Part One: Report of Activities

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Part One: Report of Activities

A. Summary of Academic Year: 2009-2010

Introduction

The primary mission of the John M. Olin Center is to advance the economic approach to the analysis of law. Under this approach, we seek 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 an important prerequisite for making better legal policy recommendations for the future. 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.

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 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. Such support allows professors to devote the time necessary for research and writing, and results in the publication of articles and books. We are pleased to report that 5 of our law and economics professors (whose names are bolded below) published, edited, or contributed, to 8 books since our last report:

Ramseyer, J. Mark, Corporate Law Stories, (Foundation P, 2009)
**Journal of Legal Analysis.** Professors J. Mark Ramseyer and Steven Shavell launched the nation’s first faculty-edited journal with a broad legal focus in the Winter of 2009, called the *Journal of Legal Analysis* ([https://ojs.hup.harvard.edu/index.php/jla](https://ojs.hup.harvard.edu/index.php/jla)). Funding for this journal is coming from Olin and Considine funds, and other HLS faculty members on the editorial board include Louis Kaplow, Kathryn Spier, and Adrian Vermeule. Today there are 333 registered users and during the past 12 months there were 36,958 article requests.

**Law and Economics Discussion Paper Series.** The purpose of the series is to circulate (in pre-published form) papers on topics in law and economics. The papers benefit from a wide exposure as they are posted on the Social Science Research Network (SSRN), New England Law Library Consortium (NELLCO), and the BEPress (Berkeley Electronic Press) websites, as well as the John M. Olin Center website. In the first six months of using BEPress, our papers had over 10,800 hits. Their abstracts are also advertised in WestLaw’s Law Review Abstracts Clearinghouse database, and in many of SSRN’s electronic abstract journals. In addition, the Olin Center sends out its own announcement of any new papers to a worldwide email list of subscribers every two months. In September 2004, the Center established a separate series for papers written by its *John M. Olin Fellows*. During 2009-2010, a total of 26 papers were placed in the faculty series, and 3 papers were placed in the Fellows’ series. The publication record of these papers is outstanding.

**Program on Corporate Governance.** The Program was established in 2003 with seed financing from the John M. Olin Center for Law, Economics, and Business, and is affiliated with the Center. The Program on Corporate Governance seeks to contribute to policy, public discourse, and education in the area of corporate governance and seeks to advance this mission in two inter-related ways:

- **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 enhance the public discourse on corporate governance.

- **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 Lucian Bebchuk, and the Program’s Faculty Committee consists of Professors Bebchuk, Robert Clark, John Coates, Allen Ferrell, Jesse Fried, Oliver Hart, Howell Jackson, Reinier Kraakman, Mark Ramseyer, Mark Roe, Hal Scott, Robert Sitkoff, and Guhan Subramanian. Also contributing to the Program’s activities are two Senior Fellows of the Program, Ben Heineman Jr. and Leo Strine, Jr., a regular visiting professor at Harvard Law School. The Program’s co-executive directors are Scott Hirst (a fellow in 2010-2011) and Holger Spamann (a fellow for the past few years).

The Program has developed an email list to announce working papers, publications, and corporate governance announcements. At present, there are approximately 135,000 recipients on the mailing list.

In December 2006, the Program established a blog website, which can be accessed at [http://blogs.law.harvard.edu/corpgov/](http://blogs.law.harvard.edu/corpgov/). The site was initially called The Harvard Law School Corporate Governance Blog. Reflecting the breadth of topics featured, the site has since been renamed The Harvard Law School Forum on Corporate Governance and Financial Regulation.
The Forum features communications about corporate governance research and practice both by individuals associated with the Program – faculty, fellows, and members of the Program's advisory board – as well as posts by guest contributors. The Forum provides updates on working papers, seminars, speakers, and other activities sponsored by the Program. We featured 521 posts in 2009-10, a 30% increase over 2008-09. We recorded 2,829,794 hits in 2009-10, a 6% increase over 2008-09. The Forum now has 1,102 subscribers that receive daily emails.

The Program hosted a Proxy Access Roundtable on October 7, 2009. The Roundtable brought together prominent participants in the debate - representing a range of perspectives and experiences - for a day of discussion on the subject. The day’s first two sessions focused on the question of whether the Securities and Exchange Commission should provide an access regime, or whether it should leave the adoption of access arrangements, if any, to private ordering on a company-by-company basis. The third session focused on how a proxy access regime should be designed, assuming the Securities and Exchange Commission were to adopt such an access regime. The final session went beyond proxy access and focused on whether there are any further changes to the arrangements governing corporate elections that should be considered.

During 2009/10 the Program instituted a series of Corporate Law Fellow Colloquia for students, fellows and other researchers in the field of corporate governance to discuss their research and receive feedback. Students, fellows and other researchers attending or presenting at colloquia during 2009/10 include Vladimir Bosiljevac, Jacek Dybinski, Scott Hirst, James Naughton, Yaron Nili, Holger Spaman, Roy Shapira and Andrew Tuch (the last 6 being some of our fellows).

To encourage and recognize work by students in the corporate governance area, the Program established the Victor Brudney Prize in Corporate Governance in honor of Professor Victor Brudney, Robert B. and Candice J. Haas Professor in Corporate Finance Law, Emeritus. This $1,000 prize is awarded annually to the best student paper on a topic related to corporate governance. The prize committee consists of Professors Bebchuk, Kraakman, and Roe. The 2009/10 Victor Brudney Prize in Corporate Governance was awarded to fellow Andrew Tuch for his paper, Multiple Gatekeepers.

Over the past year, some of our faculty also testified before the House and Senate:

Professor Lucian Bebchuk testified before the House Committee on Financial Services on “Compensation in the Financial Industry” on January 22, 2010.

Professor John C. Coates IV testified before the Senate Subcommittee on Securities, Insurance and Investment of the Committee on Banking, Housing and Urban Affairs, on July 29, 2009. Coates also testified before the House Committee on House Administration on the Disclose Act (H.R. 5175) on May 11, 2010.

Professor Hal Scott testified before the Senate Committee on Banking, Housing and Urban Affairs on regulatory modernization as it relates to the insurance industry on July 28, 2009. Scott also testified before the Senate Committee on Banking, Housing and Urban Affairs on the implications of the Volcker Rules for Financial Stability (Volcker Rules), as well as President Obama’s proposed size limitations on banks, on February 4, 2010. Scott also continued his work on the Committee on Capital Markets Regulation, of which he is the Director.

Professor Robert Sitkoff served as Commissioner of the Uniform Law Commission, and as a member of the Joint Editorial Board for Uniform Trusts and Estates Acts on behalf of the Commission.
Conferences. The Olin Center often sponsors conferences on topics in law, economics, and business, at which scholars meet with colleagues from other universities to present and discuss work-in-progress. Conferences play a key role in generating new ideas among academics and practitioners in the world of law and business. Where appropriate, we also co-sponsor conferences with other universities.

Louis Kaplow was selected as President of the ALEA for this year and the annual meeting in 2011 will take place at Harvard Law School in May.

A.2. Contributions to HLS Teaching Program

The Olin Center continues to make strong contributions to the HLS teaching program in the following ways:

The Analytical Methods for Lawyers Course and Textbook. As we indicated in previous reports, the development of this course and textbook was supported by the Olin Center. Designed to teach basic business and economics concepts to first-year law students, it soon became popular with second- and third-year students as well. The course had 131 students this year. The Analytical Methods for Lawyers textbook was first introduced in the spring 2004 semester. We are happy to add that Foundation Press has also published the Preliminary Teachers Manual for Analytical Methods for Lawyers, as well as spin-offs of the textbook subject matter; for example, Law and Economics, Decision Analysis, Contracting, and Accounting, etc. As predicted, the Analytical Methods for Lawyers textbook is a major success and is becoming a great boon to the study of law and economics across the nation. By the 2009-2010 academic year, the book had been adopted at 22 schools, including Boston University, Cardozo, University of California-Berkeley, University of Chicago, Columbia, Duke, Emory, Georgetown, Harvard, University of Michigan, University of Pennsylvania, Rutgers, University of Texas, and Vanderbilt. Not including the orders for Fall 2010, over 3200 copies have already been shipped (621 this past year alone). In addition, there have been 26 adoptions of the various spin-off books, with 8,300 copies shipped (879 this past year alone). We are already working on a second edition of the book.

Contributing Faculty with Expertise in Law and Economics. At present, a fifth of the School’s faculty has substantial expertise in economic analysis of law. Law and Economics is represented in the curriculum both by courses whose primary purpose is to teach economic analysis and by courses in law taught by instructors who make significant use of economic analysis. The Center lends support to thirteen courses and seven seminars or reading groups whose primary purpose is to teach economic analysis, as follows:

Analytical Methods for Lawyers (fall)
Analytical Methods for Lawyers (spring)
Business Strategy for Lawyers
Economic Analysis of Law:
Contracts: Advanced
Corporate Governance: Current Topics & Theories
Law & Economics
Law & Finance
Mergers, Acquisitions, and Split Ups
Negotiation Advanced: Deal Set Up, Design, & Implementation
Positive Political Science and Public Law I
Positive Political Science and Public Law II
Shareholder Activism
Law and Economics Course for Spanish Law Students and Academics. For the past six years, the Olin Center and Harvard Law School faculty have hosted a successful law and economics course for Spanish law students and academics. In cooperation with the Department of Applied Economics of the Universidad Complutense de Madrid, and sponsored by the Foundation Rafael del Pino, this week-long series of classes attracted 30 attendees from Spain last year. The series included classes on new developments in law and economics, economic analysis of corporate law, and tort reform, taught by 5 of our core law and economics faculty—Lucian Bebchuk, Louis Kaplow, Steven Shavell, Kathryn Spier, and Guhan Subramanian—in addition to Yale Law School professor, John Donahue. This course will be repeated at Harvard Law School again this upcoming October.

Production of Academics. A major goal of the Center is to contribute to the support and education of students training to become professors. We learned during this past year that 5 more of our former Fellows have obtained new teaching appointments—Ryan Bubb is teaching at NYU Law School, Andrea Chandrasekher is teaching at Northwestern Law School, Daniel Chen is teaching at Duke Law School, Jeffrey Manns is teaching at George Washington University Law School, and Pierre-Hugues Verdier is teaching at Virginia Law School.

A.3. Participation of HLS Students in Program Activities

Student participation in Olin Center activities is remarkable. Graduates continually tell us that being affiliated with the Olin Center was the highlight of their time here. The Center’s major student programs follow:

**John M. Olin Student Fellowships (Academic Year).** Law students (including J.D., LL.M. and S.J.D. 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 produce a substantial paper by the end of the fellowship period. They also attend the weekly law and economics seminars and meet as a group with their faculty advisers or each other to discuss their research. During the past academic year (2009-2010), five students were awarded fellowships.

**John M. Olin Student Fellowships & Terence M. Considine Student Fellowships (Summer).** We also have a summer fellowship program. Many of our fellows are pursuing a doctorate degree and/or an academic career. The opportunity to be considered for summer support allows them more flexibility in arranging their summer schedules, so that they can maximize their research time, without the need of supplementing their summer income in other ways. Last year, two students received summer fellowships.

**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 have obtained a law degree from Harvard Law School and/or be a student in an advanced degree program at Harvard University. There were ten graduate fellows during academic year 2009-2010.
John M. Olin Research Assistantships. This is an important program, because it fosters interaction between faculty and student, and redounds to the benefit and greater productivity of both. Twelve students served as research assistants to our law and economics faculty and fellows this past year.

John M. Olin Prizes. John M. Olin Prizes, in the amount of $1,000, are awarded for outstanding student papers in law and economics. Usually, one, two, or three papers receive prizes each year. Faculty may nominate papers for a prize, and students may also submit their papers for consideration. One prize was awarded for this past year.

Conferences and Special Events. Student fellows often attend the conferences we sponsor here at Harvard Law School. Also, the Center often pays the travel expenses of fellows who are presenting papers at the annual meetings of the American Law and Economics Association or other law and economics associations here and abroad. During the past year, 3 student fellows participated in such endeavors at 2 conferences.

A.3. Participation of HLS Students in Program Activities (continued), and
A.4. Collaborations with Other Schools and Departments at Harvard University

(The following activities involve both HLS students and collaborations with other Schools and Departments at Harvard University.)

Seminar: Law and Economics. These seminars are open to attendance by HLS students and faculty as well as faculty from other Harvard departments (notably, economics, business, and public policy) and other universities (BU and MIT). Thus, the seminar serves as a focal point for activity in law and economics in the Boston area. During 2009-2010, 13 professors from other schools presented papers at the seminar, in addition to 11 of our own HLS professors.

Thursday Evening Seminar for Students. This component of the Law and Economics Seminars gives students the opportunity to present their own work to the seminar students and to faculty. It has proved to be very popular. This past year, 8 of our current or former fellows presented.

Seminar: Law, Economics, and Organization Research. This is a joint seminar co-sponsored and co-taught by Harvard Law School and the Harvard Department of Economics. The seminar involves the presentation of work in progress in the field of law and economics, with the papers being the type written by professional economists. Presentations are made by members of various Harvard faculties as well as other faculties and by graduate students doing work in law and economics. This past year, 5 Harvard Law School professors, 9 professors from other universities, 3 Harvard Department of Economics or Business School professors, and 1 fellow, presented papers.

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

B. Plans for Academic Year: 2010-2011

Professors J. Mark Ramseyer and Steven Shavell will continue expanding the Journal of Legal Analysis, the nation’s first faculty-edited journal with a broad legal focus. Funding for this journal is coming from Olin and Considine funds, and other HLS faculty on the editorial board include Louis Kaplow, Kathryn Spier, and Adrian Vermeule.
Next year we shall continue offering Terence M. Considine Fellowships in Law and Social Sciences. These fellowships are intended to support two groups of individuals: those whose goal is to enter legal academia and whose main interest is in law and social sciences; and those whose goal is to enter an academic department in the social sciences (especially in economics, business, or government), provided that their focal interest is in law. To be eligible, an individual must either be a recent Harvard Law School graduate or a student in a Harvard social science PhD program. In the past year, we had 10 such fellows (2 during the summer, 10 during the academic year).

With Professor Louis Kaplow as president of the American Law and Economics Association we will be hosting their annual meeting on our campus in May 2010. We have hosted this event in the past with great success and anticipate over 200 attendees for the two day meeting.

*Note on Faculty Participation:* University guidelines for research programs and centers stress the importance of broad faculty participation. Please describe the extent of faculty participation in your program or center. In addition, please indicate which faculty member or members would be the most plausible successor as faculty director should the Law School need to find a replacement for the current director on short notice.

As already noted, a fifth of HLS faculty are interested in law and economics and participate in Olin Center activities. For example, they either teach or attend law and economics seminars, and typically twelve or more faculty participate in our summer research program. They are also directly involved in advising students and more are beginning to coauthor papers with them.

Professor Louis Kaplow would be the most plausible successor as faculty director should the Law School need to find a replacement for the current director on short notice.

*Note on Student Participation:* 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 2009-2010:

- **Fellowships, Research Assistantships, etc.**
  - Student Fellowships (ay): 5 Olin, 10 Considine
  - Student Fellowships (summer): 2 Considine
  - Postgraduate Fellowships: none
  - Research Assistantships: 12
  - Prizes: 1

- **Attended Courses:**
  - Analytical Methods for Lawyers (fall): 59
  - Analytical Methods for Lawyers (spring): 72
  - Business Strategy for Lawyers: 51
  - Economic Analysis of Law: 59
  - Contracts: Advanced: not offered
  - Corporate Governance in East Asia: Seminar: not offered
  - Corporate Governance of the Public Firm: 38
  - Corporate Governance: Reading Group: not offered
  - Innovative Contracting: Seminar: not offered
  - Law & Economics: Seminar (fall): 17
  - Law & Economics: Seminar (spring): 27
Law & Finance: not offered
Law, Economics & Organization Research: Seminar (fall and spring): 1
Law, Economics & Organization Research: Seminar (fall): 7
Law, Economics & Organization Research: Seminar (spring): 6
Mergers & Acquisitions: 96
Negotiation Advanced: Deal Set Up, Design, & Implementation: not offered
Positive Political Science and Public Law I: Not offered
Positive Political Science and Public Law II: Not offered
Shareholder Activism: 25
Venture-Backed Start-Up Company: Seminar: not offered

Presented at Seminars:
Thursday Evening Seminars: 8

Attended or Presented at Annual Meetings in USA and Abroad: 3
Two fellows presented at the American Law & Economics Association annual meeting
One fellow presented at the Empirical Legal Studies Conference

Contributed to John M. Olin Discussion Paper Series: 3
Four fellows or students authored or coauthored 4 papers in our series.

Note on Space Requirements: If your program anticipates the need for additional space, please indicate the amount of space the program will be requesting and when the space will be needed. (As with requests for additional personnel, requests for more space are subject to HLS approval and may not always be granted. We are requesting this information solely for planning purposes.)

During the academic year we occupied 2 offices on the 3rd floor of 23 Everett Street – Everett 313 (office of the Center’s administrative director), and Everett 312 (accessible to 15 student Fellows).

We are in the process of raising more funds for the Center, and one of the activities for which we are requesting funds is for a new fellowship program for post JDs and possibly PhD economics students who are at the Law School. We have received some funds for this purpose under the Considine Fellowship program. Eventually, we expect to need another three to five offices for additional fellows, but we do not anticipate needing additional space during the 2010-2011 fiscal year.