POSNER, ECONOMICS AND THE LAW: FROM “LAW AND ECONOMICS” TO AN ECONOMIC ANALYSIS OF LAW

BY

SOPHIE HARNAY AND ALAIN MARCIANO

I. INTRODUCTION

The purpose of this article is to discuss Posner’s economic analysis of law and its place in the evolution of the law and economics movement. The importance of Posner’s contribution is widely acknowledged in the literature. However, it is generally considered as simply another step in the evolution of the law and economics movement, rather than as an important departure from traditional law and economics. This reflects a larger issue in the history of law and economics: that most of the standard internalist treatments of the subject make no clear-cut difference between “law and economics” and “the economic analysis of law.” Thus, the terms “law and economics” and “economic analysis of law” are used interchangeably to describe any economic work dealing with law or legal rules published after 1960 – that is, any contribution to “new law and economics.”

Coase, for his part, receives a central place because of his path-breaking 1960 article, The Problem of the Social Cost. A turning point in the evolution of the field, it represents the “origin [of ] … the modern law and economics movement” (Hovenkamp 1990, p. 494; emphasis added) and marks the passage from an “old”
to a “new” law and economics (Posner 1975). The reason is that Coase’s article “established the paradigm style for the economic analysis of law” (Manne 1993; emphasis added). In other words, Coase is praised for having founded the “new law and economics” by delineating an economic analysis of law. That the expression was coined only much later by Posner when he published his classic Economic Analysis of Law in 1973 is not viewed as problematic, probably because Posner’s economic analysis of law is considered to fall within this relatively seamless tradition of law and economics. Commentators and reviewers agreed that the book could “serve very well for a law and economics course” (Diamond 1974, p. 294) and indeed is a “coursebook in law-and-economics” (Krier 1974, p. 1697). Besides, “[w]ith the publication of Richard A. Posner’s economic analysis of law, that field of learning known as ‘Law and Economics’ [had] reached a stage of extended explicitness” (Leff 1974, p. 451). Even Posner’s more innovative researches, that is, those that are not viewed as a summary of previously existing works, supposedly contributed to an increase of the domain of investigation of law and economics. Thus, after Posner, “[n]ever again would Law and Economics be thought of as exclusively the domain of antitrust and corporate law. Now its domain was the very heart of the legal system, torts, property, contracts, domestic relations, procedure, even constitutional law” (Manne 1993). The supposed continuity with previous research in law and economics is mentioned by Posner himself, who defined his economic analyses of law as one of the “recent developments in law and economics” (Posner 1975, emphasis added).

In this article, we depart from this dominant interpretation, which amounts to minimizing the structural change in law and economics scholarship that attended the publication of Posner’s Economic Analysis of Law. We argue rather that several essential differences exist between pre-Posnerian “law and economics” and the economic analysis of law. These differences serve to magnify the distinctive and original nature of Posner’s contributions as compared to extant law and economics scholarship. More precisely, we claim that these discrepancies actually make it difficult to reconcile both fields as parts of a same movement and account for Posner using the expression “economic analysis of law” instead of law and economics in order to label his own work at the beginning of the 1970s. From this perspective, we build upon Coase’s statement that “two parts” co-exist in law and economics (1996, p. 103; or Coase in Epstein et al., 1997, p. 1138) that are “quite separate although there is a considerable overlap” (Coase 1996, pp. 103) and “are separating more and more as time goes by” (Coase in Epstein et al., 1997, p. 1138). Thus, the first part to which Coase has attached his own name aims to “study the influence of the legal system on the working of the economic system” (1996, p. 104; 1997, p. 1138) while the second part, “often called the economic analysis of law” (Coase 1996, p. 103) consists of an economic analysis of the working of the legal system. To this second part, as Coase acknowledged (Coase in Epstein et al. 1997, p. 1138), “Judge Posner is the person who has made the greatest contribution.”

We put these claims in a historical perspective and concentrate our analysis mainly on the changes that occur in the beginning of the 1970s. It allows us to propose and demonstrate a twofold original argument. First, we show that Posner not only proposes an economic analysis of the working of the legal system but also that his approach changed in the early 1970s, shifting from a law and economics perspective in which the focus is put on the workings of the economic system to an economic
analysis of law in which the emphasis is put on the functioning of the legal system. He no longer appears influenced by Aaron Director and Ronald Coase but rather by Gary Becker. Therefore (and this is the second part of our demonstration) we show that the evolution in Posner’s works essentially derives from the influence of Becker and the adoption by the former of the methodological views of the latter. More precisely, we claim that Posner no longer retains a restrictive definition of economics by subject matter but that he aligns himself with Becker and his broader definition of economics, placing non-market decisions and method at the core of the discipline. In other words, we argue that Posner is the first to transpose Becker’s definition of economics in law and economics and that this is precisely what makes Posner’s economic analysis of law possible and specific – and of particular importance.

II. POSNER’S EARLY WRITINGS: CONTRIBUTIONS TO LAW AND ECONOMICS

Posner is known, among other things, for being a (quantitatively and qualitatively) prolific writer. His debut in the academic world is no exception. Thus, at the end of the 1960s when he is an assistant professor at Stanford University and then as a professor of law at the University of Chicago, Posner publishes eight articles in a very short period of time. Through their topics and the issues they discuss, these works form a remarkably consistent set and can be classified together as “law and economics” papers. In other words, Posner’s early works cannot yet be considered as instances of economic analyses of law. In these articles, in effect, Posner discusses regulatory policies, antimonopoly or anti-trust rules, non-competitive markets – natural monopolies or oligopolies, and the efficiency of legal rules and administrative procedures that can be used to control them (Posner 1969a, b, c; 1970a, b; 1971a, b, c). He deals with issues that have been continuously discussed and analyzed in academic journals as “law and economics” issues since the origins of the field, in the 1940s at the University of Chicago: “[f]or more than thirty years the pages of The Journal of Political Economy and Law and Economics have set forth the empirical findings and explanations of the adoption and workings of [regulatory] policies, both major and minor” (Mitchell 1989, p. 287; see also, Medema 1998). In particular, the issues that Posner deals with at that time are also those appearing from the pen of Aaron Director and Ronald Coase, two representatives of the “old” law and economics tradition and major influences on Posner.

Posner becomes acquainted with Director in 1968 at Stanford where the latter has retired. Most of the articles that Posner then writes reveal the influence of Director, and Posner acknowledges it. Interestingly, Posner specifically thanks Director for his “help” and also acknowledges being indebted to him in different articles. In his 1969

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1 *The Problem of the Social Cost* is “an unintended result of law and economics of the old variety” (Medema 1998, p. 213), or a way through which Coase “continued the early Chicago tradition” (Priest 2006, p. 358).

2 Posner: “Aaron Director had retired. He was living near Stanford and had an office in the Stanford Law School. I recognized the name when I started teaching at Stanford in 1968, and I went into his office and introduced myself. I became very friendly with him” (Kurtz 2001).
“Oligopoly and Antitrust Laws,” Posner notes that the approach that he develops “is a product of a collaboration with Aaron Director, who, in addition, first suggested many of the ideas that are developed in [the article]” (Posner 1969b, p. 1562). Also, in his 1970 “Statistical Study of Antitrust Enforcement,” he thanks “Aaron Director and George J. Stigler, who first suggested the study and have made many helpful suggestions as to its conduct” (1970b, p. 365). Later, he explains that Aaron suggested to me that I complete a project that he had started with a student. That was to do some descriptive statistics on antitrust enforcement ... to see what had been the focus and characteristics of Department of Justice enforcement activity (Posner in Kitch, 1983, p. 208).

Thus, Director suggested Posner use legal rules as data in analyses of what is fundamentally an economic problem. A few years later, Posner still mentions Director and refers to one of his contributions (Posner 1974a) as one of “some recent testaments of his continuing influence” (Posner 1975, p. 758). Similarly, and even if he does not specifically thank him for a direct help, Posner notes the influence of Coase – with whom he has worked on the “Stigler Report” – on his work. For instance, he acknowledges that The Problem of the Social Cost “has largely influenced [his] own thinking” (Posner 1971c, p. 209) and played a decisive role in the evolution of the field (see, in particular, Posner 1975).

To understand the nature of their influence on Posner, it is necessary to stress that both Director and Coase shared common views on how to define economics, what economists should do, and, as a consequence, why they should pay attention to the law. As to this latter point, both men fundamentally agree on the influence of legal rules on economic activities. Thus, Director was involved in the birth of law and economics through the Antitrust Project in the 1950s (1952-1959) at the University of Chicago Law School, a project obviously concerned with antitrust policy (see van Horn and Mirowski 2006; van Horn 2006). In effect, Director was interested in problems of an economic nature or problems of economic (public) policy but, as noted by George Priest (2006, p. 354), he “had no interest in the law or, for that matter, in legal problems. Director looked to antitrust cases as sources of evidence of industrial behavior.” This is also the reason why Posner praises him in the seventies, noting that Director was known for being “the seminal figure” (Posner 1975, p. 758) in antitrust studies, that is, the analysis of “the antitrust significance of tying arrangements, reciprocal buying, predatory price cutting, vertical integration, and other business practices” (p. 758).

For his part, Coase has always claimed that his interest in law and economics was that of “an economist” (see, for instance, Coase in Epstein et al. 1997, p. 1138). Thus, he argues: “in ‘The Problem of Social Cost’ I used the concept of transaction costs to demonstrate the way in which the legal system could affect the working of the economic system, and I did not press beyond this” (Coase 1988, p. 35). He adds:

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3The “Stigler Report,” officially known as “The Report of the President’s Task Force on Productivity and Competition,” was written for the incoming Nixon Administration and denounced the feasibility of attacking conglomerates using the existing antitrust laws. Posner got involved in the task force in charge of the report through Director: “through Aaron I became very friendly with George [Stigler]. Through Aaron Director I was put on a task force on antitrust policy for the president-elect, the infamous Nixon. The task force was headed by George Stigler, and Ronald Coase was one of the members” (in Kurtz 2001).
“[F]or me, ‘The Problem of Social Cost’ was an essay in economics. It was aimed at economists. What I wanted to do was to improve our analysis of the working of the economic system” (Coase 1993, p. 250). And, from this perspective, Coase finds it necessary to deal with legal rules because they affect the economy (1960, pp. 27–28). For him, this is the only reason for which legal decisions must be drawn into the analysis: to evidence the impact of the law on the economy. In law and economics as Coase conceives it, economists

study . . . legal cases both to learn about the details of actual business practices (information largely absent in the economics literature), and to appraise the impact on them of the law. I (and no doubt others) have used the legal cases to illustrate the economic problem (1996, p. 104).

For Coase, to be an economist bears a specific meaning. It relates to the specific definition of the discipline that Coase associates with Alfred Marshall and, maybe more surprisingly, with George Stigler. Indeed, both Marshall and Stigler refer to economics in terms of an object to study, and of the activities that form this object, and “emphasize that economists study certain kinds of activities” (Coase 1978, p. 206, emphasis added; on Marshall, see also Coase 1975). From this perspective, it is not only assumed that there exists a specific area in human activities that is defined by the nature of these activities and that is called “the economy,” but also that economists have to restrict their analyses to these activities. In other words, this means that there exists a subject matter or an object of study for economists and that it consists of analyzing economic or market activities. Such is the perspective adopted by Coase, who writes: “I think economists do have a subject matter: the study of the working of the economic system, a system in which we earn and spend our incomes” (1998, p. 93). In slightly different terms, he has already written earlier that economists “study the economic system . . . . What economists study is the working of the social institutions which bind together the economic system: firms, markets for goods and services, labour markets, capital markets, the banking system, international trade, and so on” (Coase 1978, pp. 206–207).4

Thus, the identification of a subject matter is not only a sufficient but also a necessary condition to define economics. In other words, as most economists did, Coase defines his discipline in spatial terms, drawing limits around the set of questions that it can analyze. The delineation or delimitation of the scope of economics allows them to distinguish the discipline from other social sciences and guarantees the unity of the discipline as well, since the subject matter is “the dominant factor producing the cohesive force that makes a group of scholars a recognizable profession” (p. 204), “the normal binding force of a scholarly profession” (p. 206), what “distinguishes the economics profession” (p. 207). Accordingly, economists can use only the specific tools that characterize their discipline within the limits of their subject matter and economists “should use these analytical tools to study the economic system” (1998, p. 73). Conversely, to envisage economics as tools without subject matter does not make sense: economists who “think of themselves as having a box of tools but no subject matter”

4See also Coase (1992, p. 713) where he describes his approach as follows: “What I have done is to show the importance for the working of the economic system of what may be termed the institutional structure of production.”
The framework within which Posner sets his early writings clearly follows the law and economics theoretical guidelines Director and Coase adopt in their own work. Posner’s early analyses are thus typical instances of law and economics on two main accounts. First, Posner’s early writings primarily focus on economic problems – the “working of the economic system” in Coase’s terms. Dealing with regulatory policies issues, antimonopoly or anti-trust rules, that is, the regulation of non-competitive market structures – natural monopolies or oligopolies – and the efficiency of legal rules and administrative procedures to control them, they analyze the behavior of economic agents in a traditional, explicit, and narrow sense of the word “economic.” In that sense, they concern core “economic” issues, such as the allocation of resources, consumer surplus, interdependence pricing between oligopolies and their “tendency to avoid vigorous price competition” (Posner 1969b, p. 1562), the impossibility of establishing a competitive market when there are natural monopolies (Posner 1969a), or taxation and subsidies to firms (Posner 1971a). Certainly, Posner does not analyze these as economic problems per se; his focus is on their “legal” dimension. Because rules influence the decisions made by firms, and because they can be used to regulate anticompetitive behaviors and the functioning of markets, they raise several important issues that Posner dealt with successively in his papers: How should one regulate those markets in which competitive regulation is impossible (1969a; 1970a)? Are antitrust laws an efficient means to control oligopolies (1969b, 1970b)? Can administrative agencies – in that case, the Federal Trade Commission – play an efficient role in antimonopoly policies (1969a)? Following this line of questions, Posner even outlines a program for the Anti-trust Division of the Department of Justice, in which he develops an approach “seeking to maximize the efficiency of antitrust enforcement by discovering and implementing those policies whose net social product is largest” (1971a, p. 501). Also close to these topics, Posner finally devotes a last paper to regulation as a means of taxation (1971b).

A second feature of Posner’s analyses at that time is also particularly interesting and important from the perspective of the connection between law and economics. It relates to the nature of the rules that Posner takes into consideration in his analyses. Posner deals with regulatory antitrust laws – for instance the Sherman or the Clayton Acts – and these are laws issued by legislators and regulators, the Congress and administrative agencies respectively. In that sense, Posner does not propose an analysis of all legal rules but rather focuses on what can be called “political” rules, that is, those produced by elected officials and bureaucrats. This does not imply that courts are absent from the reasoning. On the contrary, the references to decisions made by courts, especially the U.S. Supreme Court, are frequent. Posner refers to them because they not only influence firms’ behavior but also result from their behavior and, therefore, influence the way the economy functions and its efficiency. This legitimizes the study by economists of legal rules because (and whenever) these rules relate to the economic problem that has been identified in the first place. However, the decision-making processes that

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5Coase quotes two “memorable … lines from a modern poet” that indeed perfectly explain how necessary the definition of the subject matter of the discipline is: “I see the bridle and the bit allright, But where’s the bloody horse?” (1998, p. 73).
give birth to legal and judicial rules are not discussed. On the contrary, rules are assumed to be given. For instance, the decisions made by courts are not examined per se, but as Posner notes are of interest because they “provide a rich mine of information about business practices” (1975, p. 758). This, of course, echoes the views of Director and Coase on how to use legal decisions in economic analyses to learn about “business practices.”

In sum, in the early 1970s, Posner’s work still belongs to law and economics, a field he will later describe himself as concentrating on “explicit economic markets” and “explicit economic relationships” (1975, p. 758). Furthermore, his analysis mainly focuses on legislative rules and regulations, while he devotes no specific attention to case law and judicial decision-making. Posner’s law and economics has not yet begun to shape itself into an economic analysis of law. The change will take place after his meeting with Becker.

III. BECKER: A MISSING LINK AND AN IMPORTANT INFLUENCE

In 1969, Posner moves from Stanford to the law school of the University of Chicago. There, he meets with William Landes, a former PhD student of Becker. In 1970 the latter comes back from Columbia to Chicago. Posner then makes his acquaintance when he is involved in a research program sponsored by the National Bureau of Economic Research in law and economics. The project is attributed to Becker, who insists on having Landes and Posner as co-directors (see Landes 1998; see also Posner 1993). From then on, Becker’s influence on Posner and, from a broader perspective, on the evolution of law and economics into an economic analysis of law is obvious (see also Medema 2005, pp. 14–15). Thus, on several occasions, Posner acknowledges the huge debt of the law and economics movement to Becker, writing that “Gary Becker’s contributions to the law and economics movement have been very great” (1993, p. 211), and that “a list of the founders of new law and economics would be seriously incomplete without the name of Gary Becker” (1975, p. 760). However, Posner mostly insists on the decisive methodological role played by Becker. Indeed, Becker’s direct and quantitative contributions to the field remain scarce. Aside from his seminal 1968 paper on criminal behaviors, Crime and Punishment, he wrote few articles devoted to legal issues (see, for example, Becker and Stigler 1974). Yet, “Becker’s significance for the law and economics movement . . . lies in general

\[From this perspective, Posner’s “Statistical Study of Antitrust Enforcement” (1970b) is the most significant illustration of this “informative” status of legal rules in these analyses.\]

\[Posner writes: \]

\[[T]he publication of three essays in the economics of nonmarket behavior between 1959 and 1962 may be taken, somewhat arbitrarily to be sure, to mark the rebirth of the economic analysis of nonmarket law. These were Becker’s monograph on racial discrimination, Calabresi’s first article on torts, and Coase’s article on social cost . . . There was little further work on the legal regulation of nonmarket behavior for several years. The current period of sustained and rapidly expanding scholarly activity can be dated – again rather arbitrarily – from the publication in 1968 of Becker’s paper on the economics of crime and punishment (1979, p. 283).\]

See also Parisi and Rowley (2006), who include Becker in a list of sixteen “founding fathers.”
economics, in economic methodology, and in personal influence and example” (Posner 1993, p. 212). In effect, Becker has not only attracted scholars such as William Landes and Isaac Ehrlich, another of Becker’s students, to areas of study that remained ignored by economists and legal scholars before him, but his contributions “provided the foundations for a number of promising areas of law and economics research” (p. 212) and “opened up to economic analysis large areas of the legal system not reached by Calabresi’s and Coase’s studies of property rights and liability rules” (Posner 1975, p. 761). Because of his insistence “on the relevance of economics to a surprising range of nonmarket behavior” (1975, pp. 760–61), which Posner calls “immensely important for the law and economics movement” (1993, p. 213), Becker opens the door to work breaking with the previous law and economics perspective and dealing with “new” topics, beyond the borders of economic activities and “explicit” markets studied by Coase and his followers so far.

Becker innovates because he assumes that economists must not limit their investigations to market decisions or economic activities: “the economic approach is clearly not restricted to material goods and wants, nor even to the market sector” (1976, p. 6). To the contrary, economic theory “applies to both market and nonmarket decisions” (1971, p. viii). In effect, “there is only one kind of economic theory, not separate theories for micro problems, macro problems, non-market decisions and so on” (p. viii). Therefore, economic theory provides a “unified framework for all behavior involving scarce resources, nonmarket as well as market, nonmonetary as well as monetary, small group as well as competitive” (1973, p. 814, emphasis added; see also Michael and Becker 1973, p. 381). Accordingly, following Becker, there is no reason to make a distinction between some types of human behavior that should be analyzed by economic theory and others that should not: “human behavior is not compartmentalized, sometimes based on maximizing, sometimes not, sometimes motivated by stable preferences, sometimes by volatile ones, sometimes resulting in an optimal accumulation of information, sometimes not” (Becker 1976, p. 14).

Such perspective is reminiscent of Robbins and his views on how to define economics. In effect, in his 1932 Essay on the Nature and Significance of Economic Science, Robbins claims that economists should not define their discipline around economic activities. He criticizes what he names “a classificatory conception” (1932, p. 16) relying on the assumption that there are certain behaviors that should be analyzed by economists while others should not. Robbins is very close to Becker in rejecting any view that “marks off certain kinds of human behaviour . . . and designates these as the subject-matter of Economics. Other kinds of conduct lie outside the scope of its investigations” (p. 15). By contrast, Robbins proposes an “analytical” (p. 15) definition of economics that “does not attempt to pick out certain kinds of behaviour, but focuses on a particular aspect of behaviour, the form imposed by the influence of scarcity” (pp. 16–17). Hence, “[E]conomics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” and “[t]he economist studies the disposal of scarce means” (pp. 16–17). As a consequence, any kind of human behavior can be analyzed by economists as soon as it is influenced or constrained by limited or scarce resources. In Robbins’s terms,

[i]t follows from this, therefore, that in so far as it presents this aspect, any kind of human behaviour falls within the scope of economic generalisations (1932, p. 17),
and every act which involves time and scarce means for the achievement of one end involves the relinquishment of their use for the achievement of another. It has an economic aspect (p. 14).

Therefore, “there are no limitations to the subject-matter of Economic Science save that” (p. 16), that is, save that imposed by scarcity.

Becker, who begins his coursebook in Economic Theory (1971) with a chapter entitled “What is Economics?” does not directly and explicitly refer to Robbins. His references are indirect and implicit, through the use of scarcity. He thus mentions that a “serious definition” of economics consists in saying that it “is the study of allocation of scarce means to satisfy competing ends” (1971, p. 1) – a definition with an obvious Robbins flavor. However, one should not conclude too rapidly that Becker’s analyses and views on economics correspond only to a modernized and extended version of Robbins. The latter has given a definition that is neither sufficient to characterize what economics is for Becker nor, therefore, to describe Becker’s economics. Thus, Becker significantly notes that Robbins’s “broad” (1971, p. 1) definition is too narrow: “The definition of economics in terms of scarce means and competing ends is the most general of all and also the narrowest and the least satisfactory” (1976, p. 4). The paradox merely expresses that, in Becker’s eyes, economists have interpreted Robbins’s definition restrictively and remain concentrated on certain types of problems that belong to the subject matter of the discipline. Thus, he notes, “[p]articularly in Western countries, economists are primarily concerned with the operation of the market section in an industrialized economy” (1971, p. 1). When economists and other social scientists as well put the focus on the subject matter, as they usually do, they “simply define the scope” of their discipline (1976, p. 4; emphasis added). It is no surprise, from this perspective, that economists frequently define their discipline with the famous “economics is what economists do” (p. 4, emphasis added).

As a corollary, for Becker, this way to define economics as a “what” implies that the “how” is not considered. Indeed, no economist “tells us one iota about what the ‘economic’ approach is ... Similarly, definitions of sociology and other social sciences are of equally little help in distinguishing their approaches from others” (p. 4). Therefore, when and because a discipline is primarily defined in terms of its own limits, subject matter, or scope, then the nature of tools or approach that can be used to analyze the problems is neglected. In other words, what is neglected is the way of approaching problems that is specific to this discipline, whereas for Becker this is precisely what makes it possible to define economics, or any other social science. By contrast, problems are not a key element of the definition by themselves and a definition based only on the subject matter obscures the fact that different social

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8Interestingly, Becker is not the only major contributor to economic imperialism who finds Robbins’ definition narrow. In his analysis of the “expanding domain of economics,” Jack Hirshleifer makes a similar claim. After having criticized Marshall – “how terribly narrow, dull, bourgeois! Must we economists limit our attention to the ordinary, the crassly material business of life?” – Hirshleifer explains that Robbins’s “relationship between ends and scarce means does not open the door wider than Marshall’s. After all, the ends that men and women seek include not just bread and butter but also reputation, adventure, sex, status, eternal salvation, the meaning of life, and a good night’s sleep – the means for achieving any of these being, too often, notably scarce” (1985, p. 53).
sciences do have the same subject matter, since “many kinds of behavior fall within the subject matter of several disciplines” (p. 5). Furthermore, scarcity affects all human behaviors. Therefore, no definition in terms of subject matter is sufficient to define economics and, as a consequence, to grasp the differences between economics and other social sciences. To define a discipline and to draw a distinction between this discipline and other social sciences, one has to refer to their approach of the problems and behaviors independently from the subject matter within which they use them. The criterion of the subject matter is thus useless and the reference to the method, tools, or assumptions is primary to define a social science in general or economics in particular. This implies that Becker does not confine himself to make Robbins’s definition of economics effective as it may seem at first sight, but he makes a still more radical move than usually assumed and establishes the pre-eminence of tools over a subject matter.

Therefore, two perspectives on how to define economics can be contrasted. A first, standard approach consists in analyzing economic activities or market decisions. Following this line, we see that there exists a subject matter that determines when the use of economic tools is possible and legitimate. Consistent with this perspective, social sciences deal with problems that differ from one discipline to another. To be an economist means to analyze some well-defined problems that other social scientists do not analyze. Alternatively, Becker promotes a second approach that not only claims that economics should not be restricted to the analysis of market behaviors but also that no subject matter should be attached to the definition of the discipline. In effect, a discipline is not characterized by a subject matter but, rather, is specific because it uses tools and methods that other social sciences do not employ. As a consequence, to be an economist means to adopt a certain approach to any possible problem. The issues that can be analyzed do not belong to any subject matter and, therefore, it is possible to analyze a much larger array of problems than those economists are usually interested in.

Clearly, this second approach had strong implications for the analysis of legal issues. Posner’s rejection of the first methodology and his endorsement of a Becker-like approach will mark his shift from a Coasean “law and economics” toward what he will call later an “economic analysis of law.”

IV. POSNER MOVE TOWARD AN ECONOMIC ANALYSIS OF LAW

Posner indeed adopts a definition of economics similar to the one proposed by Becker and, as a consequence, modifies the way he had previously envisaged the interactions between economics and the law. Not that Posner ceases to discuss problems raised by the regulation of monopolies and anti-trust laws, which still occupy a large place in his research agenda, but rather, he adopts a new perspective that allows him to address these “old” topics – together with new ones – in a new fashion.

The first visible change relates to the way Posner presents his analyses. From this perspective, the articles published in the 1970s exhibit an interesting addition as compared to his preceding works. In the earlier works, Posner gives no methodological

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The titles he then gives to his articles clearly identify a topic or an object of study, that is, they refer to the subject matter to which they belong. Therefore, they are considered as falling within the scope of economic studies because of the kind of questions they analyze. By contrast, in the articles he writes in the early 1970s, Posner characterizes his works by the approach and method that he adopts, thereby endorsing Becker’s view on the necessity of indicating how the problems are going to be analyzed. This is obvious from the examination of the titles of Posner’s works, very largely based on the scheme “an economic approach/analysis/perspective.” Furthermore, Becker’s influence is also clear in the fact that the articles published by Posner in the 1970s no longer concentrate on economic problems (that is, on “explicit markets” or “explicit economic relationships,” in Posner’s 1975 words, p. 758), as it was the case before, but are now concerned with legal problems. Here again, the very titles of his works exemplify his shift from an analysis of the economic system toward a study of non-economic problems. For instance, the change is made particularly explicit in the title of his books: *Economic Analysis of Law* (1973a), *Antitrust Law: An Economic Perspective* (1976), and in his articles, for example: “An Economic Approach to Legal Procedure and Judicial Administration” (1973b), “An Economic Analysis of Legal Rulemaking” (co-authored with Isaac Ehrlich in 1974), “The Economic Approach to Law” (1975), “The Rule of Reason and the Economic Approach: Reflections on the Sylvania Decision” (1977). Also, in “Killing or Wounding to Protect a Property Interest,” Posner, for the first time, explains that he “explore[s] . . . an economic approach” (1971c, p. 202). In sum, Posner’s evolution – the emphasis put on the method and the shift toward non-economic issues – clearly echoes Becker’s views on the irrelevance for economists to restrict economic analysis and tools to a subject matter. In other words, Posner’s endorsement of Becker’s perspective allows him to develop an economic approach to analyze legal problems. Put otherwise, it makes Posner’s approach that of an economist, no longer due to the nature of the problems he investigates but rather because of his methods and tools.

Certainly, titles can be deceiving and their interpretation is delicate. Furthermore, other scholars predated Posner in the use of economics in the titles of their works (see Baxter 1966, Calabresi 1970, Landes 1971, Landes and Solmon 1972, Johnson 1972, Phillips and Votey 1972). But, strikingly, they were very few; none of them is as clear as Posner in signaling his approach as economic and, most interestingly, the clearest ones are precisely those who publish articles in 1972. Clearly enough, therefore, to include an explicit reference to an “economic approach” in a law and economics book or article can be called an innovation at the very beginning of the 1970s.

Obviously, Posner’s semantic innovation is not purely formal but, more fundamentally, reveals a substantive change in the content of his analyses. Indeed, the approach that Posner begins to develop at that time not only corresponds to a reversal in the perspective adopted in his earlier works, but also marks a break with the law and economics approaches that had been developed so far. His approach will no longer consist of using legal literature to analyze what is considered as economic problems per se, as he used to, but he explicitly claims the relevance of economic tools to study legal issues and to develop an *economic analysis of law*. Thus, as to the status of economics, he describes economics as “an especially apt tool” (1971c, p. 202) or “a powerful tool” (1973a, p. 3) and speaks of the “powerful tool of economic
theory” (1973b, p. 399). Even more explicitly, he proposes to “describe” economics as “an open-ended set of concept’s” (1987a, p. 2; emphasis added), thereby suggesting the absence of limits associated with the use of certain concepts and echoing Becker’s refusal to “define” economics by the limits – that do not exist – of its subject matter. In fact, Posner insists that a study can be considered an economic one when based on certain concepts rather than when focused on certain topics: “when used in sufficient density these concepts make a work of scholarship ‘economic’ regardless of its subject matter or its author’s degree” (p. 2, emphasis added). In other words, it is not the nature of the problem analyzed that does or does not trigger the use of economic tools. On the contrary, the use of economic tools is possible to analyze any kind of problem, including legal ones. Accordingly,

[the] domain of economics is broader than ... the study of inflation, unemployment, business cycles and other mysterious macroeconomic phenomena remote from the day-to-day concern of the legal system ... . As conceived in this book, economics is the science of rational choice in a world – our world – in which resources are limited in relation to human wants (Posner 1973, p. 3).

As with Becker, the absence of a subject matter is associated with a conception of economics as a science of choice. Building on this conception of economics à la Becker, Posner multiplies his attempts to justify and legitimize an economic analysis of law. In his eyes, the key argument is that economics provides the law and lawyers the tools to make decisions and understand the very functioning of the legal system. Thus, in his first attempt in tort law, Posner explains his focus on the delicate questions raised by “legal interpretation” by the strong support provided by the economic approach to lawyers. “I am led to explore an alternative approach, an economic approach, whose utility in helping to answer questions of legal policy and to interpret opaque and apparently conflicting judicial decisions is a major theme of this paper” (1971c, p. 202). Similarly, albeit later, he illustrates his presentation of the basic assumptions made in “an economic approach to law” with an obvious legal question: “[s]uppose the question is asked, when will parties to a legal dispute settle rather than litigate?” (1975, p. 761) and claims that “economic analysis can be helpful in designing reforms of the legal system” (p. 764). He will continuously develop and refine the argument until he finally provides a full list of arguments proving that law is no longer “an autonomous discipline” in a 1987 article (1987b). As a consequence, an “economic approach to law” can be viewed as “an applied field of economics” (1988, p. 929, emphasis added) because it actually consists in the use of economic theory to analyze the law or legal problems. In 1971, for instance, Posner describes one of his “major interests” as “the application of economic theory to law” (1971b,

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10Posner uses the verb “to describe” because, according to him, it is impossible to define economics: “there are words like ‘economics’ – which are neither conceptual nor referential. Such words resist all efforts at definition” (1987, p. 1).

11In the third edition of his Economic Analysis of Law, Posner mentions Becker’s 1976 Economic Approach to Human Behavior as a reference that can be associated with his work and Coase’s 1978 Economics and Contiguous Discipline as a criticism of “so broad a definition of economics” (Ibid.)

All things considered, the move from law and economics toward an economic analysis of law is therefore effective. However, the drastic change that occurs under Posner’s influence in the field of law and economics in the 1970s does not seem to have been perceived at once in its entirety and importance. It is then particularly interesting to note that the reviews of Posner’s *Economic Analysis of Law* only partially perceive the change. Namely, they almost unanimously stress that Posner, even if he uses economic theory, nonetheless speaks as a lawyer to lawyers. Thus, Posner has written an “exceptionally interesting book ... for law students knowing little or no economics ...” (Diamond 1974, p. 294, emphasis added) or a book “written specifically for lawyers” (Dewees 1974, p. 232, emphasis added),” and “Richard Posner’s book, *Economic Analysis of Law* ... should greatly interest political scientists and public law scholars in particular” (Feeley 1977, p. 421, emphasis added). However, these reviews somewhat mistakenly emphasize that Posner’s (text)book is an “introduction” (p. 421), “a much needed guide to integration of these two disciplines” (Dewees 1974 p. 232), a “survey” (Diamond p. 1974, p. 294; Newbery 1975, p. 421; see also Feeley 1977, p. 421) that “summarizes excellently much of the good work which is done in the areas of economic analysis of law” (Palmer 1975, p. 268, emphasis added). Admittedly, Posner discusses analyses that correspond to standard law and economics, that is, analyses of economic problems using (given) legal rules as data. But he also adds new topics whose novelty is hardly noticed in the reviews of his book. In the same manner, neither the fact that Posner is able to deal with new questions because he sees the field from a different angle, nor the consequences of his methodological innovations, is not clearly perceived.12

Yet, the consequences of Posner’s conception of economics as a toolbox and his focus on law and legal matters are huge. Indeed, more issues and new topics can now be analyzed. In effect, within this new analytical framework the problem is no longer (economic) markets but how the legal system functions. In other words, the legal system is no longer seen as constraining, facilitating, or improving the working of the economic system and explicit economic activities, since “the legal system has never thought to limit itself to regulating markets” (Posner, 1993, p. 213). On the contrary, the very functioning of the legal system becomes a matter of interest for an economic analysis of law. Thus, precisely, “[t]he hallmark of the “new” law and economics is the application of the theories and empirical methods of economics to the central institutions of the legal system” (1975, p. 39). Then, the shift from an analysis of economic markets toward the study of the legal system opens another particularly important research path since it seeks to develop the analysis of the behavior of people involved within the legal system. Once again, Posner draws on Becker’s approach and his 1968 seminal paper on criminals’ behavior, whose original approach based on rationality he extends to other actors within the legal system. Building on that premise, Posner develops an analysis of courts’ behavior and legal decision-making

12James Buchanan (1974) is one of the rare – and even the only – scholars who perceive how innovative is Posner’s work (on Buchanan’s critical analysis of Posner, see Marciano 2007).
using economic tools and concepts. In an afterword to the *Journal of Legal Studies* he launches in 1972,\(^\text{13}\) he presents the development of a scientific theory of legal decision-making as one of the major goals of the newly founded *Journal*. Thus, he notes not only that “the aim of the *Journal* is to encourage the application of scientific methods to the study of the legal system” (1972b, p. 437), but also that one “important theme of this [first] volume [of the *Journal of Legal Studies*] is the quest for a theory of legal decision-making” (p. 439). Within this approach, legal rules are no longer taken as given or exogenous and are not solely viewed as information on how firms behave, as it was with the case before. The central issue becomes that of the process giving birth to legal – not just political – rules and the behavior of the individuals who produce these rules. Thus, it is only within the analytical framework of an *economic analysis of law* such as it is initiated by Posner that the analysis of legal decision-making appears in journals and research agendas.

Above all, the development of an economic analysis of judicial decision-making certainly represents a major, and perhaps the (or at least one of) most important, innovation attributed to Posner and associated with his economic approach to legal problems. Indeed, an analysis of the law and economics articles published before Posner reveals that the behavior of courts and judicial decision-making is either ignored or viewed from a law and economics angle. Nothing is said about the process that leads to the decision, the origins of legal rules, or the way judges make their decisions. In other words, the behavior of judges remains outside of the scope of the analysis. This is typical of the two articles to which Posner refers: William Landes’s “Economic Analysis of the Courts” (1971) and his own “The Behaviour of Administrative Agencies” (1972a), about which he himself notes somewhat later that they “took for granted the rules of procedure that provide the framework of the legal dispute-resolution system” (1973, p. 399). This is precisely where Posner’s 1973 “Economic Approach to Legal Procedure and Judicial Administration” departs from previous works and “adds to the literature (as yet small) that is developing” (p. 399). The article adopts a new perspective on judicial decision-making: it develops “a positive economic theory of the institutions of the legal system” (p. 399; see also Ehrlich and Posner, 1974), because it “attempts to explain the procedural rules and practices that give the system its distinctive structure” (Posner 1973, p. 399). In other words, the legal framework is no longer considered as given as assumed in the law and economics approach: it becomes an object that can be analyzed through the economic approach of law.

V. CONCLUSION

In this paper, we have tried to demonstrate that Posner moved from “law and economics” to an “economic analysis of law” and to explain why and how this change happened. Depending on the methodological framework and the definition of

\(^{13}\)Posner explains that “The idea for the *Journal of Legal Studies* came from Ronald Coase, who as editor of the *Journal of Law and Economics* wished to preserve its traditional orientation” (personal communication, July 1, 2006, emphasis added). This reveals that Coase already perceives the existence of two sufficiently different streams in law and economics (his and the one Posner begins to develop) and wants to avoid mixing them in a single journal.
economics that he adopts, we identify two stages in Posner’s work. During the first stage, he adopts a “standard” definition of economics viewed as a discipline focusing on activities, and indeed focuses on economic problems with a legal dimension, consistently with the then-prevailing law and economics analyses. The second stage begins after he makes the acquaintance of Gary Becker. He consequently moves from a definition of economics as a discipline analyzing activities to a definition analyzing problems and begins to use economic tools in order to analyze legal problems, with an emphasis put on judicial decision-making.

We claim the latter aspect is particularly important since it represents a major departure from the previous law and economics perspective that assumes rules and rules’ provision as given and keeps them outside of the scope of economic analysis. Being the first to explicitly ground an analysis of legal decision-making on a definition of economics as a science of choice, Posner makes it possible to analyze the functioning of the legal system as an economic problem and, above all, the behavior of judges and judicial decision-making as an economic behavior, thereby breaking with the formerly prevailing approach to law and courts. Doing this, Posner certainly does not invalidate the former law and economics program on which some authors will continue to work, but he nonetheless initiates a new and path-breaking research agenda based on new methods and oriented toward new topics that will meet a growing success over the years.

Therefore, for all these reasons, Posner has played a role of the utmost importance in the evolution of the field and the emergence of an economic analysis of law. Although he recently happened to qualify his view on the role of economics and economists to help understanding how the legal system functions,14 it nonetheless remains that those doubts were absent from the first stages of his work and were expressed only rather recently. Certainly, we do not claim that this evolution is unimportant. However, in the first stages, on which our historical analysis has focused, Posner proved rather enthusiastic about the role of economics and was strongly criticized exactly on that account. Indeed, so were all economic analyses of law based on a similar premise. Thus, further research is needed to help in understanding Posner’s evolution in his more recent work.

REFERENCES


14We thank a referee for having reminded us of the importance of this recent evolution of Posner’s views on economics.


