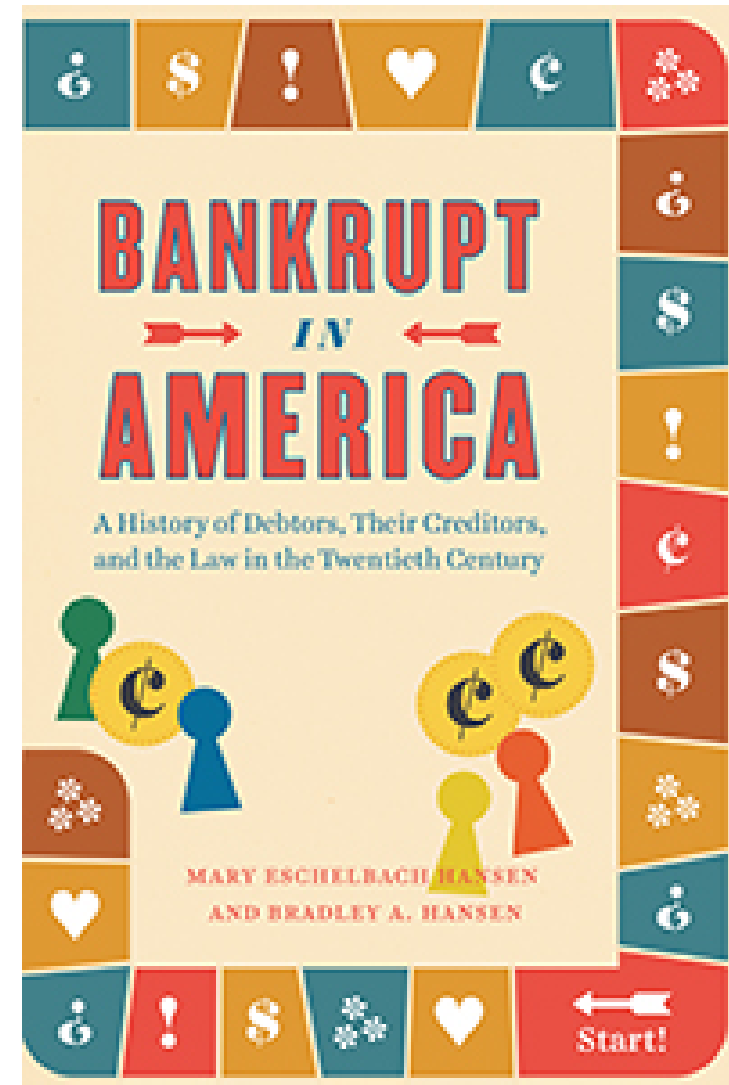


Historical Perspectives on Current Issues in Bankruptcy

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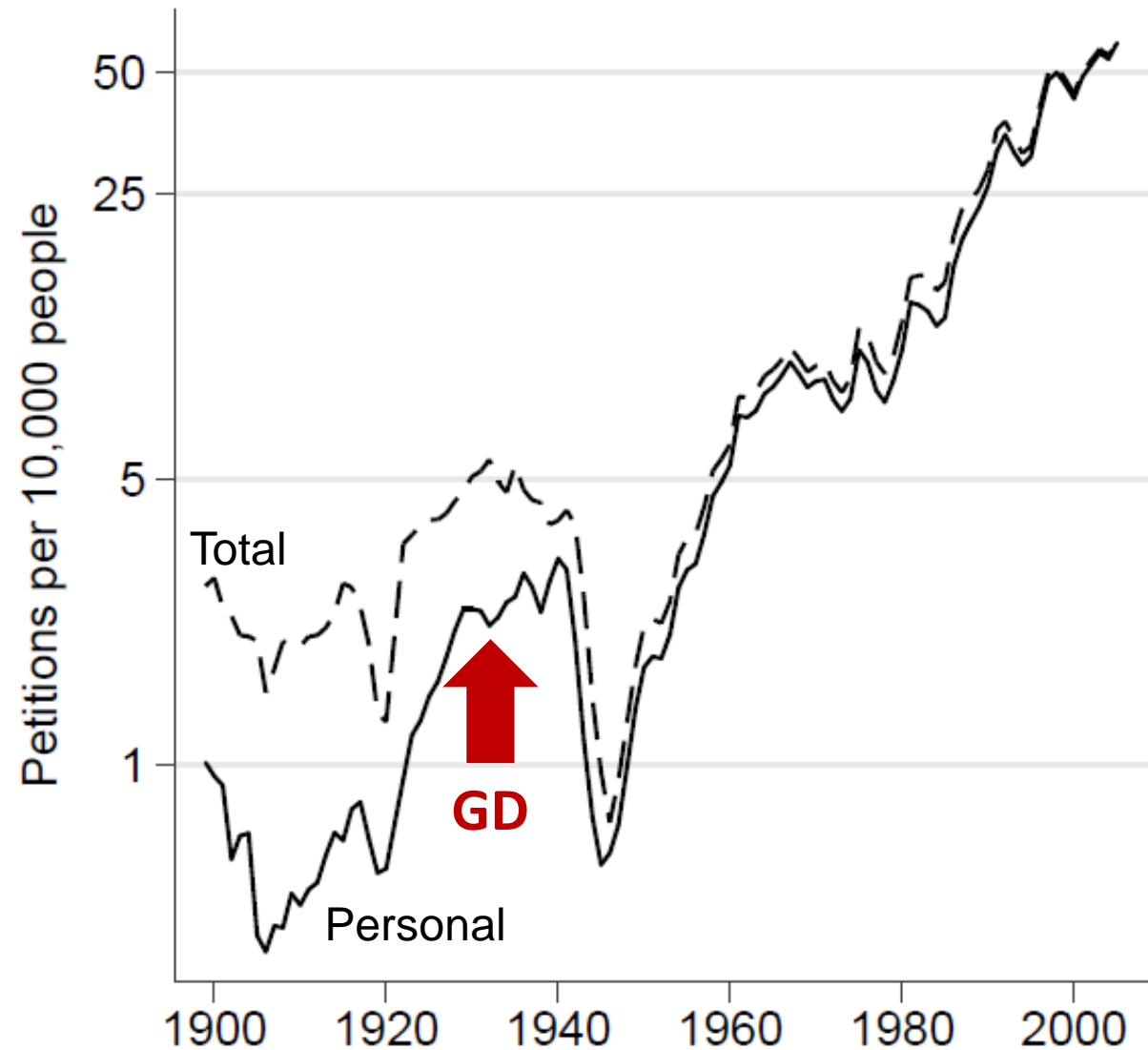


Themes

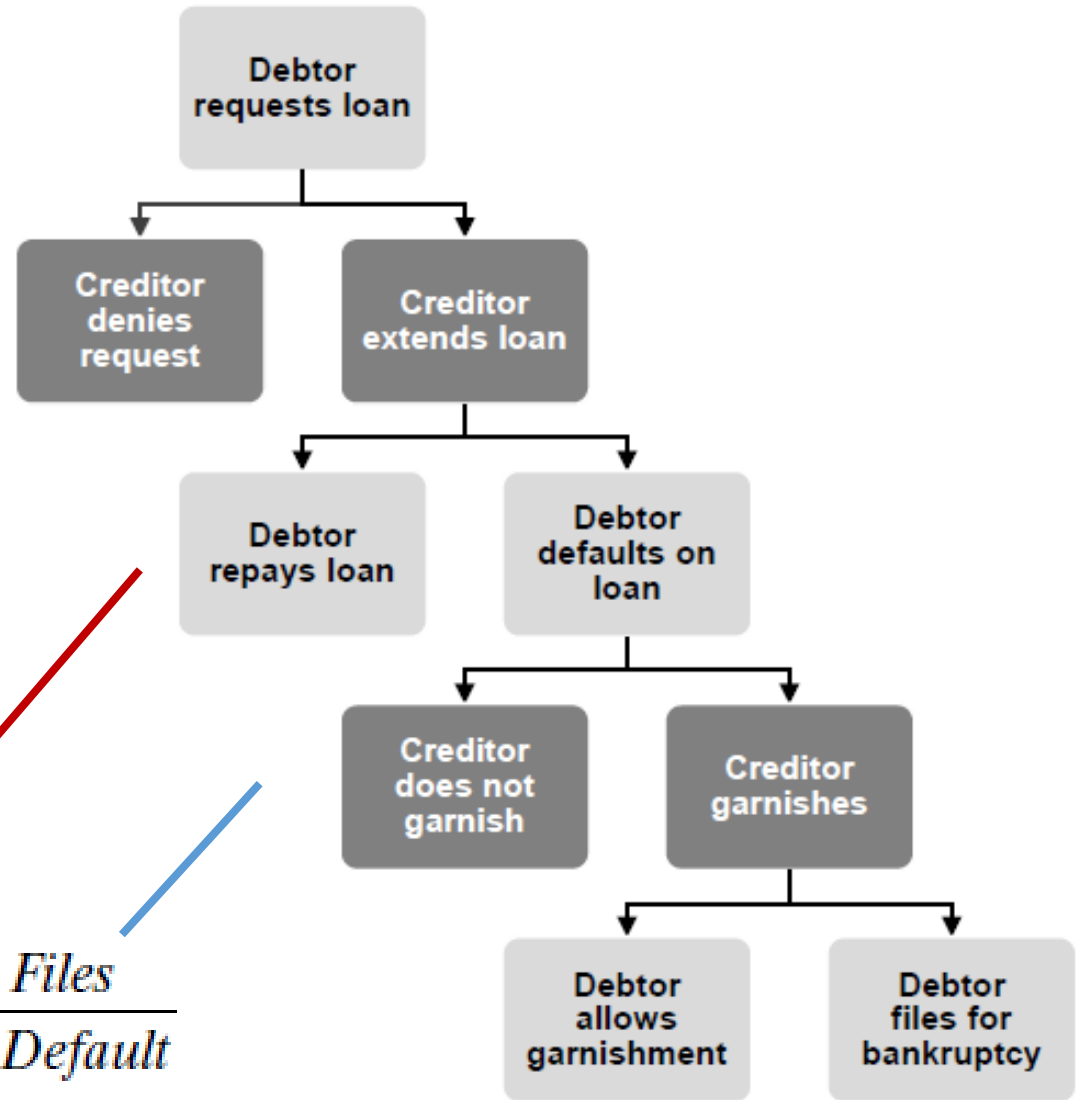
- Decline during Covid not surprising. Bankruptcy not a good measure of bad times.
 - Effect of changes in the economy mediated by state garnishment law
 - ✓ Expansion of credit increases rate more if pro-creditor garnishment
 - ✓ Increase in vulnerability increases rate more if pro-creditor garnishment
- Changes in law and procedure reflect changes in how law is used and changes in social values.
 - Narratives about why people become bankrupt evolve and influence changes in law
 - ✓ Development of Ch. 13
 - ✓ Passage of BAPCPA

Bankruptcy ≠ Bad times

Even Great Depression hard to see in national bankruptcy rate.

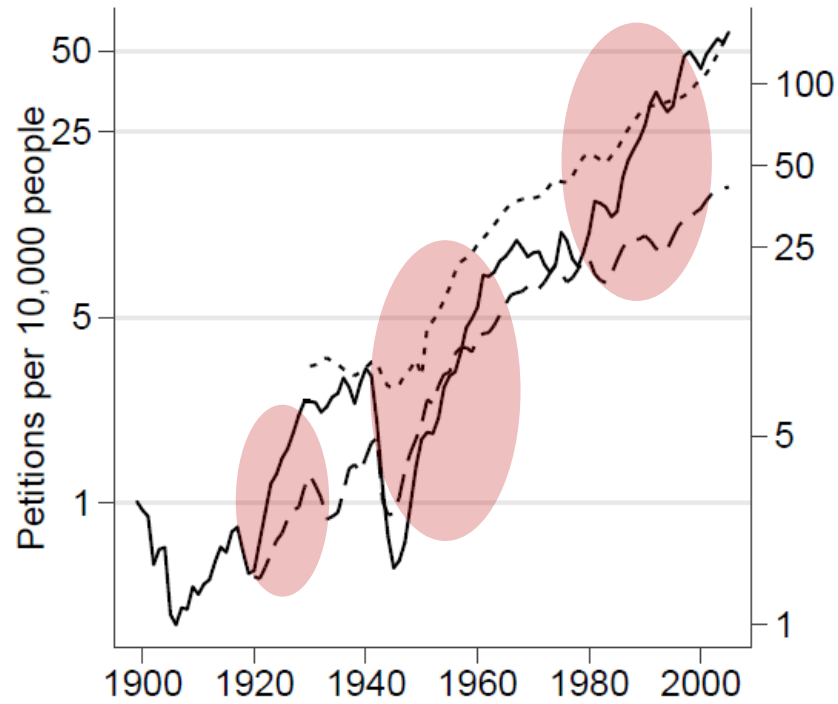


The path to bankruptcy

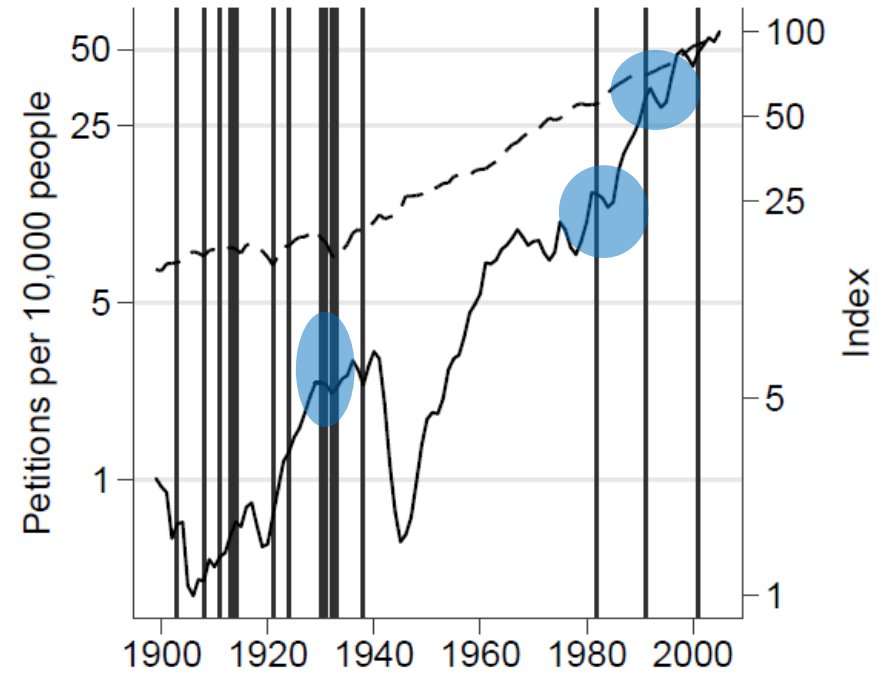


$$\frac{\textit{Bankruptcy Petitions}}{\textit{Population}} = \frac{\textit{InDebt}}{\textit{Population}} * \frac{\textit{InDefault}}{\textit{InDebt}} * \frac{\textit{Files}}{\textit{InDefault}}$$

Bankruptcy correlated with debt. Default, not so much.

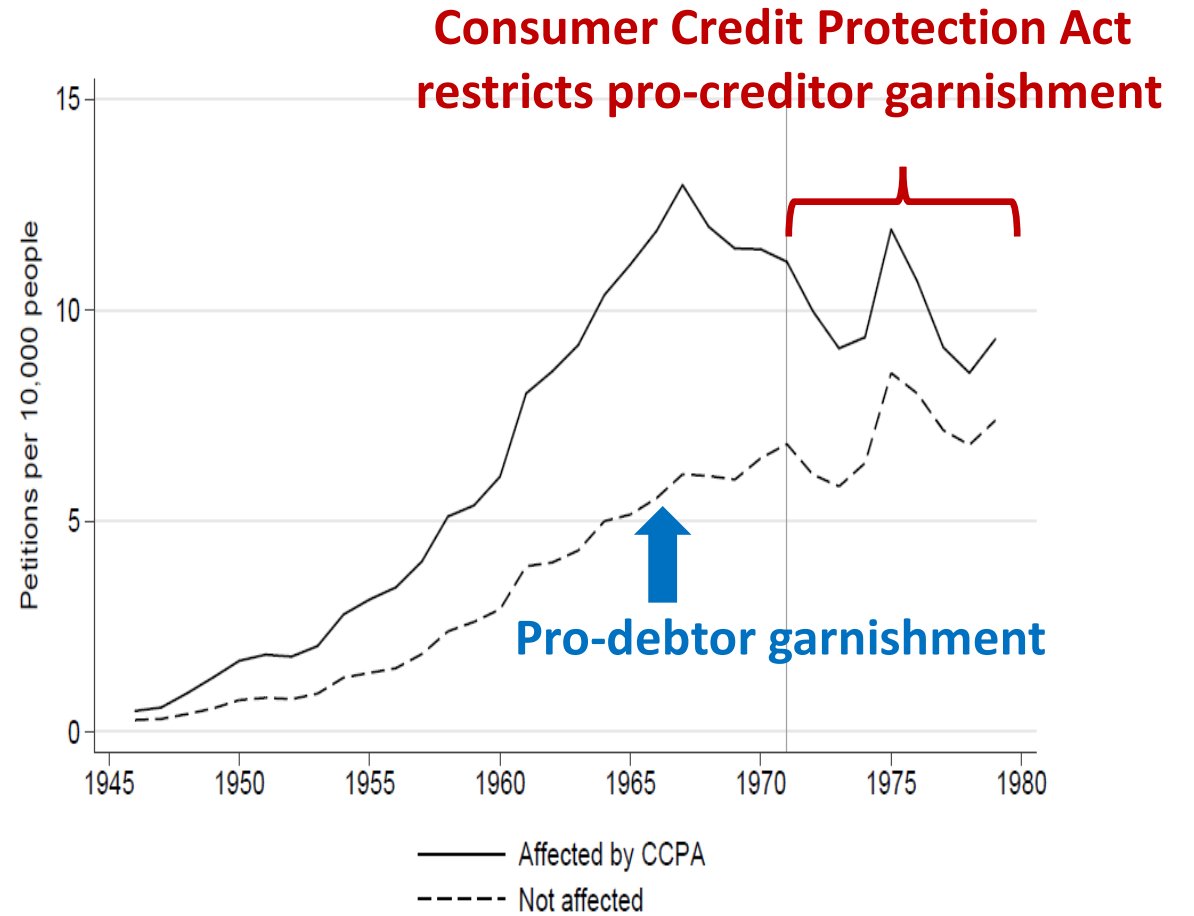
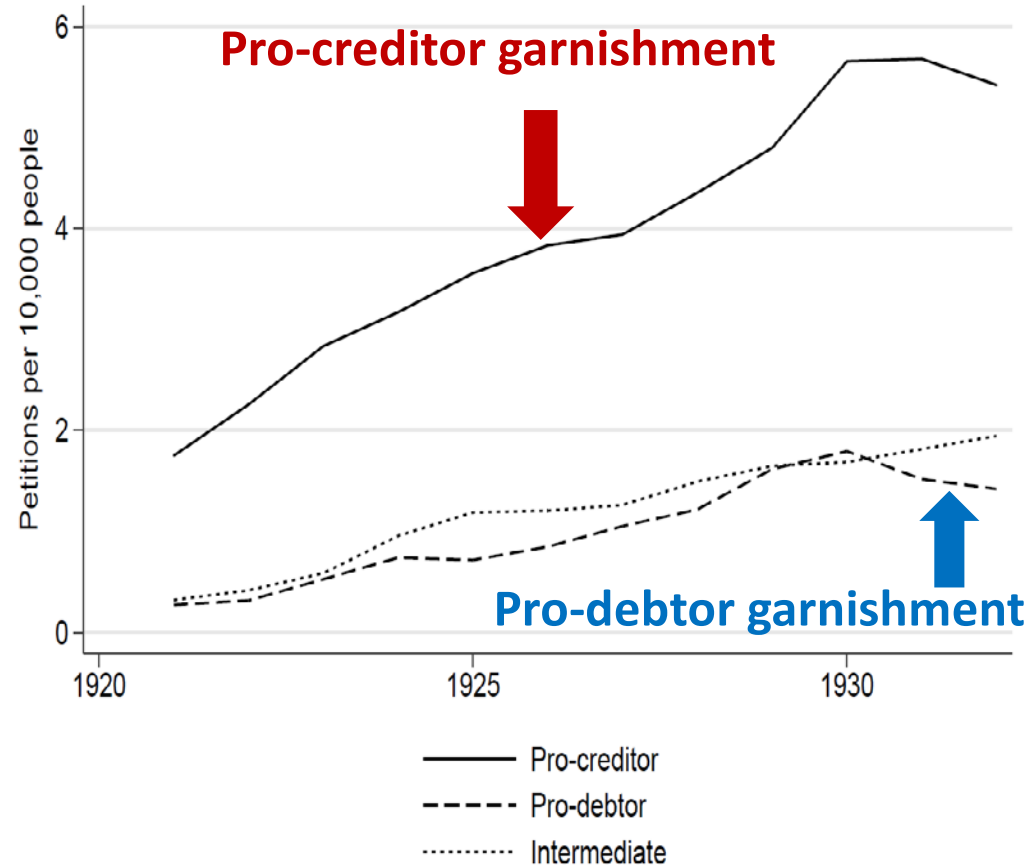


- Personal bankruptcy rate
- - - Consumer credit per capita
- Residential mortgage per capita



- Personal bankruptcy rate
- - - . Consumption per capita

Easy garnishment => High bankruptcy rates



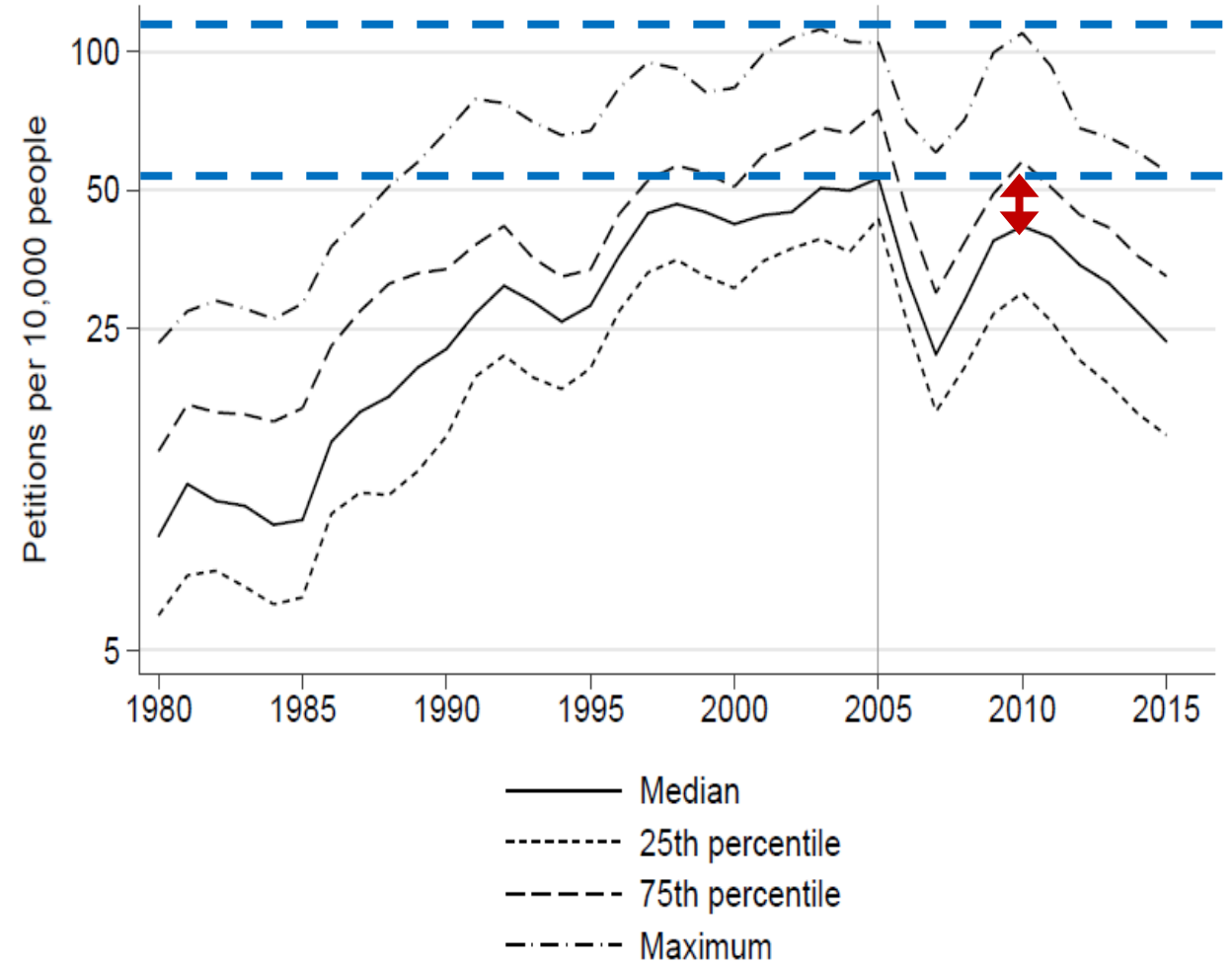
Great Recession

BAPCPA

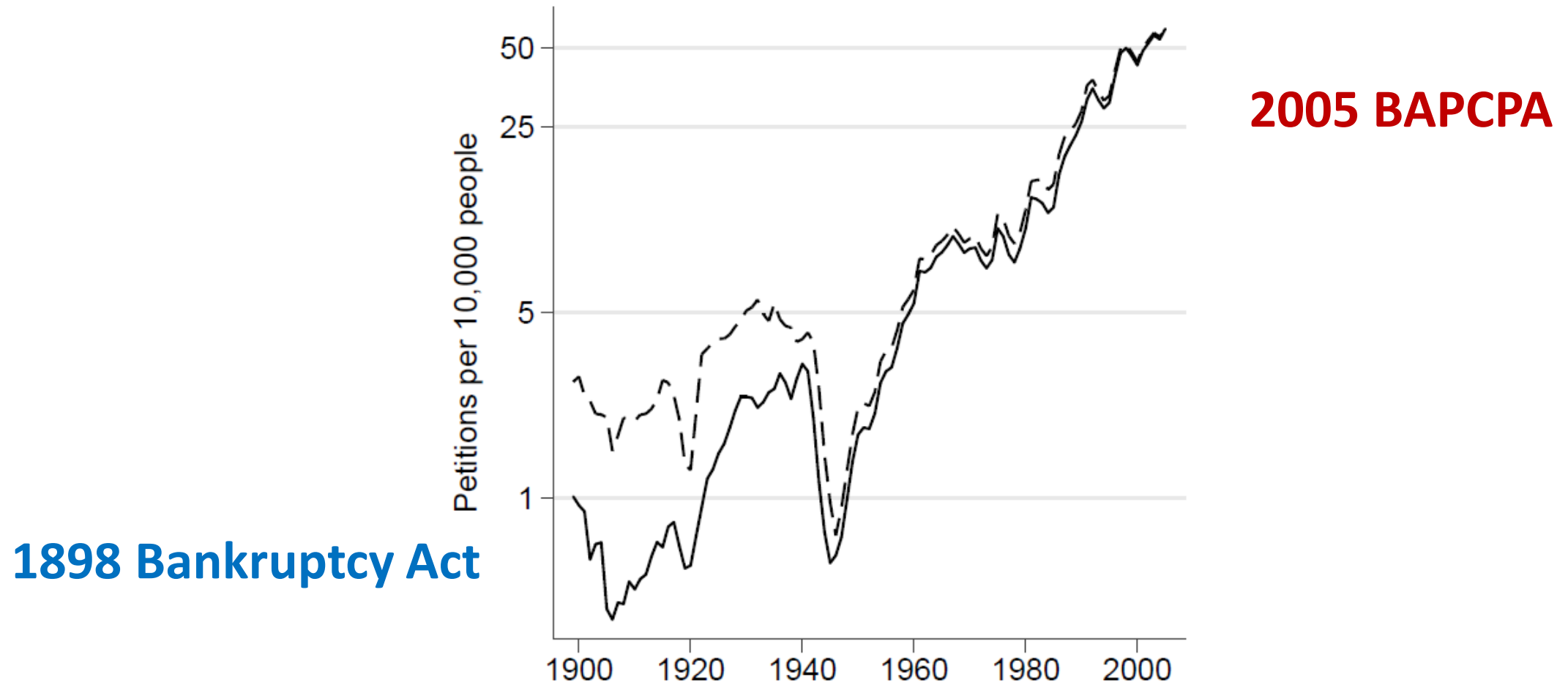
- Limited access to Ch. 13
- Raised costs, fees
- Rate dropped by 50%

During Great Recession, rate

- Foreclosure everywhere
- Didn't peak until worst of recession over
- Reached pre-BAPCPA levels only in highest rate states



Bankruptcy law, narratives and values



1898 Bankruptcy Act

2005 BAPCPA

Decline in business, rise in personal.

Deadbeats? No...yes...NO.

Switch emphasis from dividend to fresh start.

Depression!

Obviously not deadbeats.

Development of workouts.

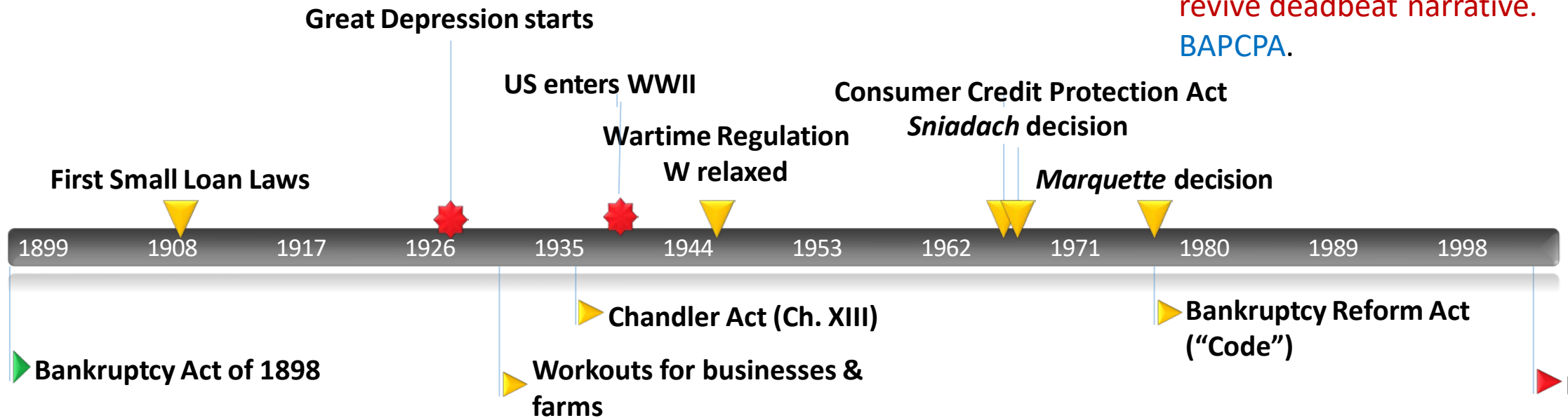
More credit.

Consumers are victims of aggressive collection.

Pro-debtor revisions to collections law.

Rate falls; Code mostly pro-debtor.

Cards! Credit card companies revive deadbeat narrative. BAPCPA.



Thank you.

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