

Economics 522: Law and Economics (Online)
Summer 2018

Professor: Dan Quint

(syllabus subject to revision; last updated 5/21/2018)

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Course Overview

The course will be divided into six weeks:

Week 1 (short week, Tues May 29 – Fri Jun 1): introductory material

Week 2 (Mon Jun 4 – Fri Jun 8): property law

Week 3 (Mon Jun 11 – Fri Jun 15): contract law

Midterm exam: Tuesday, June 19, 8-10 p.m. CDT, covering first three weeks material

Week 4 (Mon Jun 18 – Fri Jun 22): tort law

Week 5 (Mon Jun 25 – Fri Jun 29): criminal law, behavioral law and econ, concluding topics

Week 6 (Mon Jul 2 – Fri Jul 6): no new material; review, prepare for final exam

Final exam: Sunday, July 8, 4-7 p.m. CDT, cumulative (covering full semester)

Each week's material will be posted on Saturday of the previous weekend, so students can use each weekend to either finish the previous week's material or begin the coming week's material.

Weeks 1-5 will each have an associated homework assignment, due early the following week:

Homework 1 (efficiency)	due 11:59 p.m. on Monday, June 4
Homework 2 (property law)	due 11:59 p.m. on Monday, June 11
Homework 3 (contract law)	due 11:59 p.m. on Sunday , June 17
Homework 4 (tort law)	due 11:59 p.m. on Monday, June 25
Homework 5 (criminal law/misc)	due 11:59 p.m. on Monday, July 2

Grading

The course will be graded on the following basis:

Participation	5%
Homework assignments (5)	25%
Midterm exam	30%
Final exam	40%

Participation: I hope that everyone will get 5/5 on this. You get the first three points simply by posting three times on the class discussion boards in the first three weeks of the class, regardless of the content of the posts. The other two points are for making more substantive contributions – an interesting question (about course material or something related), a useful answer to someone else’s question, etc. Basically, as long as you post periodically and some of these posts are meaningful, you should get 100% for participation.

Homework: Homework will be submitted online, and is due just before midnight, usually on the Monday night of the following week. (Homework 3 will be due on Sunday night, to leave more time to study for the midterm.) Late homework will be penalized. Homework solutions will be posted the following day; late homework will not be accepted once solutions have been posted. Please double-check that your homework uploaded successfully – “I finished the assignment and thought I submitted it” is not a valid excuse!

Exams: The midterm and final exam must be taken in realtime: the questions will be posted on the site at the start of the designated exam time, and you will need to upload a file containing your answers by the end of the designated time. Late submissions will be penalized severely. The midterm is scheduled for

Tuesday June 19 from 8 to 10 p.m. CDT

and the final exam is scheduled for

Sunday July 8 from 4 to 7 p.m. CDT

THE TWO EXAMS MUST BE TAKEN AT THE TIME THEY ARE SCHEDULED FOR, but are the only instances when students must be available at a particular time; the rest of the coursework can be done on a flexible schedule throughout the week.

Readings:

THE TEXTBOOK IS AVAILABLE FOR FREE HERE:

<http://scholarship.law.berkeley.edu/books/2/>

The book is [Law and Economics \(Sixth Edition\)](#), by Robert Cooter and Thomas Ulen (Addison Wesley 2007). Additional material is available here:

http://wps.aw.com/aw_cooterulen_lawecon_6/178/45815/11728880.cw/index.html

Another excellent book on law and economics is [Law's Order](#), by David Friedman (Princeton University Press 2001). I will refer to this book several times in lecture; you can think of it as an optional text for the course. It's a \$40 paperback on Amazon, and available for free online as an e-book at Friedman's website: http://www.daviddfriedman.com/laws_order/index.shtml

The bit of game theory I'll use should be covered in whatever textbook you used for Econ 301 – I've listed the chapters in [Intermediate Microeconomics: A Modern Approach](#) by Hal Varian (W. W. Norton 2005).

Additional readings are listed below; they will all be available on the course website. I've placed stars next to the readings I feel are most important.

Other Sources:

Other good books on law and economics include [An Introduction to Law and Economics](#), by Mitchell Polinsky (Aspen 2003), and [Game Theory and the Law](#), by Douglas Baird, Robert Gertner, and Randal Picker (Harvard University Press 1998).

A nice short history of law and legal institutions in the U.S. is [Law in America](#), by Lawrence Friedman (Modern Library 2004).

Throughout this course, we'll implicitly be assuming that peoples' behavior responds to changes in the law. An interesting counterpoint is the view that it is often not the formal law, but informal social norms, which actually govern peoples' behavior. We won't get into this, but if you're interested, check out [Order without Law: How Neighbors Settle Disputes](#), by Robert Ellickson (Harvard University Press 2005); and for an example of such norms in action, see Daniel Nazer (2004), "The Tragicomedy of the Surfers' Commons," *Deakin Law Review* 29 ([link](#)).

At the end of the semester, we'll discuss behavioral economics and its interaction with the law. The paper listed on the syllabus (by Jolls, Sunstein and Thaler) is a good starting point; if you want more, check out [Behavioral Law and Economics](#), edited by Cass Sunstein (Cambridge University Press 2000).

Course Overview and Readings

(stars indicate most important readings; there will be a separate page on the online course containing each week's supplemental readings)

WEEK 1: INTRODUCTORY MATERIAL

Course overview, a bit of history (the Common and Civil Law traditions)

* Cooter and Ulen ch 3

Robert Ellickson (1989), [A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry](#), Journal of Law, Economics and Organization 83

Efficiency, and should the law be efficient?

* Cooter and Ulen ch 1

* Richard Posner (1980), [The Ethical and Political Basis of Efficiency Norm in Common Law Adjudication](#), Hofstra Law Review 8

Peter Hammond (1982), [Review: The Economics of Justice and the Criterion of Wealth Maximization](#), Yale Law Journal 7

Nice blog post by Steven Landsburg giving a more moderate view of efficiency as a normative policy goal: <http://www.thebigquestions.com/2010/08/30/efficiency-experts/>

Introduction to theory of static games

* Cooter and Ulen ch 2

Varian ch 28.1 – 28.4

WEEK 2: ECONOMICS OF PROPERTY LAW

* Cooter and Ulen ch 4 and 5

* Ronald H. Coase (1960), [The Problem of Social Cost](#), Journal of Law and Economics 3
Garrett Hardin (1968), [The Tragedy of the Commons](#), Science 162

* Harold Demsetz (1967), [Toward a Theory of Property Rights](#), American Economic Review 57

* Guido Calabresi and A. Douglas Melamed (1972), [Property Rules, Liability Rules, and Inalienability: One View of the Cathedral](#), Harvard Law Review 85

Lawrence Blume and Daniel Rubinfeld (1984), [Compensation for Takings: An Economic Analysis](#), California Law Review 72

Fun property-related articles: [amputated leg](#), [goats on the roof](#), [squatter's rights](#)

WEEK 3: ECONOMICS OF CONTRACT LAW

* Cooter and Ulen ch 8 and 9

* Ian Ayres and Robert Gertner (1989), [Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules](#), Yale Law Journal 99
[Decision in Hadley v Baxendale](#)

A fun contract-related article: [British company buying up souls](#)

WEEK 4: ECONOMICS OF TORT LAW

- * Cooter and Ulen ch 6 and 7
- Cooter and Ulen ch 10 and 11
- * Steven Shavell (1980), [Strict Liability versus Negligence](#), Journal of Legal Studies 9
- Edward Glaeser and Andrei Shleifer (2003), [The Rise of the Regulatory State](#), Journal of Economic Literature 41
- Gary Schwartz (1994), [Reality in the Economic Analysis of Tort Law: Does Tort Law Really Deter?](#) UCLA Law Review 42
- W. Kip Viscusi (1993), [The Value of Risks to Life and Health](#), Journal of Economic Literature 31
- Kathryn Spier (1994), [Pretrial Bargaining and the Design of Fee-Shifting Rules](#), RAND Journal of Economics 25

WEEK 5: CRIMINAL LAW, AND CONCLUDING MATERIAL

Economics of Criminal Law

- * Cooter and Ulen ch 12 and 13
- * David Friedman (2000), [Law's Order](#), Princeton University Press – chapter 15
- * Gary Becker (1968), [Crime and Punishment: An Economic Approach](#), Journal of Political Economy 76
- Isaac Ehrlich (1996), [Crime, Punishment, and the Market for Offenses](#), Journal of Economic Perspectives 10
- Richard Craswell and John Calfee (1986), [Deterrence and Uncertain Legal Standards](#), Journal of Law, Economics and Organization 2
- John Knowles, Nicola Persico and Petra Todd (2001), [Racial Bias in Motor Vehicle Searches: Theory and Evidence](#), Journal of Political Economy 109
- E. Cohen-Cole, S. Durlauf, J. Fagan, and D. Nagin (2009), [Model Uncertainty and the Deterrent Effect of Capital Punishment](#), American Law and Economics Review 11
- One example of efficient punishment leading to an incentive for abuse: [traffic cameras](#)

Some Interesting Digressions

- Peter Leeson (2012), [Ordeals](#), Journal of Law and Economics 55
- Christine Jolls, Cass Sunstein, and Richard Thaler (1998), [A Behavioral Approach to Law and Economics](#), Stanford Law Review 50
- Tim Wu, [American Lawbreaking](#), Slate 10/14/2007

Efficiency of the Legal System, Revisited

- Robert Ellickson (1989), [A Hypothesis of Wealth-Maximizing Norms: Evidence from the Whaling Industry](#), Journal of Law, Economics and Organization 83
- * Gillian Hadfield (1992), [Bias in the Evolution of Legal Rules](#), Georgetown Law Journal 80

Finally, some boilerplate from the Economics Department:

Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints. If you are not in Madison or cannot come to campus during business hours and need to file a grievance, email Tammy Herbst-Koel (herbst@wisc.edu) for instructions.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures:
https://docs.legis.wisconsin.gov/code/admin_code/uws/14.pdf

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator Tammy Herbst-Koel (herbst@wisc.edu) and your identity will be kept confidential.

See also the University's statement on academic integrity and misconduct:
<https://students.wisc.edu/student-conduct/academic-integrity/>