

Law and Economics Spring 2017 GMU Syllabus

Economics 415-001 meets Tuesdays and Thursdays 9:00-10:15 am during Spring 2017 in Planetary Hall, Room 120

Instructor: Robert A. Hazel

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Office hours: TBD, but I am on campus at least part of the day Monday-Thursday, so email and we can arrange a time to meet.

Course description: Economic analysis of the law, including an introduction to legal analysis, and application of economic concepts to property, contracts, torts, and criminal law. Are patent and copyright laws hurting innovation? What do contingency fee lawyers and bail bondsmen have in common? What is a tort, and how do contracts, torts, and properties law differ? How do changes in the law affect the price of vaccines? What is the purpose of punitive damages and how are they set? Is common law economically efficient? How does the Coase theorem apply in the real world? How do judges make decisions, and what does economics tell us about judicial bias?

Course objectives and learning outcomes: Gain familiarity with application of economic principles to analyze a wide range of legal issues, and better understand the economic consequences of laws and regulations.

Required texts: Both Farnsworth and Friedman are very readable; Cooter is a more typical undergraduate text.

A version is available on-line, but you may want to buy the hard copy: David D. Friedman, *Law's Order: What Economics Has to Do with Law and Why It Matters*, Princeton University Press 2001, ISBN 9780691090092. (Avg. chapter length: 16 pages)

Ward Farnsworth, *The Legal Analyst, A Toolkit for Thinking About the Law*, University of Chicago Press 2007, ISBN 9780226238357 (Avg. chapter length: 9 pages)

Recommended text – Robert Cooter and Thomas Ulen, *Law and Economics*, Fifth Edition, Addison Wesley 2008, ISBN 0-321-33634-8. The Cooter & Ulen text is expensive, and the authors have provided a free pdf version at <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1001&context=books> (Avg. chapter length: 40 pages)

Other readings: Will be available on Blackboard or provided as handouts.

Grade weights: Class participation 5%, midterm 25%, final 30%, 1-2 page arguments and class exercises 40%.

Week 1 – Jan 24, 26

Introduction to law and economics

Contracts, properties, and torts – what are they and how are they related?

Efficiency as a social goal

Ex post, ex ante

Least cost avoider

Coase theorem

WF 1-5

Week 2 – Jan 31, Feb 2

Legal institutions

Structure of the US court system

Forum selection

How common law evolves

WF 6-8, DF pp 103-11, C3

Week 3 – Feb 7, 9

Economics of property law

Property rules and liability rules

Gifts but not sales (organs and children) & other anomalies

Public goods

WF 9, 11, 16, 20, DF 10

Week 4 – Feb 14, 16

Intellectual property

Patents, trademarks, copyrights

DF 11, C pp 116-35

Tim Wu, *American Lawbreaker*, “Tolerated Use, the Copyright Problem,” Slate, October 16, 2007, http://www.slate.com/articles/news_and_politics/jurisprudence/features/2007/american_lawbreaking/tolerated_use_the_copyright_problem.html

Week 5 – Feb 21, 23

Torts

Minimum social cost rule

Product liability: negligence versus strict liability

Vaccine pricing

Mass torts

DF 14, C pp 262-74

Week 6 – Feb 28, Mar 2

Assessing damages

Valuation – human lives, and bald eagles

Punitive damages – damage awards versus level of outrage

Dual causality

Draft December 3, 2016

WF 31, DF 9, C pp 257-61

Week 7 – March 7

Legal process incentives
Settlement incentives
Contingent fees

Week 7 – March 9 (midterm)

Spring break – March 14, 16

Week 8 – March 21, 23

Week 9 – March 28, 30

Economics of contract law
Contract enforceability and defenses
Damage theories – Hawkins v. McGee, the hairy hand case
Efficient breach
DF 12

Week 10 – April 4, 6

Criminal law
Crimes versus torts
General theory and probabilistic punishment
Do criminals respond to incentives?

DF 15, 18

Steven Levitt, “Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not,” *Journal of Economic Perspectives*, 18: 1, (2004), pp. 163–190
<http://pricetheory.uchicago.edu/levitt/Papers/LevittUnderstandingWhyCrime2004.pdf>

Week 11 – April 11, 13

Constitutional law
Juries and their deliberations
WF 27, 28, 30
Richard Posner, *Supreme Court Breakfast Table*, “Entry 27: Broad interpretations,” Slate, July 2016,
http://www.slate.com/articles/news_and_politics/the_breakfast_table/features/2016/supreme_court_breakfast_table_for_june_2016/richard_posner_clarifies_his_views_on_the_constitution.html

Week 12 – April 18, 20

An introduction to antitrust law and economics
DF 16

Week 13 – April 25, 27

Behavioral law and economics

WF 22, 24-26, 29

Week 14 – May 2, 4

Is the common law efficient?

Coase theory in the real world

The influence of law and economics

DF 19

University policies and information:

Late work: The deadlines for written work are strict and no extensions will be given. A late submission will be considered for partial credit.

Academic integrity: Faculty in Economics have zero tolerance for academic dishonesty and will strictly enforce Mason's honor code.

Disabilities: If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703.993.2474. All academic accommodations must be arranged through that office.

Email: Mason uses only Mason email accounts to communicate with enrolled students. Students must activate their Mason email account, use it to communicate with their department and other administrative units, and check it regularly for important university information including messages related to this class.

Syllabus and course changes: The syllabus is a general plan for the course, and is subject to change at the sole discretion of the instructor.