

Referee Report on PhD Thesis by Ondrej Vychodil

“Essays on Corporate Bankruptcy”

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This dissertation addresses the very important issue of bankruptcy, with a special focus on the Czech Republic. Bankruptcy law is a fundamental issue because of its implications for financing and investing decisions. In spite of this, the literature on bankruptcy law remains relatively limited, probably because bankruptcy law is a complex question needing to appraise and understand a wide array of concepts: law, theory, practice, econometrics...

As a consequence, I would like to stress the high quality of the PhD thesis by Ondrej Vychodil. In his thesis, he shows impressive skills to manipulate all the required concepts for the analysis. Indeed, his thesis provides three consistent essays which provide significant contributions to the understanding of the bankruptcy law.

The most impressive element of the thesis may be the fact that Ondrej Vychodil does not provide only theoretical or empirical contributions or did not limit his analysis to positive or normative implications: he provides contributions for all these dimensions.

There is no preface or introduction in the thesis to present and motivate the thesis. This is not an absolute requirement, but an introduction would have been great to explain the consistency of the thesis between the three essays. On the other hand, the links between chapters are strong enough to make this introduction not as required as in other theses. Nevertheless, I would have suggested a short introduction to present in a broad perspective the three essays of the thesis.

The first chapter investigates contracting in the presence of gambling on resurrection under different bankruptcy regimes with a theoretical model. This is a remarkable paper as it shows excellent skills to manipulate contract theory and bankruptcy literature. The contribution of the chapter to the literature on bankruptcy is clearly presented by mentioning the added value to the different former papers. The model is very clearly developed.

I would have suggested developing more the interpretations and the implications of the results. Indeed the chapter provides results without motivating their implications. For instance, the fact that the moral hazard problem under tough law can lead to inefficient choices could have been illustrated with its consequences. The sections devoted to the model

do not provide such comments. Furthermore the conclusion just repeats the theoretical results and is not from this perspective a real conclusion.

Finally more could have been said to explain gambling on resurrection as this is a key element of the model.

The second chapter brings a very interesting empirical work to the bankruptcy literature. The starting point is the sadly famous length of the bankruptcy procedure in the Czech Republic. As it is the longest in Europe, this specific characteristic leads to several questions, In spite of this, I am however not aware of empirical papers on Czech bankruptcies to investigate this. The idea of the chapter is brilliant as it aims at explaining the judges' bias towards continuation in bankruptcy by notably regressing duration of the bankruptcy procedure on unemployment rate. The dataset is unique with 903 corporate bankruptcy cases. A major problem in the empirical works on bankruptcy is to have nice data which are hard to obtain. The chapter does not have this limitation which is a major asset. Therefore, the chapter is of utmost interest.

The motivation of the chapter is excellent, by focusing on the specificities of the Czech bankruptcy law and by mentioning the role of informal institutions. Furthermore, it is very useful to do several techniques for this empirical analysis.

I would suggest including sometimes more precisions to improve this nice chapter:

-as the underlying arguments are notably based on the ideology of judges, it would have been interesting to have some information on the average age of judges. I am of course aware that such precisions may be difficult to obtain. So it is just a suggestion.

-when mentioning the role of judicial corruption, one or two references could be useful to motivate this element.

-another precision would be to add more references analyzing similar issues on other countries. Indeed the thesis mentions that "this approach is close to that of the French law". I would therefore recommend to cite for instance the paper from Blazy et al. "Financial versus Social Efficiency of Corporate Bankruptcy Law: the French dilemma?" on the same issue for France.

-a sentence or two would be great to justify why two dependent variables are used (duration and $\log(\text{duration})$). After all, one could be enough. For instance, references could be provided here.

A standard question for all studies on bankruptcy files concerns the representativeness of the sample, as data are always difficult to collect and therefore lead to relatively small

samples (which is not totally the case here as the sample is relatively big for such study). I would therefore suggest adding some brief sentences on this, if of course possible.

Notably the sample of bankruptcy files has a mean duration of 50.6 months. Is it standard? Is it in line with Doing Business statistics for instance?

The results should be qualified for the hypothesis H_U (page 72) when mentioning that the analysis “provided evidence for the hypothesis H_U especially on the subsample of shorter bankruptcy cases”. Indeed, when looking at the results, there is evidence for the subsample but not so clear for the full sample.

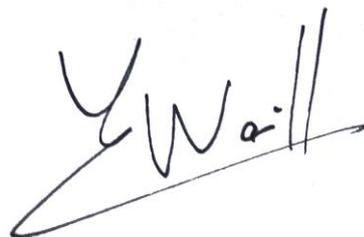
Here again in this chapter, the conclusion is too much a detailed summary of the chapter. I would suggest to reduce the current conclusion and to add more elements on the implications of the results. For instance, it would be great if possible to suggest some ways to change the judges’ bias or else to do some (moderate) predictions on the evolution of Czech bankruptcies.

The third chapter of the thesis investigates the optimal bankruptcy issues by analyzing ex ante efficiency, i.e. how bankruptcy law may affect stakeholders’ strategies taking place before default. Like the first chapter of the thesis, this chapter is ambitious as the theoretical literature on bankruptcy requires having several skills which are owned by the candidate.

Indeed the chapter provides a very didactic unifying model to analyze the ex ante effects of bankruptcy law following Schwartz (2002). The model allows considering all effects like gambling on resurrection, underinvestment...

The presentation is very clear and very useful of all these effects. The main suggestion would be to more clearly mention the contribution notably in the introduction.

Thus, my opinion is that the thesis is undoubtedly acceptable to go to a defense. This is an excellent thesis which provides consistent and complementary essays on very relevant and complicate issues.

A handwritten signature in black ink, appearing to read 'L. Weill', with a long horizontal stroke underneath.

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