

# **Judicial Independence and Economic Development: Evidence from the Constitutional Reinterpretation in India**

Jun Goto (GRIPS)

[joint paper with Sultan Mehmood (NES) and Daniel Chen (TSE)]

## **Abstract**

This paper investigates the causal impact of establishing judicial independence on economic development. We exploit a natural experiment arising from the 1993 “Second Judges Case” in India, in which the Supreme Court reinterpreted the constitution to eliminate direct political influence over judicial appointments. Under the new system, judges themselves began selecting High Court appointees, a peer-selection rule that applied to all appointments after 1993. Employing a difference-in-differences approach, we leverage variation introduced by the mandatory retirement age for High Court judges: newly appointed judges were chosen by their peers under the post-1993 rule, while the promotion of judges appointed earlier continued under the old system. Drawing on data from 15,392 property-rights-related court cases, we document a notable decline in pro-government rulings after the shift to judicial peer selection. Judges appointed by their peers were less inclined to favour state interests and more likely to make merit-based decisions, reflecting different selection incentives compared to government-appointed judges. This change had substantial economic consequences: districts with greater judicial independence experienced increased private investment, higher rates of urbanization, and expanded non-agricultural and formal enterprises. Furthermore, enhanced protection of property rights, supported by an impartial judiciary, spurred long-term investments in real estate and infrastructure. Overall, our findings provide robust empirical evidence that strengthening judicial independence can significantly foster regional economic development.