SEMINAR CALENDAR

HCHE Research Seminar
Maarten Lindeboom, Vrije Universiteit Amsterdam:
Why life gets better after age 50, for some – Mental health and the social norm of work
16:30-17:45
Esplanade 36, R. 4011/13

Quantitative Economics
Paolo Brunori, LSE:
Strengths and Limitations of the Use of Machine Learning in the Estimation of Inequality of Opportunity
12:15–13:30
R. 0079 (VMP 5)

Hamburg Lectures in Law and Economics
Andreas Engert, FU Berlin:
The corporate group as a bankruptcy option
18:15–19:45
R. 1083a (VMP 5)

This seminar is held in a hybrid format. To register for Online participation via Zoom please send an email to larapazer@gmail.com. You will then receive an Email with the access link prior to the lecture.
Abstract:
Corporate groups are the all-but-universal legal structure of the modern firm. In view of the cost of operating a multitude of legal entities, the question arises which advantages the group form confers on firms. This paper suggests an efficiency explanation that focuses on the incentives of non-financial stakeholders in a business unit of the firm: Granting these stakeholders only claims against a separate subsidiary allows the firm to bankrupt the subsidiary without honoring long-term claims from leases, labor, service, and license contracts. The bankruptcy option makes long-term commitments to stakeholders conditional on the subsidiary producing a positive surplus for the firm. Their fixed claims become sensitive to the performance of the subsidiary, incentivizing non-contractible investment and concessions needed to restore the viability of the subsidiary.