

PAPER TOPICS

EC493u
WVU

Law and Economics
Suggested Paper Topics

Spring 2017
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Final papers should be double spaced and **five to seven pages in length**, as necessary. The purpose of the paper is to use the tools and concepts developed during the semester to analyze a law, its enforcement and its effects, a regulatory or judicial problem, policies with respect to a major or minor crimes, or constitutional issues.

Grades will be based upon the originality and quality of the economic analysis conducted in the paper. Style counts, but only insofar as good reasoning is best revealed by clear well-organized prose. A list of all the references and data sources used should appear in a bibliography at the end of the paper, but do not count toward the page length.

The **purpose of the paper is to demonstrate your command of the tools** developed in class, so a few graphs or game matrices should be included--the more the better. In general, a solid paper will also address a specific, real, legal issue and so provide a factual grounding of the aspect of legal systems analyzed.

Papers should be e-mailed to Prof Congleton at roger.congleton@mail.wvu.edu. The e-note's header should say L&E FINAL PAPER and the paper should **have a title**: EC493_your last name_final paper.

Some ideas for topics:

1. Legal Institutions and Economic Development

- A. Analyze a real or imagined example of a conflict problem such as the Hobbesian dilemma, trial efforts in courts, or patent research. Demonstrate the nature of the problem. Discuss how (or whether) laws, legal procedures, and/or other measures have been adopted to address the problem.
- B. Analyze a real or imagined example of a commons problem. Explain the nature of the problem and the extent to which privatization can solve the problem. Discuss advantages and disadvantages of privatization over other techniques for solving the problem such as public administration with entry fees. Note that some form of law enforcement will be necessary to protect the property rights created. Demonstrate and explain.
- C. Analyze a real or imagined contract setting in which team production takes place. Explain how contracts can solve the team production problem that you are analyzing. Is breach of contract likely to be a problem? How does compensating those harmed by a contract breach for damages improve the performance of markets in the case of interest?

PAPER TOPICS

- D. Analyze the economics of some particular area of crime. In what sense can the activity that you are examining be said to reduce social net benefits. In what way, if any, can the law enforcement in this area be considered to increase social net benefits. Are the penalties assessed likely to discourage (reduce) criminal activities in the area that you are analyzing? Can one ever spend too much on law enforcement?
- E. Contrast private arbitration with court proceedings to enforce contract or reach decisions about damages in tort cases. What are the advantages and disadvantages of the two systems? Use real world examples to illustrate the merits and demerits of these two court systems.
- F. Analyze the efficiency of a particular instance or area of criminal or civil law court proceedings. What aspects of the procedures tends to make the outcomes likely to increase social net benefits? Which do not? Are the results likely to accurately reflect “the law” or not? How could procedures in this area be improved? How important is the honesty of the police and court officials to making this system work in a manner that increases economic development?
- G. Torts can be thought of as an incentive system designed to encourage efficient levels of care or as a system that allows those damaged by carelessness to be “made whole” or be compensated for their losses. Consider a particular accident setting and analyze whether particular tort principle advances efficiency (social net benefits) and/or justice (correcting wrongs). Would another liability assigning principle work better than the one that you have analyzed? If so, why; if not, why not?
- H. Both civil law and criminal law rely upon juries to make good decisions. Analyze the relative merits of jury trials, judge-run trials, and bureaucratic hearings. A variety of issues could be analyzed.

For example, (i) Members of juries normally serve for free (or for a small payment) and often sacrifice income from their usual place of work while serving on a jury. How does this affect the incentives of members of a jury? (ii) Lawyers are allowed to select juries by vetoing a subset of those called for jury duty. What kinds of persons normally wind up serving on juries? (iii) Juries generally know little about the law or the crimes that they hear. Would there be benefits in allowing only those who have taken, for example, a college course on law and economics from serving on juries, and paying those to serve?

- I. Find a supreme court case of interest. Analyze the decision using tools from class to illustrate the likely effects. How does the right of appeal protect those accused of crimes or liable for damages? Do these effect change behavior? Show this using tools from class.

2. Public Law and Private Law.

- A. Public law is generated both through legislation and via rulings of the bureaucracy (regulatory agencies). Take an area of policy that can be addressed either through civil law or political decisions. (Good examples include, eminent domain, highway accidents,

PAPER TOPICS

environmental protection, and zoning). Contrast the likely outcomes of the two systems. Is there an obvious difference? If so, which seems more compatible with economic efficiency?

- B. Use a model of public policy formation to make predictions about how a surprise event can affect voter support for law enforcement budgets, the types of regulations adopted, and the end result of the policy reform. (Examples could include antitrust policy, law enforcement of various kinds, speed limits, building codes etc.) Will the law be stable in such political systems? Analyze some of the advantages and disadvantages of politically induced changes in law and/or law enforcement using tools from class.
- C. Analyze an antitrust case in which a cartel of some kind is, or is alleged to have been, formed. Show the economics of cartels and explain why voters tend to oppose cartels and favor antitrust law. In the case that you have chosen, is there a difference between “per se” and “rule of reason” interpretations of the law? How so?
- D. Patents are inherently anti-competitive, at least in the short run. Analyze short run and long run costs and benefits of a patent. Is there an ideal patent length? Apply your reasoning to an existing patent or area of patent law. Are some patents too long or too broad? Explain.
- E. In some cases, it appears that firms use antitrust suits to block competitors from engaging in forms of competition that benefit consumers. Find an example of such a case and explain the benefits and costs of such antitrust suits from the point of view of the plaintiff and defendant firms and consumers.

3. Constitutional Law

- A. Most western constitutions include “takings clauses” that require owners of private property to be compensated whenever their property is taken for public use. Explain why this rule tends to make both markets and politics more efficient.

Discuss some of the problems associated with paying a fair price for private property when it is taken over for public purposes. What sorts of properties would a median voter be willing to pay for?

- B. Many, perhaps most, areas of civil law are older than constitutional law. Is there a historical and/or an economic explanation for this? Choose a particular country and determine whether this is true in the country of interest.
- C. In some areas of civil law, a civil law reforms may be adopted to make the civil law more transparent and more internally consistent.

Consider an area of civil law. Explain why legislation to create a “civil code” in this area can be said to make civil law more efficient, even if it only has minor effects at the margin.

What are the pros and cons of such reforms?

- D. Most modern Western court systems are independent in a variety of ways. For example, judges often hold their offices for life. The court system itself may also have a more or less

PAPER TOPICS

independent budget. What are the advantages of such independence? What are the disadvantages? Is there an economic explanation for the independence of courts in most democracies? Use game theory to explain why independence may generate better (more consistent) application of the law.

- E. Take a current constitutional case in the news and examine its merits from the perspective of the law and economics course. (Try to pick a case that lets you use lots of tools from class.)
4. Analyze some other legal issue using the tools developed in class--however, before you do so, send me a brief description of what you plan to do. I normally approve such proposals, but some are too hard to do in the time available.

AGAIN REMEMBER THAT YOUR PAPER HAS TO BE ON A LAW AND ECONOMICS TOPIC AND HAS TO USE THE TOOLS AND CONCEPTS DEVELOPED IN CLASS. Remember to include references, diagrams, and game matrices. Do **not** write an “editorial.”

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