

ECON S4615D -- Law and Economics
Summer 2014, First Session
Course Syllabus

Schedule:

May 27 – July 3
MTWR, 6:30pm-8:05pm
402B International Affairs Building

Instructor Info:

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Office Hours: Fridays, 1pm-3pm outside 1112 IAB or by appointment.

Teaching Assistant:

Danna Thomas
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Recitations: Wednesdays 2pm-3pm, 402B IAB.
Office Hours: TBA

Introduction:

In recent years, economics has proven to be an effective tool for understanding how the law influences behavior and for evaluating how legal rules should be designed and enforced. This course will provide an opportunity for students to understand how these tools are applied and the knowledge gained from their application. The areas of the law that will be discussed are contracts, torts, property, criminal law, civil procedure, and constitutional law. In each area, we will use economic theory to analyze how legal rules act as incentives and what their welfare implications are. Furthermore, we will use these tools to analyze judicial opinions written for actual court cases.

Pre-requisites:

A familiarity with economics at the level of intermediate micro or its equivalent is required. We will use skills from multivariate calculus and calculus-based statistics.

Course Evaluation:

1. Five Problem Sets (25%)
2. Group Presentation (15%)
3. Midterm Exam (25%)
4. Final Exam (35%)

Readings:

Required textbook:

Robert Cooter and Thomas Ulen, *Law and Economics*, Fifth or Sixth Edition.

Optional textbook for prospective law students:

Richard Posner, *Economic Analysis of Law*, Ninth Edition.

Other readings are linked from the syllabus or will be made available on CourseWorks.

Problem Sets:

There will be five problem sets based on the lectures and readings (one per week). The first part of each problem set will consist of skills-based problems using economics. The second part will consist of a one-page essay analyzing a court case using economic reasoning.

Problem sets can be submitted in class or via the CourseWorks Drop Box. Problem sets may be submitted one day late at the beginning of recitation but will have a 20% penalty assessed. Problem sets will not be accepted after the beginning of recitation.

Presentation:

Each student will be responsible for a class presentation about a legal topic not otherwise covered in class. Potential topics include

1. Environmental law
2. Health/safety regulation
3. Taxation
4. International law
5. Corporate law/governance
6. Bankruptcy law
7. Antitrust
8. Regulation of natural monopoly
9. Employment law
10. Antidiscrimination law
11. Family Law
12. Trusts and Estates
13. Evidence

The presentation should discuss how economics can be used to analyze legal issues in this topic and analyze a related court case using the tools from class.

Exams:

The midterm and final exams will be in-class and closed-notes. The midterm, scheduled for June 16, will cover the material from Sessions 1 through 11. The final, scheduled on the last day of class (July 3), will cover material from the whole course. Exam questions will be based on the problem sets. I won't ask about any material from the textbooks that wasn't also covered in the lectures or in the problem sets.

Course Outline:

*** indicates required reading.**

Session 1 – May 27

Course Overview

Crime Preview: Why did crime fall in the 1990s?

*Stephen Levitt, (2004). "Understanding Why Crime Fell in the 1990's: Four Factors that Explain the Decline and Six that Do Not". Journal of Economic Perspectives 18 (1), 163–190 ([link](#)).

Jessica Wolpaw Reyes (2007). "Environmental policy as social policy? The impact of childhood lead exposure on crime." B.E. Journal of Economic Analysis & Policy 7 (1) ([link](#)).

Session 2 – May 28

Introduction to Law and Legal Institutions

*Cooter and Ulen, Chapter 3

La Porta et al, 2008, "The Economic Consequences of Legal Origins," Journal of Economic Literature ([link](#)).

Session 3 – May 29

Math and Economics Review (TA session)

*Math/Econ Lecture Notes

*Cooter and Ulen, Chapter 2

*Josh Angrist and Jorn-Steffen Pischke (2010), The credibility revolution in empirical economics: How better research design is taking the con out of econometrics, Journal of Economic Perspectives, pages 11-17 ([link](#)).

Charles Manski (2000), Economic analysis of social interactions, Journal of Economic Perspectives ([link](#)).

Session 4 – June 2

****Assignment 1 Due****

Introduction to Legal Incentives

*Legal Incentives Notes

Session 5– June 3

Rules vs. Taxes

*Brendan O'Flaherty, City Economics, Chapter 8, Sections I through III (CourseWorks).

Session 6 – June 4

Bargaining and the Coase Theorem

*Bargaining Theory Notes

*Brendan O'Flaherty, City Economics, Chapter 7, Section V (CourseWorks).

*Cooter and Ulen, Chapter 4, Section IV.A

Session 7 – June 5

Property Law 1

*Cooter and Ulen, Chapter 4

Session 8 – June 9

Assignment 2 Due

Tort Law 1

*Cooter and Ulen, Chapter 6

Session 9 – June 10

Contract Law 1

*Cooter and Ulen, Chapter 8

Session 10 – June 11

Criminal Law 1

*Cooter and Ulen, Chapter 12

Session 11 – June 12

Synthesis and Midterm Review

Assignment 3 Due Saturday June 14 by 2pm (no late submissions accepted).

Session 12 – June 16

Midterm Exam

Session 13 – June 17

Legal Process 1

*Cooter and Ulen, Chapter 10

Session 14 – June 18

Property Law 2

*Cooter and Ulen, Chapter 5

*Richard Posner (2005). "Intellectual Property: The Law and Economics Approach."

Journal of Economic Perspectives, 19(2): 57-73 ([link](#)).

[Handbook of Law and Economics Chapter 5](#), Section 4

Session 15 – June 19

Tort Law 2

*Cooter and Ulen, Chapter 7

[Handbook of Law and Economics Chapter 5](#), Section 3

Session 16 – June 20 (Friday make-up class)

Contract Law 2

*Cooter and Ulen, Chapter 9 (including appendix)

[Handbook of Law and Economics Chapter 5](#), Section 2

Session 17 – June 23

Criminal Law 2

****Assignment 4 Due****

*Cooter and Ulen, Chapter 13

Becker, Gary S, Kevin M. Murphy & Michael Grossman (2006), The Market for Illegal Goods: The Case of Drugs, *Journal of Political Economy* ([link](#)).

[Handbook of Law and Economics Chapter 7](#)

Session 18 – June 24

Legal Process 2

*Cooter and Ulen, Chapter 11

[Handbook of Law and Economics Chapter 5](#), Section 5

Paul Rubin, 1982, "Common Law and Statute Law," *Journal of Legal Studies* ([link](#)).

Gennaioli and Shleifer (2007), The Evolution of Common Law, *Journal of Political Economy* ([link](#)).

Session 19 – June 25

Judicial Decision-Making

Matthew Stephenson (2009), Legal Realism for Economists, *Journal of Economic Perspectives* 23 (2), 191-211 ([link](#)).

Richard Posner (2006), Judicial behavior and performance: An economic approach, *Florida State University Law Review* ([link](#))

Session 20 – June 26

Constitutional Law

Eric Maskin and Jean Tirole (2004), The Politician and the Judge: Accountability in Government, American Economic Review ([link](#))

Richard Posner (2001), The Speech Market, Frontiers of Legal Theory, ch. 2 (CourseWorks).

Presentation 1 (Shawn Binyamin, Religious Freedom)

Michael McConnell and Richard Posner (1989), An economic approach to issues of religious freedom, University of Chicago Law Review ([link](#))

Session 21 – June 30

Presentation 2

Presentation 3

Presentation 4

Presentation 5

Session 22 – July 1

Presentation 6

Presentation 7

Presentation 8

Presentation 9

Session 23 – July 2

Final Exam Review

Session 24 – July 3

Final Exam