

John M. Olin Center for Law, Economics, and Business

2016-2017 Annual Report

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Part One: Report of Activities

A. Summary of Academic Year 2016-2017

Introduction

The primary mission of the John M. Olin Center is to advance the economic approach to the analysis of law. Under this approach, one seeks to determine how legal rules affect the behavior of individuals, firms, and markets, and whether these rules can be improved to achieve a greater social good. The ability to predict the consequences of legal rules is a prerequisite for making legal policy recommendations. The Center is dedicated to educating students, training academics, and supporting research. It has established strong programs that further these objectives, and Harvard Law School is now recognized as one of the nation's preeminent institutions for the study of economic analysis of law.

Notably, Academic Year 2016-2017 was for the John M. Olin Center for Law, Economics, and Business one of ultimate academic success and recognition as one of our own faculty, Professor of Economics Oliver Hart, won a joint Nobel Prize in Economic Sciences. We are delighted to congratulate our colleague for his important work on the economics of incomplete contracts. Hart has served for many years as one of the instructors in the Research Seminar in Law, Economics, and Organization, a joint seminar of Harvard Law School and the Department of Economics.

The activities of the Center during the past academic year are presented in this report. Please visit the John M. Olin Center website at http://www.law.harvard.edu/programs/olin_center/ for additional information.

A.1. Research and Scholarship

The Center promotes research and scholarship by lending support to a number of activities, including the following:

Summer Faculty Research Program. Faculty research in law and economics is supported by making available grants for student research assistance and by awarding a limited number of faculty research grants of approximately one month of salary support during the summer, provided that a faculty member already has been awarded one month of support under the Law School's regular summer research program and that the faculty member's proposal is sufficiently promising and is scholarly in nature. Such support allows professors to devote the time necessary for research and writing, and results in the publication of articles and books.

Law and Economics Faculty Discussion Paper Series. The purpose of this series is to circulate (in pre-published form) research papers on topics in economic analysis of law. The papers benefit from a wide exposure, as they are posted on the Social Science Research Network

(SSRN) as well as the John M. Olin Center website. Their abstracts are also advertised in many of SSRN's electronic abstract journals. In addition, every two months the Center announces new papers to a worldwide email list of subscribers. During Academic Year 2016-2017, a record number of 57 works authored by the HLS faculty were added to this series for discussion. The publication record of these papers is outstanding.

Law and Economics Fellows Discussion Paper Series. This collection of scholarly works by students complements the Faculty Paper Discussion Series. During the past academic year nine research papers (two of them winners of the HLS AY17 John M. Olin Student Writing Prize in Law and Economics) were added to the Fellows Series.

Journal of Legal Analysis. Professors J. Mark Ramseyer and Steven Shavell launched the nation's first peer-reviewed general law journal, the *Journal of Legal Analysis* (<https://ojs.hup.harvard.edu/index.php/jla>), in 2009. Financial support for this open-access journal, which is published by the Oxford University Press, is provided primarily by the Terence M. Considine Family Foundation. Besides Professor Mark Ramseyer, Editor-in-Chief, the journal's editorial board includes other Harvard faculty members: Professors Oliver Hart, Louis Kaplow, Steven Shavell, Kathryn Spier, Cass Sunstein, and Adrian Vermeule.

Program on Corporate Governance. The Program on Corporate Governance seeks to contribute to policy, public discourse, and education in the field of corporate governance. It seeks to advance this mission in two inter-related ways: 1. *Bridging the gap between academia and practice:* The Program seeks to foster interaction between the worlds of academia and practice that will enrich both. Such interaction enables academic researchers to better understand the issues and the environment facing practitioners, thereby facilitating research that will be more relevant for practice. Interaction between academia and practice also keeps public and private decision-makers better informed about research activities in corporate governance, and enhances the public discourse on corporate governance. 2. *Fostering policy-relevant research:* The Program fosters empirical and policy research that sheds light on corporate governance questions facing public and private decision-makers. By providing relevant research that is grounded in the best methods of academic research, such projects can have an important impact on decision-making and public discourse in the field.

The Program's director is Professor Lucian Bebchuk. Other Harvard Law School faculty members contributing to its activities during 2016-17 were Robert Clark, John Coates, Alma Cohen, Allen Ferrell, Jesse Fried, Oliver Hart, Howell Jackson, Reinier Kraakman, Mark Ramseyer, Mark Roe, Robert Sitkoff, Holger Spamann, Leo Strine, Jr., and Guhan Subramanian. Also contributing to the Program's activities were its Senior Fellows, Alon Brav, Stephen M. Davis, Assaf Hamdani, Oliver Hart, Ben W. Heineman, Jr., Robert J. Jackson, Jr., and Wei Jiang, and its Fellows, Talia Gillis, Scott Hirst, Masaki Iwasaki, Kobi Kastiel, Thomas Keusch, Jihyun Kim, Aurelio Guerra Martinez, Greg Shill, Yunsoo Shin, Brian Vito, and Aluma Zernik.

Law and Economics Seminar. At these seminars, which are held weekly, research papers are presented to an audience of HLS students and faculty members as well as academics from other universities in the area. During AY 2016-2017, 24 academics and one business leader presented their work at the seminar.

Thursday Evening Law and Economics Seminar for Students. These seminars provide students with the opportunity to present their own work. The seminars have proved to be very popular and valuable to students, especially those who plan to pursue academic careers. This past year, four students presented their work at the seminars.

Law, Economics, and Organization Research Seminar. This seminar is co-sponsored by Harvard Law School and the Harvard University Department of Economics. At the seminar, more technical research work in law and economics is presented. During AY 2016-2017, 16 research papers were discussed.

Conferences. The Center occasionally sponsors conferences on topics in law, economics, and business.

A.2. Contributions to the HLS Teaching Program

Courses with Economic Orientation: Courses that have an economic orientation and that are taught by HLS faculty who have been affiliated with the Center in various ways include the following:

LAW AND ECONOMICS

- Law, Economics and Psychology, *Oren Bar-Gill*
- Introduction to Empirical Methods, *Alma Cohen*
- Empirical Law and Economics, *Allen Ferrell and Alma Cohen*
- Seminar: Law and Economics, *Louis Kaplow and Steven Shavell*
- Seminar: Law, Economics, and Organizations, *Louis Kaplow, Lucian Bebchuk and Kathryn Spier*
- Economic Analysis of Law, *Steven Shavell*
- Seminar: Behavioral Economics, Law, and Public Policy, *Cass Sunstein*

CONTRACTS

- Consumer Contracts, *Oren Bar-Gill*
- Contracts 4, *Oren Bar-Gill*
- Contracts 7, *Einer Elhauge*

CORPORATIONS AND FINANCE

- Corporate and Capital Markets Law and Policy, *Lucian Bebchuk and Scott Hirst*
- Boards of Directors and Corporate Governance, *John Coates*
- Corporations, *John Coates*
- Mergers and Acquisitions Processes and Structures, *John Coates*
- Topics in Mergers and Acquisitions, *John Coates*
- Seminar: Advanced Antitrust, *Einer Elhauge*
- Antitrust Law & Economics - US, *Einer Elhauge*
- Securities Litigation, *Allen Ferrell*
- Securities Regulation, *Allen Ferrell*
- Corporate Finance, *Allen Ferrell*
- Seminar: Current Issues in Corporate Governance, *Jesse Fried*

- Venture Law and Finance, *Jesse Fried*
- Federal Budget Policy, *Howell Jackson*
- Regulation of Financial Institutions, *Howell Jackson and Margaret Tahyar*
- Capstone Seminar: Comparative Law, Finance, and Corporate Governance, *Reinier Kraakman*
- Comparative Corporate Law, Finance and Governance, *Reinier Kraakman and Christopher Nicholls*
- Corporations, *Reinier Kraakman*
- Seminar: Institutional Investors and Alternative Investment Forms: Private Equity, Venture Capital, and Hedge Funds, *Reinier Kraakman*
- Corporations, *J. Mark Ramseyer*
- Bankruptcy, *Mark Roe*
- Corporations, *Holger Spamann*
- Corporations, *Guhan Subramanian*

TAXATION

- Taxation, *Mihir Desai*
- Taxation, *Louis Kaplow*

OTHER

- Trusts and Estates, *Robert Sitkoff*
- Property 5, *Henry Smith*
- Hedge Fund Law and Policy, *Holger Spamann*
- Analytical Methods for Lawyers, *Kathryn Spier*
- Business Strategy for Lawyers, *Kathryn Spier*

Analytical Methods for Lawyers Course and Textbook. This course was developed by a team of professors at Harvard Law School to introduce students with little or no quantitative background to the basic analytical techniques that attorneys need to master to represent their clients effectively. The casebook that they authored for the course presents material on decision analysis, games and information, contracting, accounting, finance, microeconomics, economic analysis of the law, fundamentals of statistics, and multiple regression analysis. The casebook is now widely used in law schools, including Duke, the University of Pennsylvania, Columbia, and Northwestern Enrollment in this course at Harvard Law School for the Fall 2016 semester was 60.

Mentoring of Students Who Wish to Become Academics. A major objective of the Center is to train students to become academics. This past year, three former John M. Olin Center Fellows have made notable strides on that path.

- *Yonatan Arbel* – an SJD '15 in Law and Economics at Harvard Law School and a John M. Olin Fellow, Yonatan wrote his dissertation on the theory of enforcement in private law. Upon graduation from Harvard Law School in 2015, Yonatan taught a course on the economics of contract law in the Department of Economics at Harvard University and received awards for distinction in teaching. He spent AY16 as a Visiting Assistant Professor of Law at Villanova University where he taught Contracts and in AY 2017 he joined the faculty of the University of

Alabama School of Law as Assistant Professor of Law. He plans to teach courses in commercial law, consumer law, contracts, and the economic analysis of law.

- *Kobi Kastiel* – in May 2016, Kobi graduated from the SJD Program at Harvard Law School, where he was a John M. Olin Fellow in Law, Economics and Corporate Governance as well as a recipient of the John M. Olin Student Writing Prize for his paper "*Executive Compensation in Controlled Companies.*" Kobi accepted an offer for a position as an Assistant Professor of Law from Tel Aviv University.
- *Noam Noked* – an SJD '14 at Harvard Law School and a John M. Olin Center Fellow with research interests centered on taxation and R&D, Noam was a winner of the John M. Olin Student Writing Prize for his paper "*Providing a Pigouvian Subsidy to Insurers for Success in Reducing Traffic.*" Upon graduation from HLS and following two years as a tax specialist in the Hong Kong office of Baker & McKenzie, in 2017 Noam joined the faculty of The Chinese University of Hong Kong as Assistant Professor with expertise focused on tax law.
- *Dorothy Shapiro Lund* – a JD '13 and a John M. Olin Fellow in Law and Economics with research interests centered on corporate law, securities regulation, and contracts. Following two years of clerkship experience for Chief Justice Leo E. Strine Jr. of the Delaware Supreme Court and Judge Joel M. Flaum of the US Court of Appeals for the Seventh Circuit, in 2016 Dorothy commenced her academic career as a Lecturer in Law and Bigelow Teaching Fellow at the University of Chicago Law School.

Thursday Evening Law and Economics Seminar for Students. As was mentioned above, this component of the Law and Economics Seminars gives students the opportunity to present their own work to the seminar students and to faculty. This past year, seven current or former fellows presented at the seminar.

A.3. Participation of HLS Students in Program Activities

The Center's student activities are as follows:

John M. Olin Student Fellowships. Law students who are selected as John M. Olin Fellows in Law and Economics make a significant commitment of time and effort to research and writing in the area of law and economics and are supposed to produce a substantial paper by the end of the fellowship period. They also attend the weekly Law and Economics seminars and meet with their faculty advisers to discuss their research. Those fellows whose main interest is on corporate governance are partially supported by the Program on Corporate Governance. During AY 2016-2017, five students were awarded John M. Olin fellowships in Law and Economics and one received a John M. Olin Fellowship in Corporate Governance.

Terence M. Considine Graduate and Postgraduate Fellowships. The purpose of these fellowships is to contribute further to the training of individuals planning an academic career in law and economics. Fellows are chosen with this goal in mind, and candidates must exhibit high productivity and achievement. Fellows must be students at Harvard Law School or participate in an advanced degree program at Harvard University. We recently began to offer Considine fellowships with a focus on corporate governance, co-supported by the Program on Corporate Governance. During AY 2016-2017, there were four Terence M. Considine fellows in Law and Economics.

John M. Olin Research Assistantships. This is an important program, because it fosters interaction between faculty and students and benefits both. Over AY 2016-2017, twelve Harvard Law School students participated in the program.

John M. Olin Prizes. John M. Olin Student Writing Prizes in the amount of \$1,000 are awarded for outstanding student papers in law and economics. HLS faculty members may nominate papers for a prize, and usually one, two, or three papers receive prizes in a given year. Two prizes were awarded this past year: John Abraham, JD '17, for "*Breaking Down Asset Managers: Active and Passive Fund Incentives for Anti-Competition*" and Jeffery Y. Zhang, a JD '17 and an AY17 John M. Olin Fellow in Law and Economics for his paper co-authored with Reid B. Stevens "*Slipping Through the Cracks: Detecting Manipulation in Regional Commodity Markets.*"

Conferences and Special Events. Student fellows often attend the conferences we sponsor here at Harvard Law School. Also, the Center frequently pays the travel expenses of fellows who have been invited to present papers at professional meetings elsewhere. Annual meetings of the American Law and Economics Association (ALEA) are traditional venues where John M. Olin past and current fellows (along with the Center's Harvard Law School faculty) present their scholarly work. In AY 2016-2017, the Twenty-Seventh ALEA Annual Meeting was held at Yale University, and a paper by the current John M. Olin Center Fellow, Meirav Furth-Matzkin (co-authored with Cass Sunstein), "*Social Influences on Policy Preferences: Conformity and Reactance,*" was among those selected for presentation at this prestigious forum (the Center supports its fellows' expenses associated with participation in this event).

Law & Economics Seminar. As noted, these seminars provide HLS students with an opportunity to hear presentations of scholarly work and to engage in discussion with faculty presenters.

Thursday Evening Law and Economics Seminar for Students. As noted, this seminar gives students an opportunity to present their own work to seminar students and to the HLS faculty.

Law, Economics, and Organization Research Seminar. As noted, this seminar, which is co-sponsored by the Department of Economics at Harvard, provides HLS students with the opportunity to hear presentations of more technical research work on law and economics.

A.4. Collaborations with Other Schools and Departments at Harvard University

Law and Economics Course for Spanish Legal Academics. For the past thirteen years, the Center has hosted a week-long law and economics course for Spanish legal academics. The course is supported by the Universidad Complutense de Madrid and the Rafael Del Pino Foundation. Last year, the number of Spanish students in the course was 38, and the HLS teaching faculty members included Einer Elhauge, Terry Fisher, Steven Shavell, Guhan Subramanian, and Crystal Yang.

Law, Economics, and Organization Research Seminar. As has been mentioned, this is a joint seminar co-sponsored and co-taught by Harvard Law School and the Harvard Department

of Economics faculty.

Joint Degree Program. HLS has a JD/PhD program with the Harvard Department of Economics enabling students with interests in law and economics to obtain training in both subjects.

B. Plans for Academic Year 2017-2018

In AY 2017-2018, the Center's intention is to continue strengthening its effort in all the areas outlined in this report.

C. Additional Information

Responses to specific informational requests are given here.

To the extent practical, please include an estimate of the number of students that participated in your activities in the past year and the nature of that participation.

Student participation in Olin-sponsored activities is substantial. Here is a summary of their participation during AY 2016-2017:

Fellowships, Research Assistantships, Prizes

Student Fellowships (AY): Olin-5; Olin/Corporate Governance-1 and Considine-4

Research Assistantships: 12

Prizes: 2

Attended Courses

Analytical Methods for Lawyers (fall): 60

Economic Analysis of Law: 43

Law & Economics Seminar (fall): 27

Law & Economics Seminar (spring): 33

Law, Economics, and Organization Research Seminar (fall only): 8

Law, Economics, and Organization Research Seminar (spring only): 3

Presented at Seminars

Thursday Evening Seminars: 4

Attended or Presented at Annual Meetings in USA and Abroad: 1

One fellow, Twenty-Seventh American Law and Economics Association (ALEA) Annual Meeting

Contributed to John M. Olin Fellows' Discussion Paper Series: 9

One current, two former John M. Olin Center Fellows and one HLS JD '17 student (winner of the AY17 John M. Olin Writing Prize) authored papers in the Fellows' Discussion Paper Series.

Space Plans

During AY17, the Center occupied a one-room office space in Langdell 175-I. This switch to a smaller and less costly working area that was effected in AY14 lent itself to significant reduction in rental costs, as well as other incidentals, associated with occupying Harvard-owned premises. We anticipate maintaining the same arrangement, which is beneficial for the Center and results in a significant positive long-term impact on our balance sheet.