

Central European University
Department of Economics
Academic Year 2016/2017

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Topics in Law and Economics

General Information

Course level: This is an optional course for second year MA in Economics students and PhD students

Credits: 2 credits (4 ECTS credits)

Time: Winter Semester.

Prerequisites: Students should be familiar with basic concepts of microeconomics on the level of Microeconomic Theory I and II courses.

Brief Description

The main objective of the course is to expose students to selected topics at the current research frontier of Law and Economics. A secondary aim of the course is to illustrate how economics can be used to shed light on a variety of normative and positive questions about legal institutions and the law.

Learning Outcomes

Successful completion of the course enables students to

- Summarize and critically evaluate ideas on the topic covered in the course.
- Possess a thorough understanding of selected models employed in Law and Economics.
- Build on existing research to develop own research ideas.

Course Requirements and Assessment

Grading will be based on reviews of assigned papers (40%), student presentation of an assigned paper from the reading list (40%) and class participation (20%). The final exam will be of a take-home format. Detailed information on student presentations of assigned papers and the final exam will be given in class.

Detailed outline of the course and reading list

1. Courts, Regulation and Self-Regulation

How do courts, government regulators and self-regulatory organizations differ, and which should be assigned lawmaking and law-enforcement powers when?

- (**)Djankov et al. (2003a),
- (**)Glaeser and Shleifer (2003),
- (**)Grajzl and Baniak (2009),
- (*)Aghion et al. (2010),
- (*)Djankov et al. (2003b),
- (*)Shleifer (2010),
- (*)Grajzl and Murrell (2007),
- (*)Chong and Gradstein (2007),
- (*)Guriev and Sonin (2008),
- (*)Immordino and Pagano (2010)

2. Elements of economic analysis of tort law

(a) Torts and reputation.

How to shape tort law with respect to product liability when reputation of the industry matters?

- (**)Baniak and Grajzl (2013),
- (**)Baniak et al. (2014),
- (**)Shavell (2007),
- (*) Pouliot and Sumner (2010),
- (*)Polinsky and Shavell (2010),
- (*)Rouvière and Soubeyran (2011),
- (*)Polinsky and Rogerson (1983),

(b) Torts, heterogeneity and asymmetric information.

Torts versus regulation in the presence of heterogenous consumers and asymmetric information.

- (**)Miceli and Segerson (2013),
- (*)Baniak and Grajzl (2016a),
- (*)Sandroni and Squintani (2013),
- (*)Hay and Spier (2005)

(c) The Economics of activity levels in Tort Liability and Regulation

- (**)Baniak and Grajzl (2016b)
- (**)Garoupa and Ulen (2013),
- (**)Nussim and Tabbach (2009),

- (*)Tabbach (2008),
- (*)Gilo and Guttel (2009)

3. Behavioral Law and Economics

How findings from Behavioral Economics change our understanding of Law and Economics?

- (**) Jolls (2010),
- (**)McAdams and Ulen (2008)
- (**) Robinson and Darley (2004),
- (*) Zamir and Teichman (2014),
- (*)Guttel and Harel (2008),
- (*)Kamin and Rachlinski (1996),
- (*)Guthrie et al. (2009),
- (*)Rachlinski et al. (2011),
- (*)Guthrie et al. (2007),
- (*)Lee and McCrary (2009),

4. Student Presentations of Assigned Papers.



Student presentations of assigned papers – a subset of readings marked by (*) in the week-by-week reading list above. ◀

References

- Aghion, Philippe, Yann Algan, Pierre Cahuc, and Andrei Shleifer**, “Regulation and Distrust,” *The Quarterly Journal of Economics*, 2010, 125 (3), 1015–1049.
- Baniak, Andrzej and Peter Grajzl**, “Equilibrium and Welfare in a Model of Torts with Industry Reputation Effects,” *Review of Law & Economics*, 2013, 9 (2), 265–302.
- **and** — , “Controlling Product Risks when Consumers Are Heterogeneously Overconfident: Producer Liability versus Minimum-Quality-Standard Regulation,” *Journal of Institutional and Theoretical Economics JITE*, 2016, 172 (2), 274–304.
- **and** — , “Optimal Liability when Consumers Mispredict Product Usage,” *American Law and Economics Review*, 2016.
- , — , **and Joseph Guse**, “Producer Liability and Competition Policy when Firms are Bound by a Common Industry Reputation,” *The B.E. Journal of Economic Analysis and Policy*, 2014, 14 (4), 1645–1676.
- Chong, Alberto and Mark Gradstein**, “Inequality and Institutions,” *The Review of Economics and Statistics*, 04 2007, 89 (3), 454–465.

- Djankov, Simeon, Edward Glaeser, Rafael La Porta, Florencio Lopez de Silanes, and Andrei Shleifer**, “The New Comparative Economics,” *Journal of Comparative Economics*, 2003, 31 (4), 595–619.
- , **Rafael La Porta, Florencio Lopez de Silanes, and Andrei Shleifer**, “Courts,” *The Quarterly Journal of Economics*, 2003, 118 (2), 453–517.
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- Gilo, David and Ehud Guttel**, “Negligence and Insufficient Activity: The Missing Paradigm in Torts,” *Michigan Law Review*, 2009, pp. 277–321.
- Glaeser, Edward L. and Andrei Shleifer**, “The Rise of the Regulatory State,” *Journal of Economic Literature*, June 2003, 41 (2), 401–425.
- Grajzl, Peter and Andrzej Baniak**, “Industry Self-Regulation, Subversion of Public Institutions, and Social Control of Torts,” *International Review of Law and Economics*, 2009, 29, 360–374.
- and **Peter Murrell**, “Allocating lawmaking powers: Self-regulation vs government regulation,” *Journal of Comparative Economics*, 2007, 35, 520–545.
- Guriev, Sergei M. and Konstantin Sonin**, “Dictators and Oligarchs: A Dynamic Theory of Contested Property Rights,” *Journal of Public Economics*, 2008, 93 (1-13), 1–13.
- Guthrie, Chris, Jeffrey J. Rachlinski, and Andrew J. Wistrich**, “Blinking on the Bench: How Judges Decide Cases,” *Cornell Law Review*, 2007, 1.
- , —, and —, “The Hidden ‘Judiciary’: An Empirical Examination of Executive Branch Justice,” *Duke Law Journal*, 2009, 58.
- Guttel, Ehud and Alon Harel**, “Uncertainty Revisited: Legal Prediction and Legal Postdiction,” *Michigan Law Review*, 2008, 107 (3).
- Hay, Bruce and Kathryn E. Spier**, “Manufacturer Liability for Harms Caused by Consumers to Others,” *The American Economic Review*, 2005, 95 (5), 1700–1711.
- Immordino, Giovanni and Marco Pagano**, “Legal Standards, Enforcement, and Corruption,” *Journal of the European Economic Association*, 2010, 8 (5), 1104–1132.
- Jolls, Christine**, “Behavioral Law and Economics,” Mimeo, Yale Law School, April 2010.
- Kamin, Kim A. and Jeffrey J. Rachlinski**, “Ex Post \neq Ex Ante: Determining Liability in Hindsight,” *Law and Human Behavior*, 1996, 19 (1), 89–104.

- Lee, David and Justin McCrary**, “The Deterrence Effect of Prison: Dynamic Theory and Evidence,” Working Papers 1168, Princeton University, Department of Economics, Center for Economic Policy Studies. 2009.
- McAdams, Richard H. and Thomas S. Ulen**, “Behavioral Criminal Law and Economics,” *U of Chicago Law & Economics, Olin Working Paper*, 440, 2008.
- Miceli, Thomas J. and Kathleen Segerson**, “Liability versus Regulation for Dangerous Products When Consumers Vary in Their Susceptibility to Harm and May Misperceive Risk,” *Review of Law & Economics*, 2013, 9 (3), 341–355.
- Nussim, Jacob and Avraham D. Tabbach**, “A revised model of unilateral accidents,” *International Review of Law and Economics*, 2009, 29 (2), 169–177.
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- **and William P. Rogerson**, “Products Liability, Consumer Misperceptions, and Market Power,” *The Bell Journal of Economics*, 1983, 14 (2), 581–589.
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- Rouvière, Elodie and Raphael Soubeyran**, “Competition vs. quality in an industry with imperfect traceability,” *Economics Bulletin*, 2011, 31 (4), 3052–3067.
- Sandroni, Alvaro and Francesco Squintani**, “Overconfidence and asymmetric information: The case of insurance,” *Journal of Economic Behavior & Organization*, 2013, 93, 149–165.
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