The law and economics scholars stood on the concrete steps behind the Law School, squeezed together, wearing suits and dresses and smiles, even though it wasn’t time for the picture yet. They were waiting for the photograph’s subject of honor, Ronald Coase, who was to arrive any minute. The six dozen scholars, all from China, Taiwan, and Hong Kong, didn’t mind the wait. In fact, many were simply in awe that they got to meet one of the fathers of law and economics at all.

This would be a moment to remember among the many moments that made up the 2012 Summer School in Law and Economics.

All of a sudden, there he was, at the back door of the Law School. Seventy-two sets of hands greeted him with enthusiastic applause.

The scholars dutifully stayed in position during the photograph, and then all bets were off. They jockeyed to speak to Coase, take his picture, and even to push his
Law. It was the pilot program of what the Law School’s Institute for Law and Economics intends as an annual summer event, one that will eventually open to scholars from all countries. China, from where most of the students came this time, was chosen for the inaugural program because of China’s burgeoning economy and a growing interest among scholars in using the tools of law and economics to influence their changing legal system.

The Law School’s Globalizing Law and Economics Initiative seeks to promote the growth of the discipline of law and economics throughout the world. The Summer School followed a conference on European contract law in April and one on climate change in May (see page 30), and other international programs are in the planning stages.

In China, law and economics is in its infancy as a discipline, but scholars recognize that it has many potential insights for the country’s rapidly evolving legal and economic systems. The program received many more high-quality applications than it could accommodate, said Professor Omri Ben-Shahar, the Director of the Institute for Law and Economics.

In China, “there is great hunger and demand for law and economics,” Ben-Shahar said. “Their growth depends on improving their property rights system.”

Throughout the program, Ben-Shahar was impressed with the scholars’ never-ending enthusiasm for the content, presented in an intense two-week schedule of lectures. “They were at class morning and afternoon, right on time, interested and eager to learn,” he said. “It was remarkable to see how dedicated they were to the academic enterprise.”

And there was plenty to soak in. The students studied Property Rights and Public Choice with Professor Saul Levmore, the Law and Economics of Private Remedies with Ben-Shahar, Property and Capital Markets with Professor Douglas Baird, and the Economics of Contract
Law with Professor Eric Posner. They heard lunchtime presentations from several law professors, including Richard Epstein, Martha Nussbaum, Judge Richard A. Posner, William Landes, Randal Picker, Richard Sandor, and Professor Coase himself. Some students presented their research in front of faculty, who responded with questions and suggestions for improvement. They had some fun too, attending a Cubs game and a barbeque at Ben-Shahar’s house, among other activities.

“We’re never afraid to ask hard questions.”

Schill encouraged the Chinese scholars to challenge their professors, starting with Professor Saul Levmore, who taught Property Rights and Public Choice. Levmore asked the students to introduce themselves, so he could get to know them as they got to know each other. The scholars rattled through their job titles, majors, and interests. They were assistant professors, senior professors, and younger scholars seeking advanced degrees in law, economics, or political science. They teach topics such as financial law, international law, and law and economics, and they’re interested in “transparency and open government,” antitrust, regulation, and many other topics. Sixty-five came from Mainland China, six from Taiwan, and one from Hong Kong. Many had previously traveled and studied in the United States, but not everybody.

“This is my first time in the US, and I’m very happy,” one student said.

Levmore started by talking about the three main features of public choice: aggregation, interest groups, and correct decisions of groups. He discussed public decision making through markets versus politics. He explained that the “wisdom of crowds” principle holds that if you ask enough people, the group will get it right. He talked about “spatial competition” of businesses, illustrating his point with a set of erasers substituting for shoe stores. He defined the difference between a Condorcet winner and a voting paradox and drew plenty of questions and laughs along the way.

Levmore’s wit, well-known by his Law School students, was evident as he diagramed the voting paradox on the chalkboard.

“If you have not seen it before,” he said, “this is probably the best day of your whole life.” His humor translated, apparently, as the students responded with laughter.
After class, Jing Chen, a PhD candidate at Renmin University of China studying bankruptcy law, pointed out that the US and China have “very different concepts of law and economics.” Still, she said, American tools could make economic law more rational in China and give its citizens more options. That’s why the topic of Public Choice especially resonates with her.

In China’s future, “we may be willing to welcome other ways to give more choice to people,” she said. “Those changes might be better than what we have now.”

Later, Levmore said his goal was not to spread law and economics in China, but to give the scholars tools they could use in their own work. Obviously, in a country as large as China, studying how large groups make decisions is relevant.

At the end of the first day, the scholars gathered in the Green Lounge to munch on hors d’oeuvres and talk about what they learned (in Mandarin, of course). Some explained difficult concepts to friends who didn’t understand, and others talked about how they might use what they learned at their home universities. They looked up English words online that they hadn’t recognized in class. A few had enough academics for the day and opted to play table tennis.

Jie Cheng, Associate Professor of Law at Tsinghua University School of Law, sat chatting with her fellow faculty members who made the trip with her. She said she is working on a paper about land and property disputes in China.

“I’m trying to apply some law and economics,” she said. “It will be helpful if I can study here and be exposed to the best law and economics professors.”

Increasing scholarship into law and economics was a big topic among the scholars, who even held a separate meeting after class one day to discuss how to improve teaching and research in China. The discussion was led by editors of prominent academic journals.

Weixing Shen spotted a familiar face in the Green Lounge—Professor Richard Epstein, who was about to give a lunchtime talk. Shen is a Professor and Vice Dean of the Tsinghua Law School. He met Epstein at a property

Below: Richard Epstein gave the first of several lunchtime talks on law and economics. Many of the students were already acquainted with his work.
way of measuring human welfare that takes into account an
individual’s range of opportunity, health, education, control
over one’s life, emotional health, and other important factors.
“Capabilities are not just skills people have,” she said.
“They’re actually freedoms to choose.”
Nussbaum also explained that theories are necessary to
make change in the real world, because they provide a
language for talking about problems and reforms.

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At the beginning and end of most events of the Summer
School, one voice could be heard helping bridge the gap
between the Law School and the Chinese scholars. That
voice belonged to Ruoying Chen, Assistant Professor at
Peking University Law School. Chen is a Chicago graduate,
earning an LLM in 2005 and a JSD in 2010. She also has
served as a visiting assistant lecturer and an Olin Fellow in Law and Economics.

During the Summer School, it was Chen's job to translate vital information to the Chinese students, and her no-nonsense announcements were delivered in rapid-fire Mandarin. Every once in a while, she would utter a word or phrase an English speaker could decipher, such as “Navy Pier.”

On the last day of the program, Chen—between making sure everyone’s last-minute needs were met—talked about the importance of this program for her native China. Much of the law there is not strictly implemented or enforced, she explained, and policymakers, lawyers, and the public lack knowledge about the effect of state control on the new economic markets. Law and economics can help Chinese scholars understand the relationships between the central government, local government, state-owned enterprises, and private enterprises, she said.

Law and economics can lead to a “better understanding of the impact of government control,” Chen said. “Whether that will lead you to say that we prefer less government control, I’m not sure. Maybe.”

At the welcome banquet, Ben-Shahar stood at the podium and expressed his vision that the meeting would one day be remembered as the first meeting of the Chinese law and economics association. He encouraged the scholars to build on what they learned in Chicago to further develop the field at their universities and to create opportunities to publish and present cutting-edge work in Chinese law and economics.

Below: Some of the students pose with Coase after his lunchtime speech. Several students expressed great personal admiration for the Nobel Prize winning economist.
Coase Turns His Scholarly Attention to China

At 101 years old, renowned University of Chicago Law School economist Ronald H. Coase has never stopped generating new ideas or giving his witty, confident take on past intellectual skirmishes.

His latest ideas are in a new book that Coase cowrote with Ning Wang, PhD ‘02, titled How China Became Capitalist. It is a fresh example of the intellectual approach that Coase first brought to the University as a visiting scholar more than half a century ago.

On that evening in 1960, Coase persuaded a room full of skeptical Chicago economists—including future Nobel laureates Milton Friedman and George Stigler—to take his point of view on an important question of law and economics. In the process of winning them over, Coase honed an economic theory that would later win him a Nobel Prize in 1991.

“They were very impressed that I had changed their views, but I wasn’t particularly impressed because all I was doing was stating the obvious,” recalls Coase, who joined the University of Chicago Law School faculty in 1964. He is now the Clifton R. Musser Professor Emeritus of Economics.

Celebrated for his groundbreaking work on the economics of the firm and in the area of law and economics—a field born at the University of Chicago Law School—Coase has turned his academic acumen to China, a country that fascinated him since he read about Marco Polo as a boy. His writing is finding eager audiences there, an indication of the far-reaching impact of Coase’s work.

“Anyone would be hard-pressed to find another economist that has shaped the direction of the field of law and economics as much as Professor Coase,” says Wang, an assistant professor at Arizona State University’s School of Politics and Global Studies. “In China, Coase has profoundly influenced the way its market economy has evolved, particularly his emphasis on the delineation of property rights as the precondition for market transaction. He is probably the most well-known Western economist there.”

How China Became Capitalist traces the market transformation China has experienced over the past 35 years. The book argues that the changes came not from deliberate actions taken by Chinese leadership, as often claimed by Beijing, but from “marginal revolutions.”

“China became capitalist while it was trying to modernize socialism,” write Coase and Wang. “The story of China is the quintessence of what Adam Ferguson called ‘the products of human action but not human design.’ A Chinese proverb puts it more poetically: ‘The flowers planted on purpose do not blossom; the willows no one cared for have grown into big shade trees.’”

Coase says his main scholarly talent has been to identify solutions that were in plain sight. “I’ve never done anything that wasn’t obvious, and I didn’t know why other people didn’t do it,” he says. “I’ve never thought the things I did were so extraordinary.”
someone who cites him in every article, that was a great moment for me.”

The professors who taught the classes said the Summer School experience was a good one for them too. For example, Eric Posner found the scholars to be “extremely sophisticated.” Posner particularly enjoyed one-on-one conversations with the students about how economic activity takes place in the absence of a strong legal system. “I wasn’t sure what level they would be when they arrived, but they already knew a lot of law and economics. They were familiar with lots of scholarship. I was pretty impressed by them.”

Baird was surprised at how familiar the Chinese students were with the work of American professors. He tried to make sure he offered tools and ideas without indicating that “their path to salvation is imitating us,” he said. But teaching them law and economics early in their development into a market economy “can help them come up with legal institutions that are a little bit better.” He said they were particularly interested in his examples about GM and Chrysler, because they show the impact of government intervention in large enterprises.

In some cases, the professors learned from the Chinese, and in others, they offered advice and commentary on China. Judge Posner, in his lunchtime speech, said this: “In societies in which the position of the judiciary is not well-established because the political authorities do not respect law … the courts have to struggle for legitimacy and authority. And one way they do that is to remove themselves from the practical,” which would include an economic approach to judicial decision making.

Posner’s research into judicial behavior with Professor William Landes is the subject of their upcoming book with Lee Epstein of the University of Southern California, The Behavior of Federal Judges: A Theoretical and Empirical Study of Rational Choice. Landes anchored another lunchtime talk about the research and in the process asked the Chinese how people become judges in China. They...
explained: Anyone with a college degree in any subject may take the bar exam. If you pass, you may practice law. Judges have to have a degree in law, but they can enter the judiciary right after college and they are not elected.

Some of Landes’s research delves into when and why judges choose to dissent. He found that sometimes judges decline to dissent with a majority opinion, even if they disagree, because the costs outweigh the benefits.

Richard Sandor, Lecturer in Law and CEO of Environmental Financial Products LLC, gave a lunchtime talk about the difference between good derivatives and bad derivatives. It was a fitting topic for the author of the new book, *Good Derivatives*, which he signed for interested students by name, finishing with, “With all best wishes, Richard Sandor.”

Sandor said China should seize its opportunity to lead the world in fighting climate change. “China has a place to emerge as a world leader in this area,” he said. “As the leading emitter of carbon in the world, its standards can affect US standards.”

One lecture in Room V during the Summer School had nothing to do with law and economics. Richard Badger, Assistant Dean for Graduate Programs, explained the fundamentals of baseball before he and other staff took the scholars to Wrigley Field for a Cubs game. The Chinese, in general, don’t follow baseball and aren’t familiar with its rules. The Taiwanese, on the other hand, are big fans and well versed in the sport.

During his tutorial, Badger explained that baseball has no clock. “There is no time limit to a baseball game. Theoretically, we could be there all night,” he said, eliciting gasps from the students.

He explained strikes, balls, the strike zone, and outs, and then the students were off to Wrigley on a very hot, 99-degree day. The Miami Marlins beat the Cubs 9–5, but the students got to see a grand slam (hit by the Marlins) and sample stadium food. Some took close interest in the rules of the game, while others chose to people watch, so they weren’t any different than your typical American spectators. The Taiwanese students served as baseball experts for the Chinese.

On another afternoon, Levmore and Professor Julie Roin took about 50 students on a bike ride up the lakefront to Navy Pier, and then to Gino’s East for pizza. Chicago, in general, got high marks, especially for the diversity of its people and attractions.

“I like the life here. People are relaxed here,” said Zhenzhen Bao, a postgraduate student studying international economic law at the Tsinghua Law School, who took time off campus to cruise the Chicago River and enjoy the Taste of Chicago. “The food is delicious, but (the weather is) too hot,” she said.

Xiaojie Liu, Associate Professor in international trade law at Tsinghua, went to a Friday night free concert at Millennium Park. She also went to the Art Institute of Chicago, which she loved. “I thought the only purpose of the trip was to study law and economics. I thought I might not have the time to go around and enjoy the city life,” she said. “If I would have known the city was so interesting, I would choose another (later) day to leave.”

Ben-Shahar hosted a barbeque for the scholars at his home on their last night in Chicago. All the faculty who taught them came, and they were presented with books about China, signed by the participants with their Chinese names. The scholars stayed late, and later many were up into the early morning hours at their dormitory, talking about the experience.

“It was something they experienced emotionally,” Ben-Shahar said. “The end of summer school was hard, because they had a very good time here.”

The experience was special for Ben-Shahar, too, because it illustrates for him the power of the Law School. “For me, the most remarkable thing is how such a small place like the Law School can create something with as enormous an impact as this,” he said. It shouldn’t be all that surprising; after all, that’s what Chicago’s founders of law and economics did 75 years ago. And to ensure the legacy continues further, the plans for next year’s Law and Economics Summer School are already underway.
Ben-Shahar and the other professors received gifts from the students.

The group went to Wrigley Field for a Cubs game.

Professor Douglas Baird at the barbeque.

Eric Posner at the barbeque.

The barbeque was in Ben-Shahar’s backyard.

Several students said they were sad to see the Summer School end.