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Syllabus
Law and Economics: Assorted Topics
(X ECTS)

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Department of Theoretical Economics
Meeting Minute #....... dated .... 20.....

Lectures and seminars: Thursdays 15:00 – 18:00.
Office hours: Thursdays 13:00 – 14:30, room xxxx (appointment by e-mail).

1 Course Description

Abstract

The course focuses on applications of quantitative economic models to the analysis of the legal and institutional systems. The first part of the course is devoted to studying formal and informal institutions including models of corruption and crime, legal process, and institutions development. The second part of the course concentrates on contemporary issues in Law and Economics including intellectual property laws and privacy regulation.

Prerequisites

Undergraduate knowledge of Microeconomics and Game Theory. Fluent English.

2 Learning Objectives

During the course the students will get familiar with applications of their economic toolbox to the analysis of both classical and contemporary legal and institutional issues.

3 Learning Outcomes

By the end of the course the students are expected to:

- know the classical models of economic analysis of law,

- be familiar with contemporary debate about the legal solutions, be able take a stance in the debate and defend their position using formal economic modeling,

- be able to individual analyze legal solutions and propose alternatives.

4   Course Outline

1. Crime and Litigation
Economic consequences of crime. Rational crime model. Optimal punishment. Empirical studies of crime deterrence(*). Insufficient and frivolous litigation. Burden of proof. Collective litigation (*).
2. Institutions
Evolution of institutions and legal rules. Political economy of law. Empirical studies of institutional dynamics (*). Corruption.
3. Innovation
Patents, trade secrets and contests. Patent races and troll patents. Optimal patent regulation. Copyrights and broadcast laws (*).
4. Reputation
Economic models of reputation. Trademarks. Counterfeits. Certification (*).
5. Privacy
Chicago School Approach. Privacy as a property right, unraveling. Privacy and price discrimination. Privacy and costly signaling (*).
(*) If time permits

5   Reading List

Required reading:
Textbooks:

- Polinsky, A. Mitchell, and Steven Shavell, eds. *Handbook of law and economics.* Elsevier, 2007. Chapters 3,4,6,7,19,20,22

- Scotchmer, Suzanne. *Innovation and incentives.* MIT press, 2004. Chapters 1 – 5

- Tirole, Jean. *The theory of industrial organization.* MIT press, 1988. Chapters 2, 10

Papers:

- Becker, Gary S. *Crime and punishment: An economic approach.* The economic dimensions of crime. Palgrave Macmillan, London, 1968. 13-68.

- Landes, W. M., and Posner, R. A. (1987). *Trademark law: an economic perspective.* The Journal of Law and Economics, 30(2), 265-309.

- Posner, Richard A. *The economics of privacy.* The American Economic Review 71.2 (1981): 405-409.

- Stigler, G. J. (1970). *The optimum enforcement of laws.* Journal of Political Economy, 78(3), 526-536.

- Stigler, George J. *An introduction to privacy in economics and politics.* The Journal of Legal Studies 9.4 (1980): 623-644.

- Rose-Ackerman, S. (1975). *The economics of corruption.* Journal of Public Economics, 4(2), 187-203.

Optional reading:

- Acemoglu, D., Cantoni, D., Johnson, S., and Robinson, J. A. (2011). *The consequences of radical reform: The French Revolution.* American Economic Review, 101(7), 3286-3307.

- Acemoglu, D., Johnson, S., and Robinson, J. A. (2001). *The colonial origins of comparative development: An empirical investigation.* American Economic Review, 91(5), 1369-1401.

- Acemoglu, Daron, and Thierry Verdier. (2000) *The choice between market failures and corruption.* American Economic Review 90.1 : 194-211.

- Acemoglu, D., and Wolitzky, A. (2018). *A theory of equality before the law*(No. w24681). National Bureau of Economic Research.

- Banerjee, A. V. (1997). *A theory of misgovernance.* The Quarterly Journal of Economics, 112(4), 1289-1332.

- Boldrin, M., and Levine, D. K. (2008). *Against intellectual monopoly* (Vol. 8). Cambridge: Cambridge University Press.

- Daughety, Andrew F., and Jennifer F. Reinganum. (2010)*Public goods, social pressure, and the choice between privacy and publicity.* American Economic Journal: Microeconomics 2.2 : 191-221.

- Denicolò, V. (2000). *Two-stage patent races and patent policy.* the RAND Journal of Economics, 488-501.

- Ehrlich, Isaac. (1981) *On the usefulness of controlling individuals: an economic analysis of rehabilitation, incapacitation and deterrence.* The American Economic Review 71.3 : 307-322.

- Ehrlich, I. (1973). *Participation in illegitimate activities: A theoretical and empirical investigation.* Journal of Political Economy, 81(3), 521-565.

- Fudenberg, D., Gilbert, R., Stiglitz, J., and Tirole, J. (1983). *Preemption, leapfrogging and competition in patent races.* European Economic Review, 22(1), 3–31.

- Gilbert, R., and Shapiro, C. (1990). *Optimal patent length and breadth.* The RAND Journal of Economics, 106-112.

- Hermalin, B. E., and Katz, M. L. (2006). *Privacy, property rights and efficiency: The economics of privacy as secrecy.* Quantitative Marketing and Economics, 4(3), 209-239.

- Hodges, C. (2015). *US class actions: Promise and reality.* EUI Department of Law Research Paper, (2015/36).

- Jann, Ole, and Christoph Schottmüller. *An informational theory of privacy.* (2018). Working Paper.

- Khalil, Fahad, Jacques Lawarrée, and Sungho Yun. (2010). "Bribery versus extortion: allowing the lesser of two evils." The Rand Journal of Economics 41.1: 179-198.

- Mookherjee, D., and Png, I. P. L. (1995). *Corruptible Law Enforcers: How Should They Be Compensated?* The Economic Journal, 105(428).

- Pace, N. M. (2009). *Group and aggregate litigation in the United States.* The ANNALS of the American Academy of Political and Social Science, 622(1), 32-40.

- Prat, Andrea. (2005). *The wrong kind of transparency.* American Economic Review 95.3 : 862-877.

- Qian, Y. (2014). *Counterfeiters: Foes or friends? How counterfeits affect sales by product quality tier.* Management Science, 60(10), 2381-2400.

- Reinganum, J. F. (1982). *A dynamic game of R and D: Patent protection and competitive behavior.* Econometrica: Journal of the Econometric Society, 671-688.

- Robinson, J., and Acemoglu, R. (2012). *Why nations fail.* Crown Publishing Group.

- Shleifer, A., and Vishny, R. W. (1993). Corruption. The Quarterly Journal of Economics, 108(3), 599-617.

- Taylor, Curtis, and Liad Wagman. (2014) *Consumer privacy in oligopolistic markets: Winners, losers, and welfare.* International Journal of Industrial Organization 34: 80-84.

- Tirole, J. (1986). *Hierarchies and bureaucracies: On the role of collusion in organizations.* JL Econ. and Org., 2, 181.

- Tirole, J. (1996). *A theory of collective reputations (with applications to the persistence of corruption and to firm quality).* The Review of Economic Studies, 63(1), 1-22.

- White, M. J. (2004). *Asbestos and the future of mass torts.* Journal of Economic Perspectives, 18(2), 183-204.

- Wright, B. D. (1983). *The economics of invention incentives: Patents, prizes, and research contracts.* The American Economic Review, 73(4), 691-707.

6 Grading System

The grade is based on the following elements:

- Home assignments 15% (5 problem sets, 3% each),

- mid-term exam 29%,

- final exam 55%.

All the course elements are graded on a 10 points scale. The final grade is a weighted average of grades assigned for each element. The results are rounded in accordance with standard arithmetic rules.

Make-up policy
No late home assignments are accepted. There is no make-up offered for the mid-term exam. If you miss the mid-term exam with an official excuse (e.g. illness with a valid medical proof), your final exam score will account for 84% of the grade.

If you fail the course, you will get two opportunities for a make-up. The format of both make-ups is the same as that of the final test. The first make-up is graded by the course instructor; the second one is graded by a committee consisting of three or more members, including the course instructor. The weight of the first make-up is equal to the weight of the final exam (55%). In case of the second make-up, if the grade of the make-up is higher than the weighted average of the grades of all the course elements, only the make-up grade is awarded. That is, the following formula is used:

$$\max\{\text{make-up}, 55\% \times \text{make-up} + 29\% \times \text{mid-term} + 15\% \times \text{home assignments}\}.$$

7 Methods of Instruction

The course adopts the following teaching methods and the forms of control:

- lectures,

- seminars (2 hours for each module),

- written home assignments,

- self-study,

- office-hours,

- written mid-term and final exams.