Economic Analysis of Law I  
ECONOMICS EC2176G-001  
Department of Economics  
Western University

Tai-Yeong Chung  
January 2018

Office: 4079 SSC  
Phone: (519) 661-2111 ext. 85512  
E-mail: tchung@uwo.ca (Please put “EC2176” in the subject line)  
Office Hours: Wed. 1:00 – 3:00  
Class meeting times and location: Tues. 1:30 -3:30 and Thur. 2:30 – 3:30; UCC 54B  
Undergraduate inquiries: 519-661-3507 SSC Room 4075 or econugrd@uwo.ca

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at https://studentservices.uwo.ca/secure/index.cfm. If you notice a problem, please contact your Faculty Academic Counsellor immediately.

Prerequisite Note

The prerequisite for this course is Economics 2151A/B (Intermediate Microeconomic Theory II)

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of pre-requisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.
Course Description:

‘Law and Economics’, sometimes called ‘Economic Analysis of Law,’ is an interdisciplinary subject. It uses economics to understand incentive effects of law. Students will learn how microeconomic theory can be used to critically evaluate law and public policy.

A legal dispute between private parties (e.g., injurer and victim) can often be modeled as a game between them. Alternative legal rules create different incentives by changing the game to be played. Efficiency property of the equilibrium of the game can be examined under alternative laws in property, tort, and contract.

In public law, economics can be used to develop a model of criminal behavior based on a theory of rational choice to commit a crime. Optimal criminal justice policies can be identified in minimizing the social costs of crimes.

Course Learning Outcomes:

By the end of the semester, successful students will be able to:

- apply economic concepts to examine incentives created by law
- explain alternative ways of resolving legal disputes
- describe a legal dispute as a strategic game between parties
- identify and evaluate the likely outcome (equilibrium) of the game
- analyze and compare alternative laws in terms of efficiency
- understand crime deterrence effects of punishments

PDF version can be downloaded (free of charge) from http://scholarship.law.berkeley.edu/books/2/.

Grading: Evaluation will be based on two midterm exams, a final exam, and a few assignments. The exam dates will be announced later. Each midterm counts 15% of the grade, and the final exam 35%. The essay project counts 15%. Three homework assignments count 15% of the grade, and class participation 5%.
Part I. Introduction to Law and Legal System

A. Introduction

A.1 Common Law System and Precedent:
   Chapter 3, Sections I, III, IV
   Butterfield v. Forrester (Text, p. 64)
   Davies v. Mann (Text, p. 66)

Part II. Economic Analysis of Private Law

B. Economic Theory of Property

B.1 Bargaining and Protection of Property Rights:
   Chapter 4, Sections II, IV, and V
   Boomer v. Atlantic Cement Co., Inc. (Text, p. 170)

B.2 Economics of Governmental Taking:
   Chapter 5, Section VI

C. Economic Theory of Tort

C.1 Economic Theory of Tort Liability:
   Chapter 6, Section II
   United States v. Carrol Towing Co. (Text, p. 214)

C.2 Other Issues in Tort:
   Evidentiary Uncertainty: Chapter 7, Section I.B.3
   Punitive Damages: Chapter 7, Section II.B
   Reforming Products Liability: Chapter 7, Section III. C
D. Economic Theory of Contract

D.1 *Economic Theory of Contract*:
Chapter 8, Section II

D.2 *Remedies as Incentives*:
Chapter 9, Section I
*Hawkins v. McGee* (Text, p.313)

D.3 *Formation Defenses & Performance Excuses*:
Chapter 9, Section II
*Laidlaw v. Organ* (Text, p.356)
*Williams v. Walker-Thomas Furniture Co.* (Text, p.368)

Part III. Economic Analysis of Public law

E. Economic Theory of Crime

E.1 *Economic Theory of Crime and Punishment*:
Chapter 12, Section II

E.2 *Does Punishment Deter Crime?*
Chapter 13, Section II

E.3 *Efficient Punishment*
Chapter 13, Section III
Please Note
Department Policies for 2017 – 2018

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at http://westerncalendar.uwo.ca.


3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.

4. **Plagiarism:** Students must write their essays and assignments in their own words. Whenever students take an idea or a passage from another author, they must acknowledge it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at http://westerncalendar.uwo.ca/2017/pg113.html).

   The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.

6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (http://westerncalendar.uwo.ca/2017/pg112.html). Please note the relevant deadlines.

   The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at (http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals).

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

   - **Last day to add a 1st term half course:**
     - **Friday, September 15th, 2017**

   - **Last day to add a 2nd term half course:**
     - **Tuesday, January 16th, 2018**

   - **Last day to drop 1st term half course without academic penalty:**
     - **Monday, November 13th, 2017**

   - **Last day to drop 2nd term half course without academic penalty:**
     - **Wednesday, March 7th, 2018**
9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

Policy Regarding Makeup Tests and Final Examinations

Academic accommodation will not be granted automatically on request. You must demonstrate by documentation that there are compelling medical or compassionate grounds before academic accommodation will be considered.

If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is not permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within 24 hours of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca (Social Science Room 4075). Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.

Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your home Faculty as soon as possible (preferably within 24 hours of the test) if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.

For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at:
Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counsellor. If your documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your home Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.
Policies Regarding Academic Accommodation

Information about the Faculty of Social Science’s policies regarding academic accommodation is found on its website at http://counselling.ssc.uwo.ca/procedures/havingproblems.asp or in Social Science Room 2105. Your “Academic Rights and Responsibilities” are also outlined in the current UWO Calendar at http://westerncalendar.uwo.ca/2017/pg111.html. Claiming that “you didn’t know what to do” is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

Statement on Mental Health and Support Services

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit http://www.uwo.ca/uwocom/mentalhealth/ for more information and a complete list of resources, as well as how to obtain help.
Guidelines for Essay Courses

Essay Courses

An essay course is defined as a course in which the cumulative amount of written work, excluding written work in examinations, is normally at least 2,500 words (for a half course).

In order to pass an essay course the student must exhibit some minimal level of competence in essay writing as well as the appropriate level of knowledge of the content of the course.

English Language Proficiency for Assignment of Grades

Students must demonstrate the ability to write clearly and correctly. Written work on any subject that shows a lack of proficiency in English and is unacceptable for academic credit will be failed or, at the discretion of the instructor, returned to the student for revision to an acceptable literate level.

To foster competence in the use of the English language within their disciplines, all instructors will take proficiency in English into account in the assignment of grades. Note that this policy applies to all courses, not only essay courses.

Recycling of Assignments

Students are prohibited from handing in the same essay or paper for two different courses. This would be considered a scholastic offence and subject to academic penalties, including, but not limited to, the possibility of zero on that particular assignment.

Plagiarism

Plagiarism is defined as "the act or an instance of copying or stealing another's words or ideas and attributing them as one's own." 3

The concept of plagiarism applies to ALL assignments and their component parts, including essays, reports, diagrams, statistical tables, and computer projects.

Below are examples of some common mistakes that constitute acts of plagiarism. It is plagiarism if you: 4

- Submit someone else's work as your own
- Buy a paper from a paper mill, website or other source and submit it as your own work
- Copy sentences, phrases, paragraphs, or ideas from someone else's work, published or unpublished, without giving the original author credit
- Replace selected words from a passage and use it as your own without giving the original author credit
- Copy any type of multimedia (graphics, audio, video, internet streams), computer programs, music compositions, graphs, or charts from someone else's work without giving the original author credit

---

1 From the UWO Academic Handbook. See http://www.uwo.ca/univsec/pdf/academic_policies/registration_progression_grad/coursenumbering.pdf

2 From the UWO Academic Handbook. See http://www.uwo.ca/univsec/pdf/academic_policies/exam/english.pdf


4 From the San José State University Plagiarism Tutorial http://tutorials.sjlibrary.org/tutorial/plagiarism/
- Piece together phrases, ideas and sentences from a variety of sources to write an essay without giving the original authors credit
- Build on someone else’s ideas or phrases to write your paper without giving the original author credit

Plagiarism is a serious scholastic offence. Possible consequences of plagiarism include a mark of 0% on the assignment, a mark of 0% for the entire course, and expulsion from the university.

Purchasing an essay is a form of plagiarism and a very serious offence. The UWO Academic Calendar indicates that the penalty can be as severe as expulsion from the university.

Instructors may require students to submit their written work electronically to http://www.turnitin.com. Turnitin.com is a service that assists instructors and students in detecting and avoiding plagiarism.

Students wishing more guidance on how to avoid plagiarism or in doubt about whether their work constitutes plagiarism should consult their instructor. Claiming that you did not know you have plagiarized is not an acceptable excuse.

The key to avoiding plagiarism is to cite references correctly and fully for the sources you use in your work. The next section provides a summary of style guidelines for citing references.

**Referencing and Citation Guidelines**

If you use the work or ideas of others in your work, you must acknowledge the contributions of the original authors and provide citations and references to their work.


Economics papers typically use the **author-date** style of references. A detailed explanation of the author-date style and numerous examples of citations for print and electronic sources are available in chapter 15 of the *Chicago Manual of Style Online*. See also the handy “Chicago-Style Citation Quick Guide” under Tools on the homepage.

In the body of an essay, in-text citations give the last names of the authors of the piece you are referencing, the year of publication, and, where relevant, page numbers. These in-text citations refer the reader to more complete bibliographic references given in a list of references at the end of the essay. If your paper cites multiple works by the same author(s) with the same publication year, the convention is to add a lower case letter after the date in both the in-text citation and the References, e.g., 1993a and 1993b. This way, the in-text citation points the reader to the correct work in the References.

Examples of in-text citations:

Diamond (1981, 1982) and Mortensen (1982a, 1982b) find these externalities can cause an inefficient level of search activity…

The “new view of unemployment” which emerged during the 1970s emphasized the importance of turnover in the labour force and the brief duration of many employments spells (Hall 1970, 1972; Perry 1972; Marston 1976).

The primary objectives of the LMAS are “1. To provide measures of the dynamic…the Labour Force Survey” (Statistics Canada 1990, 5).

The list of references at the end of the essay should be titled References or Works Cited. It provides more complete bibliographic information about each source cited. In addition to References, you should also
provide adequate referencing of any data sources. This should be done in a data appendix following the
text of the paper and before the References.

Examples of the author-date style in the References for some commonly used materials follow. Note that
for a book with two or more authors, only the first author’s name is inverted, and a comma appears both
before and after the first author’s given name or initials.

(i) BOOKS:

Lastname, Firstname. Copyright year. Title of Book. Place of Publication: Publisher's Name.

e.g. Wonnacott, Thomas, and Ronald Wonnacott. 1984. Introductory Statistics for Business and

(ii) JOURNAL ARTICLES OR ARTICLES IN A BANK REVIEW:


(iii) GOVERNMENT PUBLICATIONS:

Government Agency, Bureau or Department. Year. Title. Catalogue or issue number or additional
information (where applicable).


of the United States, 1970. Prepared by the Geography Division in cooperation with the Housing
Division, Bureau of the Census. Washington, DC.

(iv) NEWSPAPERS:

Lastname, Firstname. Year. “Title.” Name of Newspaper. Month day. Note that the page number
should be given in the in-text citation, for example, (Sicular and Hartford 1989, 14).

e.g. Sicular, Terry, and Kathleen Hartford. 1989. “China’s Looming Rural Crisis.” Asian Wall Street

(v) CHAPTERS IN EDITED BOOKS OR CONFERENCE VOLUMES:

Lastname, Firstname. Year. “Title.” In Title of Book/Volume, edited by Firstname Lastname, page
range. Place of Publication: Publisher's Name.

 e.g. Fafchamps, Marcel. 2001. “The Role of Business Networks in Market Development in Sub-
Saharan Africa.” In Communities and Markets in Economic Development, edited by Masahiko

(vi) ONLINE BOOKS:

Lastname, Firstname. Year. Title. Place of Publication: Publisher. url/web address (access date).

 e.g. Mäler, Karl-Göran, and Jeffrey R. Vincent, eds. 2005. Handbook of Environmental Economics,
(vii) **ONLINE JOURNAL ARTICLES:**

A DOI (digital object identifier) is preferable to a URL. If using a URL, use the address that appears in your browser’s address bar when viewing the article (or the abstract) unless a shorter, more stable form of the URL is offered along with the electronic article.

Lastname, Firstname. Year. “Title.” Journal Volume: pages or article number. doi: OR url/web address (access date)


(viii) **INTERNET SITES:**

Name of Website or Organization. “Title”. Access date. url/web address.


**Writing an Economics Essay: Starting Points**

The best place to start a written economics assignment is by reviewing your instructor’s description of and instructions for the assignment. If you have questions about the assignment, you should ask your instructor.

A good way to learn how economists write is to read work written by economists. Examples of economic writing can be found in the course outline, economics journals, working papers series, and other economic publications. Your instructor may be able to suggest good examples of published work or provide examples of good student work from past years.

Two books that provide useful advice on how to write for economics are:


**Writing an Economics Essay: Resources**

An excellent place to start looking for information and ideas is the Resources Link on the Department of Economics website (http://economics.uwo.ca/resources/index.html). Here you will find a comprehensive list of sources for published and unpublished economic papers, articles, books, theses, government publications, data, and so on.

The DB Weldon Library has an outstanding collection of materials in economics, including bibliographies, indexes, handbooks, and periodicals. Library holdings, the online library catalogue, and other resources are available electronically from the Western Libraries Homepage http://www.lib.uwo.ca/. Access is available anywhere there is an internet connection using the Off Campus Proxy Server on the Library main page.

There is a wealth of “how to” information, including YouTube videos, on the Library’s home page. You are strongly encouraged to take a library orientation tour, as well, to learn about where things are located.
physically and online, and where to go for assistance. You should feel free to consult library staff if you have any questions or are having difficulty using the library.

*The New Palgrave Dictionary of Economics* is a good place to begin exploring topics in economics. The most comprehensive dictionary of economics in existence today, it features articles by influential economists in their areas of expertise. It is available online through the library catalogue, or in print in the Weldon's Reference section (call # HB 61.N49 2008 v. 1-8).

*EconLit (Economic Literature)* is a comprehensive, indexed electronic bibliography of economic literature from 1969 to the present covering major journals, articles in collective volumes (essays, proceedings, etc.), books, book reviews, dissertations, and working papers. Citations, selected abstracts, and links to UWO's full-text resources are provided. *EconLit* is available through the Library catalogue, or from the Library's list of Databases found under “Research Tools” on the Library homepage [http://www.lib.uwo.ca/](http://www.lib.uwo.ca/).

You can download and print records from the *EconLit* database. Once you have successfully marked records of interest, download your marked records to a text file, send marked records by email, or export them to a citation manager such as *Refworks*.

*Refworks* is a bibliographic and citation software tool that can be used to construct citations and lists of references in the author-date and other styles. Search the library catalogue (title search) for *Refworks* for access using Western's group access code.

*CANSIM (Canadian Socio-economic Information Management System)*
is Statistics Canada's computerized database of time series data covering a wide variety of social and economic aspects of Canadian life. Access the database by doing a Title Search on the Western Libraries Catalogue, or from the Library's list of Databases found under “Research Tools” on the Library [homepage](http://www.lib.uwo.ca/).

*Western Undergraduate Economics Review (WUER)*
The Department of Economics encourages students to consider submitting their essays to the *Western Undergraduate Economics Review*, a journal published annually by the Department that showcases student work in economics. For information about the *WUER* and its submission guidelines, please visit [http://economics.uwo.ca/undergraduate/undergraduate_economics_review.html](http://economics.uwo.ca/undergraduate/undergraduate_economics_review.html).
Alumni Essay Prizes in Economics

The following criteria will be used, and each prize is valued at $550:

1. Students can only win an Alumni Prize once.

2. Two prizes may be awarded at the end of the academic term. One for a student registered in a 2100 level course and one for a student registered in a 2200 or higher level course. Economics 4400E is not eligible for this as it has its own paper prize.

3. Instructors will nominate students for the prize. The paper should be submitted to the Undergraduate Coordinator for consideration by the Essay Prize Committee, which will decide the winner.

4. The Essay Prize Committee will consist of the Undergraduate Program Director, WUER Faculty Advisor and one other faculty member. The decision of the Committee is final and cannot be appealed.

5. Papers will be judged on content, originality, use of references, spelling and grammar. The grade given to the paper will not influence the decision of the Essay Prize Committee as all comments by the original marker will be removed.

The deadlines for submissions are:

- Fall courses: December 21st
- Winter courses: April 30th

The winner of the essay prize will have his/her paper submitted in the spring to the Western Undergraduate Economics Review. Other appropriate papers may also be submitted.