

MAKING SENSE OF PAYMENTS POLICY IN THE INFORMATION AGE

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ABSTRACT

*Prepared for a conference on comparative bankruptcy (and accompanying conference volume), this chapter extends the analysis from my book *Charging Ahead* about the relation between credit-card debt and bankruptcy filing rates. Specifically, using the model from *Charging Ahead* this paper looks at the country-level effects on bankruptcy filings. Surprisingly, once I control for the level of credit card debt and related variables, it appears that Canada has a higher propensity for bankruptcy filings than any of the other four countries in my study (the U.S.A., Japan, Australia, and the U.K.). The distinction is particularly pronounced for the U.S.A. and Australia. The bulk of the paper considers why this empirical result might be correct.*

In general, I posit a distinction between “front-end” and “back-end” features of bankruptcy systems, suggesting that filing rates tend to be driven by “front-end” features like fees and other bureaucratic filing hurdles, while back-end features like the nature of the discharge or required income payments are much less important. The resonance of this analysis with the data suggests that high fees and the like in recent U.S.A. bankruptcy reforms have deterred filings by those who are in particularly serious distress. I argue that this supports a low-income, low-asset (LILA) reform in U.S.A. bankruptcy law to speed the resolution of distress for those who are worst off.