Bankruptcy assignment

Business

Managerial Finance and Analysis October 7, 2014 The article starts out with how bankruptcy should actually benefit the economy; in theory it should increase spending because there would be less risk for the consumers and businesses because there is a way out of debt. If consumers knew there wasn't a way out of debt then they would be less likely to take on debt, right?

By having a way out people are more incline to borrow freely and have no worries about paying the debt. The article is quickly to point out that bankruptcy actually ivies the creditors a way to collect the debt to it's fullest and even be able to repossess collateral property. Consumer bankruptcy will have negative impact on the economy if it is done in groups. By having a quantity of people filing for bankruptcy it is usually telling that the economy is on a downward spiral and into a recession.

If there are increases in bankruptcy then consumer spending will be less because the economy will be down and saving will be a driving factor. A domino effect will then come into play with corporations and businesses due to consumers not buying their products or services. Since businesses can take hits like these it's less common for a widespread of business bankruptcies. If a large corporation files for bankruptcy it will have a negative effect on the economy or a specific region.

Lastly, the article spoke on how bankruptcy changed after the bankruptcy abuse prevention and consumer protection act of 2005. The act was to make it harder for individuals to qualify for chapter 7 bankruptcy. In return the cases were sent for chapter 13 were the debt would still be repaid.