

SIMON FRASER UNIVERSITY
Department of Economics
ECON 427W
Industrial Organization: Law and Economics

Professor Douglas Allen, WMX 2670

Office hours: Announced first week of class.

“Law and Economics” is a generic name given to a field of study that began at the University of Chicago Law School in the 1930s. The flagship journal, *Journal of Law and Economics*, was started in 1958 by Aaron Director and published Coase’s famous paper in 1960. An outsider, looking through the journal over the past fifty years might be surprised at the small number of articles that directly deal with an economic analysis of the law. From the beginning, “law and economics” has always been broader than a narrow focus on the law. In light of this, this course might better be called “Law, Economics, and Organization.”

For this reason, the course will use a textbook that covers the economic theory related to the law, rather than a law and economics textbook.

Texts and Readings

1. *Economics Analysis of Property Rights, 3rd Edition*, by Yoram Barzel and Douglas W. Allen. You should have access to the electronic version of the book through your SFU library account. If you want a hard copy, you’ll have to buy it through Amazon.
2. Many of the readings for the class (along with many others) are located on the following webpage: http://www.sfu.ca/allen/buec_427.html. Any readings not there, are available through the electronic journals link on the SFU library webpage.
3. *The Elements of Style* by Strunk and White. This old and wonderful book is available for free at <http://www.jlakes.org/ch/web/The-elements-of-style.pdf>. I expect you to work through this book on your own, and there will be an in class quiz based on the book on **January 28th**.

This is a “W” course, which means there is a **serious** reading and writing component. Students will complete (almost) weekly writing assignments, (almost) weekly re-writing

assignments, as well as a term paper which will be handed in over three stages. Participation in weekly discussions is mandatory and graded every week, which means doing the assigned reading is also mandatory. Each student will be expected participate in every class.

The term paper is due on the last day of class, with no exceptions. The paper must be original to you, and must deal with some aspect of Law and Economics that you find puzzling. The first draft of the paper is due February 10, and should only contain your introduction which explains what your observation is and why it is economically puzzling. The second draft of the paper is due March 10. It will contain your reworked introduction along with your theory of the observation in question. The third draft is due on the last day of class. It will contain a reworked introductory and theory sections along with at least one comparative static exercise. There is **no page limit** (upper or lower) to the paper and you will be graded on your originality, economic reasoning, and writing quality — not the length of the paper.

There is only one exam (the final). It will contain short answer questions only, and will be based on applications of the readings and discussions in class.

The distribution of grades will be as follows.

Participation	20%
Weekly Written Assignments	20%
Grammar Quiz Jan. 28	5%
Term Paper, first draft	5%
Term Paper, second draft	5%
Term Paper, final draft	15%
Final Exam	30%

COURSE OUTLINE: ECON 427W

Economic Analysis of Law

1. Writing Skills

- a. Don McCloskey “Economical Writing” *Economic Enquiry* April 1985.
- b. Strunk and White *The Elements of Style* ... **all of it**. Quiz: January 28th.

2. The Economic Concept of Efficiency

- a. Alchian, “Evolution, Uncertainty, and Economic Theory” *J. of Political Economy*, 1950.
- b. Leeson, “Logic is a Harsh Mistress: Welfare Economics for Economists.” *J. of Institutional Economics* (2019).
- c. Somerset Maugham, “The Verger” on web page.
- d. J. Jacobs, “The Monkey’s Paw” on web page.

3. The Coase Theorem

- a. Coase “The Problem of Social Cost” *Journal of Law and Economics* 1960. Sections 1-6.
- b. Chapter 1 *Economic Analysis of Property Rights* (EAPR).
- c. Guido Calabresi. “The Pointlessness of Pareto: Carrying Coase Further” *Yale Law Journal* 100 1991: 1211–1237.

4. Property Rights, Transaction Costs, and Information Costs

- a. Chapters 2, 3, and 4, EAPR.

5. The Theory of Economic Property Rights

- a. Chapters 5, EAPR.
- b. Coase “The Problem of Social Cost” *Journal of Law and Economics* 1960. Sections 7–end.
- c. Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, “The Economic Consequences of Legal Origins,” *Journal of Economic Literature*, 2008 **Class Presentation**

6. Property Law

- a. Lueck and Miceli. “Property Law” *Handbook of Law and Economics* Mitchell Polinsky and Steven Shavell, (eds.), on web page. Section 1.

- c. Merrill and Smith “Making Coasean Property More Coasean,” *Journal of Law and Economics* 54, 2011: S77–104.

7. Capturing Property

- a. Chapter 9, EAPR
- b. Lueck and Miceli. “Property Law” *Handbook of Law and Economics* Mitchell Polinsky and Steven Shavell, (eds.), on web page. Section 2 and 3.

8. Evolving Property

- a. Chapter 10, EAPR.
- b. Lueck and Miceli. “Property Law” *Handbook of Law and Economics* Mitchell Polinsky and Steven Shavell, (eds.), on web page. Section 4.
- b. McManus “An Economic Analysis of Indian Behavior in the North American Fur Trade” *Journal of Economic History* 1972.

9. Property In the Public Domain

- a. Chapter 11, EAPR.

10. Inalienable Property

- a. Andolfatto “A Theory of Inalienable Property Rights.” *Journal of Political Economy* 2002.
- b. Allen, D. “The British Navy Rules: Monitoring and Incompatible Incentives in the Age of Fighting Sail.” *Explorations in Economic Hisotry* 39, 2002: 204–231.
- c. Archard, David “A Review of Margaret Jane Radin, ‘Contested Commodities: The trouble with trade in sex, children, body parts, and other things’,” *Economics and Philosophy* 14(2), 1998: 362–368.

11. Intellectual Property

- a. Boldrin, Michele and David Levine. “The Case Against Patents.” *Journal of Economic Perspectives* 27(1) 2013: 3–22.
- b. Mokyr, J. “Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth” *American Economic Review: Papers & Proceedings* 99(2) May 2009

12. Contract Law and Contract Choice

- a. Friedman. “Chapter 12: The Economics of Contract Law” in *Law’s Order* (Princeton University Press, 2000)

b. Chapter 6, EAPR.

c. Allen and Lueck. “Cropshare vs. Cash Rent” *Journal of Law and Economics* 1992.

13. The Law and Institutions

a. Chapter 8, EAPR

b. Allen “Marriage as an Institution.” 2006.

14. Criminal Law

a. Friedman, D. “Criminal Law” Chapter 15 in *Law’s Order* (Princeton University Press, 2000).

b. Lott, John and Landes, William M., “Multiple Victim Public Shootings, Bombings, and Right-to-Carry Concealed Handgun Laws: Contrasting Private and Public Law Enforcement” (Apr 21, 1999). University of Chicago Law School, John M. Olin Law & Economics Working Paper No. 73

c. Lott, John. “Comparing the Global Rate of Mass Public Shootings to the U.S.’s Rate and Comparing their Changes Over Time” CPRC working paper, 2020.

d. Palmer, John. “The Economics of Cruel and Unusual Punishment” *European Journal of Law and Economics* 1998.