
The Costs of Bankruptcy

Chapter 7 Cash Auctions vs. Chapter 11 Bargaining*

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Abstract

Our paper explores a comprehensive sample of both small and large corporate bankruptcies in Arizona and New York from 1995–2001. We find that bankruptcy costs are very heterogeneous and sensitive to measurement method. Still, Chapter 7 liquidations seem more expensive in direct and equally expensive in indirect costs, than Chapter 11 bankruptcies. The paper provides a large number of further empirical regularities.

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