

Economic Analysis of Law

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This course is given in the MA/PH.D. programme organized jointly with the Catholic University of Louvain (UCL).

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COURSE OUTLINE

In this course, we take an economic approach to the study of law by applying the standard tools of micro-economics in order to evaluate the effects of different rules from positive, normative or distributive points of view. The course is thus intended for students who are familiar with intermediate micro-economics, calculus, as well as the basics of game theory.

The course will be divided in three broad themes: property law, contract law, and tort law. (If time permits and if students show a special interest, some themes in criminal law or the economics of litigation may also be considered.) Occasionally, we may require the reading of some scientific articles.

The following themes must be viewed as an indication only and are thus subject to change.

1. Tort Law

- (a) Why tort law? (Cooter and Ulen 2000, 287-300)
- (b) An economic theory of tort law: The basic models (Brown 1973, Miceli 1997, Shavell 1987, Cooter and Ulen 2000)
 - i. Unilateral care: no liability; strict liability; negligence rules
 - ii. Bilateral care: no liability; strict liability; negligence rules; shared liability
- (c) Activity level and accident risk (Miceli 1997, Shavell 1987, Cooter and Ulen 2000)
- (d) The use of average standards
- (e) Punitive damages
- (f) Mistakes in damage evaluation
- (g) The judgment-proof problem
- (h) Multiple injurers
- (i) Products liability
- (j) Environmental liability
- (k) Administrative costs (Shavell 1987, chap. 11)

2. Property Law

- (a) Coase's approach to nuisance (Coase 1960)

- (b) The economic concept of “property rights” (Alchian 1965, Barzel 1989, Allen n.d., Demsetz 1967, Cheung 1970)
 - (c) The emergence and evolution of property rights (Demsetz 1967, Anderson and Hill 1975, Umbeck 1981)
 - (d) The problem of free access to resources (Gordon 1954, Dasgupta and Heal 1979)
 - (e) A general equilibrium analysis of rural privatisation (Samuelson 1974, Cohen and Weitzman 1975)
 - (f) Inefficient property rights (de Meza and Gould 1992)
 - (g) Law versus regulation (Glaeser, Johnson and Shleifer 2001)
3. Contract Law
- (a) Why contracts are enforced by law? (Kaplow and Shavell 1999)
 - (b) Basic models of contracts
 - i. Optimal damages
 - ii. Expectation damages
 - iii. Reliance damages
 - iv. Restitution damages
 - v. Specific performance
 - (c) Damages and risk sharing (Polinsky 1983, Miceli 1997)
 - (d) Liquidated damages
 - (e) Asymmetric information

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