



MEETINGS MONDAYS, WEDNESDAYS 10:00AM TO 11:15AM

ECON 416: Law & Economics
Professor Aaron Finkle <afinkle@csusm.edu>
Office Hours TBA and by appointment (CRAVEN 6231)

Overview

From David Freidman's *Laws Order: What Economics has to do with the Law and Why it Matters* (Princeton University Press, 2005):

You live in a state where the most severe criminal punishment is life imprisonment. Someone proposes that since armed robbery is a very serious crime, armed robbers should get a life sentence. A constitutional lawyer asks whether that is consistent with the prohibition on cruel and unusual punishment. A legal philosopher asks whether it is just. An Economist points out that if punishment for armed robbery and for armed robbery plus murder are the same, the additional punishment for murder is zero – and asks whether you really want to make it in the interest of robbers to murder their victims.

Law and Economics is the economic analysis of legal rules and institutions. Using the basic tools of microeconomics and statistics, we will explore the role and effects of different “rules of the game” as defined by the law. A majority of the course will focus on the following:

- Property
- Torts
- Contracts
- Criminal Behavior

We will critically assess the question of whether the system of law provides incentive for socially optimal behavior – is our system of law *efficient*? Students will be able to use the models of economics to analyze the impact of a variety of legal rules, regulations, and court rulings. This general aim of this course is to improve your command of interpreting and applying economic reasoning to the field of law.

There are three major assignments for the course:

Case Studies: Students provide an economic analysis and critique of the ruling or regulation for various assigned cases. [25% of grade]

Area Study: Students will select a topic for further analysis. In addition to a detailed literature survey, students will present their work to the class. [25% of grade]

Exams: Two exams will occur during the semester. The first will occur midsemester and the second will be a comprehensive exam during the scheduled finals period. [40% of grade]

An additional 10% of your grade will be from participation in class discussion and activities. Participation requires that you complete the assigned readings before class and prepare at least three questions and/or comments, which you then raise in class. You are expected to *speak up* and contribute regularly to the discussions and ask questions when appropriate.

You will work in groups on a presentation of a specific topic in Law and Economics. For this, you are to become “experts” in a particular case or topic. You will determine the relevant readings from journals and texts and write a literature review. In the class presentation, you are to present to your peers the relevant theoretical models and empirical implications and results. You will provide the class with any background readings and questions to prepare and facilitate discussion.

The final exam will include material from these presentations. As some areas might be more popular than others, you are encouraged to select a topic as early as possible. I will provide a list of some potential areas and citations to get you started, but you are strongly encouraged to deviate from the list to where your interests may take you.

All assignments are due in class on the day listed below. In fairness to other students, the assignment will be penalized by $\frac{1}{2}$ a grade for each day past the due date. Papers turned in more than five days late will not be accepted.

Text and Readings

The primary text for the course is

Cooter and Ulen, *Law and Economics* (5th ed.).

The website for the text is <http://www.cooter-ulen.com/>. Additional readings will come from economic journals (see below) and legal cases from Lexis Nexis. The course schedule (and subsequent updates online) will provide the required readings and optional readings for each class. While the optional readings are just that, it is a good idea to examine into at least some of these readings to pursue those topics that most interest you. You are also expected to regularly read magazines, blogs and newspapers in search of relevant applications, such as

The New York Times, The Wall Street Journal, The Financial Times and The Economist and contribute to class discussion based on articles you read.

Law and Economic Journals

Journal of Legal Studies

Journal of Law and Economics

Journal of Law, Economics and Organization

Journal of Law, Economics and Policy

International Review of Law and Economics

Research in Law and Economics

American Law and Economics Review

Many of these journals are available online through the library website or www.jstor.org. As L&E now infects the entire economic discipline, you may also find other major economics journals useful as well.

Other Reference Materials

Black, Henry Campbell. 1990. *Black's Law Dictionary*. West Publishing Co: St. Paul, Minn. [KF156 .B53 2004](#)

Friedman, David D. 2005. *Laws Order: What Economics Has To Do with Law and Why It Matters*. Princeton University Press, Princeton.

Newman, Peter (editor). 1998. *The New Palgrave Dictionary of Economics and the Law*. London Macmillan Reference; Stockton Press: New York, NY.

[K487.E3 N48 1998](#)

Posner, Richard A. 2003. *Economic Analysis of Law* (6 ed.). Aspen Publishers,

Shavell, Steven. 2004. *Foundations of Economic Analysis of Law*. Harvard University Press, Cambridge.

Web Resources

Encyclopedia of Law and Economics, Boudewijn Bouckaert and Gerrit De Geest (editors), <http://encyclo.findlaw.com/>

FindLaw, <http://lawecon.lp.findlaw.com/>

Background Preparation

Law and Economics is highly relevant both for economic students interested in applying microeconomic reasoning to the law, as well as for students of law to learn how to apply economic reasoning to legal issues. As this is an upper level course, I am assuming you are familiar with basic microeconomic theory. I will not spend much time reviewing micro theory, so to make sure you are up to snuff, you may wish to read over chapter 2 of Cooter and Ulen. This material should be familiar to you, so if it is not, you may want to spend some time looking over your text/notes from principles or intermediate micro. See me if you are in any way uncertain about your ability in this area.

Topics

- I. Basic Economic Review
- II. Introduction to the Law
- III. Economic Theory of Property
- IV. Topics in Property Law
- V. Economic Theory of Contracts
- VI. Topics in Contract Law
- VII. Torts and Liability
- VIII. Civil Litigation Procedure
- IX. Student Topics