Law and society rely upon a 'Republic of Belief'

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In developed and less developed countries alike, many worry about why laws are so often ignored. But there's a converse question that is even more puzzling: Why are laws obeyed at all?

It's a question that Cornell University professor Kaushik Basu, one of the world's leading economists, answers in his latest book, "The Republic of Beliefs: A New Approach to Law and Economics." He offers a new methodology for doing law and economics, rooted in game theory, that provides a deeper understanding of why the law works and how to craft more effective laws for a fairer society.

Basu, former chief economist of the World Bank and current president of the International Economic Association, says that a law doesn't change the underlying game of life that society is locked in: "In truth, the most important ingredients of a republic, including its power and might, reside in nothing more than the beliefs and expectations of ordinary people going about their daily lives and quotidian chores. It is in this sense that we are all citizens of the republic of belief."

This idea forms the basis of his new theory of law and economics, which he calls the focal point approach. The law is like a focal point, he says, a little sign post that helps us coordinate our behavior.

He draws on modern game theory to give the approach a concrete shape. For example, in many countries, the person who gives a bribe and the person who takes it are punished equally. Although that may sound like a

noble law, the law gives the bribe-taker and the bribe-giver a common interest: the desire to hide the bribe. But if the punishment is asymmetrical—that is, if only the bribe-taker is fined—then the two parties have no reason to collude.

This approach has reduced prostitution in Scandinavia, where the sex buyer is fined and the sex worker is not. And it has reduced an ancient form of suicide in India, where witnesses to "sati—a practice in which a widow commits suicide soon after her husband's death—are not punished but a widow who attempts it is, because to treat witnessing sati as a crime would ensure no witnesses in court.

"These are small, subtle changes that you can make in the law to treat the enforcer of the law as a human being with human follies," Basu said. "With this recognized, you can change laws to be more effective than a well-meaning law that is built on a false precept of human infallibility."

The book offers an analytical structure, a kind of grammar, with which to analyze laws and understand why they get poorly implemented, Basu said.

"At one level the book is a closure of a certain kind of law and economics," Basu said. "But it also opens a new window for more research and more avenues for taking these ideas farther forward ... for the sake of laws and strategies of implementation that are more effective."

Provided by Cornell University

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