



## Finance and Economics Discussion Series: Fresh Start or Head Start? the Effect of Filing for Personal Bankruptcy on the Labor Supply

By Song Han

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 36 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. The key feature of the modern U. S. personal bankruptcy law is to provide debtors a financial fresh start through debt discharge. The primary justification for the discharge policy is to preserve human capital by maintaining incentives for work. In this paper, we test this fresh start argument by providing the first estimate of the effect of personal bankruptcy filing on the labor supply using data from the Panel Study of Income Dynamics (PSID). Our econometric approach controls for the endogenous self-selection of bankruptcy filing and allows for dependence over time for the same household. We find that filing for bankruptcy does not have a positive impact on annual hours worked by bankrupt households, a result mainly due to the wealth effects of debt discharge. The finding is robust to a number of alternative model specifications and sample selections. Therefore, our analysis does not find supporting evidence for the human capital argument for bankruptcy discharge. This item ships from La Vergne, TN. Paperback.

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