

# LAW & ECONOMICS

EC.240

R.A. KELLY

FALL 2005

## I. TOPIC SCHEDULE

### A. THE FOUNDATION FOR ECONOMIC ANALYSIS OF THE LAW

1. Why Study Law & Economics?
2. Review of Price Theory Ch.1 (L&E,  
Cole&Grossman)
3. The American Legal System Ch.2
4. Methodology in Law & Economics Ch.3
5. The Problem of Social Costs Ch.4
6. Legal Institutions

### B. THE LAW OF PROPERTY

1. Introduction to Property Ch.5
2. Fundamental Concepts of Property
3. The Tragedy of the commons
4. Conflict & Remedy in Property Law Ch.6
5. Limits on Property Rights Ch.7
6. Intellectual Property

### C. THE LAW OF CONTRACTS

1. Basic Concepts of Contract Law Ch.8
2. Contract Failure
3. Contract Remedies Ch.9
4. The Marriage Contract

### D. THE LAW OF TORTS

1. Introduction to Tort Law Ch.10
2. Negligence Rules
3. Law and Insurance
4. Strict Liability Ch.11
5. The Politics of Torts Ch.12

### E. THE LAW OF CRIMES

1. The Economics of Crime & Punishment Ch.13
2. The Optimal Amount of Crime
3. Analysis of Deterrence Strategies

## II. STUDY AIDS:

1. Cole & Grossma. Law and Economics . Prentice Hall. 2005. **Required.**
2. Altschuler & Sgroi (A&S). Understanding Law in a Changing Society. 2<sup>nd</sup>. Prentice-Hall. 1995. Optional but most helpful for students contemplating law school.
3. **Directions to RACK's Home Page:**  
<http://www.faculty.fairfield.edu/faculty/rakelly>  
Alternate path: Go to **Fairfield's home page** and choose the following links: Academics → School of Arts & Science → Departments  
→ Social Science → Economics → Faculty → R.A. Kelly  
Or go to **StagWeb**. Clicking on this course will take you to our home page.

## III. Goal of the Course

*In keeping with the mission of Fairfield University, this course seeks to develop the creative, intellectual nature of students by introducing them to the tools of economic analysis and by applying these tools to real world resource allocation problems. The course stresses that the ultimate utility of economic analysis is not for personal, financial enrichment but rather to help us fulfill our responsibilities to God and to society.*

## IV. Assignments & Grading

### A. GRADING

<b>Quizzes</b> (2)	40%
<b>Class participation</b>	20%
<b>Final Exam</b>	40%

### B. COUNSELING: Room 324 Donnarumma Hall (DMH)

Tuesday:	12:00 - 1:00
Wednesday:	8:00 - 10:00
Friday:	12:00 - 1:00

## Supplementary Reading List For EC.240

Anderson, Fox, & Twomey. Business Law: Principles, Cases, Legal Environment. South Western. 1992.

Barnes, W. B. & L. A. Stout. Law and Economics. West. 1992.

Boyes & Melvin Microeconomics. 3ed. Houghton Mifflin. 1996.

Buchanan, J. & G. Tullock. The Calculus of Consent-Legal Foundations of Constitutional Democracy. 1962.

Coase, R.H. The Firm, The Market, And The Law. Chicago. 1990.

Cooter, R. & T. Ulen. Law and Economics. Scott Foresman. 1988.

Friedman, M. Essays in Positive Economics. 1953.

Gastwirth, J. Statistical Reasoning in Law and Public Policy. Academic Press. 1988.

Hicks, J. *The Foundations of Welfare Economics*. Econ. Journal. vol. 49. 1939.

Hirsch. Law and Economics: An Introductory Analysis.

Kaldor, N. *Welfare Propositions of Economics and Interpersonal Comparisons of Utility*. Econ. Journal. vol. 40. 1939.

Katsh, M.E. Taking Sides: Clashing Views of Controversial Legal Issues. 7ed. Dushkin. 1997.

McKenzie, R. & G. Tullock. The New World of Economics. 1975.

Polinsky, A. An Introduction to Law and Economics. 1983.

Rawls, J. A Theory of Justice. 1971

Rosen, H. Public Finance. Irwin. 1988.

Schumpeter, J. Capitalism, Socialism, and Democracy. 1947.

The Journal of Law and Economics. The University of Chicago. Issued quarterly.

The Wall Street Journal. Dow Jones. Legal section appears daily.

## **Some Additional Economics Literature for Consideration**

Bac, M. Corruption, Supervision, and the Structure of Hierarchies. *Journal of Law, Economics, and Organization*. 12 (2) October 1996.

De Brock, L. & Hendricks W. Roll Call Voting in The NCAA. *Journal of Law, Economics, and Organization*. 12 (2) October 1996.

De Figueiredo. J.M. & Tiler, E. H. Congressional Control of the Courts: A Theoretical and Empirical Analysis of the Expansion of the Judiciary. *Journal of Law and Economics*. 39 (2) October 1996.

Esposito, F. G. The Political Economy of Taking and Just Compensation. *Public Choice*. 89 (3-4) December 1996.

Finklestein, Michael O. & Levin, Bruce. Statistics for Lawyers. QA/276.12/.F56/1990.

Kobayashi, B. H. & Lott, J. R. In Defense of Criminal Defense Expenditures and Plea Bargaining. *International Review of Law and Economics*. 16 (4) December 1996.

Mixon F. G. & Mixon D. C. The Economics of Illegitimate Activities: Further Evidence. *Journal of Socio-Economics*. 25 (3) 1996.

Rasmussen E. Stigma and Self-fulfilling Expectations of Criminality. *Journal of Law and Economics*. 39 (2) October 1996.

Tsushima, M. Economic Structure and Crime. *Journal of Socio-Economics*. 25 (4) 1996.

West, E. G. An Economic Analysis of the Law and Politics of Non-Public School Aid. *Journal of Law and Economics*. 19 (1) 1976 (Recent?).

## **BASIC ECONOMICS FOR LAW AND GOVERNMENT**

1. Introduction: What is Government, Law, & Economics?
2. What is Economics all about?
  - Scarcity
  - Rational Choice
  - Opportunity Costs
  - The Production Frontier
3. The Simple Economic Model-Part I
  - Demand
    - What Determines Demand?
    - Marginal Utility/income/prices
  - Supply
    - What Determines Supply
    - Factor costs/technology
    - The Law of Diminishing Returns
4. The Simple Economic Model-Part II
  - The Market Outcome
  - Disturbances to the Market Outcome
  - Application: Rent Controls
5. Externalities and the Role of Government
  - The Problem of Externalities
  - Coase's Theorem
6. Legal Rules to Promote Efficiency
  - Pareto Criterion
  - Hicks-Kaldor Criterion
7. The Process of Making Public Choices
  - Arrow's Impossibility Theorem