

Hong Kong University of Science and Technology

## ECON 4254: LAW AND ECONOMICS

Spring 2017

Course Website [canvas.ust.hk](https://canvas.ust.hk)

Instructor Prof. Yasutora WATANABE

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Office Hours 4-5pm on Thursdays @LSK 6077

Lecture Hours 1:30pm-2:50pm, Wednesdays and Fridays

Lecture Venue LSK 1014

TA Session 4:30-5:20pm on Fridays @LSK G007

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**Course Description** This course provides an introduction to the economic analysis of law. Considering the law as rules that govern incentives of economic agents, we study how economic analysis could be applied to broad topics including torts (e.g., product liability and medical malpractice), property, contracts, legal procedure and crime.

**Learning Outcomes** On completion of this course, students should be able to

- Understand the implication of different legal rules for business and economic decision making (1.1, 1.2)
- Come up with design of legal rules appropriate for regulating particular business and economic environment (1.3, 1.4)
- Define and use the legal terminology for business communications (2)
- Have insights on the boundaries of the firm and how it may relate to the legal system related to contracts (3)
- Explain the behavior of firms and consumers under certain legal rule (4.1, 4.2) and comes up with analysis for the efficient regulation pertaining to specific situation (4.3, 4.4)
- Understand the difference between civil and common law systems and their implications on economic activities (6)

**Readings** The text is *Law and Economics, 6th edition*, (ISBN 9780132540650), by Robert Cooter and Thomas Ulen (Cooter and Ulen), available at the

bookstore. Other readings are provided in class or posted on the course website as necessary

Assessment

The course grades will be determined by the following:

Homework Assignments (7% x 3)	21%
Midterm Exam	35%
Final Exam	44%

HW Assignments

There are three homework assignments. Group study for assignments is encouraged, but you have to turn in your own written answers. The assignments have to be submitted **by noon (HK Time!)** of the date in the schedule section of this syllabus to the mailbox at the Economics Department. I do not allow for late submission, and excuses of any sort is unnecessary and will not be heard.

Exam

There will be one mid-term exam (35%) and one final exam (44%). All exams will be closed book, **but you can bring ONE page (two-sided, A4-sized) note, on which you can write down any information that is expected to be useful for the examination**, so that you have no need to memorize everything.

There will be no make-up exams. If you miss the midterm, you will receive a zero. **The only exception is medical reason with a letter from a medical doctor with contact phone number and address**, in which case the weight of the missed midterm will be shifted to the final.

Finally, if you are caught cheating during an exam, you will receive a zero on the exam, may fail the course, and may be subject to further disciplinary action by the university. **There exists ZERO tolerance on cheating.**

Re-grading

In order to avoid problems associated with self-selection (grading mistakes that increase and decrease scores can happen, but only the one that decrease scores will be reported), disputes on individual questions will result in re-grading of the entire problem set or exam by the instructor. The re-graded score will be final and it may be higher or lower than the original one. Requests for re-grading must be submitted in writing to the instructor within one week since the score is first published.

## Course Schedule

Class	Date		Topic	
Class 1	1-Feb	W	Introduction	
Class 2	3-Feb	F	Introduction	
Class 3	8-Feb	W	Introduction	
Class 4	10-Feb	F	Property	
Class 5	15-Feb	W	Property	HW1 due
Class 6	17-Feb	F	Property	
Class 7	22-Feb	W	Property	
Class 8	24-Feb	F	Property	
Class 9	1-Mar	W	Contract	
Class 10	3-Mar	F	Contract	
Class 11	8-Mar	W	Contract	HW2 due
Class 12	10-Mar	F	Contract	
Class 13	15-Mar	W	Contract	
Midterm	17-Mar	F	Midterm Exam	
Class 14	22-Mar	W	Tort	
Class 15	24-Mar	F	Tort	
Class 16	29-Mar	W	Tort	
Class 17	31-Mar	F	Tort	
Class 18	5-Apr	W	Tort	HW3 due
Class 19	7-Apr	F	Procedure	
No class	12-Apr	W	Spring break	
No class	14-Apr	F	Spring break	
Class 20	19-Apr	W	Crime	
Class 21	21-Apr	F	Crime	
Class 22	26-Apr	W	Crime	
Class 23	28-Apr	F	Crime	
No class	3-May	W	Budda's birthday	
Class 24	5-May	F	Conclusion	

## **Readings**

All readings other than the textbook are available at the [course website](#) .

### **Introduction**

CU, Chapters 1 and 2

Richard Posner (1980), "The Ethical and Political Basis of Efficiency Norm in Common Law Adjudication," Hofstra Law Review

### **Property**

CU, Chapters 3 and 4

Ronald H. Coase (1960), "The Problem of Social Cost," Journal of Law and Economics

Harold Demsetz (1967), "Toward a Theory of Property Rights," American Economic Review

Guido Calabresi and A. Douglas Melamed (1972), "Property Rules, Liability Rules, and Inalienability: One View of the Cathedral," Harvard Law Review

### **Contract**

CU, Chapters 7 and 8

Ian Ayres and Robert Gertner (1989), "Filling Gaps in Incomplete Contracts: An Economic Theory of Default Rules," Yale Law Journal

### **Tort**

CU, Chapters 5 and 6

Steven Shavell (1980), "Strict Liability versus Negligence," Journal of Legal Studies

### **Procedure**

CU, Chapters 9 and 10

### **Crime**

CU, Chapters 11 and 12

David Friedman (2000), "Law's Order," Princeton University Press, Chapter 15

Gary Becker (1968), "Crime and Punishment: An Economic Approach," Journal of Political Economy

### **Conclusion**

Gillian Hadfield (1992), "Bias in the Evolution of Legal Rules," Georgetown Law Journal