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Health & Medicine

The paper “ Factors Affecting Bankruptcy Rates in the US - Government Policy, Social Issues, Type of Agriculture" is a telling example of a term paper on macro & microeconomics. Bankruptcy has been a significant problem for quite a long time. Since the 1980s, the rate at which bankruptcy filings have been made has never been on a downward spiral or even on a plateau but rather increasing. However, chapter 12 has been a bit odd in this respect. Unlike chapters 13 and 7 fillings, which showed an upward trend throughout the 80s and 90s, chapter 12 fillings had declining rates of fillings more so in the 90s. As much as it is limited to family farmers, chapter 12 is essentially a reorganization chapter that bears similarities with chapter 13 and 11. Varied studies have been made using econometric models in order to identify the factors influencing the filling rates of Chapter 12. Scholars who have studied the problem observe that the Bankruptcy Code revisions of 1984 strengthened the code thereby eliminating debtor opportunism brought about by chapters 13 and 7 yet the rate of fillings tripled between 1984 and 1992. This led to the conclusion that the variations in the filling rates were not influenced by legal or economic factors but rather by modifications in social norms. Other scholars opine that economic factors would be crucial in explaining the differences in the rates of bankruptcy fillings. Many people may argue that farm policies aim at keeping farm operators from the financial quagmire. However, extremely few studies have been done, or modeling analysis carried out to explain the variations in the rates over time from state to state.

Having in mind that there is a high likelihood that chapter 12 will continue in a specific form, identifying the factors that affect its filling rates would be vital. The identification would allow the debtors and creditors to anticipate better the time in which the chapter will be put to use. In any case, the bankruptcy policy and agricultural policy are intertwined in that they aim at preserving farms in financial stressing times.

While no studies identify determinants of variation in the rates of bankruptcy filings, two studies approximate models to make predictions on the filling rates for chapter 7 and 13 for the United States population in general. Both studies opine that variations in rules pertaining to property exemptions could be influencing the filling rates.

These studies acknowledged that the structure of agriculture practiced plays a crucial role in determining chapter 12 fillings. In this case, the size of the farms and the amount of work were used in this conclusion. In this case, individuals with larger farms were more likely to file for bankruptcy under chapter 12. In essence, the size of the farm was positively related to its failure due to heightened risks brought about by efficiency levels.

In addition, the bankruptcy filings are influenced by the type of agriculture carried out in a state. It is vital to acknowledge that as much as all states combine animal and crop agriculture, there are variations in this mix across the states. Great variations exist in revenue expected from crop production rather than livestock production since variations in weather conditions during the growing season have more immediate effects on crop production and revenue. Filling rates are, therefore, positively related to a higher concentration on crop farming.

Thirdly, signs of social attitudes and government policy are also included since past studies have shown that they influence the filling rates. Unlike individuals who file under chapters 13 and 7, the farmers are likely to be direct recipients of the government payments that are related to their farming activities. It has been shown that government policy impacts on the financial stress in these farms. Decreased government finance results in financial stress in the farms leading to higher filling rates.

Fourth, studies have shown that social attitudes also play a key role in determining the filling rates. In ascertaining this, the scholars used two variables. They used farmers aged over 65 years old and earning over $25000. The other variable was composed of individuals aged over 16 years who were divorced. The studies deduced that populations with older individuals were more inclined to keeping promises whether financial or otherwise compared to those with younger people. States that had fewer divorced individuals had a lower bankruptcy filing rate. Given the adverse nature of old people to borrowing, states with more elderly people have fewer filling rates. Divorced individuals are also more likely to be financially stressed thereby more likely to borrow and file for bankruptcy.

Lastly, the studies identified the fact that prior to the introduction of chapter 12, there was intense debate and discussion as to the appropriateness of national-level response to the debt crisis in farms in the 80s. In this case, the farmers postponed filling for bankruptcy, such that by the time it was introduced, the chapter met pent-up demand, which decreased over time.

Conclusion

Bankruptcy has been a key problem in many states. There are variations in the rates of fillings under different chapters. In essence, determining the factors that influence these rates would be vital in order to give debtors and creditors an idea as to when to best put chapter 12 into use. These factors include government policies, social issues, type of agriculture practiced and the structure of the agriculture carried out.