

# Biased Judges? Judge Characteristics and Bankruptcy Outcomes

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- 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 (filing to favored courts) 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 ( $\neq$ Ch.7)

- 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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- "Forum shopping" [▶ Popular venues](#) [▶ Shopping pattern](#)
- 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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- 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
- 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](#)

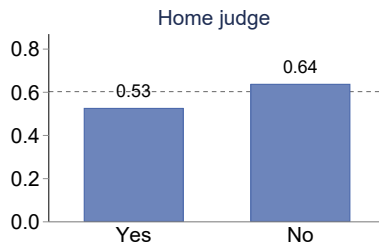
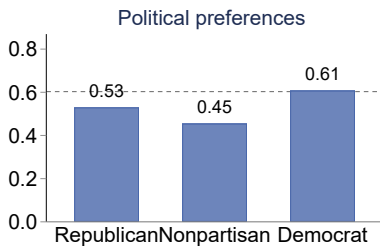
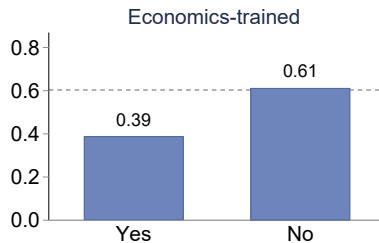
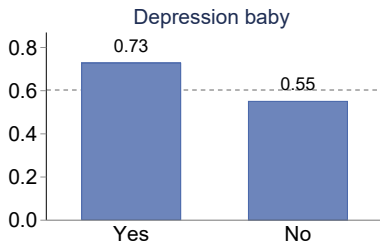
# Identification strategy

- **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×year FE ( $\alpha_{ct}$ ): 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 ( $\alpha_r$ ), court×year FE ( $\alpha_{ct}$ ), St errors clustered at court level

# Emergence - univariate



# Emergence

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

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

|                      | Depression Baby |                  | Economics-trained  |                     | Republican          |                     | Home judge        |                   |
|----------------------|-----------------|------------------|--------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
|                      | (1)             | (2)              | (3)                | (4)                 | (5)                 | (6)                 | (7)               | (8)               |
| Judge characteristic | 0.09<br>(1.17)  | 0.11**<br>(2.23) | -0.14**<br>(-2.15) | -0.15***<br>(-3.36) | -0.13***<br>(-5.77) | -0.13***<br>(-4.62) | -0.17*<br>(-2.00) | -0.17*<br>(-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 <sup>2</sup>       | 0.562           | 0.562            | 0.559              | 0.571               | 0.606               | 0.615               | 0.503             | 0.503             |

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

|                      | 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<br>(-1.54) | 0.03<br>(0.43) | -0.36**<br>(-2.52) | 0.29**<br>(2.29) | -0.55**<br>(-2.15) | 0.25***<br>(3.00) | 0.43**<br>(2.47) | -0.11<br>(-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 <sup>2</sup>       | 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<br>(-1.04) | 0.10<br>(0.46) | 0.02<br>(0.34) | -0.18<br>(-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**<br>(2.51)  | 0.31<br>(0.70) | 0.05<br>(0.28) | 0.08<br>(0.68) | 0.01<br>(0.26) | 0.16*<br>(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 <sup>2</sup>       | 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!

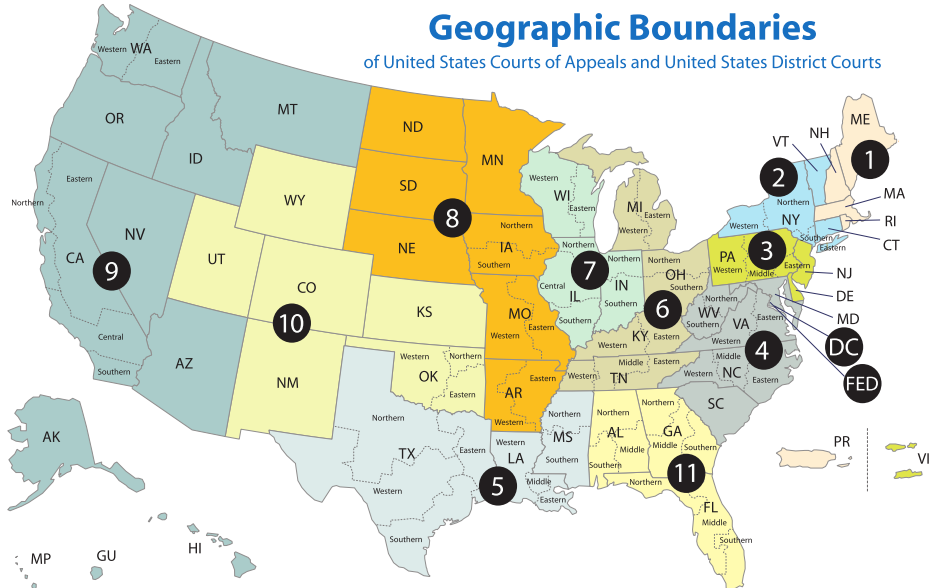


# Appendix

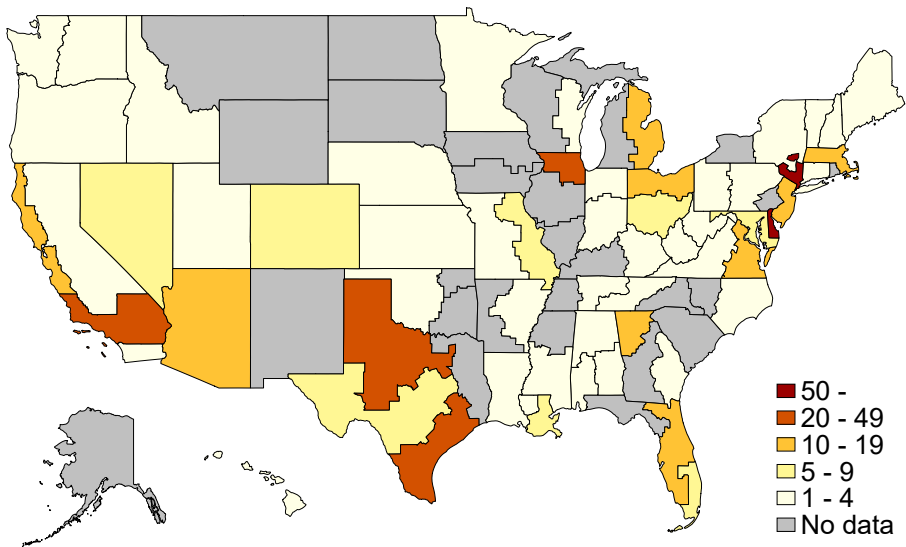
- Depression baby: born between 1920-1939 (Malmendier and Tate, 2005; Malmendier et al., 2011)
- Economics training is defined as meeting any of 2 conditions:
  1. Attend the Manne program, intensive economics course ran btw 1976-99 (Ash et al., 2020)
  2. Graduate after 1970 from law schools with a 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

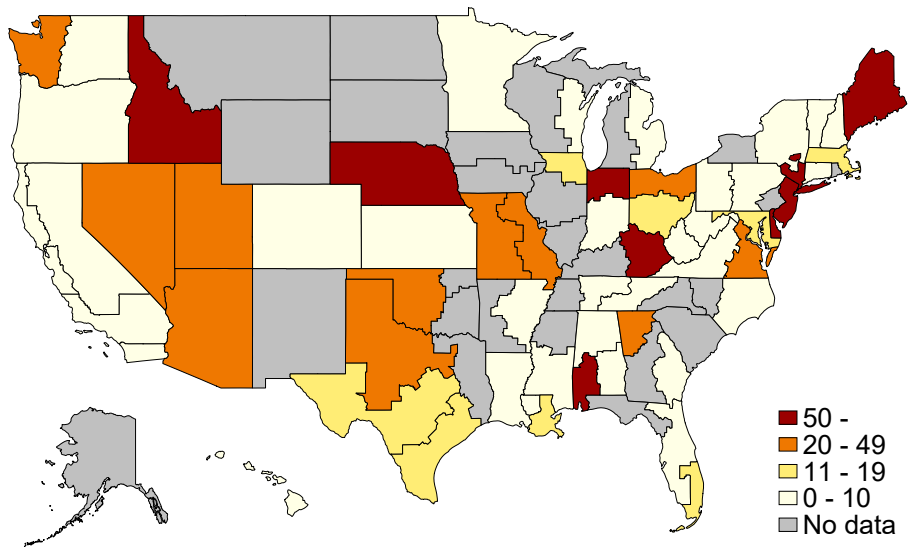
of United States Courts of Appeals and United States District Courts



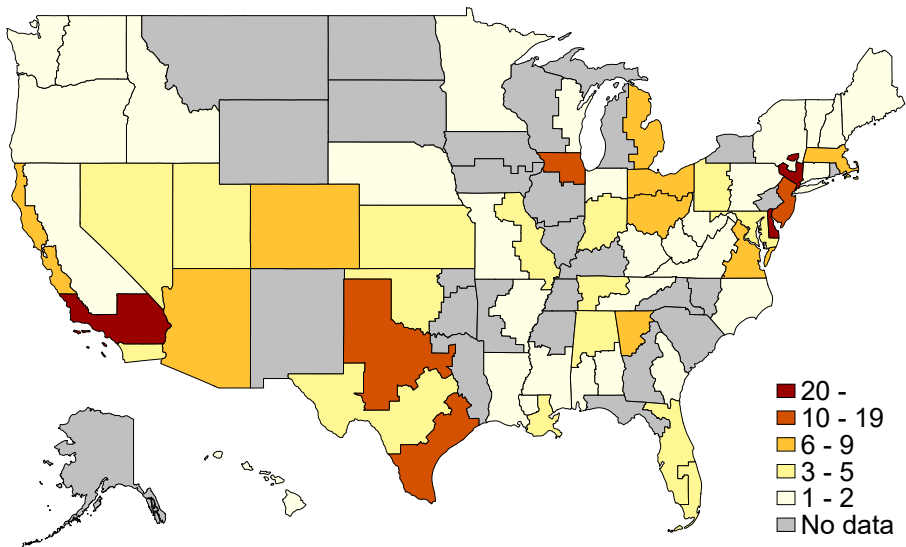
# Number of filings by courts

[▶ 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)



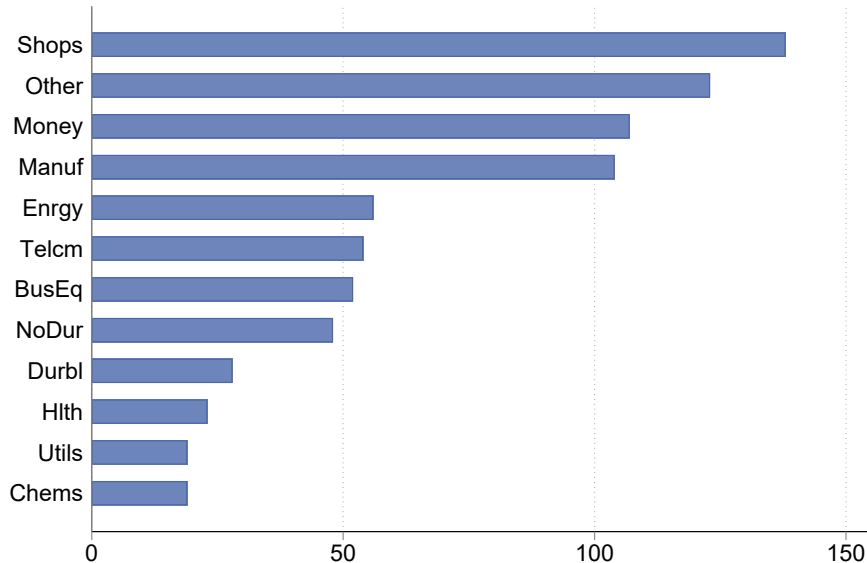
|           |                        |                |                                    |   |
|-----------|------------------------|----------------|------------------------------------|---|
| Judge     | Peter Walsh            | Mary Walrath   | Brendan Shannon                    | Christopher Sontchi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

|   | Obs | Mean    | SD       | P25    | Median | P75     |
|---|-----|---------|----------|--------|--------|---------|
| <b><i>Judge characteristics at filing</i></b> |     |         |          |        |        |         |
| 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  |
| <b><i>Firm characteristics at filing</i></b>  |     |         |          |        |        |         |
| 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    |
| <b><i>Bankruptcy outcomes</i></b>             |     |         |          |        |        |         |
| 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)<br>Low      | (2)<br>High       | (3)<br>Low        | (4)<br>High         | (5)<br>Low       | (6)<br>High      | (7)<br>Low       | (8)<br>High      |
| Judge characteristic     | 0.07<br>(0.72)  | 0.14***<br>(3.60) | -0.05<br>(-1.15)  | -0.20***<br>(-3.32) | -0.19<br>(-0.65) | -0.07<br>(-0.47) | -0.09<br>(-0.77) | -0.14<br>(-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 <sup>2</sup>           | 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*<br>(1.72) | 0.06<br>(0.45) | -0.07<br>(-1.42)  | -0.18***<br>(-7.42) | -0.13<br>(-0.94) | -0.14***<br>(-5.77) | -0.03<br>(-0.12) | -0.22**<br>(-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 <sup>2</sup>       | 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<br>(-1.17)   | -0.13***<br>(-4.13) | -0.27***<br>(-6.34) |
| Republican $\times$ Leverage ratio     | -0.08**<br>(-2.07) |                     | 0.22***<br>(4.73)   |
| Republican $\times$ Secured debt ratio |                    | -0.17*<br>(-1.80)   | -0.40***<br>(-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*<br>(-1.83) | -0.36***<br>(-2.82) | -1.04**<br>(-2.20) | -0.85**<br>(-2.13) | 0.06<br>(0.07)   | -0.65<br>(-0.66)   |
| Home judge $\times$ Localness                               | 0.59<br>(1.07)    |                     | -0.29<br>(-1.20)   |                    | 0.28<br>(1.36)   | -0.31<br>(-1.56)   |
| Home judge $\times$ Leverage ratio                          |                   | 0.20*<br>(1.91)     | 0.60**<br>(2.40)   |                    |                  | 0.54**<br>(2.11)   |
| Home judge $\times$ Localness $\times$ Leverage ratio       |                   |                     | -4.02*<br>(-1.99)  |                    |                  | -4.79**<br>(-2.18) |
| Home judge $\times$ Log(No. of employee)                    |                   |                     |                    | 0.09*<br>(1.72)    | -0.05<br>(-0.48) | -0.03<br>(-0.24)   |
| Home judge $\times$ Localness $\times$ Log(No. of employee) |                   |                     |                    |                    | 0.39*<br>(1.74)  | 0.41<br>(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*<br>(-1.83) | -0.36***<br>(-2.82) | -1.04**<br>(-2.20) | -0.85**<br>(-2.13) | 0.06<br>(0.07)   | -0.65<br>(-0.66)   |
| Home judge × Localness                        | 0.59<br>(1.07)    |                     | -0.29<br>(-1.20)   |                    | 0.28<br>(1.36)   | -0.31<br>(-1.56)   |
| Home judge × Leverage ratio                   |                   | 0.20*<br>(1.91)     | 0.60**<br>(2.40)   |                    |                  | 0.54**<br>(2.11)   |
| Home judge × Localness × Leverage ratio       |                   |                     | -4.02*<br>(-1.99)  |                    |                  | -4.79**<br>(-2.18) |
| Home judge × Log(No. of employee)             |                   |                     |                    | 0.09*<br>(1.72)    | -0.05<br>(-0.48) | -0.03<br>(-0.24)   |
| Home judge × Localness × Log(No. of employee) |                   |                     |                    |                    | 0.39*<br>(1.74)  | 0.41<br>(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 <sup>2</sup>                                | 0.603             | 0.507               | 0.613              | 0.513              | 0.628            | 0.644              |



|                            | Depression baby   |                   | Economics-trained  |                     | Republican          |                     | Home judge        |                   |
|----------------------------|-------------------|-------------------|--------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
|                            | (1)               | (2)               | (3)                | (4)                 | (5)                 | (6)                 | (7)               | (8)               |
| Judge characteristic       | 0.09<br>(1.18)    | 0.11**<br>(2.23)  | -0.14**<br>(-2.15) | -0.15***<br>(-3.36) | -0.13***<br>(-5.77) | -0.13***<br>(-4.62) | -0.17*<br>(-2.01) | -0.17*<br>(-1.88) |
| Male                       |                   | -0.05<br>(-0.62)  |                    | 0.01<br>(0.13)      |                     | -0.03<br>(-0.32)    |                   |                   |
| Military                   |                   | 0.03<br>(0.33)    |                    | 0.02<br>(0.31)      |                     | -0.04<br>(-0.61)    |                   |                   |
| Log(Months as judge)       |                   |                   |                    | 0.07***<br>(4.18)   |                     | 0.06***<br>(10.85)  |                   | 0.02<br>(0.61)    |
| Log(Total assets)          | 0.04**<br>(2.07)  | 0.04**<br>(2.05)  | 0.05**<br>(2.22)   | 0.04*<br>(2.00)     | 0.03***<br>(4.23)   | 0.03**<br>(2.25)    | 0.06**<br>(2.66)  | 0.06**<br>(2.40)  |
| Leverage ratio             | 0.17***<br>(3.25) | 0.17***<br>(3.36) | 0.17***<br>(3.58)  | 0.18***<br>(4.05)   | 0.13***<br>(4.46)   | 0.13***<br>(4.63)   | 0.20***<br>(3.45) | 0.20***<br>(3.25) |
| ROA                        | 0.24***<br>(2.88) | 0.24***<br>(2.78) | 0.22**<br>(2.36)   | 0.23**<br>(2.28)    | 0.24***<br>(2.82)   | 0.25**<br>(2.57)    | 0.16<br>(1.37)    | 0.15<br>(1.36)    |
| Log(No. of subsidiaries+1) | -0.02*<br>(-1.80) | -0.02*<br>(-1.94) | -0.02*<br>(-1.84)  | -0.02<br>(-1.49)    | -0.04***<br>(-6.02) | -0.04***<br>(-5.61) | -0.01<br>(-0.49)  | -0.01<br>(-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 <sup>2</sup>             | 0.561             | 0.561             | 0.559              | 0.571               | 0.606               | 0.615               | 0.501             | 0.502             |

# Duration, full table

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

# Post-emergence performance, full table

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|                          | 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<br>(-1.04) | 0.10<br>(0.46)     | 0.09**<br>(2.51)  | 0.31<br>(0.70)    | 0.05<br>(0.28)    | 0.08<br>(0.68)      | 0.01<br>(0.26)     | 0.16*<br>(1.79)   |
| Male                     | -0.01<br>(-0.37) | -0.10<br>(-0.85)   | -0.01<br>(-0.33)  | -0.10<br>(-1.36)  | 0.08<br>(0.86)    | -0.07***<br>(-3.40) |                    |                   |
| Military                 | 0.07<br>(0.49)   | 0.19*<br>(2.01)    | 0.07<br>(0.48)    | 0.20*<br>(1.87)   | -0.01<br>(-0.87)  | 0.26***<br>(6.00)   |                    |                   |
| Log(Months as judge)     |                  |                    | -0.01<br>(-0.20)  | 0.01<br>(0.09)    | -0.03<br>(-0.76)  | 0.07**<br>(2.83)    | -0.04*<br>(-1.71)  | 0.07***<br>(2.84) |
| Log(Total assets)        | 0.01<br>(0.22)   | 0.09***<br>(3.96)  | 0.01<br>(0.25)    | 0.08***<br>(3.88) | 0.00<br>(0.20)    | 0.08**<br>(2.13)    | 0.01<br>(0.49)     | 0.04<br>(0.75)    |
| Leverage ratio           | 0.00<br>(0.30)   | 0.21<br>(1.30)     | 0.00<br>(0.52)    | 0.26<br>(0.97)    | 0.05***<br>(4.34) | 0.12**<br>(2.17)    | 0.01<br>(0.38)     | 0.05<br>(0.37)    |
| Return on assets         | -0.12<br>(-0.79) | -0.02<br>(-0.65)   | -0.13<br>(-0.75)  | 0.02<br>(0.21)    | -0.12<br>(-0.56)  | -0.08<br>(-0.46)    | -0.40**<br>(-2.03) | 0.07<br>(0.30)    |
| Log(No. of filings)      | 0.00<br>(0.09)   | -0.05**<br>(-2.05) | -0.00<br>(-0.03)  | -0.04<br>(-1.51)  | 0.01<br>(0.47)    | -0.07**<br>(-2.15)  | 0.02<br>(1.23)     | -0.01<br>(-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 <sup>2</sup>           | 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<br>(-0.56) | -0.02<br>(-0.31) | 0.01**<br>(2.14)  | 0.03**<br>(2.50) | 0.01<br>(0.06) | 0.03<br>(0.27) | 0.02<br>(0.16) | 0.02<br>(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 <sup>2</sup>       | 0.421            | 0.431            | 0.414             | 0.430            | 0.445          | 0.477          | 0.361          | 0.363          |

- Similar result for duration