

COURSE DESCRIPTION

Academic year: 2023/2024	
University: Comenius University Bratislava	
Faculty: Faculty of Law	
Course ID: PraF.UEV/mPRV17-1190/20	Course title: Introduction to Law&Economics
Educational activities: Type of activities: lecture / seminar Number of hours: per week: 1 / 1 per level/semester: 14 / 14 Form of the course: on-site learning	
Number of credits: 3	
Recommended semester: 2., 4.	
Educational level: II.	
Prerequisites:	
Course requirements: Students read 1-2 compulsory texts, articles or cases for each lecture and combine them with optional supplementary materials (videos, podcasts, documents, articles) of their choice from variety of given options, to write short essay (response paper of 250 words) a week. (45%) By the end of the course, students prepare a mootcourt – simulated court trial, in which a group of students is representing defendant and another group of students is representing the plaintiff. They are expected to use economic arguments. Each student presents shortly. (10%) The exam is written, with questions asking students to explain and apply the basic concepts of Law&Economics. The exam tests understanding, not memorized knowledge. (45%) Student will gain the credits if he or she will earn at least half of the points from the essays, at least half of the points from the exam and at least 51% of total points. Scale: A/1 = 91 – 100 %; B/1,5 = 81 – 90 %; C/2 = 73 – 80 %; D/2,5 = 66 – 72 %; E/3 = 60 – 65 %; FX = 0 – 59 % Scale of assessment (preliminary/final): 45/55	
Learning outcomes: What change in the law is an improvement? What price should a person pay for unlawful behavior? What length of a prison sentence is the most efficient? Is there a cap, beyond which all longer sentences bring no utility, only costs? Does a human life has a price tag? How do we calculate a damage for a lost life? Which legal regime prevents damages the best? Can you breach a contract in a way that is beneficial for both parties, or at least brings more utility to one party while not harming the other? Should courts approve the „efficient breach of contract“ based on economic arguments, or should they always enforce the contract? Is common law really more efficient than continental civil law? What legal system of liability should be used to achieve which goal of legislation? What kind of incentives work to make people comply with the rules? Can we use the law to „nudge“ people to make rational choices? Course „Introduction to Law&Economics“ will bring answers to these and many more questions from Nobel-prize winning economists and leading L&E scholars. It will teach students to think about law in a new way - differently and critically - to use economic arguments in legal debate,	

to analyze the law, legal regimes and proposals. L&E brings facts and numbers as an argument. The goal of this course is to introduce students to a new interdisciplinary field that is applying economic methods to legal knowledge. It is useful in both public and private law, in legislation and negotiation. The knowledge from this course will help students to strengthen their argumentation and foster creative solutions of legal problems.

Employment possibilities:

Consulting, legislation, law enforcement, legal departments of private firms, business, regulation of industry and banks, commercial law, academic jobs, compliance and litigation, marketing.

Class syllabus:

1.The Basics of Law&Economics 1

What is efficiency and how can we use the economic concepts in law? Should courts only enforce the written law, or can they consider also economic arguments to search for an efficient solution? Efficiency vs. Justice. R.Coase and Transaction Costs. Rational Choice Theory versus Behavioral Law&Economics. Expected utility = damages, fines and jail sentences as an expected price for certain behavior.

2.The Basics of Law&Economics 2

Market failures = need for regulation (Free riding: intellectual property rights. Assymmetric information: regulating banks and insurance). Problem of Commons. Social Costs. Negative Externalities. How do we construct an efficient regulation? Regulating the market for emissions: The auction. Compensation and indifference curve. Posner: Should legal rights be assigned to the person with the highest willingness to pay? Methods of L&E, Cost-Benefit Analysis.

3.Criminal Law&Economics

Deterrence theory: $\text{Cost of crime} = \text{Expected Punishment} \times \text{Probability of Enforcement}$. Does harsher sanction, more policemen or more prison sentences reduce the crime rate? Efficient crime. Efficient punishment: First year in prison deters much more than eleventh. Elasticity of crime deterrence. Economics of sex crime.

4.Contract Law&Economics

Efficient breach of contract. Should courts always enforce the contract, or can they approve a breach? Default rules. Risk allocation. Does everything have to be written in the contract? Who pays for unforeseeable events? Compensation. Expectation damages. Punitive damage and court decisions.

5.Tort Law&Economics

Liability rules. When is strict liability the most efficient? How to avoid liability in case of negligence? Which kind of liability rules can help to achieve which goals? How do we calculate damages – for example the value of a lost life? How does law help to prevent damages? Case of a farmer and livestock owner. Judge Learned Hand Rule.

6.Competition L&E

Market failure: need for regulation. Economic arguments behind Monopoly and Antitrust. Market power: Deadweight loss, reduction in output. How much concentration on the market is enough? HHI – index to calculate the market power. Antimonopoly authorities and markets.

7.Corporate and Property Law&Economics

Corporate governance. Is corporation just a nexus of contracts? Which set of rules is the most efficient to regulate relations and liability of managers and shareholders? American shareholder model versus German stakeholder model. Limited liability of a firm. Economic theory of property law. When is it efficient to limit property rights? Case of regulating aesthetics of houses.

8.Behavioral Law&Economics 1

Human errors, biases and behavioral theory. Do criminals calculate expected utility, the cost of crime and probability of punishment? Bounded rationality.

9. Behavioral Law&Economics 2

Thaler and Libertarian Paternalism: Nudging people by the right default rules. Opting out. Nudge Units. Examples. How to create a rule.

10. Media Law&Economics

Two-sided media markets and competition law. Media ownership regulation. Punitive damages as a threat for the press freedom. The chilling effect. Regulating the Internet? Regulating Advertising as signalling.

11. Moot Court

A case in which students have to use economic arguments to represent a party at simulated court.

12. Application of Law&Economics. Repetition and discussion before the exam

Nudging units. Discussion with chief of analytics at Ministry of Finance SR or Value for Money Unit. Discussion on the exam content. Questions.

Recommended literature:

Cooter, R. D. Ulen, T. 2000. Law and Economics. 3rd Edition. Berkeley Law Books. Book 2.

Thaler, R., Sunstein, C. R. 2008. Nudge. Improving Decisions About Health, Wealth and Happiness. New Haven, CT, US: Yale University Press.

Lecture 1:

Cooter, R. D. Ulen, T. 2016. Law and Economics. Pages: 1 – 8 (Chapter 1)

Polinsky, A. M. Shavell S. 2005. Economic Analysis of Law. Working paper/Discussion paper.

Harvard Law School. Stanford Law School. Page 2 + pages 32 – 34. Available online:

<https://poseidon01.ssrn.com/delivery.php?>

ID=12501709206400002810601202108711711204107405404903603600701712110109912000

60751101241240270251030260040580290980770130001180550840420230100160840660150

22022018096100026117125088026089002088010030095107008077004079119125083097087

123013110&EXT=pdf

Lecture 2:

Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago. Pages 1 – 10.

Lecture 3:

Cooter, R. D. Ulen, T. 2016. Law and Economics. Chapters 11 and 12.

Lecture 4:

Cooter, R. D. Ulen, T. 2016. Law and Economics. Chapters 6 and 7.

Lecture 5:

Cooter, R. D. Ulen, T. 2016. Law and Economics. Chapters 8 and 9.

Lecture 6:

Edelman, Benjamin G. and Geradin, Damien. An Introduction to the Competition Law and Economics of 'Free' (August 23, 2018). Forthcoming, Antitrust Chronicle, Competition Policy International . Available at SSRN: <https://ssrn.com/abstract=3238719>

Lecture 7:

Cooter, R. D. Ulen, T. 2016. Law and Economics. Chapters 4 and 5.

Lecture 8:

Dan Ariely. Beer and Free Lunches. What is Behavioral Economics, and Where Are the Free Lunches. Chapter 13 in: Predictably Irrational. 2008. Harper Collins. Page 231 – 245.

Lecture 9:

Richard Thaler, Cass Sunstein: Libertarian Paternalism. The American Economic Review, Vol. 93, No. 2. Pages 175 – 179.

Lecture 10:

No compulsory reading.

Lecture 11:

Moot Court case will be delivered 2 weeks before the lecture.

Lecture 12:

No compulsory reading.

Optional/Supplementary materials:

Lecture 1:

Becker, G. The Economic Way of Looking at Life. Nobel Lecture. Online:

<https://www.nobelprize.org/prizes/economic-sciences/1992/becker/lecture/>

Maximizing utility, cost-benefit analysis.

Micheal Sandel, Harvard University: Putting a price tag on life:

<https://www.youtube.com/watch?v=0O2Rq4HJBxw&list=PL30C13C91CFFEFEA6>

Explaining Law&Economics:

Clayton Gillette. The Forum: The Method Behind the Madness (1): Explaining Law and Economics. New York School of Law. Youtube video: <https://www.youtube.com/watch?v=2cFTiSeM4cA>

Lecture 2:

Pindyck, R. S. Rubinfeld, D. L. 2011. Ways of Correcting a Market Failure: Emission Standard. In: Microeconomics. 8th Edition. Pearson Publishing. p. 667 – 674.

Žižek, Slavoj. Democracy And Capitalism Are Designed To Split Up, Youtube video, online:

https://www.youtube.com/watch?v=AXVEnxtZe_w

Gay Rights and Economics:

How Equal Rights Can Boost Economic Growth. The Economist, 2. 1. 2019:

<https://www.economist.com/democracy-in-america/2019/01/02/how-equal-rights-can-boost-economic-growth>

Do we want armed robbers to kill their victims? Forget justice, think about efficiency:

David Friedman - Application of Economic Analysis to the Law. Video interview:

<https://www.youtube.com/watch?v=zHTj0iccdVM>

Lecture 3:

Economics of Sex Crime. Stephen J. Dubner: Making Sex Offenders Pay – and Pay and Pay and Pay: A New Freakonomics Radio Podcast. Online:

<http://freakonomics.com/podcast/making-sex-offenders-pay-and-pay-and-pay-and-pay-a-newfreakonomics-radio-podcast/>

Sex offenders serve their prison sentence twice. They are forced to live on an island. VICE News video: <https://www.facebook.com/vicenews/videos/1227097900783491/>

Cowboys catching criminals?

Stephen J. Dubner. Freakonomics Radio: The Economics of Bounty Hunting. Online:

<http://freakonomics.com/podcast/freakonomics-radio-the-economics-of-bounty-hunting/>

Restorative Justice and Restorative Economics:

Deanna Van Buren – What a world without prisons could look like, TED Talk:

https://www.ted.com/talks/deanna_van_buren_what_a_world_without_prisons_could_look_like
Abortion reducing crime?

Levitt, S. Dubner, S. 2005. Where have all the criminals gone? In: Freakonomics. Harper Collins. (Chapter 4)

Psychology of cheating, probability of getting caught.

Daniel Ariely: Our buggy moral code. TED talk:

https://www.ted.com/talks/dan_ariely_on_our_buggy_moral_code

Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago.

Chapter 10. Are Criminals Rational? Gerry Becker and the Dawn of Rational Crime Analysis.

Lecture 4:

Efficient breach of contract and expectation damages:

Seth Oranburg lecture: Contract Remedies 3: Efficient Breach. Youtube video:

<https://www.youtube.com/watch?v=U7yBEpsijtc>

+

Debora Threedy and Terry Kogan. Contracts: Expectation Damages:

[https://www.youtube.com/watch?](https://www.youtube.com/watch?v=q89hWQI7Q3U&list=PLpbtRdN7xWUfKfRXfbgaPdQZBQSS1n2Vr&index=32)

[v=q89hWQI7Q3U&list=PLpbtRdN7xWUfKfRXfbgaPdQZBQSS1n2Vr&index=32](https://www.youtube.com/watch?v=q89hWQI7Q3U&list=PLpbtRdN7xWUfKfRXfbgaPdQZBQSS1n2Vr&index=32)

Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago.

Chapter 5: Should the Courts Encourage Contractual Breach? Acme Mills & Elevator Co. v. J.C.

Johnson (1911) and the Economics of Breaking Promises.

Lecture 5:

Dubner, Stephen. Freakonomics Radio Podcast: Who Decides How Much a Life is Worth?

Online: <http://freakonomics.com/podcast/kenneth-feinberg/>

Guido Calabresi: The Place of Torts in Law and Economics: The Significance of the Liability Rule. Youtube video: <https://www.youtube.com/watch?v=lGnHgn3rvus>

Torts and Liability: Lindsay Wiley from American University Washington College of Law.

Episode 1.2: An Overview of Tort Law – Intentional Torts, Negligence, and Strict Liability.

<https://www.youtube.com/watch?v=f6TUiejBILE> (from 3.56)

Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago.

Chapter 9. Does Malpractice Liability Induce Physicians to Provide Too Much Health Care?

Heiling vs. Carey (1974) and the Economics of Medical Malpractice Law.

Lecture 6:

Crash Course Economics 25: Monopolies and Anti-Competitive Markets:

https://www.youtube.com/watch?v=Sb_-wfmJnHA

+

Crash Course Economics 26: Game Theory and Oligopoly:

<https://www.youtube.com/watch?v=PCcVODWm-oY>

Luís M. B. Cabrall. Introduction to Industrial Organization. The MIT Press. Cambridge, Massachusetts. London, England. Chapter 13: Advertising. Pages 223 – 236.

Lecture 7:

Corporate Governance with Professor Jesse Fried, Harvard Law School:

<https://www.youtube.com/watch?v=YlVuCWGPzOI>

Ugly Belgian Houses, Facebook page: <https://www.facebook.com/uglybelgianhouses/>

Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago.

Chapter 1. Should Body Parts be Sellable? Moore vs. Regents of the University of California (1990) and the Market for Human Tissue.

Lecture 8:

Thaler, R., Sunstein, C. R. 2008. Nudge. Improving Decisions About Health, Wealth and Happiness. New Haven, CT, US: Yale University Press. 20 pages of your own choice.

Thaler, Richard. Nobel Speech 2017, The Sveriges Riskbank Prize in Economic Science:

<https://www.youtube.com/watch?v=ej6cygeB2X0>

Kahneman, Daniel: Why We Make Bad Decisions About Money. Youtube video:

<https://www.youtube.com/watch?v=Kpev-Lb0EAg>

Stephen J. Dubner: People aren't dumb. The world is hard. Freakonomics Radio Podcast. Online:

<http://freakonomics.com/podcast/thaler-rebroadcast/>

Two psychologists that changed the way we look at Economics. Stephen J. Dubner: The men who started a Thinking Revolution. Freakonomics Radio Podcast. Online:

<http://freakonomics.com/podcast/men-started-thinking-revolution/>

Expected value means nothing. Errors. Dan Gilbert: Why we make bad decisions, TED Talk:
https://www.ted.com/talks/dan_gilbert_researches_happiness
 Crash Course Economics 27: Behavioral Economics:
<https://www.youtube.com/watch?v=dqxQ3E1bubI>
 Default rules and human choices. Choices that nobody wants matter. Dan Ariely: Are we control of our own decisions? TED Talk:
https://www.ted.com/talks/dan_ariely_asks_are_we_in_control_of_our_own_decisions#t-1022604
 Lecture 9:
 Nudge and Libertarian Paternalism:
 Cass Sunstein: Libertarian Paternalism: Mental Nudges That Help You Save Time, Lives, and Money.
<https://www.youtube.com/watch?v=1jrrY2otrJk>
 Thaler, R., Sunstein, C. R. 2008. Nudge. Improving Decisions About Health, Wealth and Happiness. New Haven, CT, US: Yale University Press. 20 pages of your own choice.
 Thaler, Richard. Interview, Youtube video online:
<https://www.youtube.com/watch?v=BWUtLSfb9zs>
 A Brief History of Nudge # Learn the power of nudge to win at behavioral change:
<https://www.youtube.com/watch?v=jVTg3ZsNTTY>
 David Brooks. The Nudge Debate. The New York Times, 8. 8. 2013. Online:
<https://www.nytimes.com/2013/08/09/opinion/brooks-the-nudge-debate.html>
 Lecture 10:
 Naughton, John, The Guardian: How a 1930s theory explains the economics of the Internet (R. Coase obituary). Online: <https://www.theguardian.com/technology/2013/sep/08/1930s-theoryexplains-economics-internet>
 Edelman, Benjamin G. and Geradin, Damien. An Introduction to the Competition Law and Economics of 'Free' (August 23, 2018). Forthcoming, Antitrust Chronicle, Competition Policy International . Available at SSRN: <https://ssrn.com/abstract=3238719>
 Advertising:
 Luís M. B. Cabrall. Introduction to Industrial Organization. The MIT Press. Cambridge, Massachusetts. London, England. Chapter 13: Advertising. Pages 223 – 236.
 Winter, Harold. 2017. Issues in Law and Economics. Chicago University Press. Chicago. Chapter 4. Will file-sharing ruin the music industry? AM Records vs. Napster (2001) and the Economics of Copyright Protection.

Languages necessary to complete the course:

Notes:

Past grade distribution

Total number of evaluated students: 49

A	ABS	B	C	D	E	FX
48,98	0,0	24,49	16,33	6,12	2,04	2,04

Lecturers: Mgr. Peter Hanák, PhD., LL.M.

Last change: 31.03.2022

Approved by: