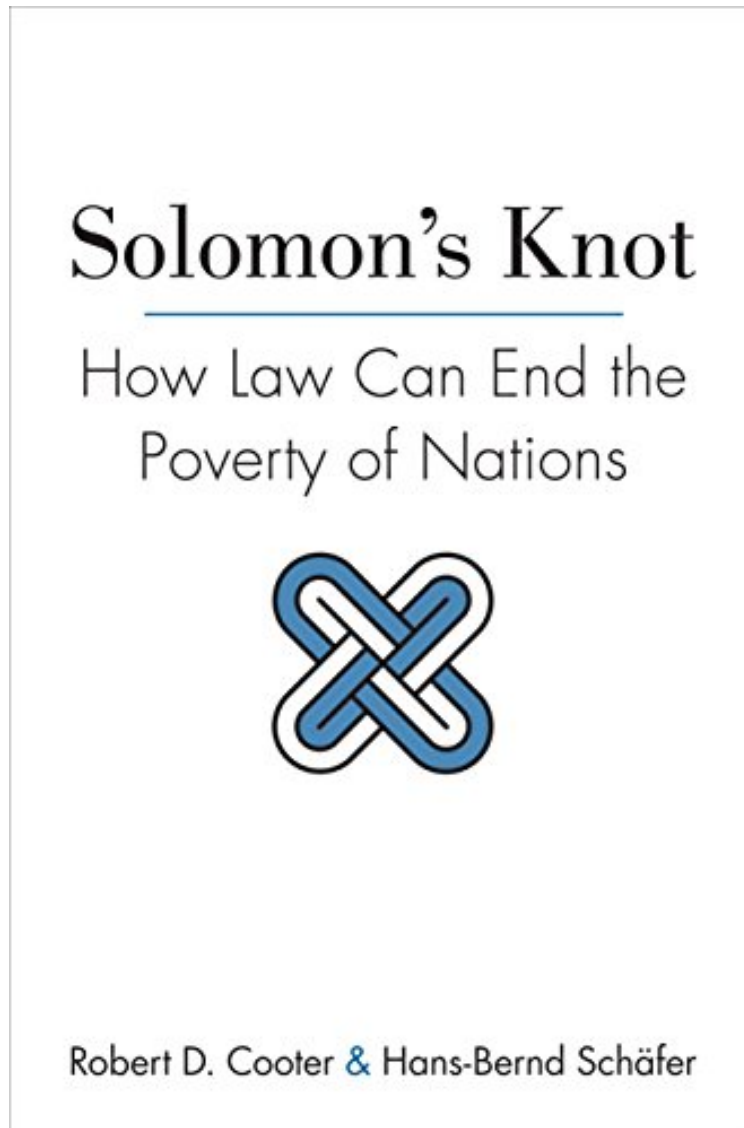


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Solomon's Knot: How Law Can End the Poverty of Nations (The Kauffman Foundation Series on Innovation and Entrepreneurship)

Robert D. Cooter, Hans-Bernd Schäfer
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Robert D. Cooter, Hans-Bernd Schäfer : Solomon's Knot: How Law Can End the Poverty of Nations (The Kauffman Foundation Series on Innovation and Entrepreneurship) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Solomon's Knot: How Law Can End the Poverty of Nations (The Kauffman Foundation Series on Innovation and Entrepreneurship):

2 of 2 people found the following review helpful. Simple and straightforward presentation of an important concept
By Eva Maria Bille
I enjoyed the first chapters, full of real life examples and explaining the double trust issue in terms so that I felt that I was prepared to explain it to others. The book does get a bit repetitive towards the end, and every concept is explained into details that were not absolutely necessary in my opinion, but may benefit undergraduate students.
0 of 0 people found the following review helpful. Great creation
By Ignacio M. Villaseñor
I love how the author combines beautifully both fields of work. The historical examples are also on point. Great read
7 of 7 people found the following review helpful. The Most Important Recent Book in Development Economics
By Michael Strong
I recently reviewed this book very positively for Barron's (see "Legalize Freedom" in the June 30, 2012 edition). I was stunned to check it out and find that no one had yet reviewed the book here. I regard it as the most important book in development economics in recent times. Prosperity is determined by the manner in which incentives are directed towards productive or unproductive activities. Legal systems largely determine whether or not incentives are directed in productive activities or not. The fact is that poor nations are poor because their legal systems do not direct human initiative, creativity, and activity in productive directions. This book provides a robust and rigorous summary of the evidence for this thesis along with general guidance for how legal systems can be tweaked to direct human initiative, creativity, and activity in more productive directions. The simplistic understanding of their thesis is Adam Smith 101, that free markets lead to prosperity. That said, there are so many simplistic, misguided, and corrupt interpretations of Smith's insights that many intellectually honest observers have come to doubt that free markets do, in fact, lead to prosperity. The genius (and immense erudition) of the authors have been brought to bear upon the subtleties of the legal environment within which market activity takes place. In an age in which "free markets" and "capitalism" have become shallow political clichés, it is profoundly important to have responsible scholars articulate clearly the very specific legal prerequisites to market activity. This book is highly recommended to anyone who is willing to go beyond the headlines to understand the real sources of "The Wealth of Nations." Once one has fully digested the content of this book, one will have a lens for diagnosing success and failure in prosperity creation around the world. If a nation is not prosperous, one will know where to look in order to understand the causes of poverty - and what needs to be changed to create prosperity. For those who already believe in the importance of economic freedom in creating prosperity, I recommend this book as the most important resource for convincing intellectually honest friends that economic freedom, given the right legal structure, does, in fact, lead to prosperity for all.

Sustained growth depends on innovation, whether it's cutting-edge software from Silicon Valley, an improved assembly line in Sichuan, or a new export market for Swaziland's leather. Developing a new idea requires money, which poses a problem of trust. The innovator must trust the investor with his idea and the investor must trust the innovator with her money. Robert Cooter and Hans-Bernd Schäfer call this the "double trust dilemma of development." Nowhere is this problem more acute than in poorer nations, where the failure to solve it results in stagnant economies. In *Solomon's Knot*, Cooter and Schäfer propose a legal theory of economic growth that details how effective property, contract, and business laws help to unite capital and ideas. They also demonstrate why ineffective private and business laws are the root cause of the poverty of nations in today's world. Without the legal institutions that allow innovation and entrepreneurship to thrive, other attempts to spur economic growth are destined to fail.

"Cooter and Schäfer apply insights from the field of law and economics to the problem of poverty. They describe how institutions like contracts overcome dilemmas of trust at the heart of economic transactions. Readers interested in understanding the law and economics approach would do well to start with this well-written volume, which develops a model of the legal institutions needed for innovation. . . . [A] significant contribution to the field."--Choice "[C]ompelling."--Michael Strong, Barron's "Rich in institutional detail, wisdom and practical advice."--Alex Tabarrok, Marginal Revolution "The authors, Cooter and Schäfer, skilfully avoid economics verbiage and complicated legal terms, providing instead a plethora of anecdotes, appropriate examples and studies."--Lisa Kaaki, Arab News "Solomon's Knot remains an entertaining and comprehensive read. It successfully conveys the main theories of law and economics within the context of promoting innovation as a source of sustained growth. Moreover, it proposes clear and simple policy recommendations for developing countries to adopt in pursuit of greater wealth creation and economic development."--Christel Y. Tham, Journal of International Law and Politics From the Back Cover "Robert Cooter and Hans-Bernd Schäfer have written a seminal book with great sympathy for the problems posed by "Solomon's Knot," as well as for the protagonists involved. They explain how good law is essential to economic development, as, conversely, bad law results in poverty. Solomon's Knot gives us a fresh new look at the most fundamental economic problem: why some nations are poor, while others are rich."--George Akerlof, Nobel Laureate in Economics 2012 "Solomon's Knot unites law and economics in cogently explaining how effective legal institutions support innovation--the engine of economic growth in every society."--Curtis Milhaupt, Columbia University "Cooter and Schäfer continuously challenge the reader with thought provoking insights based on solid theory and empirical studies. This book is a major addition to our knowledge on the relationship between the overall quality of the

legal order and economic growth."--Roger Van den Bergh, Erasmus University Rotterdam"Growth spurts that catapult a country or region to economic preeminence are fascinating but poorly understood. Cooter and Schauml;fer show that such spurts tend to track legal changes that facilitate the protection of property, the enforcement of contracts, and, most important, the launching of innovative business ventures. Consistently creative, insightful, and entertaining, Solomon's Knot makes a major contribution to the growing literature on the evolution of international differences in wealth."--Timur Kuran, Duke University"Cooter and Schauml;fer provide a thorough introduction to growth economics through the lens of law and economics. They do a masterful job of weaving in historical anecdotes from all over the world, detailed discussions of historical transformations, theoretical literature, empirical studies, and numerous clever hypotheticals. Scholars as well as general readers will find this book to be very useful and informative."--Henry N. Butler, George Mason University"This book distills and presents in a lucid and often even entertaining way the main insights and contributions of law and economics to meeting the challenges of growth for developing countries. Cooter and Schauml;fer argue that market freedom is the key to growth, but that it needs to be sustained by the appropriate legal rules and institutions."--Robert Howse, coauthor of *The Regulation of International Trade*"As in Richard Wagner's operas, deeply insightful motifs are presented and developed along this extremely well written book. Starting with 'The Double Trust Dilemma'--how to establish trust between innovators and financiers-- Robert Cooter and Hans-Bernd Schauml;fer join their efforts to explore and explain how this rather improbable mutual trust can be firmly founded. Their approach focuses on institutions, and shows how they can be molded: relational, private and public remedies are the three most basic tools, but law is the glue that keeps them working together. And then, there is human ingenuity: mastering the art of legal reform, or how to undermine opposition of the vested powers, is not exactly a science easy to be taught, but, precisely, an art to be learned, even though game theory and experience can help a lot. In times of distress, Solomon's Knot offers us an enjoyable book and a fantastic instrument to confront decline. It shows that history is not written, that, as J.R.R Tolkien famously wrote, there is hope while the company is true: trust is achievable."--Pablo Salvador Coderch, Pompeu Fabra UniversitySolomon's Knot gropes with that essential question for our generation of what law can contribute towards getting people out of poverty. Can it, on its own, end the poverty of nations? . . . Whatever the answer, the book tells its story in simple language, with convincing examples and with a transparent logic that shows how law can provide the framework within which the innovator and the investor can successfully join hands. That, after all, is surely the essential condition for growth. At the same time, on a more technical level, the book also provides an elegant way of making one's first acquaintance with the essential insights law and economics has generated over the past half century into what law is and does, and the good things it can make happen, or prevent from happening, if we fail to understand it properly."--Ejan Mackaay, University of Montreal"Solomon's Knot builds on the Schumpeterian premise that innovation is the engine of growth. Like Schumpeter, it emphasizes the importance of bringing innovators and financiers together, but goes much further by showing how sound legal institutions can foster the necessary trust between innovators and investors. A broad, insightful book that was a pleasure to read."--Dennis Mueller, University of Vienna"This book is fun to read and it offers the best balanced rebuttal of the redistribution thesis that is often at the roots of misplaced development policies."--Andras Sajo, Central European University, Budapest

About the Author Robert D. Cooter is the Herman F. Selvin Professor of Law at the University of California, Berkeley. His books include *The Strategic Constitution* (Princeton). Hans-Bernd Schauml;fer is professor of law and economics at the Bucerius Law School in Hamburg, Germany, and professor emeritus at the University of Hamburg. His books include *The Economic Analysis of Civil Law*.