

Academic Year: ( 2019 / 2020 )

Review date: 05-04-2019

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 analyses the implications of the legal framework from an economic point of view, offering a theory of behavior that allows to anticipate the agents' response to legal changes, and hence identify the effect on distribution, efficiency, etc., of alternative policies.

The course is mainly applied, focusing on a variety of questions related to the efficiency of the legal framework such as how the regulation of property rights (private, public, regulated, etc.) affect economic efficiency; which sanctions for disobeying contracts generate more efficient outcomes; in which situations explicit security standards are more efficient than the application of a system of accident's responsibilities, or vice versa; etc.

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.
- Determine 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

The program is divided in five parts:

1. The economics of litigation and the legal process

The Spanish judicial system: introduction and some data. Efficiency of a trial versus a private agreement.

2. The role of the economist in the estimation of damages

Introduction. The directive 2014/104. The role of the economist as an appraiser. Measuring the damage. The passing-on of an overprice.

3. 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 context of the EAL: externalities, public good, market power.

4. 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.

5. The law applied to accidents and other third-party responsibility cases  
Introduction and basic concepts: damage, causal 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.

## 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.

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

(2) A group research project will be assigned. Students will work in groups to search information, and acquire the abilities needed.

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

## ASSESSMENT SYSTEM

Grading will be assigned on following bases:

a) Group Research: 40%.

Each group 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.

The instructor will grade as part of the continuous evaluation the progress of each group's research, as well as the questions and suggestions of other students. The main conclusions and lessons of the different groups will be included in the final exam.

b) Participation in class discussion: 20%.

The assignment will be based on the number and quality of interventions.

c) Final Exam (comprehensive, including topics, numerical exercises and applications, as well as multiple choice questions and practical cases discussed in class): 40%.

In the "convocatoria extraordinaria", the course grade will be that of the final exam.

<b>% end-of-term-examination:</b>	40
<b>% of continuous assessment (assignments, laboratory, practicals...):</b>	60

## BASIC BIBLIOGRAPHY

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

