

Legal Institutions & Global Economic Development

Law 253.3

U.C. Berkeley Law School

Fall 2014

Room: 141 Boalt Hall

Time: Wednesday, 10:00 a.m.-12:40 p.m. (10 minute break at 11:20)

Instructor: Prasad Krishnamurthy

Office Hours: Tuesday, 10:30 a.m.-12:00 p.m., 685 Simon Hall

Course Description:

This course will cover readings on the relationship between legal institutions and economic development. Topics include the role of legal and colonial origins, rights in contract and property and contract, governance/corruption, and positive rights. Readings will emphasize the empirical literature in this area, including case studies, comparative studies, and statistical studies with an eye to using evidence to inform practice and policy. No prior background in empirical methods is necessary or required.

The course will be largely discussion based, although I will provide background on the relevant literatures, papers, and methods. The course will utilize bCourses extensively to communicate information about the readings, discussion, and final paper.

Course Requirements:

Students are required to submit a paper of at least 20 pages on a topic of their choosing. The topic should be chosen in consultation with me. The canvas of this course is very broad, so almost any topic that plausibly fits under the law and development rubric is fair game. In particular, students are not limited to choosing from the topics we cover in the course. All students will be required to submit a detailed, paragraph level outline of their paper. This outline will be due the week of November 10, 2014. Final papers are due on Friday, December 19, 2014.

Students may use this course to satisfy the Berkeley Law writing requirement. Please inform me within the first few weeks if you plan to use the course to satisfy this requirement. Students submitting their paper to satisfy the Berkeley Law writing requirement will be required to submit a draft of at least 20 pages this semester. The final draft should conform to the Berkeley Law graduation requirements. Please see Appendix B at <http://www.law.berkeley.edu/184.htm>. Students pursuing the Berkeley Law writing requirement may, if they so choose, turn in their final draft during the spring semester of

2015 and receive a separate (Law 299) grade for the paper then. However, the paper they submit this semester will determine their course grade. This is to ensure that the curve and all grades for the course are determined at the end of the semester. Doing otherwise defeats the policy behind the Berkeley Law curve.

Students in the course are expected to, in groups, lead the discussion along with me for at least one of the class sessions. I will initially assign students to a particular day, but you can arrange to trade with classmates so as to better match the topic to your interests. Student discussion groups will begin at Week 5 (Sept. 24, 2014). I will provide further information on how the groups can organize the discussion on their allotted day.

Attendance:

Students are expected to attend every class, and attendance will be taken. If you are unable to attend class, please send me an email in advance and let me know.

Grades:

Grades for the course will be based on a combination of the final paper and class participation. The final paper will determine an initial grade. This grade will be adjusted up or down on the basis of class participation for students who are on a border between grades. The curve will be determined according to the Berkeley Law guidelines for a seminar course.

Use of Computers/Internet in Class:

I consider it unprofessional to use your computer in class for any purpose that is unrelated to the class. This is a view that I believe ought to be a general norm for us members of Berkeley Law. As such, I am also unwilling to attempt to enforce it with incentives, for the same reason that our honor code at Berkeley Law turns on ethics as opposed to incentives.

Email/Bspace:

My email address is prasad@law.berkeley.edu. I will respond to emails within a day or two. If I do not respond, please do follow up. I am happy to clarify issues that arise in the course, but for lengthier, substantive questions, I will ask you to come to office hours. If you have a time conflict with office hours, let me know and we can set up a separate time to meet.

Calendar:

Week Number	Date	Topics
Week 1	Aug. 27 (W)	Development Narratives 1
Week 2	Sept. 3 (W)	Development Narratives 2
Week 3	Sept. 10 (W)	Legal Origins 1
Week 4	Sept. 17 (W)	Legal Origins 2
Week 5	Sept. 24 (W)	Microfinance 1
Week 6	Oct. 1 (W)	Microfinance 2
Week 7	Oct. 8 (W)	Microfinance 3
Week 8	Oct. 15 (W)	Property Rights 1
Week 9	Oct. 22 (W)	Property Rights 2
Week 10	Oct. 29 (W)	Corruption 1
Week 11	Nov. 5 (W)	Corruption 2
Week 12	Nov. 12 (W)	TBD
Week 13	Nov. 19 (W)	TBD
Week 14	Nov. 26 (W)	TBD

Syllabus:

Week 1 – Development Narratives 1

David Kennedy, “The ‘Rule of Law,’ Political Choices, and Development Common Sense,” in David M. Trubek and Alvaro Santos eds. *The New Law and Economic Development* (2008) pp. 95-173

Martha Nussbaum, “Capabilities as Fundamental Entitlements: Sen and Social Justice,” *Feminist Economics* 9(2-3) (2003) pp. 33-56

Abhijit Bannerjee, “Inside the Machine,” *Boston Review* (September 4, 2007) pp. 1-11

Week 2 – Development Narratives 2

Kevin Davis and Michael Trebilcock, “The Relationship Between Law & Development: Optimists Versus Skeptics,” *New York University Law and Economics Working Papers* 133, (2008) pp. 1-60

Daron Acemoglu, Simon Johnson, and James Robinson, “Institutions as a Fundamental Cause of Long-Run Growth,” in *Handbook of Economic Growth* (Phillipe Aghion and Steven Durlauf eds. 2005), Chapter 6, pp. 386-421, 452-462

Abhijit Bannerjee and Esther Duflo, “The Experimental Approach to Development Economics,” *NBER Working Paper No. 14,467* (2009) pp. 1-28

Week 3 – The Legal Origins 1 (Background)

Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, “The Economic Consequences of Legal Origins,” *Journal of Economic Literature*, 46(2) (2008) pp. 285-332

Mark Roe, “Legal Origins and Modern Stock Markets,” *Harvard Law Review*, Vol. 120 (2006) pp. 460-527

Week 4 - The Legal Origins 2 (Case Studies)

Daron Acemoglu, Simon Johnson, and James Robinson, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *The American Economic Review*, Vol. 91, No. 5 (2001) pp. 1369-1401

Michael DaCosta, “Colonial Origins, Institutions, and Economic Performance in the Caribbean: Guyana and Barbados,” *IMF Working Paper 07/43* (2007) pp. 3-30

Ralf Michaels, “Comparative Law by Numbers? Legal Origins Thesis, Doing Business Reports, and the Silence of Traditional Comparative Law,” *57 American Journal of Comparative Law* (2009) 765-795

Week 5 – Microfinance 1 (Background, Theory, and Evidence)

Rajdeep Sengupta and Craig P. Aubuchon, “The Microfinance Revolution: An Overview,” *Federal Reserve Bank of St. Louis Review* (Jan./Fed. 2008) pp. 9-30

“The Hidden Wealth of the Poor,” *The Economist* (Nov. 3, 2005)

Dean Karlan and Jonathan Morduch, “Access to Finance” in *Handbook of Development Economics* Vol. 5 (2010) pp. 4723-4739 (Credit Market Innovations)

Dean Karlan and Nathaniel Goldberg, “Microfinance Evaluation Strategies: Notes on Methodology and Findings” in *Handbook of Microfinance* (Beatriz Armendariz and Marc Labie eds.) (2011) pp. 17-55

Week 6 – Microfinance 2 (Case Studies)

Brigit Helms, “Access for All: Building Inclusive Financial Systems” (CGAP 2006) Ch. 2 - Poor and Low Income Clients, pp. 17-33

Chona R. Echavez et al, "The Impact of Microfinance Programs on Women's Lives: A Case Study in Kabul Province," Afghanistan Research and Evaluation Unit (2012) 1-52

Guy Stuart and Sandhya Kanneganti, "Embedded Cooperation: Women's Thrift Cooperatives in Andhra Pradesh," JFK School of Government Harvard University Working Paper RWP03-026 (2003) pp. 1-12

Megan Moodie, "Enter Microcredit: A New Culture of Women's Empowerment in Rajasthan?" American Ethnologist Vol. 35 Issue 3 (2008) pp. 454-465

Rebecca Vonderlack-Navarro, "Targeting Women Versus Addressing Gender in Microcredit: Lessons from Honduras" Affilia Vol. 25 No. 2 (2010) pp. 123-134

Week 7 – Microfinance 3 (Corporate Governance, Innovation, and Regulation)

Connie Bruck, "Millions for Millions," The New Yorker (Oct. 30, 2006)

C.K. Prahalad and Allen Hammond, "Serving the World's Poor, Profitably," Harvard Business Review (Sept. 2002) pp. 4-11

Muhammad Yunus, "Sacrificing Microcredit for Megaprofits," New York Times (Jan. 14, 2011)

Elisabeth Rhyne, "Commercialization and Crisis in Bolivian Microfinance," Microenterprise Best Practices (2001) pp. 1-24

Tillman Bruett, "Cows, Kiva, and Prosper.com," San Francisco Federal Reserve Community Development Investment Review (2007) pp. 1-7

Kabir Kumar, Claudia McKay, and Sarah Rotman, "Microfinance and Mobile Banking: The Story So Far," CGAP Focus Note No. 62 (July 2010) pp. 1-15

Kate Lauer and Stefan Staschen, "Regulation," The New Microfinance Handbook (World Bank, Joanna Ledgerwood, ed.) Ch. 17 (2013) pp. 413-437

Jay K. Rosengard, "Oversight is a Many-Splendored Thing: Choice and Proportionality in Regulating and Supervising Microfinance Institutions," Harvard Kennedy School Mossavar-Rahmani Center for Business and Government Working Paper 2009-01 pp. 1-11

Week 8 – Property 1 (Title and Ownership)

Hernando de Soto, "Law and Property Outside the West: A Few New Ideas about Fighting Poverty" (2002)

Hernando de Soto and Robert E. Litan, "Effective Property Rights and Economic Development: Next Steps" (2001)

Christopher Woodruff, "Review of de Soto's 'The Mystery of Capital'" (2001)

John L. Hammond, "Law and Disorder: The Brazilian Landless Farmworkers' Movement" (1999)

S.F. Joireman, "The Mystery of Capital Formation in Sub-Saharan Africa: Women, Property Rights and Customary Law" (2008)

Week 9 – Property 2 (Title and Ownership)

Abhijit V. Banerjee and Esther Duflo, "The Economic Lives of the Poor" (2007)

Sebastian Galiani and Ernesto Schargrodsky, "Property rights for the poor: Effects of land titling" (2010)

Rafael di Tella, Sebastian Galiani and Ernesto Schargrodsky, "The Formation of Beliefs: Evidence from the Allocation of Land Titles to Squatters" (2007)

Week 10 – Corruption 1

Jakob Svensson, "8 Questions about Corruption," Journal of Economic Perspectives (2005)

Ritva Reinikka and Jakob Svensson, "Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda"

Benjamin Olken, "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," Journal of Political Economy (2007)

Leonid Pelsakhin, "Transparency and Corruption: Evidence from India," Journal of Law and Economics (2012)

Benjamin Olken and Rohini Pande, "Corruption in Developing Countries"

Week 11 – Corruption 2

"The Short Arm of the Law," The Economist

Nathaniel Leff, "Economic Development Through Bureaucratic Corruption," The American Behavioral Scientist (1964)

Kaushik Basu, "Why, for a class of bribes, the act of giving a bribe should be treated as legal" (2011)

Craig Jeffrey, "Caste, Class, and Clientelism: A Political Economy of Everyday Corruption in Rural North India," *Economic Geography* (2002)

A. Earle, "The Role of Governance in Countering Corruption: An African Case Study," *Water Policy* 9 (2007)

Robert Wade, "The System of Administrative and Political Corruption: Canal Irrigation in South India." *The Journal of Development Studies*

John McMillan and Pablo Zoida, "How to Subvert Democracy: Montesinos in Peru" (2004)