
Corporate Bankruptcy and the (In-)Efficiency of Small Commercial Courts

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Résumé

This paper assesses the efficiency of small commercial court. We take advantage of a reform that regroups small commercial courts and estimate its impact on firms bankruptcy outcomes. Contrary to most of the empirical literature on judicial efficiency, we do not pay attention to the impact of the reform on the length of the procedure but rather on the impact on bad ruling. We are interested in the impact of the reform on the chance of a viable firm to be liquidated (Type 1 error) and of a non-viable firm not to be liquidated early on in the judicial process (Type 2 error). A limited and plausible set of identification assumptions allows to derive the impact of the reform on this two errors from estimated coefficients of two difference-in-difference equations. The first equation looks at the impact of the reform of the chance of being sent into receivership (as opposed to be liquidated). The second equation looks at the impact of the reform on survival chance of a firm sent into receivership. We apply this strategy on an exhaustive sample of almost 800 000 bankruptcy cases in France over the period 2000 - 2019. We show that the reform unambiguously reduced Type 2 error and is inconclusive regarding the impact on Type 1 error. We show that the behavior of the absorbing commercial court now applies to firms that belongs to the catching areas of absorbed commercial courts.

Mots-Clés: Corporate Bankruptcy, Commercial Courts

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