

ECONOMICS 604
Law and Economics
Summer 2015-16

Instructor: Ram Singh

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Contact Hours: Monday 4.30-5.30pm; Tuesday 2.30-5.30pm; Wednesday 4.30-5.30pm; on other days by prior appointment

Course Description

In this course we will study the role played by the legal rules in shaping of individual behaviour and in coordinating activities of economic agents. The course examines efficiency implications of various branches of the law. Focus of the course will be on the economic analysis of the contract law, the law of torts including accident and product liability laws, the property law including the power of eminent domain, and the litigation under different information structures.

The reading material and classroom lectures will make use of mathematical tools of economic analysis, especially the optimization techniques, and the basic results from the game-theory. We will use these tools to model legal rules to make predictions about individual behaviour and the resultant equilibria. The course is self-contained - it does NOT require prior knowledge of actual legal rules. The course outline is as follows:

1. Law and Economics:

Introduction to Law and Economics; Efficiency criteria in Law and Economics.

2. Contract Law:

Need for a contract; Legal contract; Role of Contracts for functioning of markets; Efficient contracts; Complete and Incomplete Contracts; Reliance; Damages measures and their efficiency properties; Contracts as instrument of risk-allocation and information revelation; Contracts and Courts.

3. Property Law:

Property Rights and their role in resource allocation; Transaction costs and Coase theorem; Legal remedies for breach of property rights; Intellectual Property Rights; Eminent Domain and Compulsory acquisition of land and other private property

4. Tort Law/Liability Rules:

Tort law; liability rules versus property rights; accident law; product liability; efficiency properties of liability rules; efficiency-compensation trade-off.

5. Criminal Law and Litigation:

Rational crimes; Crime and Punishment; Severity versus Certainty of punishment; Litigation; Litigation over compensation under eminent domain.

Readings: We will use the following textbooks:

- Robert Cooter and Thomas Ulen , *Law and Economics*, the latest or any of the available editions.
- Steven Shavell (1987), *Economic Analysis of Accident Law*, Harvard University Press.
- Miceli, Thomas J. (1997) *The Economic of the Law*, Oxford University Press.

The first one is an introductory book on Law and Economics. The second and the third books will be used in parts. The second book focuses on the economic analysis of accident law, liability, etc. The third one covers economic analysis of contract law, property law and the litigation. Besides, we will use some research papers as well. The relevant papers will be made available as pdf files.

Exams and Grading: Either a Mid-term Exam or a Term-paper, each worth 30 marks. The Final Exam worth 70 marks. If needed there can be a make-up exam for the Mid-term exam. However, it will be held the same day as the Final exam and will cover the entire syllabus.