

Econ 4440: Law & Economics
Spring 2024
University of Pennsylvania Department of Economics
Course Syllabus

Professor David S. Abrams

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Office Hours: Tues 2:00 - 3:00, Wed 4:30 - 5:30

TA Min Kim

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Office Hours: Mon 1:30-2:30 (PCPE 141) and Tues 5:00-6:00 (virtual)

Virtual office hours can be accessed via the Zoom tab on Canvas.

Course Description

In recent years, economics has become an increasingly important tool for those who want to understand the effect legal rules have on the way people behave. In the class, we will explore applications of the principles of economics to major legal and policy issues. We will also use economics to help explain the workings of the legal system itself. This course introduces the concepts of law and economics with an emphasis on practical examples and results from empirical studies. It also introduces basic ideas and principles about the law that will be useful to anyone interested in the practical application of economics to policy and social questions. We will touch on important advances in data science, AI and machine learning that are making big impacts today.

Topics covered include the Coase Theorem, rules vs. standards, the shadow of the law, dead-hand control and many others. Numerous legal examples will be discussed ranging from stop-and-frisk policing to optimal patent duration and many in between.

No prior acquaintance with the law is necessary!

Course Materials

Required

Robert Cooter Jr. & Thomas Ulen, [Law and Economics](#) (Digital or Print 6th ed. 2016)

Optional

A. Mitchell Polinsky, *An Introduction to Law and Economics*, (5th ed. 2018)

Avery Katz, *Foundations of the Economic Approach to Law* (2012)

David Friedman, [What Economics has to Do with the Law](#) and [Law's Order](#) available at

Additional material will be posted on Canvas. Please check it regularly.

Class Meetings

Class participation is a meaningful part of the course grade and as such, all students are expected to have done the reading before class and to be prepared to answer questions related to it.

I expect all class members to attend all classes when healthy, but understand that occasionally illness or unavoidable conflicts will intervene. You are not required to notify me if you are absent, but I ask that you email to let me know if anything will keep you out of consecutive classes. Repeated unexcused absences will negatively impact your class participation score.

That being said, please do not come to class if you are ill! Min and I are always happy to meet to discuss any material students may have missed.

Grading

The course grade will come from 2 midterm exams (75-minute each), 4 problem sets, and class participation. There is no final exam. Problems must be submitted by 5PM ET on the specified due date; each student must submit his or her answers to assignments via Canvas individually. Total grades are determined by the following breakdown:

Midterm 1	24%
Midterm 2	35%
4 Problem sets	36% (9% each)
Class participation	5%
Total	100%

Important: the midterms will be held in class on 2/28 (Wed) and 5/1 (Wed). Check now to ensure you have no conflict on those dates.

Prerequisites

Students should have completed Intermediate Micro (ECON 2100), Calculus I (MATH 1400 OR MATH 1070), AND Calculus II (MATH 1410 OR MATH 1510 OR MATH 1080). Permission of the instructor is required if any of these prerequisites have not been met.

Course Policies

Important: All material made available for this class (including slides, lecture notes, problem sets, exams, etc) is solely for the use of students in this class and may not be posted online or redistributed in any way.

Please read through all Economics Department [course policies](#).

Course Calendar

Foundations - Economic and Legal (1/22 - 2/7) PS#1

Thinking like an economist, Economic approach to human behavior, positive vs normative economics, tradeoffs, cost-benefit analysis, maximization, redistribution, Pareto and Kaldor-Hicks efficiency, supply and demand, equilibrium, markets, exogeneity of preferences, risk aversion, rational expectations, expected utility maximization, general equilibrium, market failure, public goods, expected utility maximization, risk aversion, insurance, moral hazard, adverse selection, behavioral economics, prospect theory

Federalism, state courts, federal courts, trial courts, appellate courts, Supreme Court, Constitution, statutes, regulations, common law, precedent, property, intellectual property, torts, contracts, civil procedure, criminal law, constitutional law, other areas of law, structure of law school, reading legal cases, reading economics papers

Real Property (2/12 - 2/19)

Coase theorem, transaction costs, normative Coase and Hobbes theorems, efficient remedies, property vs liability rules, takings, *One View of the Cathedral*, distribution, bequests, inalienability, remedies, takings

Intellectual Property (2/21 - 2/26) PS#2

patents, copyright, trademarks, patent trolls, pharmaceutical patents, IP vs antitrust, patent damages, patent valuation

Midterm #1 2/28

Spring Break! 3/2 - 3/10

Torts (3/11 - 3/18)

Unilateral accidents, Strict liability, negligence, contributory negligence, Hand rule, rules v standards, damage calculations

Contracts (3/20 - 3/25)

Contract theory, remedies, consideration, reliance, economic interpretation of contracts, expectation damages, reliance damages, specific performance, efficient breach, necessity, clickwrap contracts

Legal Process (3/27 - 4/3) PS #3

Decision analysis approach to litigation, value of information, risk aversion, loss aversion, American vs English rule, *Bargaining in the Shadow of the Law*, plea bargaining, *Selection of Disputes for Litigation*, agency problems, empirics of legal process, *Putting the Trial Penalty on Trial*, nuisance suits

Criminal Law (4/8 - 4/17) PS #4

Need for criminal law, rational actor model applied to crime, deterrence, incapacitation, incarceration vs fines, policing, crime empirics, abortion and crime, capital punishment

Technological Frontiers (4/22 - 4/24)

How AI, data science, machine learning, natural language processing are impacting the practice and study of the law

Final Review 4/29

Midterm #2 5/1

Note: PS due dates are approximate