

Law and Economics

Module 4, 2024-2025

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Course information

Course Website: TBA

Instructor's Office Hours: TBA

Class Time: TBA

Room Number: TBA

TAs: Yaroslav Prokhorskoy and Alexander Kalchevskiy

Course description

Why judges or judiciary matters? Why should we care? Judiciary in fact is the linchpin that holds together all reforms from democratic reform to financial regulations. This course will explore the importance of judiciary, its impact on economic development and how we can reorganize the judiciary to being democratic change and financial innovation in the country. By doing so, it speaks to the most fundamental of scholarly inquiries: Why are some countries rich and others poor? Why are some countries democracies and other 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 using judicial decisions as a case study? 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 and prepare students to understand both academic and policy implications of.

Course requirements, grading, and attendance policies

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 1) 2-page referee report (25%), 2) a presentation (25%) i.e., executive summary with discussion of an academic paper and 3) pre-report presentation and a research report (30%). The students should submit assignments and present individually. 4) Class participation counts for 20% of the grade. Compulsory readings are marked with *. This course is ideal for those interested in broad issues of inequality and political economy of development.

Course contents

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>
- *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

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

Grading criteria for the project:

- 10% Project's fit with the course
- 35% Problem formulation, creativity of the research question, empirical approach
- 10% Literature Review
- 35% Methodology Used
- 10% Overall quality and flow of the report

Grading criteria for the presentation:

- 10% Presentation of research question and results.
- 35% Clear explanation of research design, identification assumptions and results
- 10% Literature Review (Related literature and contribution of the paper)
- 35% Explanation of methodology of the paper
- 10% Discussion of the main results (positives and negatives)

Course materials

Recommended textbooks

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

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated and will be punished. This includes self-plagiarism: students cannot submit projects that are identical to or with minor modifications of those submitted for other courses. Major modifications might be allowed but must receive an explicit approval from the professor before submitting. Failure to declare overlap or submitting projects with high similarities to existing works will result in severe punishment. Students must adhere to these regulations as part of the NES Honor code. Course projects are subject to random plagiarism checks.