

**Economic Analysis of Law**  
**ECONOMICS EC2176B-001**  
Department of Economics  
Western University

**Instructor:** Tai-Yeong Chung

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**Office Hours:** Mon. 1:00 – 2:00 and Wed. 11:00 – noon

**Class meeting times and location:** Tues. 1:30 -3:30 and Thur. 2:30 – 3:30; UCC 60

**Undergraduate inquiries:** 519-661-3507 SSC Room 4075 or [econugrd@uwo.ca](mailto: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://student.uwo.ca/>. If you notice a problem, please contact your Faculty Academic Counsellor immediately.

### **Prerequisite Note**

The prerequisite for this course is **Economics 2150A/B** (Intermediate Microeconomic Theory I)

*Prerequisite(s) for your course found at:*

<http://www.westerncalendar.uwo.ca/Courses.cfm?Subject=ECONOMIC&SelectedCalendar=Live&ArchiveID=>

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

**Textbook:** R. Cooter and T. Ulen, *Law and Economics*, 6th ed.,  
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 20% of the grade, and the final exam 40%. Three homework assignments count 15% of the grade, and class participation 5%.

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## **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 2018-2019

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they 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>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations”  
[http://www.uwo.ca/univsec/pdf/academic\\_policies/exam/administration.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf).
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 an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at [http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_20](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20)).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:  
[http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page\\_14](http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14).  
Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:  
[http://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](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:  

Deadline to <u>add</u> a second term half course:	<b>Tuesday January 15, 2019</b>
Deadline to <u>drop</u> a second term half course:	<b>Thursday March 7, 2019</b>
9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

### **Policy Regarding Makeup Tests and Final Examinations**

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

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or having their value reweighted on a retroactive basis, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.

Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **24 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca). **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

Students who seek a makeup exam must also provide supporting medical or other relevant documentation that their absence from a scheduled test or exam is beyond their control. Documentation should be submitted to the Academic Counselling Office of the student's *home* Faculty **as soon as possible (preferably within 24 hours of the scheduled test)**. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. If the documentation submitted is not acceptable, students will receive a zero for the missed test.

For personal illness, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit. The off-campus medical certificate form must also be used and can be found at:

[http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf).

Notes stating "For Medical Reasons" are not considered sufficient.

For religious or compassionate circumstances, students should ask their Academic Counsellor what documentation to provide. If 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 exams). Once students have this form, they must contact their instructor as soon as possible to make arrangements. Even if approved by their Academic Counsellor, there is no guarantee that students will be allowed to write the makeup test/exam.

For final examinations, students need to seek permission from their *home* Faculty Counsellor, Instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in a grade of zero. Students 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. If approved, makeup examinations will be written within one month of the end of the exam period.

### **Policies Regarding Academic Accommodation**

The Faculty of Social Science's policies regarding academic accommodation is found at [http://counselling.ssc.uwo.ca/procedures/having\\_problems/index.html](http://counselling.ssc.uwo.ca/procedures/having_problems/index.html).

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. 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 the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

### **Statement on Mental Health and Support Services**

Students under emotional/mental distress should visit [http://uwo.ca/health/mental\\_wellbeing/](http://uwo.ca/health/mental_wellbeing/) for more information and a complete list of resources on how to obtain help.