

2009

No Big Deal: The GM and Chrysler Cases in Context

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Summary

Almost every leading corporate bankruptcy academic has spoken against the automotive bankruptcy cases. And the Chrysler and GM chapter 11 cases have been vilified in every major finance-focused media outlet - by everyone from Ralph Nader to Richard Epstein. In this short paper, originally written for the TARP Congressional Oversight Panel, I address the key academic arguments against the automotive chapter 11 cases and contextualize what happened in these two cases. Stripped of their speculation and 'what ifs,' I show that these arguments are no more persuasive than the loose, unsupported arguments thrown about in the popular press. But first, I show how these cases, and particularly their structure - a quick lender-controlled §363 sale - are entirely within the mainstream of chapter 11 practice for the last decade.

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Recommended Citation: Lubben, Stephen. 2009. "No Big Deal: The GM and Chrysler Cases in Context." *American Bankruptcy Law Journal*, Seton Hall Public Law Research Paper, 83. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1467862.