

## **“How to quantify legal rules”**

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In empirical law and finance scholarship, law is typically conceived of as a datapoint like any other. Legal rules are quantified according to a metric and aggregated into indices. However, there is little discussion of what is an appropriate methodology to translate legal rules into variables and construct legal indices that capture the substance of the law. This article argues that current methodological approaches, with few exceptions, do not capture one characteristic of legal rules that renders them inherently different from other types of data: their interdependence. It shows that ignoring interdependence introduces measurement error and results, at least in some cases, in inconsistent estimates. The article makes suggestions for a methodology that takes account of interdependencies and uses directors' duties as an example to illustrate how the methodology captures legal differences.