

## Law and Economics

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Office Hours: Monday, Tuesday, Wednesday 2:30 - 3:30, and most other times by appointment

### Suggested Texts:

Tullock, G. (2005) Law and Economics. Volume 9 of the Collected Works of Gordon Tullock. Indianapolis: Liberty Fund.

Shavell, S. (2004) Foundations of Economic Analysis of Law. Cambridge: Harvard University Press.

Posner, R. (2011) Economic Analysis of Law. 8th Ed. Aspen Publishers

### Grades:

1 Midterm Exam	30%
1 Comprehensive Second Midterm	40%
1 Final Paper (6-8 pages, due exam period)	30%
Marginal extra credit for class participation	(up to 5% bonus)

**Overview:** Law and economics examines the law using rational choice models from economics and game theory. This course shows how self-interested behavior can generate a variety of problems that can be solved by laws and regulations, and also how those same interests may call forth efforts to create such laws through public policies. The types of problems that can be solved through laws are not new, rather they are at least as old as civilization. It is essentially impossible to form stable communities, farms, and trading networks without the “right” laws. On the other hand, some laws can also create problems. The course provides students with the tools to think systematically about individual laws and legal systems. Although the course is not a “law” course, students will learn a good deal about how laws make societies and economic progress possible, and why some laws do this better than others.

## TENTATIVE COURSE OUTLINE

<u>Dates</u>	<u>Topics</u>	<u>Readings</u>
1/9	Introduction: What is Law and Economics Some History and Background: Environmental Economics is not really new: Production, Health, and Regulation in early times. Positive analysis: scarcity, economics and the environment: a review of basic economic geometry. Normative analysis: the Pareto principles, Cost/Benefit Analysis: Pareto efficient pollution	Tull: 1, Shav: 1, 26
1/11	Some Basic Tools for Law and Economic Analysis The net benefit maximizing model of rational choice, elementary game theory, social dilemma and legal solutions. Externalities: third party effects of private action. Graphical and game theory representations of, why a variety of externalities can be problems and how conditional rules can produce mutual benefits.	Shave 1, 5; Tull 1

Probability theory and expected values. Applications to rational criminal choice.

1/30 III. Property as Solutions to Conflict and Commons Problems Shav: 1, 2, 5, 13; Tull: 1, 2

An economic explanation for the origins and limits of property rights over produced goods and land. Ownership as a bundle of rights and limits

2/8 IV. Enforceable Promises: Property, Trade, Contract, and the Courts Shav 8, 10; Tull 6

Economic effects of tradable outputs. Contracts as solutions to team production problems. The courts as information producing and enforcement institutions. The logic of crime and crime prevention.

2/20 IV. Torts: On Rules for Dealing with Accidents and Externalities Shav 8, 10; Tull 6

Accidental externalities and reasonable care. Alternative rules for dealing with accidents and other externalities. Strict Liability, Negligence, and Contributory Negligence

2/27 Review for Exam Study Guide I

3/1 Exam

3/12 Review of Exam

3/14 V. Politics of Public Law: Regulation, Public Interests, Voters, and Interest Groups.

Distributional and efficiency effects of public law. Voter and interest group interests in stronger regulations than provided by civil law. Their different interests in regulation of externalities and monopolies.

4/2 Applications: Patents and Anti-Trust Law

4/9 Applications: Constitutional Law

4/16 Review for Second Exam

Study Guide II

4/18 Second Exam

4/24 Review of Second Exam

4/26 Applications and class overview

Economic development and the economic constitution: framing the free market

5/3 Final 6-8 Page Paper Due at [roger.congleton@mail.wvu.edu](mailto:roger.congleton@mail.wvu.edu) (11:59 p.m.--Via E-mail)