

Law and Economics Syllabus

Course: IE 520

Credits: 4

Instructor: Brishti Guha (333 SIS 2, brishtiguha@gmail.com)

Evaluation: 50% weight each on a midterm and an endterm exam.

Objectives: This course is an introduction to important topics in law and economics. Beginning with the applications of the Coase theorem to law and economics, and the choice between property rules, liability, communal rights, and regulations (touching on tort and contracts), we move on to the emergence of spontaneous order, the economics of the legal process, and the economics of crime.

Texts: 1. D. Wittman, “Economic Foundations of Law and Organization”, chapters 5-6, 11, 12-14, 16, and 2. D. Friedman “Law’s Order”, chapters 4, 12, 14 (available online at http://www.daviddfriedman.com/laws_order/), and journal articles listed topic-wise below. Both textbooks are non-demanding and provide a general overview of topics in neoclassical law and economics.

A note on starred articles: Students are expected to read starred articles slightly in advance of the class in which they will be discussed, and should be prepared to summarize their main points and to discuss them critically. The starred articles mostly do not have complex theoretical models. Non-starred articles will be taught the usual way.

Topics:

1. The Coase theorem and its implications for law and economics:
Ch 5-6 DW, Ch 4 DF
**Raid or Trade? An Economic Model of Indian-White Relations*, Anderson T.L and McChesney F.S, Journal of Law and Economics (1994), 37(1): 39-74.
2. Property rules, liability, communal rights, and regulations:
Ch 11, 12-14 DW
Torts (ch 16 DW, ch 14 DF)
3. Spontaneous order:
 - (a) Emergence of order in stateless/quasi-stateless societies:
 - (i) In societies with potential for (nonviolent) cheating –
The Role of Institutions in the Revival of Trade: the Law Merchant, Private Judges, and the Champagne Fairs, Milgrom P.R, North, D. and Weingast, B, Economics and Politics (1990), 2(1): 1-23.

- (ii) In societies with violence –

Trading with Bandits, Leeson, P, Journal of Law and Economics (2007), 50: 303-321.

**An-arrgh-chy: the Law and Economics of Pirate Organization*, Leeson, P, Journal of Political Economy (2007), 115(6): 1049-1093.

- (b) Evolution of the common law:

Why is the Common Law Efficient? Rubin, P, Journal of Legal Studies (1977), 6: 51-63.

4. Economics of the legal process and dispute resolution:

- (a) Early legal institutions:

In ancient Athens (class notes)

**Trial by Battle*, Leeson, P, Journal of Legal Analysis, (2011), 3(1): 341-375.

- (b) Court cases and disputes:

Settlements and nuisance suits (class notes)

Malice in disputes and disputes over allocation of indivisible objects:

Reinterpreting King Solomon's Problem: Malice and Mechanism Design, Guha, B, Journal of Economic Behavior and Organization (2014), 98: 125-132.

Malicious Litigation, Guha, B, International Review of Law and Economics (2016), 47, 24-32.

Jury size: the Condorcet theorem (class notes)

Jury size and the free rider problem, Mukhopadhaya, K, Journal of Law, Economics, and Organization (2003), 19(1): 24-44.

5. Economics of crime:

- (a) Determinants of crime:

- (i) Becker's theory and the endogeneity problem in assessing the effects of policing (class notes)

- (ii) Penalties – deterrence and incapacitation effects

**Crime, Punishment and Myopia*, Lee, D.S, and McCrary, J, (2005), NBER Working Paper 11491 (for deterrence effects)

**More Time, Less Crime? Estimating the Incapacitative Effect of Sentence Enhancements*, Owens, E, Journal of Law and Economics, (2009), 52: 551-579. (for incapacitation effects)

(iii) Legalized abortion and crime rates

**The Impact of Legalized Abortion on Crime*, Donohue, J, and Levitt, S, Quarterly Journal of Economics, (2001), 116(2): 379-420.

(b) Incentives of (potential) victims:

Guns and Crime Revisited, Guha, B, Journal of Economic Behavior and Organization, (2013), 94: 1-10.

“Inferiority” Complex? Policing, Private Precautions and Crime, Guha, B, European Journal of Law and Economics, (2015), 39(1): 97-106.

Pirates and Traders: Some Economics of Pirate-Infested Seas, Guha, B, and Guha, A.S, Economics Letters, (2011), 111(2): 147-150.

(c) Incentives of criminals and criminal organizations:

(i) Criminals:

Pirates and Fishermen: Is Less Patrolling Always Bad? Guha, B, Journal of Economic Behavior and Organization, (2012), 81(1): 29-38.

(ii) Criminal organizations:

**An Economic Analysis of a Drug Selling Gang’s Finances*, Levitt, S, and Venkatesh, S, Quarterly Journal of Economics, (2000), 115(3): 755-789.

6. Contract law (if time permits). References to be supplied later.