

# **Law and Economics**

**Module 4, 2022-2023**

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## **Course information**

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**Course Website:** TBA

**Instructor's Office Hours:** TBA

**Class Time:** TBA

**Room Number:** TBA

**TAs:** TBA

## **Course description**

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Why are some countries rich and others poor? Why are some countries democracies and others dictatorships? These fundamental questions have animated both economists and political scientists since centuries. In this course, we take a “law and economics” perspective to answering these questions. First, we explore what kind of legal institutions promote economic development and democratic accountability? Second, we take this discussion to frontier of research and ask what are the determinants that bias judicial decisions? The goal of this course, therefore, is to acquaint students with the seminal academic contributions as well as frontier research on the area of empirical law and economics.

## **Course requirements, grading, and attendance policies**

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Taking Econometrics I, II and Applied Microeconometrics course are preferred but not required for this class. Kindly, try to make it to the course 5 minutes before the start of each lecture. Grades will consist of a 2-page referee report (25%), a presentation (25%) i.e. executive summary with discussion of an academic paper and a research paper (40%). The students can choose to organize in a group of 2 or submit assignments individually if they prefer to do so. Class participation counts for 10% of the grade. Compulsory readings are marked with \*. This course is ideal for students interested in working in public policy, political economy, institutional economics and development economics.

## Course contents

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### Part 1: Empirical Analysis of Law and Economics and Conceptual Issues

- Posner, R.A., 2014. Economic analysis of law. Wolters Kluwer law & Business. Chapter 1
- Posner, R.A., 2014. Economic analysis of law. Wolters Kluwer law & Business. Chapter 2
- Myerson, R.B., 2000. Economic analysis of constitutions. Chicago Law Review
- Levine, R., 1999. Law, finance, and economic growth. Journal of financial Intermediation, 8(1-2), pp.8-35.
- Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., 2003. Courts. The Quarterly Journal of Economics, 118(2), pp.453-517.
- La Porta, R., Lopez-de-Silanes, F., Pop-Eleches, C. and Shleifer, A., 2004. Judicial checks and balances. Journal of Political Economy, 112(2), pp.445-470.
- \*Besley, T. and Case, A., 2000. Unnatural experiments? Estimating the incidence of endogenous policies. The Economic Journal, 110(467), pp.672-694.
- Levine, R. and Zervos, S.J., 1993. What we have learned about policy and growth from cross-country regressions?. The American Economic Review, 83(2), pp.426-430.
- \*La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R.W., 1997. Legal determinants of external finance. The journal of finance, 52(3), pp.1131-1150.
- Durlauf, S.N., 2009. The rise and fall of cross-country growth regressions. History of Political Economy, 41(Suppl\_1), pp.315-333.

### Part 2: Judicial Independence, Political Influence and Development

- \*Feld, L.P. and Voigt, S., 2003. Economic growth and judicial independence: cross-country evidence using a new set of indicators. European Journal of Political Economy, 19(3), pp.497-527.
- \*Harris, A.P. and Sen, M., 2019. Bias and judging. Annual Review of Political Science.
- Binder, S.A. and Maltzman, F., 2002. Senatorial delay in confirming federal judges, 1947-1998. American Journal of Political Science, pp.190-199.
- Ash, E., Chen, D.L. and Naidu, S., 2019. Ideas have consequences: the impact of law and economics on American justice. Center for Law & Economics Working Paper Series.
- Ash, E. and MacLeod, W.B., 2020. Reducing Partisanship in Judicial Elections Can Improve Judge Quality: Evidence from US State Appellate Courts. Center for Law & Economics Working Paper Series, 5.
- \*Lim, C.S., Snyder Jr, J.M. and Strömberg, D., 2015. The judge, the politician, and the press: newspaper coverage and criminal sentencing across electoral systems. American Economic Journal: Applied Economics, 7(4), pp.103-35.
- Ponticelli, J. and Alencar, L.S., 2016. Court enforcement, bank loans, and firm investment: evidence from a bankruptcy reform in Brazil. The Quarterly Journal of Economics, 131(3), pp.1365-1413.
- The Deterrent Effect of the Death Penalty? Evidence from British Commutations During World War I.  
[http://users.nber.org/~dlchen/papers/The Deterrent Effect of the Death Penalty.pdf](http://users.nber.org/~dlchen/papers/The_Deterrent_Effect_of_the_Death_Penalty.pdf)
- \*Clark, T., Montagnes, B.P. and Spenkuch, J.L., 2018. Politics from the bench? ideology and strategic voting in the US supreme court.

### **Part 3: Judicial Bias**

- \*Eren, O. and Mocan, N., 2018. Emotional judges and unlucky juveniles. *American Economic Journal: Applied Economics*, 10(3), pp.171-205.
- Danziger, S., Levav, J. and Avnaim-Pesso, L., 2011. Extraneous factors in judicial decisions. *Proceedings of the National Academy of Sciences*, 108(17), pp.6889-6892.
- Heyes, A. and Saberian, S., 2019. Temperature and decisions: evidence from 207,000 court cases. *American Economic Journal: Applied Economics*, 11(2), pp.238-65.
- Dietrich, B.J., Enos, R.D. and Sen, M., 2019. Emotional arousal predicts voting on the US supreme court. *Political Analysis*, 27(2), pp.237-243.
- \*Alesina, A. and La Ferrara, E., 2014. A test of racial bias in capital sentencing. *American Economic Review*, 104(11), pp.3397-3433.
- Arnold, D., Dobbie, W. and Yang, C.S., 2018. Racial bias in bail decisions. *The Quarterly Journal of Economics*, 133(4), pp.1885-1932.
- Rachlinski, J.J., Johnson, S.L., Wistrich, A.J. and Guthrie, C., 2008. Does unconscious racial bias affect trial judges. *Notre Dame L. Rev.*, 84, p.1195.
- \*Ornaghi, A., Ash, E. and Chen, D.L., 2020. Gender Attitudes in the Judiciary: Evidence from U.S. Circuit Courts. *Center for Law & Economics Working Paper Series*.
- Sen, M., 2017. Diversity, qualifications, and ideology: how female and minority judges have changed, or not changed, over time. *Wis. L. Rev.*, p.367.
- Seror, A., Mehmood, S., and Chen, D. 2022. Religious Rituals.
- Shayo, M. and Zussman, A., 2011. Judicial ingroup bias in the shadow of terrorism. *The Quarterly Journal of Economics*, 126(3), pp.1447-1484.
- Seror, A. and Mehmood, S., 2020. Shrine Leaders and Rule of Law. *AMSE Working Paper*.
- Glaeser, E. L., & Shleifer, A. (2002). Legal origins. *The Quarterly Journal of Economics*, 117(4), 1193-1229.
- Anderson, S., 2018. Legal origins and female HIV. *American Economic Review*, 108(6), pp.1407-39.

### **Part 4: Russian Justice**

- Shvets, J., 2013. Judicial Institutions and Firms' External Finance: Evidence from Russia. *The Journal of Law, Economics, & Organization*, 29(4), pp.735-764.
- \*Slinko, I., Yakovlev, E. and Zhuravskaya, E., 2005. Laws for sale: evidence from Russia. *American Law and Economics Review*, 7(1), pp.284-318.

### **Description of course methodology**

Course is based on lectures that involve active participation of students in discussion.

### **Sample tasks for course evaluation**

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Write a 2-3-page referee report on the paper "Ideas have consequences: the impact of law and economics on American justice" by Daniel Chen, Elliot Ash and Suresh Naidu

## **Course materials**

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### **Recommended textbooks**

Posner, R.A., 2014. Economic analysis of law. Wolters Kluwer Law & Business. New York.

## **Academic integrity policy**

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Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.