

UNIVERSITY OF PENNSYLVANIA
Department of Economics
ECON-234: Law and Economics
Fall, 2013

Professor Camilo García-Jimeno

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Class meetings: McNeil Building 103, Tuesdays and Thursdays, 1:30-3:00pm

Office Hours: McNeil Building, Of. 528. Tuesdays 9:00-10:00 and Fridays 5:00-6:00pm

TA Information: Selman Erol

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Office Hours: McNeil Building, Of.351. Thursdays, 3:30-5:00pm

Course Description:

Why do societies adopt laws to regulate all kinds of relationships between their members? What are the effects of those laws on the economic behavior of individuals, firms, and the government? Where do those laws come from, and how are they adopted? In this course we will study this set of questions using the analytical tools and conceptual framework of Economics. We will first explore aspects related to the nature of law as a social institution, to answer why societies need laws and why they matter. In particular, we will understand why property and contracts emerge as the result of the need to regulate social environments under strategic interaction, and how enforcement and social norms are necessary for the laws to have any effect. We will also analyze how laws shape economic incentives, and thus alter the behavior of economic agents. For example, we will study why societies use torts, antitrust laws, patents or prohibitions to deal with accidents, regulate industries, guarantee intellectual property, combat discrimination or deter crime, and what are the (intended and unintended) consequences of those laws, both theoretically and empirically. This will then allow us to discuss the features that different laws should have to achieve social objectives. The analytical framework will allow us to discuss key issues such as abortion legislation, the death penalty, desegregation laws, gun control, and drug prohibition.

Prerequisites:

Econ-101, Math-104 and Math-114 or Math-115.

References:

Textbook: Miceli, Thomas (2008). *The Economic Approach to Law*. Stanford University Press.

Additional suggested readings:

Posner, Richard (1977). *Economic Analysis of Law*. Little Brown and Co., 2nd Edition.

Shavell, Steven (2004). *Foundations of Economic Analysis of Law*. Harvard University Press.

Baird, Douglas, Robert Gertner and Randal Picker (1994). *Game Theory and the Law*. Harvard University Press.

Cooter, Robert and Thomas Ulen (2011). *Law and Economics*. Pearson, 6th Edition.

Evaluation:

The course will be graded with 4 homework assignments, each having an 8% weight, 2 midterm exams, each having a 25% weight, and a research project with an 18% weight.

Schedule:

1. Thursday, August 29: Introduction and Roadmap of the Course

Tuesday, September 3: No Class

2. Thursday, September 5: The Purpose of the Law: Social Welfare

3. Tuesday, September 10: Why do We Need Laws?: Externalities

4. Thursday, September 12: When do we Need Laws? Coase

5. Tuesday, September 17: What Laws do we Need? Calabresi and Melamed
Homework 1 Posted

6. Thursday, September 19: The Microeconomics of Law: Risk and Information

7. Tuesday, September 24: The Microeconomics of Law: Private Information, Disclosure and Incentives

8. Thursday, September 26: The Economics of Property Law
Homework 1 Due

9. Tuesday, October 1: Unbundling Property Rights

10. Thursday, October 3: Intellectual Property Law

11. Tuesday, October 8: Intellectual Property Law 2
Homework 2 Posted

Thursday, October 10: Fall Break

Tuesday, October 15: Review
Homework 2 Due

Thursday, October 17: Midterm Exam 1

12. Tuesday, October 22: The Economics of Family Law

13. Thursday, October 24: *Common Law and Legal Institutions*
14. Tuesday, October 29: *Discussion of Student Research Proposals*
Project Proposal due
15. Thursday, October 31: *The Economics of Tort law*
Homework 3 Posted
16. Tuesday, November 5: *The Economics of Tort law*
17. Thursday, November 7: *The Economics of Contract Law*
18. Tuesday, November 12: *The Economics of Contract Law*
19. Thursday, November 14: *Monopolies, Antitrust Law and Regulation*
Homework 3 Due
20. Tuesday, November 19: *Monopolies, Antitrust Law and Regulation*
21. Thursday, November 21: *The Economics of Criminal Law*
Homework 4 Posted
22. Tuesday, November 26: *Social Norms, Fairness, and the Law*
- Thursday, November 28: *Thanksgiving*
23. Tuesday, December 3: *Discussion of students' projects*
Project due
24. Thursday, December 5: *Discussion of students' projects*
Homework 4 Due
- Thursday, December 10: *Midterm Exam 2*

Departmental Course Policies

Courses taught in the Department of Economics are covered by a common set of course management policies specified below.

Exam Attendance

Courses have individual policies regarding midterm exam attendance. Final exam attendance is mandatory and is governed by a number of university regulations. Final exams can only be given on the exam date scheduled by the university registrar. No instructor can hold a final exam or require submission of a take-home exam except during the period in which final examinations are scheduled. No final exams may be scheduled during the last week of classes or on reading days. All students must be allowed to see their final exam, with an access period of at least one regular semester after the exam has been given.

In cases where attendance at a midterm or a final exam is mandatory, there are only a few valid excuses for missing an exam. They are:

- 3 exams scheduled within one calendar day
- if exam is given outside of the regular class schedule and the timing conflicts with another class in which the student is enrolled.
- documented illness/health emergencies
- religious observance
- UPENN Business that takes you away from Campus
- documented disabilities that allow you to take the exam under other circumstances
- a death in the family

Examples of reasons that are *not* valid for missing an exam are:

- job interviews
- job internships
- beginning fall or spring break early or returning after a scheduled exam
- end of semester early flights
- any other reason you would prefer not to be at the university when the exam is scheduled.

Students are responsible for making sure, at the beginning of the term, that they can attend the exams. Registering for a course means that you certify that you will be present for the exam (unless one of the explicitly stated exceptions above arises.)

If you are unexpectedly ill at the time of the exam and unable to reach the instructor ahead of time, then you can give notification and documentation of your illness as soon as you are able. Do not take an exam if you are ill and then expect to have an opportunity to retake the exam because you were ill the first time and did poorly.

Absence from campus on UPENN business includes, for example, athletic events in which you are actively participating. In such cases, you need to make arrangements with your professor ahead of the exam date to take the exam at another time (preferably earlier than the schedule date).

Students who arrive late to an exam will generally be required to hand in their exam at the same time as other students.

Academic Integrity

If a student is found in violation of academic integrity, it is at the professor's discretion to give the student a failing grade for the assignment and the course.

Withdrawals and Incompletes

UPENN provides an option for students to withdraw from courses. Students may withdraw up to the end of the 8th week of classes for any reason. Students may request incompletes after that deadline provided (1) the only work that is incomplete is the course final exam or final paper and (2) there is a health emergency or a death in their family. Students should work out an arrangement for clearing an incomplete with the professor as soon as possible.

Make-up Exams

Make-up final exams are to be taken only during the designated make-up exam week, usually at the beginning of the following semester.

Deadlines

Work should be handed in on time. Work that is not handed in on the day that it is due may, at the professor's discretion, receive less or zero credit. Professors may request that a hard copy rather than an emailed copy be handed in.

Grading

The relative weights on the different elements course work are set by the instructor. So are the rules that permit (or do not permit) dropping the lowest problem set score. If a student is permitted to drop one exam or problem set score, but misses more than one exam (for an invalid reason), then the student may receive a zero for the missed exam.

One department-wide rule is that, if the course permits dropping the lowest problem set score, a student who has entered a course late and missed the first problem set drops that one, not a later one.

Correcting Errors in Grading

Errors in grading sometimes occur; this section lays out rules and procedures for requesting a correction. The important general rule is that such a request should clearly and succinctly state the unambiguous error you believe has occurred.

Errors in grading arising from illegible or garbled answers are not subject to correction. Students who believe their work has been graded incorrectly should petition for a correction in writing to the Professor. Students should not approach either the instructor or the TA with an oral request before making their written request. Requests should be focused on the specific error and should be made within a week of the work being returned.

The entire graded work (problem set or examination) should be resubmitted; there is no guarantee that grades will rise as, statistically, positive and negative errors in grading are equally likely. If the request arises because you think different students have been graded differently, all the affected students should submit their work as a group.

Here is a suggested way to request to correct an error grading: "*Dear Prof. X: I am a student in your economics 222 course. I believe that the grades on my midterm were added up incorrectly. As you can see from the exam I left in your mailbox, I have 25 on each of the four questions, but 73 on the exam. Sincerely, Z.*"

Academic Integrity Issues

Academic integrity is a very important part of student life, and the Department of Economics takes it seriously. The department reserves the right to undertake procedures that would catch breaches of academic integrity, should any arise, such as photocopying or scanning midterms or other work before it is returned, and close proctoring during exams. Students who are suspected of committing infractions will be reported to the Office of Student Conduct.

If a student is found in violation of academic integrity, it is at the professor's discretion to give the student a failing grade for the assignment and the course.