

Biased Judges? Judge Characteristics and Bankruptcy Outcomes

Donghyun Kang

Copenhagen Business School

June 28, 2022



- Bankruptcy institution governs the reallocation of resources of distressed firms
 - In a frictionless system, judges should not matter for different outcomes.
 - Recent evidence: Across judges, significant variation in applying the law
 - e.g., Chang and Schoar (2013), Bernstein et al. (2019), and Iverson et al. (2020)
- Do judge characteristics help explain such variation?

This study

- **Research question:** What is the effect of judge characteristics on bankruptcy outcomes?
 - Judge characteristics:
 1. Experience of growing up during the Great Depression
 2. Exposure to economics training
 3. Political preferences
 4. Hometown experience
 - Outcomes: Emergence (**vs. liquidation**), Time in bankruptcy, Post-emergence outcome
- **Research design**
 - Main identifying assumption: Random assignment of cases to judges within filing district
 - Exploit variation in judge characteristics within the same court and year
 - Mitigate the concern about forum shopping driving my results

Hypothesis development I

1. Depression baby: growing up during the Great Depression and exposure to unemployment (Malmendier and Tate, 2005)
 - judges may over-estimate the costs of job losses → **liquidation-averse**
2. Economics training: Exposure to law and economics, which criticizes labor law that is too labor-friendly (Epstein (1983), Posner (1984))
 - less sympathetic to labor protection (Ash et al., 2020) → **liquidation-inclined**

► Variable definition

Hypothesis development II

3. Political preferences: Republican party & judges are more pro-creditor in personal bankruptcies
 - e.g., Rachlinski et al. (2006), Skeel (2014)
 - Republican judges are more **liquidation-inclined** in corporate bankruptcies
4. Hometown experience: judges may show home bias if they rule on a bankrupt firm headquartered in their home state
 - Two possible directions of home bias:
 - if more sympathetic toward protecting hometown jobs → **liquidation-averse**
 - if many hometown creditors or if home judges prefer local assets to be controlled by non-incumbent → **liquidation-inclined**

Contributions to the literature

1. Effect of judges on bankruptcy outcomes:

- e.g., Bris et al. (2006), Chang and Schoar (2013), Bernstein et al. (2019), Iverson et al. (2020)

This study: Identify *individual characteristics* that drive judicial heterogeneity

2. Effect of heterogeneous bankruptcy courts:

- Different level of expertise & efficiency (Ponticelli and Alencar, 2016; Iverson, 2017; Ellias, 2018; Li and Ponticelli, 2019; Müller, 2021)
- Different level of pro-debtor bias (LoPucki, 2005; Araujo et al., 2021)

This study: Highlight the effect of *judge-level* heterogeneity on outcomes

3. Effect of judicial heterogeneity outside bankruptcy courts:

- e.g., litigation risks or fines for corporate crimes vary with judges' political affiliation (Huang et al., 2019; Gormley et al., 2020)

This study: The effect of judicial heterogeneity in *bankruptcy courts*.

The US bankruptcy system: Chapter 11

- Bankruptcy begins by filing to one of 94 bankruptcy districts ('courts')
- e.g., Southern District of New York, District of Delaware [▶ Full Map](#)
- "Forum shopping" [▶ Popular venues](#) [▶ Shopping pattern](#)

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- Within a district, the case is **randomly** assigned to a judge [▶ Judges per court](#) [▶ Illustration](#)
- Judge's role: ensure the reorganization plan is feasible, i.e., no subsequent refile
- Room for discretion \Rightarrow Different liquidation tendency across judges

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- Judge's role: ensure the reorganization plan is feasible, i.e., no subsequent refile
- Room for discretion \Rightarrow Different liquidation tendency across judges
- Final outcome: emerge from bankruptcy vs. liquidate
 1. Emergence: continue as a going concern
 2. Liquidated/Acquired: assets are sold and employees lose jobs

Data and sample

1. Bankruptcy cases

- Chapter 11 filings of large, public US companies, 1980-2020. LoPucki Bankruptcy Research DB
- Contains: accounting information, court, judge, duration, the final outcome etc.
- Additional: Compustat, Capital IQ
- Drop prepackaged & prenegotiated cases (Bris et al., 2006; Chang and Schoar, 2013; Antill, 2021)

2. Bankruptcy judges

- Biographical info: official court websites, legal databases, and web searches
- Political preferences: Voter registration record + Political contribution (from FEC)

3. Final sample: 771 unique bankruptcy cases presided by 250 judges [▶ Summary stats](#)

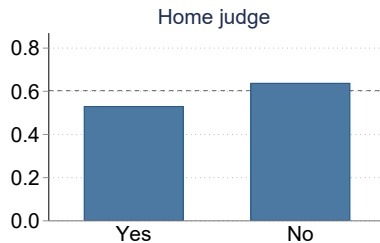
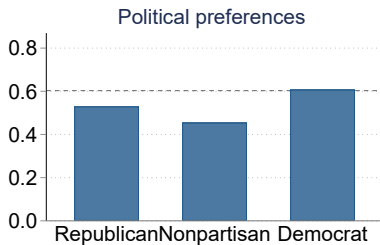
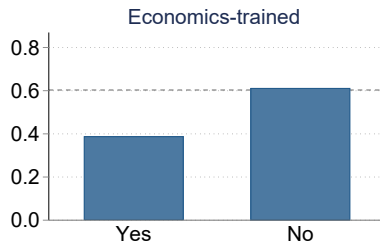
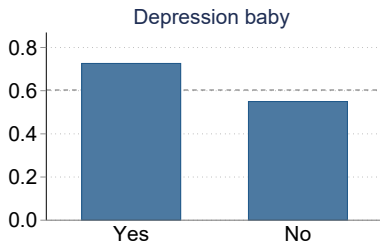
Identification strategy

- **Objective:** estimate the impact of judge characteristics on bankruptcy outcomes
- **Challenge:** Judge assignment may correlate with case characteristics
 - Eg, Firms may prefer filing to favored court/judge ('forum shopping')
 - Random assignment of judges into cases within filing-district
 - Chang and Schoar (2013), Bernstein et al. (2019), Iverson et al. (2020), and Antill (2021)
 - Include court \times year FE (α_{ct}): to isolate judge-level variation in outcomes
- **Baseline specification (OLS)**

$$Y_{ircjt} = \alpha_r + \alpha_{ct} + \beta JudgeChar_j + \gamma X'_{ijt} + \varepsilon_{ircjt}$$

- i firm, r industry, c court, j judge, t filing year
- Industry FE (α_r), court \times year FE (α_{ct}), St errors clustered at court level

Emergence - univariate



Emergence

$$\text{Col 1-6: } I(\text{Emerge})_{ircjt} = \alpha_r + \alpha_{ct} + \beta \text{JudgeChar}_j + \gamma X'_{ircjt} + \varepsilon_{ircjt}$$

$$\text{Col 7-8: } I(\text{Emerge})_{ircjt} = \alpha_r + \alpha_{ct'} + \alpha_j + \beta \text{HomeJudge}_{ij} + \gamma X'_{ircjt} + \varepsilon_{ircjt}$$

| | Depression Baby | | Economics-trained | | Republican | | Home judge | |
|----------------------|-----------------|------------------|--------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Judge characteristic | 0.09 (1.17) | 0.11** (2.23) | -0.14** (-2.15) | -0.15*** (-3.36) | -0.13*** (-5.77) | -0.13*** (-4.62) | -0.17* (-2.00) | -0.17* (-1.88) |
| Judge controls | No | Yes | No | Yes | No | Yes | No | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | No | No | Yes | Yes |
| Observations | 737 | 737 | 746 | 746 | 431 | 431 | 602 | 602 |
| R ² | 0.562 | 0.562 | 0.559 | 0.571 | 0.606 | 0.615 | 0.503 | 0.503 |

$$\text{Log}(\text{Months in Ch.11})_{ircjt} = \alpha_r + \alpha_{ct} + \beta \text{JudgeChar}_j + \gamma X'_{ircjt} + \varepsilon_{ircjt}$$

| | Depression Baby | | Economics-trained | | Republican | | Democratic | |
|----------------------|------------------|----------------|--------------------|------------------|--------------------|-------------------|------------------|------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Case outcome | Liquidate | Emerge | Liquidate | Emerge | Liquidate | Emerge | Liquidate | Emerge |
| Judge characteristic | -0.19 (-1.54) | 0.03 (0.43) | -0.36** (-2.52) | 0.29** (2.29) | -0.55** (-2.15) | 0.25*** (3.00) | 0.43** (2.47) | -0.11 (-0.73) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 296 | 438 | 299 | 444 | 180 | 249 | 180 | 249 |
| R ² | 0.644 | 0.711 | 0.660 | 0.710 | 0.642 | 0.718 | 0.645 | 0.715 |

- Suggests that judges may give more or less scrutiny depending on their preferences.

Post-emergence performance: liquidation-averse judges

- Test of bias: compare overall post-emergence outcomes

Post-emergence performance: liquidation-averse judges

- Test of bias: compare overall post-emergence outcomes

| | Depression Baby | | Democratic | |
|----------------------|------------------|----------------|----------------|------------------|
| | Refile | ROA (post) | Refile | ROA (post) |
| Judge characteristic | -0.01 (-1.04) | 0.10 (0.46) | 0.02 (0.34) | -0.18 (-0.77) |
| Judge controls | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Court-year FE | Yes | Yes | Yes | Yes |
| Observations | 416 | 203 | 236 | 117 |
| R^2 | 0.682 | 0.757 | 0.636 | 0.763 |

Post-emergence performance: **liquidation-inclined** judges

| | Economics-trained | | Republican | | Home judge | |
|----------------------|--------------------------|----------------|-------------------|----------------|-------------------|-----------------|
| | Refile | ROA (post) | Refile | ROA (post) | Refile | ROA (post) |
| Judge characteristic | 0.09** (2.51) | 0.31 (0.70) | 0.05 (0.28) | 0.08 (0.68) | 0.01 (0.26) | 0.16* (1.79) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | Yes | Yes |
| Observations | 422 | 208 | 236 | 117 | 351 | 178 |
| R ² | 0.662 | 0.729 | 0.636 | 0.756 | 0.551 | 0.727 |

- Different liquidation tendency is not linked to different post-emergence outcomes
- The lack of correlation suggests that the effect of judge characteristics may be concentrated in *marginal* cases

Case heterogeneity & placebo test

- Labor channel: stronger effect when no. of employees \uparrow (**Depression-baby**, **Economics-trained** judges) ▶ Result
- Survival likelihood: stronger effect when potential outcome \leftrightarrow liquidation tendency ▶ Result
- Creditor channel: stronger effect when leverage \uparrow (**Republican** judges) ▶ Result
- Local stakeholder channel: stronger effect when employees' & creditors' 'localness' \uparrow (Home judges) ▶ Result
- Placebo test: no effect among cases where judges' role is limited ▶ Result

Summary

- Judges' personal characteristics affect bankruptcy outcomes
- Emergence likelihood: ↑ Depression-baby vs. ↓ Economics-trained, Republican & Home judges

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Summary

- Judges' personal characteristics affect bankruptcy outcomes
- Emergence likelihood: ↑ Depression-baby vs. ↓ Economics-trained, Republican & Home judges
- Duration varies across judges' liquidation tendency, when split sample by outcome
- No evidence that such characteristics are linked to different refiling rate or ROA after emergence
 - The effect of judge characteristics may be concentrated in *marginal* cases

Implications on random assignment policy

- Does not eliminate the possibility that different preferences/beliefs of judges influence marginal cases
- However, such difference is not linked to different post-emergence outcomes

Implications on random assignment policy

- Does not eliminate the possibility that different preferences/beliefs of judges influence marginal cases
- However, such difference is not linked to different post-emergence outcomes
- Alternative system without random assignment:
 - Problems like judge shopping, exacerbating the friction
- Random assignment mitigates the friction from judicial bias

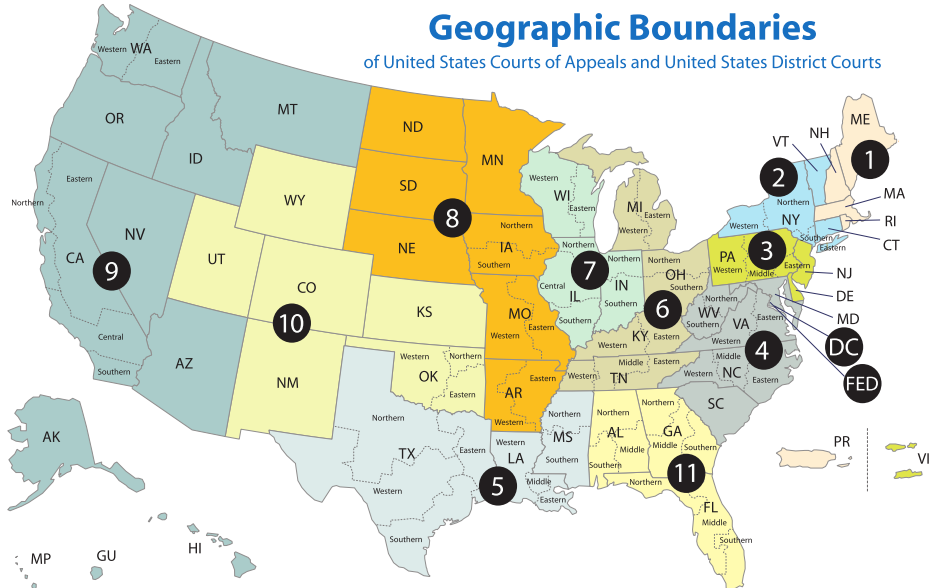
Thank you!

Appendix

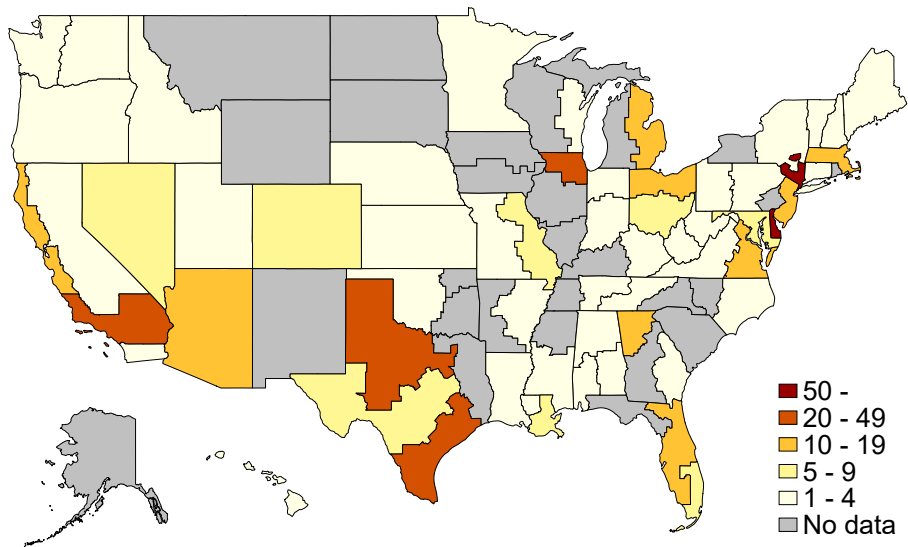
- Depression baby: born between 1920-1939 (Malmendier and Tate, 2005; Malmendier et al., 2011)
- Economics training is defined as meeting any of 2 conditions:
 1. Attend the Manne program, intensive economics course ran btw 1976-99 (Ash et al., 2020)
 2. Graduate after 1970 from law schools with a strong law & economics culture (Cao, 2020)
 - e.g., U Chicago, U Virginia
- Political preferences: Democrats, Republicans, and “nonpartisans”
 - Voter registration record, supplemented with political donation data
- $Home Judge_{ij}$: Indicator = 1 if judge j 's **home state** = firm i 's HQ state
 - **Home state**: birth state + state where judges “grew up” until 18 y.o.

Geographic Boundaries

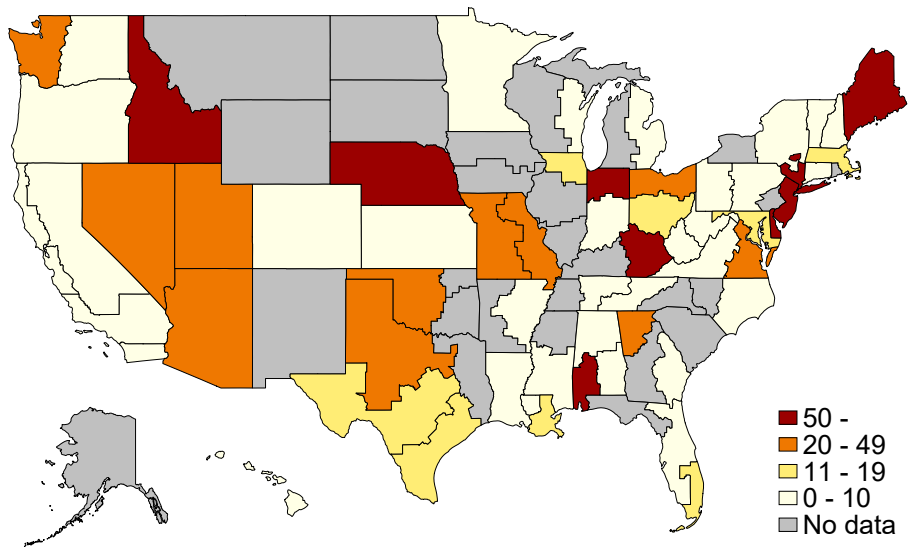
of United States Courts of Appeals and United States District Courts



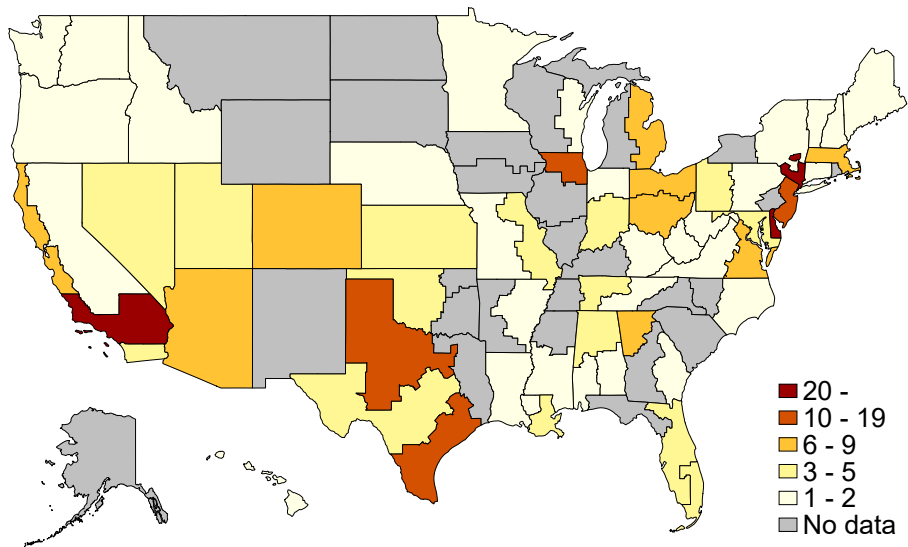
Number of filings by courts

[▶ Back](#)

Percentage share of 'shopping' cases within each court [▶ Back](#)



Number of unique judges by courts

[▶ Back](#)

Random assignment of judges [▶ Back](#)

- Filed to Delaware in 2010, randomly assigned to one of the judges (showing only 4)

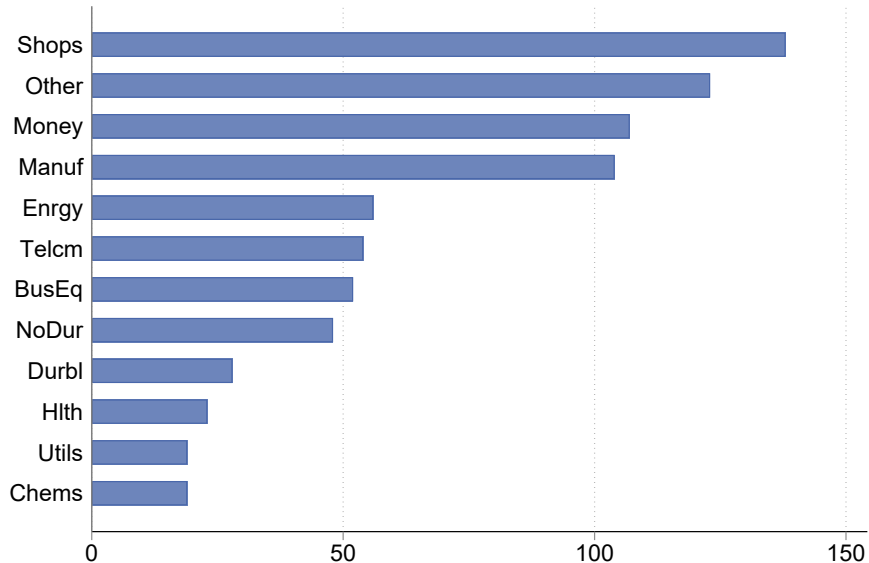


| | | | | |
|-----------|------------------------|----------------|------------------------------------|---|
| Judge | Peter Walsh | Mary Walrath | Brendan Shannon | Christopher Sontchi |
| Born | 1934 | 1954 | 1964 | 1966 |
| | <i>Depression baby</i> | | | |
| JD | Georgetown, '63 | Villanova, '79 | Col. of William & Mary, '92 | U Chicago, '92 <i>Law & econ trained</i> |
| Political | Democrat | Democrat | Nonpartisan (Independent Party) | Democrat |

| | Obs | Mean | SD | P25 | Median | P75 |
|---|-----|---------|----------|--------|--------|---------|
| <i>Judge characteristics at filing</i> | | | | | | |
| Depression baby | 757 | 0.27 | 0.45 | 0.00 | 0.00 | 1.00 |
| Economics-trained | 769 | 0.05 | 0.21 | 0.00 | 0.00 | 0.00 |
| Democrat | 439 | 0.78 | 0.41 | 1.00 | 1.00 | 1.00 |
| Republican | 439 | 0.12 | 0.32 | 0.00 | 0.00 | 0.00 |
| Home judge | 616 | 0.24 | 0.42 | 0.00 | 0.00 | 0.00 |
| Months as judge | 771 | 108.63 | 84.51 | 41.06 | 95.05 | 162.87 |
| <i>Firm characteristics at filing</i> | | | | | | |
| Total assets | 771 | 5196.15 | 35085.32 | 525.00 | 933.00 | 2646.00 |
| Leverage ratio | 759 | 0.97 | 0.45 | 0.76 | 0.90 | 1.06 |
| ROA | 755 | -0.05 | 0.23 | -0.07 | -0.01 | 0.04 |
| No. of subsidiaries | 771 | 8.08 | 20.30 | 0.00 | 2.00 | 8.00 |
| <i>Bankruptcy outcomes</i> | | | | | | |
| Emerge | 771 | 0.60 | 0.49 | 0.00 | 1.00 | 1.00 |
| Months in Ch.11 | 768 | 21.11 | 17.24 | 10.45 | 16.42 | 25.61 |
| Refile | 442 | 0.09 | 0.28 | 0.00 | 0.00 | 0.00 |
| ROA (post) | 216 | 0.02 | 0.37 | -0.11 | 0.00 | 0.13 |

| | Obs | Mean | SD | P25 | Median | P75 |
|-------------------|-----|--------|-------|-------|--------|--------|
| Depression baby | 242 | 0.24 | 0.43 | 0.00 | 0.00 | 0.00 |
| Economics-trained | 248 | 0.05 | 0.22 | 0.00 | 0.00 | 0.00 |
| Democrat | 121 | 0.64 | 0.48 | 0.00 | 1.00 | 1.00 |
| Republican | 121 | 0.21 | 0.41 | 0.00 | 0.00 | 0.00 |
| Home judge | 182 | 0.34 | 0.48 | 0.00 | 0.00 | 1.00 |
| Male | 250 | 0.79 | 0.41 | 1.00 | 1.00 | 1.00 |
| Military | 250 | 0.27 | 0.45 | 0.00 | 0.00 | 1.00 |
| Months as judge | 250 | 103.35 | 80.18 | 39.06 | 96.03 | 149.39 |

Industry distribution (Fama-French 12)

[► Back to main stats](#)

Cross-sectional variation in employee

| | Depression Baby | | Economics-trained | | Republican | | Home judge | |
|--------------------------|-----------------|-------------------|-------------------|---------------------|------------------|------------------|------------------|------------------|
| Split by median employee | (1) Low | (2) High | (3) Low | (4) High | (5) Low | (6) High | (7) Low | (8) High |
| Judge characteristic | 0.07 (0.72) | 0.14*** (3.60) | -0.05 (-1.15) | -0.20*** (-3.32) | -0.19 (-0.65) | -0.07 (-0.47) | -0.09 (-0.77) | -0.14 (-0.58) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | No | No | Yes | Yes |
| Observations | 371 | 365 | 374 | 371 | 210 | 220 | 301 | 300 |
| R ² | 0.660 | 0.661 | 0.661 | 0.673 | 0.737 | 0.722 | 0.658 | 0.582 |

- High-employee firms: large costs/benefits of liquidating
- Consistent with labor-based liquidation tendency

Cross-sectional variation in survival likelihood

| | Depression Baby | | Economics-trained | | Republican | | Home judge | |
|----------------------|-----------------|----------------|-------------------|---------------------|------------------|---------------------|------------------|--------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Split by median ROA | Low | High | Low | High | Low | High | Low | High |
| Judge characteristic | 0.21* (1.72) | 0.06 (0.45) | -0.07 (-1.42) | -0.18*** (-7.42) | -0.13 (-0.94) | -0.14*** (-5.77) | -0.03 (-0.12) | -0.22** (-2.11) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | No | No | Yes | Yes |
| Observations | 374 | 363 | 376 | 370 | 220 | 211 | 305 | 297 |
| R ² | 0.664 | 0.723 | 0.666 | 0.725 | 0.710 | 0.790 | 0.548 | 0.612 |

- Shows where the influence of judges is concentrated
- When the potential outcome contrasts to judges' liquidation tendency

Cross-sectional variation in debt ratios

| | (1) | (2) | (3) |
|--|--------------------|---------------------|---------------------|
| Republican | -0.06 (-1.17) | -0.13*** (-4.13) | -0.27*** (-6.34) |
| Republican \times Leverage ratio | -0.08** (-2.07) | | 0.22*** (4.73) |
| Republican \times Secured debt ratio | | -0.17* (-1.80) | -0.40*** (-5.74) |
| Judge controls | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes |
| Court-year FE | Yes | Yes | Yes |
| Observations | 431 | 310 | 310 |
| R^2 | 0.615 | 0.630 | 0.631 |

- Higher creditors' stakes amplify Republican judges' liquidation tendency

Why do home judges rule differently?

- Baseline results: home judges are **pro-creditor**
- Remaining questions:
 - Economic channel?
 - Judges still care about hometown employees?
 - Ideal measure: intensity of hometown stakeholders' interests
 - $Localness \times \text{stakeholders' interests} \approx \text{local stakeholders' interests}$
 - *Localness*: degree of geographic concentration of firm around the headquarter state
 - Frequency of headquarter state mentions from annual reports (García and Norli, 2012)

Cross-sectional variation in stakeholders' "localness"

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|-------------------|---------------------|--------------------|--------------------|------------------|--------------------|
| Home judge | -0.38* (-1.83) | -0.36*** (-2.82) | -1.04** (-2.20) | -0.85** (-2.13) | 0.06 (0.07) | -0.65 (-0.66) |
| Home judge \times Localness | 0.59 (1.07) | | -0.29 (-1.20) | | 0.28 (1.36) | -0.31 (-1.56) |
| Home judge \times Leverage ratio | | 0.20* (1.91) | 0.60** (2.40) | | | 0.54** (2.11) |
| Home judge \times Localness \times Leverage ratio | | | -4.02* (-1.99) | | | -4.79** (-2.18) |
| Home judge \times Log(No. of employee) | | | | 0.09* (1.72) | -0.05 (-0.48) | -0.03 (-0.24) |
| Home judge \times Localness \times Log(No. of employee) | | | | | 0.39* (1.74) | 0.41 (1.37) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE, Court-decade FE, Judge FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 307 | 602 | 307 | 601 | 306 | 306 |
| R^2 | 0.603 | 0.507 | 0.613 | 0.513 | 0.628 | 0.644 |

Cross-sectional variation in stakeholders' "localness"

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|-------------------|---------------------|--------------------|--------------------|------------------|--------------------|
| Home judge | -0.38* (-1.83) | -0.36*** (-2.82) | -1.04** (-2.20) | -0.85** (-2.13) | 0.06 (0.07) | -0.65 (-0.66) |
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| Home judge \times Leverage ratio | | 0.20* (1.91) | 0.60** (2.40) | | | 0.54** (2.11) |
| Home judge \times Localness \times Leverage ratio | | | -4.02* (-1.99) | | | -4.79** (-2.18) |
| Home judge \times Log(No. of employee) | | | | 0.09* (1.72) | -0.05 (-0.48) | -0.03 (-0.24) |
| Home judge \times Localness \times Log(No. of employee) | | | | | 0.39* (1.74) | 0.41 (1.37) |
| Judge controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE, Court-decade FE, Judge FE | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 307 | 602 | 307 | 601 | 306 | 306 |
| R^2 | 0.603 | 0.507 | 0.613 | 0.513 | 0.628 | 0.644 |

Emergence, full table

[▶ Back to main results](#)

| | Depression baby | | Economics-trained | | Republican | | Home judge | |
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| Judge characteristic | 0.09 (1.18) | 0.11** (2.23) | -0.14** (-2.15) | -0.15*** (-3.36) | -0.13*** (-5.77) | -0.13*** (-4.62) | -0.17* (-2.01) | -0.17* (-1.88) |
| Male | | -0.05 (-0.62) | | 0.01 (0.13) | | -0.03 (-0.32) | | |
| Military | | 0.03 (0.33) | | 0.02 (0.31) | | -0.04 (-0.61) | | |
| Log(Months as judge) | | | | 0.07*** (4.18) | | 0.06*** (10.85) | | 0.02 (0.61) |
| Log(Total assets) | 0.04** (2.07) | 0.04** (2.05) | 0.05** (2.22) | 0.04* (2.00) | 0.03*** (4.23) | 0.03** (2.25) | 0.06** (2.66) | 0.06** (2.40) |
| Leverage ratio | 0.17*** (3.25) | 0.17*** (3.36) | 0.17*** (3.58) | 0.18*** (4.05) | 0.13*** (4.46) | 0.13*** (4.63) | 0.20*** (3.45) | 0.20*** (3.25) |
| ROA | 0.24*** (2.88) | 0.24*** (2.78) | 0.22** (2.36) | 0.23** (2.28) | 0.24*** (2.82) | 0.25** (2.57) | 0.16 (1.37) | 0.15 (1.36) |
| Log(No. of subsidiaries+1) | -0.02* (-1.80) | -0.02* (-1.94) | -0.02* (-1.84) | -0.02 (-1.49) | -0.04*** (-6.02) | -0.04*** (-5.61) | -0.01 (-0.49) | -0.01 (-0.47) |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | No | No | Yes | Yes |
| Observations | 735 | 735 | 746 | 746 | 431 | 431 | 601 | 601 |
| R ² | 0.561 | 0.561 | 0.559 | 0.571 | 0.606 | 0.615 | 0.501 | 0.502 |

| Case outcome | Depression baby | | Economics-trained | | Republican | | Democrat | |
|----------------------------|------------------|---------------------|--------------------|---------------------|--------------------|-------------------|---------------------|-------------------|
| | (1) Liquidate | (2) Emerge | (3) Liquidate | (4) Emerge | (5) Liquidate | (6) Emerge | (7) Liquidate | (8) Emerge |
| Judge characteristic | -0.19 (-1.54) | 0.03 (0.43) | -0.36** (-2.52) | 0.29** (2.29) | -0.55** (-2.15) | 0.25*** (3.00) | 0.43** (2.47) | -0.11 (-0.73) |
| Male | 0.01 (0.08) | -0.27*** (-3.50) | -0.02 (-0.13) | -0.25*** (-6.32) | -0.05 (-0.29) | 0.01 (0.13) | -0.19 (-1.00) | 0.02 (0.14) |
| Military | 0.20 (0.75) | 0.10 (0.75) | 0.14 (0.66) | 0.10 (0.85) | -0.05 (-0.30) | -0.03 (-0.63) | -0.06 (-0.24) | -0.04 (-0.84) |
| Log(Months as judge) | | | -0.16 (-1.64) | 0.00 (0.05) | -0.27** (-2.29) | 0.01 (0.25) | -0.29*** (-3.11) | 0.02 (0.31) |
| Log(Total assets) | 0.09 (1.21) | 0.23*** (3.29) | 0.09 (0.98) | 0.24*** (3.02) | 0.02 (0.20) | 0.17*** (3.86) | 0.02 (0.19) | 0.17*** (3.95) |
| Leverage ratio | 0.29** (2.30) | 0.19** (2.26) | -0.04 (-0.41) | 0.20** (2.07) | -0.06 (-0.26) | 0.16 (1.59) | -0.08 (-0.28) | 0.17* (1.76) |
| ROA | 0.23 (0.75) | -0.01 (-0.08) | 0.04 (0.11) | -0.01 (-0.09) | 0.21* (1.74) | 0.03 (0.20) | 0.25*** (2.97) | 0.06 (0.38) |
| Log(No. of subsidiaries+1) | -0.06 (-0.72) | -0.01 (-0.42) | -0.07 (-1.00) | 0.00 (0.12) | -0.01 (-0.18) | 0.03 (1.34) | 0.01 (0.18) | 0.02 (1.21) |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Observations | 296 | 436 | 299 | 444 | 180 | 249 | 180 | 249 |
| R ² | 0.644 | 0.709 | 0.660 | 0.710 | 0.642 | 0.718 | 0.645 | 0.715 |

Post-emergence performance, full table

[▶ Back to main results](#)

| | Depression baby | | Economics-trained | | Republican | | Home judge | |
|--------------------------|------------------|--------------------|-------------------|-------------------|-------------------|---------------------|--------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | Refile | ROA (post) | Refile | ROA (post) | Refile | ROA (post) | Refile | ROA (post) |
| Judge characteristic | -0.01 (-1.04) | 0.10 (0.46) | 0.09** (2.51) | 0.31 (0.70) | 0.05 (0.28) | 0.08 (0.68) | 0.01 (0.26) | 0.16* (1.79) |
| Male | -0.01 (-0.37) | -0.10 (-0.85) | -0.01 (-0.33) | -0.10 (-1.36) | 0.08 (0.86) | -0.07*** (-3.40) | | |
| Military | 0.07 (0.49) | 0.19* (2.01) | 0.07 (0.48) | 0.20* (1.87) | -0.01 (-0.87) | 0.26*** (6.00) | | |
| Log(Months as judge) | | | -0.01 (-0.20) | 0.01 (0.09) | -0.03 (-0.76) | 0.07** (2.83) | -0.04* (-1.71) | 0.07*** (2.84) |
| Log(Total assets) | 0.01 (0.22) | 0.09*** (3.96) | 0.01 (0.25) | 0.08*** (3.88) | 0.00 (0.20) | 0.08** (2.13) | 0.01 (0.49) | 0.04 (0.75) |
| Leverage ratio | 0.00 (0.30) | 0.21 (1.30) | 0.00 (0.52) | 0.26 (0.97) | 0.05*** (4.34) | 0.12** (2.17) | 0.01 (0.38) | 0.05 (0.37) |
| Return on assets | -0.12 (-0.79) | -0.02 (-0.65) | -0.13 (-0.75) | 0.02 (0.21) | -0.12 (-0.56) | -0.08 (-0.46) | -0.40** (-2.03) | 0.07 (0.30) |
| Log(No. of filings) | 0.00 (0.09) | -0.05** (-2.05) | -0.00 (-0.03) | -0.04 (-1.51) | 0.01 (0.47) | -0.07** (-2.15) | 0.02 (1.23) | -0.01 (-0.31) |
| Industry fixed effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-time fixed effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge fixed effects | No | No | No | No | No | No | Yes | Yes |
| Observations | 416 | 203 | 422 | 208 | 236 | 117 | 351 | 178 |
| R ² | 0.682 | 0.757 | 0.662 | 0.729 | 0.636 | 0.756 | 0.551 | 0.727 |

- Limit the sample to cases where judicial discretion is limited (Chang and Schoar, 2013)
- Prepackaged cases: outcome is largely predetermined (toward emergence)

| | Depression Baby | | Economics-trained | | Republican | | Home judge | |
|----------------------|------------------|------------------|-------------------|------------------|----------------|----------------|----------------|----------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Judge characteristic | -0.03 (-0.56) | -0.02 (-0.31) | 0.01** (2.14) | 0.03** (2.50) | 0.01 (0.06) | 0.03 (0.27) | 0.02 (0.16) | 0.02 (0.16) |
| Judge controls | No | Yes | No | Yes | No | Yes | No | Yes |
| Firm controls | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Court-Time FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Judge FE | No | No | No | No | No | No | Yes | Yes |
| Observations | 376 | 376 | 382 | 382 | 280 | 280 | 315 | 315 |
| R ² | 0.421 | 0.431 | 0.414 | 0.430 | 0.445 | 0.477 | 0.361 | 0.363 |

- Similar result for duration