

Courts Redux

Micro-evidence from India

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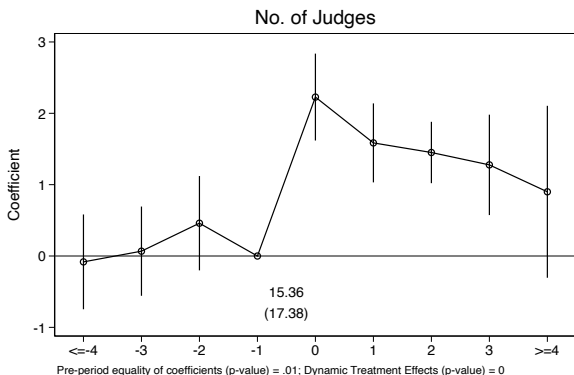
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Judiciary an important state institution

- ▶ Timely enforcement of contracts and property rights by courts is important:
 - ▶ Expectation Effects: contract enforcement \rightarrow \downarrow transaction costs and uncertainty \rightarrow stronger financial sector \rightarrow firm growth.
 - ▶ Liquidity Effects: Free tied-up capital/productive resources involved in litigation.
- ▶ This paper exploits:
 - ▶ Disaggregated litigation data.
 - ▶ Exogenous variation in the **creation and resolution of judge shortages due to judge rotations** in district courts in India \rightarrow sharp changes in staffing levels.
- ▶ Recirculation of cheaper credit for all firms, access to credit for small firms.
- ▶ Firm profit \uparrow 40% and wage bill \uparrow 5% \rightarrow return on public expenditure > 5 .

Sharp discontinuities in judge staffing around rotations

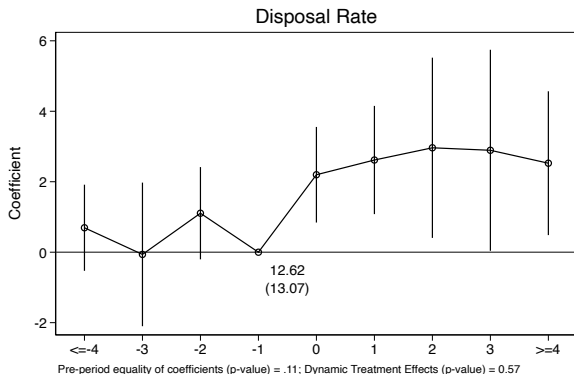
High levels of vacancy, short tenure, and judge reassignment across district courts → generates as good as random variation in the timing of creation and resolution of judge shortages in a district court.



$$y_{it} = \sum_{j=-4, j \neq -1}^{4+} \beta_j^+ \mathbb{1}\{|t - T_{d,e}| = j\} \times Pos_{d,e} + \sum_{j=-4, j \neq -1}^{4+} \beta_j^- \mathbb{1}\{|t - T_{d,e}| = j\} \times Neg_{d,e} + \alpha_i + \alpha_e + \alpha_{st} + \epsilon_{it}$$

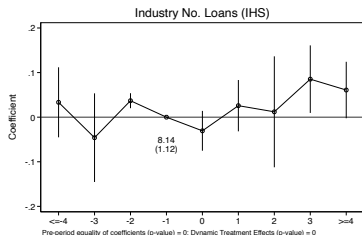
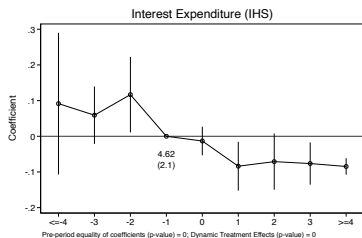
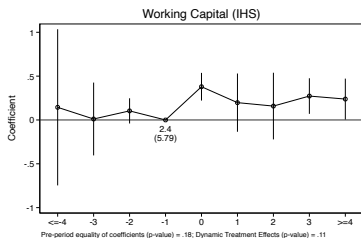
More judges, better court performance in backlog resolution

One additional judge resolves 200 more cases in a year.



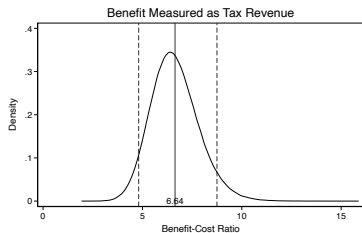
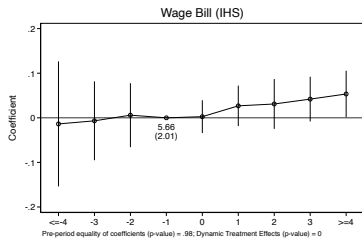
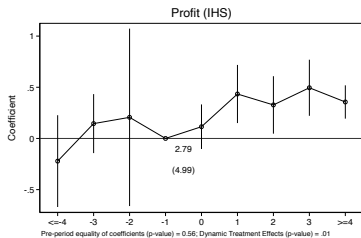
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Better resolution of debt recovery trials and credit circulation



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Improved firm profit and wage bill



$$y_{it} = \sum_{j=-4-j \neq -1}^{4+} \beta_j^+ \mathbb{1}\{|t - T_{d,e}| = j\} \times Pos_{d,e} + \sum_{j=-4-j \neq -1}^{4+} \beta_j^- \mathbb{1}\{|t - T_{d,e}| = j\} \times Neg_{d,e} + \alpha_i + \alpha_e + \alpha_{st} + \epsilon_{it}$$