, the Center continues its original mission of increasing students' exposure to and engagement with business law with a greatly expanded set of programs. The Center's focus of study includes corporate law and the law of



The Marvin A. Chirelstein Colloquium on Contemporary Issues in Law and Business, a limited enrollment course, brings leading members of the corporate bar, business and investment communities, judges and regulators to the law school to discuss new practice and regulatory issues, as well as scholars from other institutions to present their ongoing research on corporate governance and finance. Pictured here is **Joseph Ravitch '88**, Managing Director, Goldman, Sachs & Co., who spoke on "Capitalizing Value in Sports and Entertainment."



The Center sponsors a **breakfast program for alumni** in New York City, which features panel discussions on current topics in business law by members of the bar, business and investment communities, public officials and faculty. In December, the breakfast panelists took on the topic "Assessing the Financial Market Mess: Is There a Subprime Solution?"



The Center hosts **panel discussions, symposia, and conferences** on timely topics, including career panel discussions during which leaders in corporate law speak about their areas of expertise.

other nongovernmental organizations; the regulation of financial markets and intermediaries; the legal framework of finance, including the law of bankruptcy, corporate reorganization, and secured transactions; and antitrust law and the law of regulated industries. Center programs consist of lectures, roundtables, a workshop in law and finance, a colloquium series, an alumni breakfast program, panels and symposia, in which academics, government officials, and members of the bar and business community participate. “The increasing specialization and technical sophistication in business law practice and academic scholarship has increased the importance of Corporate Law Centers, which are terrific mechanisms for keeping students and faculty connected with new developments in scholarship, business law, and business,” Romano said. “They intermediate between the profession and the school. This has made for a much livelier intellectual community in the Law School.”

The past two years have been the Center’s busiest. During the 2008–2009 academic year the Center continued with initiatives begun the year before—including career panels for students (co-sponsored by the Career Development Center and the Yale Law

and Business Society, a student organization), an expanded alumni breakfast program, and the Bert W. Wasserman Workshop in Law and Finance.

This year’s newest lecture series, “Industry Perspectives on the Global Financial Crisis,” brought leaders from the financial services industry to YLS to discuss the changing landscape of financial market regulation. In informal, off-the-record talks, leaders hailing from financial giants Bank of America, BlackRock and Morgan Stanley, among others, shared their thoughts on the mortgage crisis, the financial markets, and the future of corporate law.

“The ‘Industry Perspectives’ lectures have been fantastic because they’ve given everyone in the corporate law community at Yale—including students—some insight into the economic crisis,” said Caitlin Hall ’09. “It’s fascinating (and phenomenally reassuring) to have direct access to the people who have been running these financial institutions for the past decade, and also to get a lot of different takes—corporate lawyers’, investment bankers’, hedge fund managers’—on what’s happened in the last year and a half.”



(From left) Roberta Romano ’80, Sandra Wasserman, Andrew Metrick, Marla Wasserman, Craig Wasserman ’86 and Dean Harold Koh at the inaugural Bert W. Wasserman Workshop in Law and Finance in 2007. **Andrew Metrick** (now a professor at the Yale School of Management) gave the inaugural workshop on “**The Economics of Private Equity Funds**” in November 2007. The goal of the workshop is to support the study of corporate law and finance by sponsoring workshops and discussion forums for the presentation of current research and the discussion of topical issues in law and finance.



Luigi Zingales, Robert C. McCormack Professor of Entrepreneurship and Finance and the David G. Booth Faculty Fellow at the University of Chicago Booth School of Business, gave the 2008–2009 John R. Raben/Sullivan & Cromwell Fellowship Lecture entitled “**The Future of Securities Regulation.**”



Steven N. Kaplan, Neubauer Family Professor of Entrepreneurship and Finance, University of Chicago Booth School of Business, gave the 2008–2009 Judge Ralph Winter Lecture entitled “**Are U.S. CEOs Overpaid?**”

Photographs by Bernie Staggers (far left), Carl Kauffman (center and left), Yale University Media Services.

In February, more than 130 YLS alumni, students, and faculty from throughout the country attended the Center’s Weil, Gotshal & Manges Roundtable on the Future of Financial Regulation, which was co-sponsored with the *Yale Journal on Regulation*. Panelists and audience participants explored the origins and causes of the crisis, historical comparisons, and possible plans for reforming the regulation of financial institutions and subprime mortgage contracts. (See pages 34–35.) Many of the presentations will be published in the *Journal*’s summer issue.

In a move to encourage students interested in corporate law to earn both MBA and JD degrees, the Law School and School of Management have collaborated to create an accelerated joint degree program. During the 2009–2010 academic year, the schools will officially begin a JD-MBA program that will allow students to earn both degrees in three years without taking summer courses. (See sidebar at right.) **Y**



Gregory J. Fleming ’88, former President and Chief Operating Officer of Merrill Lynch & Co., served as a Senior Research Scholar and Distinguished Visiting Fellow at the Law School during the spring semester. Fleming helped host a lecture series titled “**Industry Perspectives on the Global Financial Crisis,**” which brought leaders of the business and investment community and leading business journalists, from such companies as Bear Stearns, Bloomberg, Morgan Stanley, CNBC, and *The Wall Street Journal* to the Law School for informal and off-the-record discussions with the Yale community.

Fleming photograph by Harold Shapiro; student photograph by Carl Kauffman, Yale University Media Services.

YLS and SOM to Offer Accelerated JD–MBA Program

In March, Yale Law School and the Yale School of Management (SOM) announced the creation of an Accelerated Integrated JD-MBA program that will enable students to earn both degrees in three years.

Geared to students interested in business law-related practice, entrepreneurs, or managers in business and nonprofit organizations, the new combined program in law and business is unique in that it offers the two degrees in three academic years (six semesters), without the need for summer classes. It is designed primarily for students interested in business law but will be useful in a variety of settings involving business and management.



“The program will prepare students for the increasingly complex intersection of business and law,” said Yale Law School Dean Harold Hongju Koh in March. “Students will master analytical and quantitative skills that will be of value for a business law-related practice but also more broadly for careers as entrepreneurs and managers in business and nonprofit organizations.”

Students in the Accelerated Integrated JD-MBA program will be fully immersed in the required curriculum and community life at each school and will graduate with their entering class at both the Law School and SOM. During the two summers, students are free to gain valuable experience in law or business-related positions.

Students can apply to enter the Accelerated Integrated JD-MBA program during their first year of Law School or when applying for admission to both schools. After spending the first year at the Law School, the second year will be spent at SOM, and the third year at the Law School.

Yale School of Management Dean Sharon M. Oster commented, “We are excited to be partnering with Yale Law School to provide this accelerated JD-MBA program. Both schools have a strong reputation for developing leaders for business and society, and this program allows us to draw more efficiently on the unique strengths of each institution to continue to train such leaders.”

Yale Law School and the School of Management will continue to offer the existing four-year joint degree program as an option. The accelerated program will initially be offered for a provisional term of two years, after which both schools will jointly assess the program’s success factors and future course.

website For more on the program, visit www.law.yale.edu/JDMBAoverview



The Weil, Gotshal & Manges Roundtable on Corporate Law and Governance was held on February 13, 2009. The daylong event focused on the future of financial regulation. Panelists evaluated the causes of the evolving subprime mortgage crisis, following credit crunch, and financial panic of 2007–08; the government reaction to the crisis; and proposed solutions, including reform of the regulatory architecture for financial institutions.



SESSION 1

Crisis Origins and Historical Comparisons

Charles Calomiris, Henry Kaufman Professor of Financial Institutions, Columbia Business School

“The banks themselves had, I think, an internal buy-side agency problem. The people making those decisions were not acting in the interests of their own stockholders. Second, the insurance companies, pension funds, mutual funds, the regulated buy-side institutional investors, had a somewhat different, but related buy-side agency problem. And the point is, all of these people had a strong incentive to pretend that the risk was much lower than they knew it was. I’m arguing that ... part of the story that’s quite interesting and new is that this was done on purpose, in a sense.”



Reading materials discussed during the Roundtable, videos of the panels, and a transcript of the proceedings are available at www.law.yale.edu/cbl/roundtables.htm.

Photographs by Harold Shapiro

SESSION 2

Causes of the Crisis: Conflicts, Compensation and Reputation

Edward J. Kane, James F. Cleary Professor of Finance, Boston College

“If we’re going to fix things properly, we have to understand the fundamental cause of crisis mismanagement traces to the way the safety-net subsidies are produced and delivered. The pursuit of these subsidies is what made securitization become incentive-compatible. Bad deals went forward because regulators and investors had blind trust in the reputational bonding of key firms despite compensation schemes at these firms that communicated gypsy ethics to their employees. The gypsy ethic entails never giving a sucker an even break. Outsiders closed their eyes to the predictable consequences of volume-based compensation schemes. People were paid the same for originating bad deals as they were for originating good ones. This reinforced the shortcutting of due diligence and the outsourcing of due diligence in markets for synthetic credit transfers. Bad incentives passed up and down the line. As long as some sucker stood ready to pay good money for garbage, why should anyone throw garbage away?”



SESSION 3

Reforming Financial Institution Regulation

Richard J. Herring, Jacob Safra Professor of International Banking, Professor of Finance & Co-Director, Wharton Financial Institutions Center, Wharton School, University of Pennsylvania

“Secretary Geithner seems determined to avoid nationalizing banks, but the determination to socialize losses while privatizing profits is not sustainable. It’s



only going to lead to greater moral hazard and more banks that are too big, too complex and too interconnected to fail. Without a coherent resolution policy, inevitably more and more reliance will be placed on regulatory discipline, which has proven to be wholly inadequate to the challenge. We need to supplement regulatory discipline with market discipline and improve our techniques of resolving financial institutions so that no financial institution is too big to resolve without tolerable spillovers.”

SESSION 4

Reforming Subprime Mortgages

Susan P. Koniak ’78, Professor of Law, Boston University School of Law

“But why are so many homes being foreclosed upon when lenders can expect so little in recovery on a foreclosed home? When someone gets thrown out of their house, the



value that’s recovered in foreclosure is 25 percent of the original loan, if the lender or lenders are lucky. Why is that? Well, that’s pretty easy to explain. It takes about 18 months to get someone out of their house. That’s

lost revenue. Then there are back taxes. Then there are payments to realtors. Empty houses get stripped and trashed while they’re waiting to be resold in our now glutted housing market, which further diminishes their worth. So, for all those reasons lenders are lucky to get 25 percent at foreclosure. So, what would a reasonable lender do to avoid that paltry return and maximize his return? A reasonable lender would modify the mortgage whenever modification would bring in more than what could reasonably be expected upon foreclosure. This is not rocket science. But this rational response is not happening. The question is, why?”