

SIMON FRASER UNIVERSITY
Department of Economics
ECONOMICS 888-3

Professor Douglas Allen, WMX 2670
Office hours: Announced first week of class.

This course is officially called “The Economics of Legal Relationships.” It is a title taken from a famous book of readings edited by Henry Manne and published in 1975. The subtitle of that book is “Readings in the theory of property rights.” Looking through the table of contents, with the exception of a section on liability rules, there is virtually no discussion of the law. Although the economics profession has come a long way in 30 years in terms of its understanding of the law, the field of “law and economics” has always been broader than a narrow focus on the law. In light of this, I’m going to title this course “Law, Economics, and Organization” to better match current practice.

Our goal is to use economic theory to understand economic organization, with a concentration on legal matters — broadly understood. We will analyze the economic logic of law, how alterations in laws influence the allocation of resources, and how general economic activity feedback and influence the law. However, we’ll also consider other questions of economic organization.

The course begins with a general discussion of economic reasoning and the concept of efficiency. It then examines the work of Coase in considerable detail. After these introductory foundations, we move on to cover the legal topics of property, contracts, family, torts, crime, and perhaps anti-trust. How far we get will depend on class participation. There is no text for this course. Most of the readings will be on-line or available at the library.

Students will be expected to i) lead the discussion for at least one reading during the semester, ii) participate in all discussions, iii) write a short term paper, and iv) write a final exam.

The distribution of grades will be as follows: participation 25%, term paper 25%, leading discussion 10%, final exam 40%.

COURSE OUTLINE: ECONOMICS 888

The Economics of Legal Relationships

1. Efficiency

- a. Alchian, "Evolution, Uncertainty, and Economic Theory" *J. of Political Economy* 1950.
- b. J. Jacobs, "The Monkey's Paw" on web page.
- c. Somerset Maugham, "The Verger" on web page.

2. The Coase Theorem

- a. Coase "The Problem of Social Cost" *Journal of Law and Economics* 1960.
- b. Allen "Transaction Costs" Encyclopedia of Law and Economics 1999, on web page.
- c. Coase "Notes on the Problem of Social Cost" Chapter 6 in *The Firm, The Market, and The Law* (Univ. of Chicago Press, 1988.)
- d. Grossman and Hart. "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration." *Journal of Political Economy* no. 4, 1986.
- e. Leeson, P. "Trading with Bandits" *Journal of Law and Economics* 50 May 2007.

3. Property Law and Property Rights

- a. Lueck et al. "Property Law" on web page.
- b. Merrill and Smith "What Happened to Property in Law and Economics" Yale Law J. 2001.
- d. Allen "The Rhino's Horn" *Journal of Legal Studies* 2002.
- e. Libecap, G., D. Dean "The Demarcation of Land and the Role of Coordinating Property Institutions" *Journal of Political Economy*, June 2011, Vol. 119 Issue 3
- f. Libecap, Lueck, O'Grady. "Large Scale Institutional Changes: Land Demarcation within the British Empire" *Journal of Law and Economics* 2013.
- g. Andolfatto "A Theory of Inalienable Property Rights." *Journal of Political Economy* 2002.

4. Property Rights and Development

- a. Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "The Economic Consequences of Legal Origins," *Journal of Economic Literature*, 2008
- b. Daron Acemoglu, Simon Johnson, and James A. Robinson, "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics* 117, no. 4 (November 2002): 1231-94.

- c. Acemoglu, Daron, Simon Johnson and James Robinson, “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review* 91, 2001.
- d. Mokyr, J. “Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth” *American Economic Review: Papers & Proceedings* 99(2) May 2009
- e. Anderson, T. and D. Parker. “Sovereignty, Credible Commitments, and Economic Prosperity on American Indian Reservations” *J. of Law and Economics* 51 November 2008.

5. Family Law

- a. Allen “What Does She See In Him” *Economic Inquiry* 1992.
- c. Botticini and Siow “Why Doweries?” *American Economic Review* 93(4) 2003, 1385–1398.
- d. Allen “Who Should Be Allowed Into the Marriage Franchise?” *Drake Law Review* Summer 2010.
- e. Geddes R., and D. Lueck “The Gains from Self Ownership and the Expansion of Women’s Rights” *American Economic Review* 2002
- f. Wolfers “Did Unilateral Divorce Laws Raise Divorce Rates ...” *American Economic Review*
- h. Akerlof, Yellen, and Katz “An Analysis of Out-of-Wedlock Births in the United States” *Quarterly Journal of Economics* 1996

6. Contracts and Contract Choice

- a. Holmstrom, Bengt and Paul Milgrom. 1991. “Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design.” *Journal of Law, Economics and Organization* 7 1991: 24-52.
- b. Allen, Douglas W. and Dean Lueck “Contract Choice In Modern Agriculture: Cash Rent vs. Cropshare” *Journal of Law and Economics*, 35 October 1992,
- c. Allen, DW and A. Borchers “What Explains the Rise of Cash Renting” (SFU Working Paper, 2014).
- d. MacLeod, Bentley. “Reputations, Relationships, and Contract Enforcement.” *Journal of Economic Literature* 45, 2007: 595-628.

8. Crime

- a. A. Mitchell Polinsky and Steven Shavell “Public Enforcement of Law” on web page

- 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. Palmer, John. "The Economics of Cruel and Unusual Punishment" *European Journal of Law and Economics* 1998.
- d. Dezhbakhsh and Shepherd. "The Deterrent Effect of Capital Punishment: Evidence from a ?Judicial Experiment?" *Economic Inquiry* July 2006.
- e. Curry, Philip A. and Steeve Mongrain (2005) "What You Dont See Cant Hurt You: An Economic Analysis of Morality Laws," *Canadian Journal of Economics* 2008.
- f. Friedman, D. (1979) "Private Creation and Enforcement of Law," *8 Journal of Legal Studies*, pp. 399 415.
- g. Allen and Reed "The Duel of Honor: Screening for Unobservable Social Capital?" *American Law and Economics Review* 8 2006 : pp. 81?115

7. Torts

- a. Landes, W.M., and R.A. Posner, "Joint and Multiple Tortfeasors: An Economic Analysis", *Journal of Legal Studies*, 9 (1980), pp. 517 555.
- b. Brooks "Liability and Organizational Choice" *Journal of Law and Economics* April 2002.
- c. Hylton, Keith N. "Optimal Law Enforcement and Victim Precaution," *27 Rand Journal of Economics*, (1996) pp. 197 206.
- d. Omri Ben-Shahar (2006) "The (Legal) Pains of Vioxx: Why Product Liability Can Make Products More Dangerous," *The Economists' Voice*: Vol. 3: Iss. 6, Article 6:
- e. Lott, J. "Should the Wealthy Be Able to Buy Justice" *Journal of Political Economy* Oct. 1987.