

LAW & ECONOMICS

Dr. James Langenfeld

This course will explore the application of economic principles to legal doctrines. The economic approach to law seeks to determine the consequences of legal rules by identifying the incentives created by a legal framework. Through predicting the behavior of affected parties, economic analysis can then judge the effectiveness of legal rules in improving social welfare. The course is intended to develop an understanding the economic implications of legal rules, how economic concepts can be incorporated into legal rules, and how economic analysis fits into litigation.

TEXTS: Jeffrey L. Harrison, *Law and Economics*, West Group (2nd Ed., 2007); Robert Cooter and Thomas Ulen, *Law & Economics* (6th Ed., 2012).

REQUIREMENTS: Students will be expected to have completed the readings assigned for each class, and in particular be ready to discuss the cases summarized in the texts. Students will need to demonstrate a basic understanding of certain economic concepts (e.g., supply and demand, some game theory concepts, the “expected value” of different outcomes based on different legal rules, transactions costs, alternative definitions of economic efficiency), but will not be required to master the more complex mathematical modeling in Cooter and Ulen. Class will often involve numerical examples and graphs to illustrate particular concepts.

Class participation will be important. The course also requires submission of a detailed outline of a paper of 3-5 pages, a short class presentation of that paper (10 minutes or less), and a final 15-20 page version of that paper. The instructor will provide comments and grades on the outlines before the oral presentations.

The paper must be original, and concise. It will require that you choose court decisions in one or more cases discussed in one of your other courses, and do an economic evaluation of the decision. In particular, your paper should (1) identify the key economic issues, (2) evaluate whether and how the decision affects wealth and utility for the parties, (3) explain how the precedence of the decision will affect the incentives of individuals or companies in the future, and (4) forecast the implications of the precedence on subsequent wealth, efficiency, and social welfare. The paper should apply appropriate economic concepts and tools to the analysis. To the extent possible, students are encouraged (but not required) to provide numerical examples to illustrate the economic concepts explored in the paper. If there is a lack of basic information or data in the chosen case, then the student is encouraged to make specific reasonable assumptions that will permit the relevant economic analyses.

GRADES: Class participation 15%, outline of the paper 15%, presentation 10%, and final paper 60%.

SEATING: Students should decide where they want to sit by the second class, and sit at the seat they picked the second class for the remainder of the course. Students should sit as close to the front as possible.

CLASS RULES: Students may not speak out in class unless recognized. To keep the class on schedule, students may not be recognized or may be interrupted by the instructor. Students may not talk with each other during classes. I will be available after class to meet with students, and to arrange student meetings at other times. Students can also contact me at James.Langefeld@naviganteconomics.com. The required outline and paper can be submitted by email (preferred) or hard copy.

TENTATIVE CLASS SCHEDULE

I. January 23, 2012

Readings: Harrison: Chapter 1 A-C.
Cooter & Ulen : Chapter 1; Chapter 2 Sections I-III, IV.A, IV.E ;
Chapter 4 Section II

II. January 30, 2012

Readings: Harrison: Chapter 1 D-F; Chapter 2 C 1-3, D
Cooter & Ulen : Chapter 2 Sections II.4.D, V-XI

III. February 6, 2012

Readings: Harrison: Chapter 2 A-B

IV. February 13, 2012

Readings: Harrison: Chapter 3 A-B
Cooter & Ulen : Chapter 4

V. February 20, 2012

Readings: Harrison: Chapter 3 C-E
Cooter & Ulen: Chapter 5

VI. February 27, 2012

Readings: Harrison: Chapter 4 A, B 1-2
Cooter & Ulen: Chapter 6

VII. March 12, 2012

Readings: Harrison: Chapter 4 B 3-4
Cooter & Ulen: Chapter 6 Sections I, II.A, II.B, II.F, & II.G

VIII. March 19, 2012

Readings: Harrison: Chapter 5 A-E
Cooter & Ulen: Chapter 8

IX. March 26, 2012

Readings: Harrison: Chapter 5 F-G
Cooter & Ulen: Chapter 9

March 30, 2012 : SUBMIT OUTLINE FOR PAPER BY 4 PM

X. April 2, 2012

Readings: Cooter & Ulen: Chapter 10

XI. April 9, 2012

Presentations

XII. April 16, 2012

Presentations

Readings: Harrison: Chapter 6 A-B
Cooter & Ulen: Chapter 11

XIII. April 23, 2012

Readings: Harrison: Chapter 6 C-D
Cooter & Ulen: Chapter 12

XIV. April 30, 2012

Wrap-up & Review

May 4, 2012: SUBMIT FINAL CLASS PAPER BY 4 PM