

# Preface

*Mortal, pay your debts up duly,  
Long, oh long is this life's vale;  
Count on borrowing later, as you  
Did so often without fail.*<sup>1</sup>

Heinrich Heine (Kleine Gedichte 1824)

Lately, consumer bankruptcy is receiving greater attention by legal and economic scholars. Regulations have been substantially revised in several countries, and currently a major reform is near enactment in the U.S. This publication offers a generalized framework to analyze the impact of consumer debt release regulation on consumer behavior. The primary justification for the discharge policy is to preserve human capital by maintaining incentives to work. The analysis provided in this book appraises the capacity of existing regulations to incentivize efficient level of effort prior to distress and post filing. Post filing debt discharge is found to be desirable and necessary. Yet, the prospect of this discharge has the potential of distorting consumer incentives prior to distress. I integrate ex-post findings into the ex-ante analysis and analyze the capacity of existing regulations to meet these conflicting goals. A reform is proposed which - according to the analysis - would minimize distortions at both dates.

This is my PhD thesis and I would like to take this opportunity to give thanks to the people whose efforts have greatly improved this work.

<sup>1</sup> Translation Draper (1982) p. 91 (German version: Mensch, bezahle deine Schulden, / Lang ist ja die Lebensbahn, / Und du mußt noch manchmal borgen, / Wie du es so oft getan.)

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Finally and most of all I thank my family for their encouragement and support. And, for a myriad of reasons, I dedicate this book to my mother.

Eva-Maria Steiger