Biased Judges? Judge Characteristics and Bankruptcy Outcomes

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Motivation

- 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. (2022)

$\rightarrow$ 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

  $\rightarrow$ 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)

$\rightarrow$ 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:

$\rightarrow$ if more sympathetic toward protecting hometown jobs $\rightarrow$ liquidation-averse

$\rightarrow$ if many hometown creditors or if home judges prefer local assets to be controlled by non-incumbent $\rightarrow$ 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. (2022)

   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 (≠ 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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- 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 ⇒ Different liquidation tendency across judges

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- 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, 2022)

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

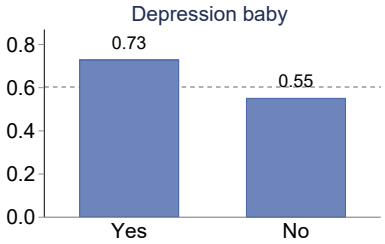
- **Challenge**: Judge assignment may correlate with case characteristics
- Eg, Firms may prefer filing to favored court/judge ('forum shopping')
  - $\rightarrow$ Random assignment of judges into cases within filing-district
    - Chang and Schoar (2013), Bernstein et al. (2019), Iverson et al. (2022), and Antill (2022)
  - $\rightarrow$ Include court$\times$year FE (α_{ct}): to isolate judge-level variation in outcomes
- **Baseline specification** (OLS)

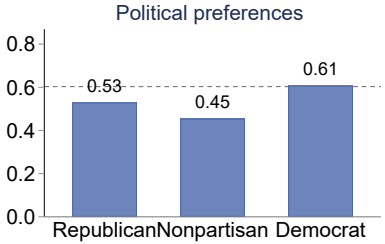
$$Y_{ircjt} = \alpha_r + \alpha_{ct} + \beta JudgeChar_j + \gamma X'_{ijt} + \varepsilon_{ircjt}$$

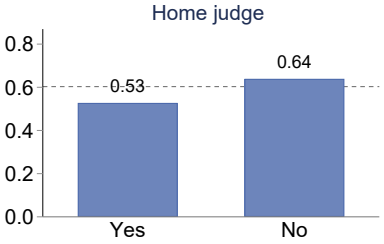
- i firm, r industry, c court, j judge, t filing year

- Industry FE (α_r), court$\times$year FE (α_{ct}), St errors clustered at court level

Emergence - univariate







Emergence

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

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

	Depression Baby		Economics-trained		Republican		Home judge	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Judge characteristic	0.09	0.11**	-0.14**	-0.15***	-0.13***	-0.13***	-0.17*	-0.17*
	(1.17)	(2.23)	(-2.15)	(-3.36)	(-5.77)	(-4.62)	(-2.00)	(-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

▸ Full table

Duration

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

	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	0.03	-0.36**	0.29**	-0.55**	0.25***	0.43**	-0.11
	(-1.54)	(0.43)	(-2.52)	(2.29)	(-2.15)	(3.00)	(2.47)	(-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.

▸ Univariate ▸ Full table

Post-emergence performance: liquidation-averse judges

- Test of bias: compare overall post-emergence outcomes

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- Test of bias: compare overall post-emergence outcomes

	Depression Baby		Democratic	
	Refile	ROA (post)	Refile	ROA (post)
Judge characteristic	-0.01	0.10	0.02	-0.18
	(-1.04)	(0.46)	(0.34)	(-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

▸ Univariate ▸ Full table

Post-emergence performance: liquidation-inclined judges

	Economics-trained		Republican		Home judge	
	Refile	ROA (post)	Refile	ROA (post)	Refile	ROA (post)
Judge characteristic	0.09**	0.31	0.05	0.08	0.01	0.16*
	(2.51)	(0.70)	(0.28)	(0.68)	(0.26)	(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 ↑ (Depression-baby, Economics-trained judges) ▸ Result
- Survival likelihood: stronger effect when potential outcome ↔ liquidation tendency ▸ Result
- Creditor channel: stronger effect when leverage ↑ (Republican judges) ▸ Result
- Local stakeholder channel: stronger effect when employees' & creditors' 'localness' ↑ (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

Policy implication

- The likelihood of a firm emerging from bankruptcy correlates with the assigned judge's personal characteristics

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- Alternative system 1: No random assignment

- Problems like judge shopping, exacerbating the friction

$\rightarrow$ Random assignment mitigates the friction from judicial bias

- Alternative system 2: AI-assisted judges

- Machine learning predictions may improve judicial decision making (Kleinberg et al., 2018)

Thank you!

Appendix

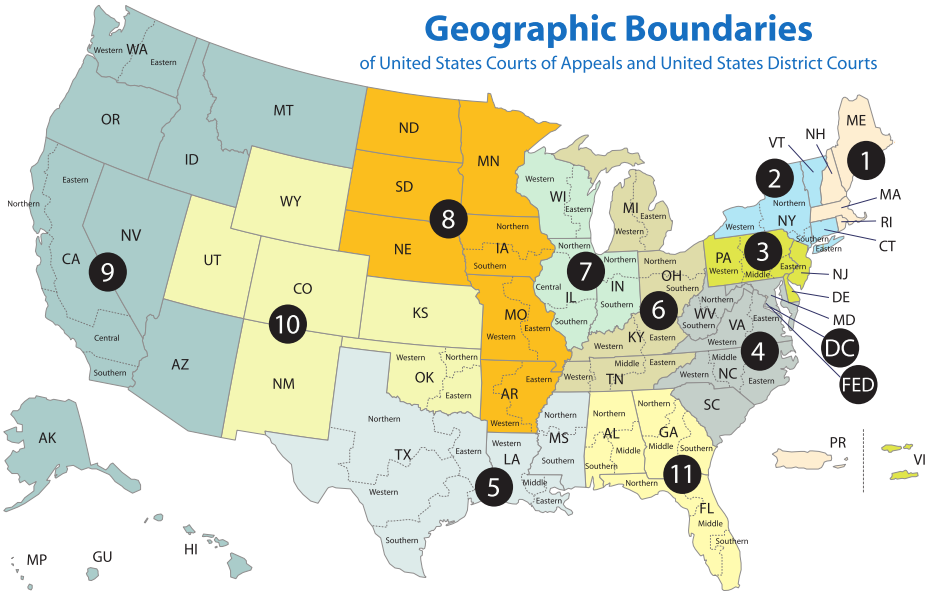
Variable definitions

Back to hypothesis

- 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.

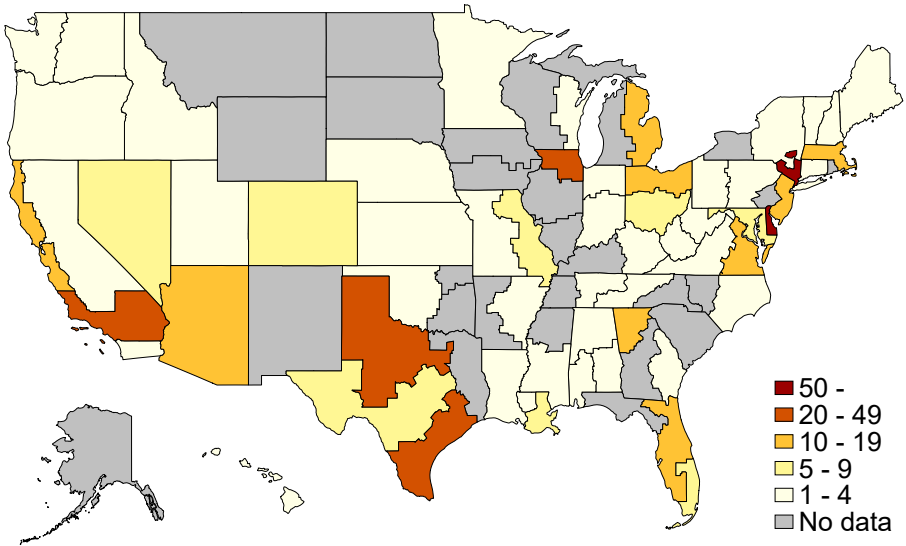
94 bankruptcy districts

Back



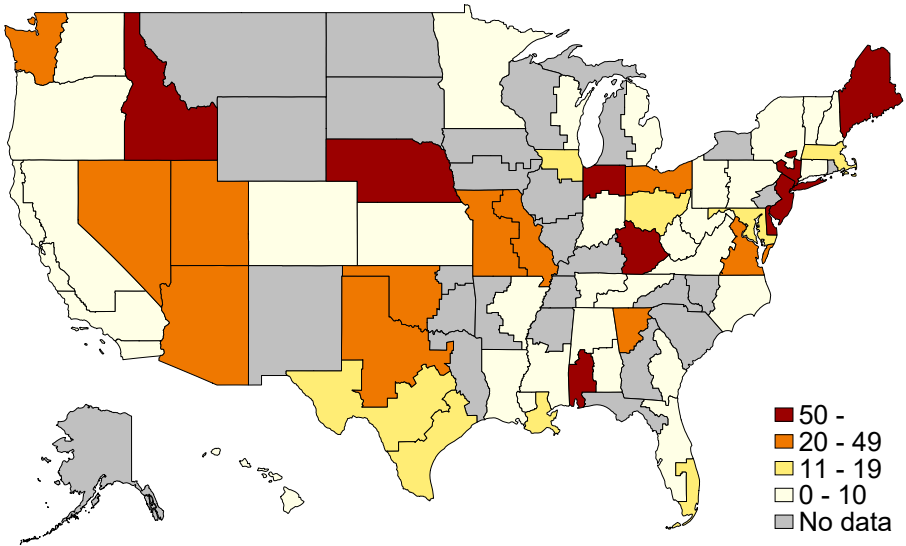
Number of filings by courts

Back



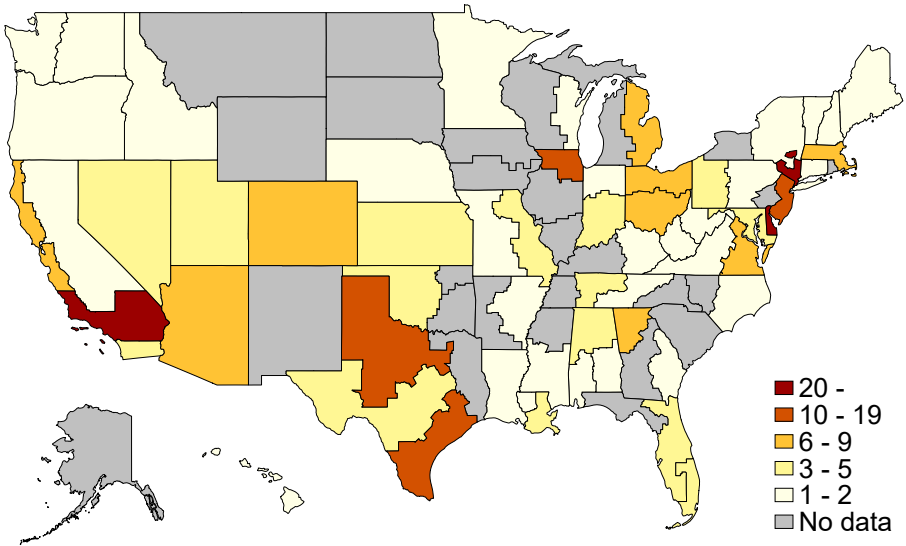
Percentage share of ‘shopping’ cases within each court

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 *Depression baby*	1954	1964	1966
JD	Georgetown, ‘63	Villanova, ‘79	Col. of William & Mary, ‘92	U Chicago, ‘92 *Law & econ trained*
Political	Democrat	Democrat	Nonpartisan (Independent Party)	Democrat

Descriptive statistics

▸ Judge-level ▸ Industry distribution ▸ Back to main

	Obs	Mean	SD	P25	Median	P75
Judge characteristics at filing						
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
Firm characteristics at filing						
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
Bankruptcy outcomes						
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

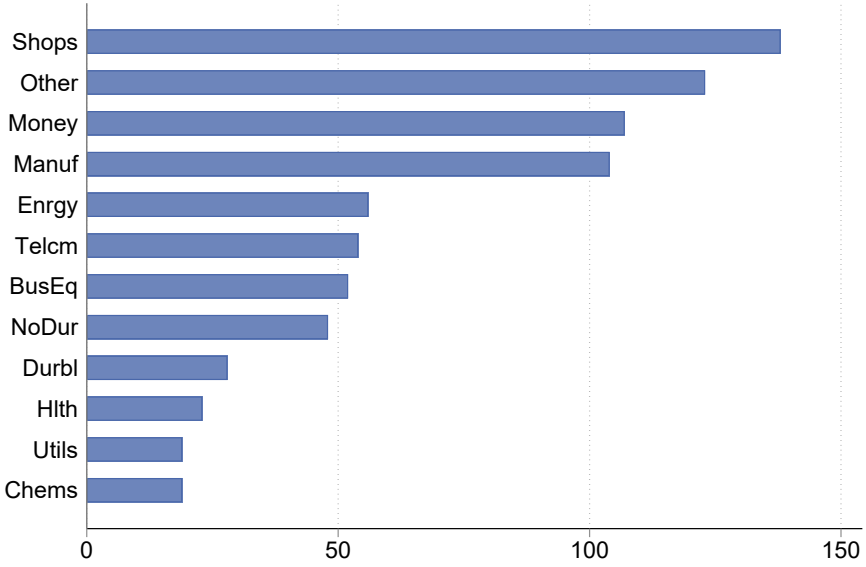
Descriptive statistics – Judge-level

Back to main stats

	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	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Split by median employee	Low	High	Low	High	Low	High	Low	High
Judge characteristic	0.07	0.14***	-0.05	-0.20***	-0.19	-0.07	-0.09	-0.14
	(0.72)	(3.60)	(-1.15)	(-3.32)	(-0.65)	(-0.47)	(-0.77)	(-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*	0.06	-0.07	-0.18***	-0.13	-0.14***	-0.03	-0.22**
	(1.72)	(0.45)	(-1.42)	(-7.42)	(-0.94)	(-5.77)	(-0.12)	(-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	-0.13***	-0.27***
	(-1.17)	(-4.13)	(-6.34)
Republican × Leverage ratio	-0.08**		0.22***
	(-2.07)		(4.73)
Republican × Secured debt ratio		-0.17*	-0.40***
		(-1.80)	(-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

$\rightarrow$ *Localness* $\times$ stakeholders' interests $\approx$ 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*	-0.36***	-1.04**	-0.85**	0.06	-0.65
	(-1.83)	(-2.82)	(-2.20)	(-2.13)	(0.07)	(-0.66)
Home judge × Localness	0.59		-0.29		0.28	-0.31
	(1.07)		(-1.20)		(1.36)	(-1.56)
Home judge × Leverage ratio		0.20*	0.60**			0.54**
		(1.91)	(2.40)			(2.11)
Home judge × Localness × Leverage ratio			-4.02*			-4.79**
			(-1.99)			(-2.18)
Home judge × Log(No. of employee)				0.09*	-0.05	-0.03
				(1.72)	(-0.48)	(-0.24)
Home judge × Localness × Log(No. of employee)					0.39*	0.41
					(1.74)	(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"

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Observations	307	602	307	601	306	306
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Emergence, full table

Back to main results

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	(1.18)	(2.23)	(-2.15)	(-3.36)	(-5.77)	(-4.62)	(-2.01)	(-1.88)
Male		-0.05		0.01		-0.03		
		(-0.62)		(0.13)		(-0.32)		
Military		0.03		0.02		-0.04		
		(0.33)		(0.31)		(-0.61)		
Log(Months as judge)				0.07***		0.06***		0.02
				(4.18)		(10.85)		(0.61)
Log(Total assets)	0.04**	0.04**	0.05**	0.04*	0.03***	0.03**	0.06**	0.06**
	(2.07)	(2.05)	(2.22)	(2.00)	(4.23)	(2.25)	(2.66)	(2.40)
Leverage ratio	0.17***	0.17***	0.17***	0.18***	0.13***	0.13***	0.20***	0.20***
	(3.25)	(3.36)	(3.58)	(4.05)	(4.46)	(4.63)	(3.45)	(3.25)
ROA	0.24***	0.24***	0.22**	0.23**	0.24***	0.25**	0.16	0.15
	(2.88)	(2.78)	(2.36)	(2.28)	(2.82)	(2.57)	(1.37)	(1.36)
Log(No. of subsidiaries+1)	-0.02*	-0.02*	-0.02*	-0.02	-0.04***	-0.04***	-0.01	-0.01
	(-1.80)	(-1.94)	(-1.84)	(-1.49)	(-6.02)	(-5.61)	(-0.49)	(-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

Duration, full table

Back to main results

	Depression baby		Economics-trained		Republican		Democrat	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Case outcome	Liquidate	Emerge	Liquidate	Emerge	Liquidate	Emerge	Liquidate	Emerge
Judge characteristic	-0.19	0.03	-0.36**	0.29**	-0.55**	0.25***	0.43**	-0.11
	(-1.54)	(0.43)	(-2.52)	(2.29)	(-2.15)	(3.00)	(2.47)	(-0.73)
Male	0.01	-0.27***	-0.02	-0.25***	-0.05	0.01	-0.19	0.02
	(0.08)	(-3.50)	(-0.13)	(-6.32)	(-0.29)	(0.13)	(-1.00)	(0.14)
Military	0.20	0.10	0.14	0.10	-0.05	-0.03	-0.06	-0.04
	(0.75)	(0.75)	(0.66)	(0.85)	(-0.30)	(-0.63)	(-0.24)	(-0.84)
Log(Months as judge)			-0.16	0.00	-0.27**	0.01	-0.29***	0.02
			(-1.64)	(0.05)	(-2.29)	(0.25)	(-3.11)	(0.31)
Log(Total assets)	0.09	0.23***	0.09	0.24***	0.02	0.17***	0.02	0.17***
	(1.21)	(3.29)	(0.98)	(3.02)	(0.20)	(3.86)	(0.19)	(3.95)
Leverage ratio	0.29**	0.19**	-0.04	0.20**	-0.06	0.16	-0.08	0.17*
	(2.30)	(2.26)	(-0.41)	(2.07)	(-0.26)	(1.59)	(-0.28)	(1.76)
ROA	0.23	-0.01	0.04	-0.01	0.21*	0.03	0.25***	0.06
	(0.75)	(-0.08)	(0.11)	(-0.09)	(1.74)	(0.20)	(2.97)	(0.38)
Log(No. of subsidiaries+1)	-0.06	-0.01	-0.07	0.00	-0.01	0.03	0.01	0.02
	(-0.72)	(-0.42)	(-1.00)	(0.12)	(-0.18)	(1.34)	(0.18)	(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) Refile	(2) ROA (post)	(3) Refile	(4) ROA (post)	(5) Refile	(6) ROA (post)	(7) Refile	(8) ROA (post)
Judge characteristic	-0.01	0.10	0.09**	0.31	0.05	0.08	0.01	0.16*
	(-1.04)	(0.46)	(2.51)	(0.70)	(0.28)	(0.68)	(0.26)	(1.79)
Male	-0.01	-0.10	-0.01	-0.10	0.08	-0.07***		
	(-0.37)	(-0.85)	(-0.33)	(-1.36)	(0.86)	(-3.40)		
Military	0.07	0.19*	0.07	0.20*	-0.01	0.26***		
	(0.49)	(2.01)	(0.48)	(1.87)	(-0.87)	(6.00)		
Log(Months as judge)			-0.01	0.01	-0.03	0.07**	-0.04*	0.07***
			(-0.20)	(0.09)	(-0.76)	(2.83)	(-1.71)	(2.84)
Log(Total assets)	0.01	0.09***	0.01	0.08***	0.00	0.08**	0.01	0.04
	(0.22)	(3.96)	(0.25)	(3.88)	(0.20)	(2.13)	(0.49)	(0.75)
Leverage ratio	0.00	0.21	0.00	0.26	0.05***	0.12**	0.01	0.05
	(0.30)	(1.30)	(0.52)	(0.97)	(4.34)	(2.17)	(0.38)	(0.37)
Return on assets	-0.12	-0.02	-0.13	0.02	-0.12	-0.08	-0.40**	0.07
	(-0.79)	(-0.65)	(-0.75)	(0.21)	(-0.56)	(-0.46)	(-2.03)	(0.30)
Log(No. of filings)	0.00	-0.05**	-0.00	-0.04	0.01	-0.07**	0.02	-0.01
	(0.09)	(-2.05)	(-0.03)	(-1.51)	(0.47)	(-2.15)	(1.23)	(-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

Emergence – placebo test

Back to main results

- 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	-0.02	0.01**	0.03**	0.01	0.03	0.02	0.02
	(-0.56)	(-0.31)	(2.14)	(2.50)	(0.06)	(0.27)	(0.16)	(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