Economics of Law

Academic Year: (2017 / 2018)   **Review date: 21-04-2017**

Department assigned to the subject: Economics Department

Coordinating teacher: MORENO RUIZ, DIEGO

Type: Electives ECTS Credits : 6.0

Year :   Semester :

OBJECTIVES

The economic analysis of law is an interdisciplinary field that reconciles and facilitates understanding of two very important areas of study, law and economics. The applications of economic analysis to the traditional concepts of law such as private property, contracts or criminal justice introduces a new perspective over the social and economic impacts of the legal system, and therefore new criteria to guide law design.

The objective of this course is to train students in the economic analysis of the law. Economic analysis allows anticipating and understanding the reaction of consumers and firms to changes in the legal framework. Moreover, it rises many new questions such as the effects that of alternative property rights (public, private, regulated, etc.) may have over the efficiency of the economy, the use of alternative sanctions in the design of contracts to generate efficient outcomes or to reduce social costs, or the kinds of criminal punishments that must be imposed to induce the appropriate behavior of individuals or firms. Economic analysis offers not only a scientific theory to study behavior and how it changes in response to changes in the legal system, but also criteria for the design and evaluation of public intervention, predicting the effects of alternatives policies over the efficiency of outcomes, and providing instruments to estimate their redistributive effects.

By the end of the semester, the student will be able to:

- Understand and anticipate the decisions of market participants in response to changes in the legal framework.
- Evaluate the impact of changes in the legal framework on the operation of markets.
- Determinate how the imperfections in the functioning of markets affect the conclusions of standard equilibrium analysis
-Use the instruments of economic analysis to deal with interdisciplinary problems.
-Interpret the law and evaluate the consequences of legislative changes in a variety of contexts.
-Distinguish alternative methods for the analysis of contracts in the presence of civil responsibility and externalities.
-Search, communicate and disseminate relevant information over alternative decisions.
-Apply multidisciplinary knowledge to the analysis of social problems.
-Work cooperatively in order to reach high quality standards in the analysis and presentation of professional work.

Skills

The students who take the course will develop:

- A critical view of the effects of changes in the legal framework and its economic and social consequences.
- An awareness of the difficulties of reconciling alternative desirable objectives in the design of legal systems.

DESCRIPTION OF CONTENTS: PROGRAMME

This course studies the principles that rule the behavior of economic agents and their implications over the

The program is divided in six parts:

1. Introduction.
Foundations. The interplay of law economics. Basic Concepts and features in the economic analysis of law (EAL). Criticisms to the EAL. Coase¿s Theorem and its applications to the EAL.

2. Properties Rights and Market Failure
Introduction and basic definitions: typology of property rights, criteria for the definition of efficient property rights, ways to defend property, laws over the use of property, patents, intellectual property rights. Market failure and market regulation in the contest of the EAL: externalities, public good, market power.

3. The design of optimal contracts
Introduction. Positive and normative analysis of contracts. The role of contract law. Interpretation of contracts. Economists and lawyers interpreting a contract. Trust and sanctions. Incomplete contracts. Efficient contracts. Remedies for imperfect contracts. Optimal contracts with symmetric and asymmetric information. The efficiency/inefficiency of honoring contracts. Efficiency of contracts involving trust.

4. The law applied to accidents and other cases
Introduction and basic concepts: damage, casual link and the imputation of responsibility. The evaluation of civil responsibility. The law as a system of incentives. Rules of responsibility and types of accidents. Compensating for damages. Administrative costs. Other means of risk management. Penalties and rewards. Accident and insurance. The economics of accident damage. Civil responsibility and safety incentives.

5. Crime and Punishment
Fundamental Propositions. The deterring effect of penalties: ¿Does punishment deter crime? Profitability of criminal activities. Marginal deterrence. Criminality and socioeconomic conditions. The criminal in the group. Organized Crime. Jail penalty versus economic penalties. Minimizing the social cost of crime.

6. Litigation and the legal system
Definition and objectives of the legal system. The economics of litigation. The problem of Justice. Objectives of the legal system. The cost of Justice. A basic model of justice. Effects of delay and congestion. Measures to reduce delay.

LEARNING ACTIVITIES AND METHODOLOGY
The teaching method includes:

(1) Theoretical lectures in which the basic knowledge that students must master will be presented. In order to facilitate exposition students class notes and basic references will be made available to students before lecture time. Complementary textbooks and references will be provided so that students interested in particular topics may develop a deeper understanding.

(2) Discussion of case studies. The study of these cases will serve as a demonstration of the usefulness of the analysis.

(3) A group research project will ne assigned. Students will work in groups to search information, and acquire the abilities needed to articulate a rigorous analysis of a particular problem or topic.

(4) Discussion and presentation of the conclusions of the groups research projects will help learning the skills for preparing professional reports and communicating conclusions. Moreover, facing public discussion will train students in the exchange of critical assessment.

ASSESSMENT SYSTEM
Grading will assigned on following bases:

a) Group Research: 40%.

Each groups formed by 3-4 students will develop a research on a topic of its choice related to the course contains. The specific topic will have to be discussed and approved by the instructor. A proposal describing the topics and the group participants will be submitted no later than October 15. The research of each group will be presented and debated in class. During the course, the instructor will grade as part of the continuous evaluation the progress of the group¿s research. The conclusions and lessons of the works of the different groups will be shared and studied by all the students taking the

course, and will be part of the questions that may be included in the final exam.

b) Participation in class discussion: 10%

Based on class participation students will be classified in three groups of equal size receiving 1 point, 0,5 points and 0 points. The assignment will be based on the number and quality of interventions. Quality will be assessed by the impact on the learning progress of class (clarifying concepts, posing interesting questions and doubts, contributing with illustrative examples, etc.)

c) Final Exam (comprehensive, including topics, numerical exercises and applications, as well as multiple choice questions and practical cases discussed in class): 50%

In the "convocatoria extraordinaria", the course grade will be that of the final exam if this grade is larger than the weighted average described above.

% end-of-term-examination: 50

% of continuous assessment (assigments, laboratory, practicals…):   50

BASIC BIBLIOGRAPHY
- Nuria de Querol Aragón Análisis Económico del Derecho, Ediciones FIEC, 2007
- Robert Cooter, Thomas Ulen Law and economics, Pearson, 2013