

Reading Group on Law and Economics

We plan to follow the Handbook of Law and Economics and start our discussion by understanding the building blocks of the legal system: property law, contract law, accident law (torts), litigation (including aspects of civil procedure), and public enforcement of law (including criminal law).

We then move on to the intersection of specific areas of law and different fields of economics: taxation and public finance, antitrust law and regulation of market power, employment law and labor economics, environmental law and environmental economics, international law and global economy, etc.

Along our investigation, we will pay particular attention to the general structure of the law, the broader welfare implications of the law, and the methodologies in understanding the law in general. Topics including the focal point approach to law, norms and the law, etc., are expected to be extensively discussed.

For questions and inquiries, please contact Pengfei Zhang at pz82@cornell.edu.

I. Property Law:

Handbook Chapter 3

Legal Questions

a. What can be privately owned ?

b. How are ownership rights established ?

Pierson v. Post, 3 Cai. R. 175 (1805)

c. What may owners do with their property ?

Pennsylvania Coal Co. v. Mahon, 260 U.S. 393 (1922).

Kelo v. New London, 125 S.Ct. 2655, 545 U.S. 469 (2005).

d. What are the remedies for the violation of property rights ?

Boomer v. Atlantic Cement Company, 26 N.Y.2d 219, 309 N.Y.S.2d 312, 257 N.E.2d 870, Court of Appeals of New York (1970).

Spur Industries v. Del E. Webb Development Co., 108 Ariz. 178, 494 P.2d 700 (1972).

Lucas v. South Carolina Coastal Council, 112 S.Ct. 2886, 505 U.S. 1003 (1992).

Rational Choice Theory

Coase, Ronald (1960) "The Problem of Social Cost," *Journal of Law and Economics*, Vol. 3, pp. 1-44.

Demsetz, Harold (1967) "Toward a Theory of Property Rights," *American Economic Review*, Vol. 57, pp. 347-359.

Calabresi, Guido, and A. Douglas Melamed (1972) "Property Rules, Liability Rules, and Inalienability: One View of the Cathedral," *Harvard Law Review*, Vol. 85: 1089-1128.

Miceli, Thomas J. and Kathleen Segerson (2007) *The Economics of Eminent Domain: Private Property, Public Use, and Just Compensation*, Foundations and Trends in Microeconomics, Vol. 3, Issue 4.

Experimental Tests and Empirical Evidence

Elizabeth Hoffman and Matthew Spitzer (1982), 'The Coase Theorem: Some Experimental Tests'

Stewart Schwab (1988), 'A Coasean Experiment on Contract Presumptions'

Elizabeth Hoffman, Kevin McCabe, Keith Shachat and Vernon Smith (1994), 'Preferences, Property Rights, and Anonymity in Bargaining Games'

Rachel Croson and Jason Scott Johnston (2000), 'Experimental Results on Bargaining Under Alternative Property Rights Regimes'

Daniel Kahneman, Jack L. Knetsch and Richard H. Thaler (1990), 'Experimental Tests of the Endowment Effect and the Coase Theorem'

II. Contract Law:

Handbook Chapter 1

Legal Questions

a. What promises should be enforced ?

Sherwood v. Walker, 66 Mich. 568, 33 N.W. 919, Mich. (1887).

b. What should be the remedy for breaking an enforceable promise ?

Peevyhouse v. Garland Coal & Mining Co., 382 P.2d 109, *cert. denied*, 375 U.S. 906, Okla. (1962).

Rational Choice theory

Hirshleifer, Jack (1971) "The Private and Social Value of Information and the Reward to Inventive Activity," *American Economic Review*, Vol.61, pp. 561-574.

Posner, Richard (1977) "Gratuitous Promises in Economics and Law," *J. Legal Stud.*, Vol. 6, pp. 411-426.

Posner, Richard and Andrew Rosenfield (1977) "Impossibility and Related Doctrines in Contract Law: An Economic Analysis," *J. Legal Stud.*, Vol. 6: 83-118.

Kronman, Anthony (1978) "Mistake, Disclosure, and Information," *J. Legal Stud.*, Vol. 7, pp. 1-34.

Shavell, Steven (1980) "Damage Measures for Breach of Contract," *Bell Journal of Economics*, Vol. 11, pp. 466-490.

Friedmann, Daniel (1989) "The Efficient Breach Fallacy," *J. Legal Stud.*, Vol. 18, pp. 1-24.

Ian Ayres and Robert Gertner (1992), 'Strategic Contractual Inefficiency and the Optimal Choice of Legal Rules'

Experimental Tests and Empirical Evidence

Ernest Fehr, Alexander Klein and Klaus M. Schmidt (2007), 'Fairness and Contract Design'

Daylian M. Cain, George Loewenstein and Don A. Moore (2005), 'The Dirt on Coming Clean: Perverse Effects of Disclosing Conflicts of Interest'

III. Tort Law, Criminal Law, and Enforcement:

Handbook Chapter 2, Chapter 6&7

Cases

U.S. v. Carroll Towing Co., 159 F.2d 169, 2d Cir. (1947).

MacPherson v. Buick, 217 N.Y. 382, 111 N.E. 1050 (1916).

Schenk v. United States, 249 U.S. 47 (1919).

Rational Choice Theory

Becker, Gary (1968) "Crime and Punishment: An Economics Analysis," *Journal of Political Economy*, Vol. 76, pp. 169-217.

Stigler, George (1970) "The Optimum Enforcement of Laws," *Journal of Political Economy*, Vol. 78, pp. 526-536.

Brown, John (1973) "Toward an Economic Theory of Liability," *Journal of Legal Studies*, Vol. 2, pp. 323-349.

Cooter, Robert (1985) "Unity in Torts, Contracts, and Property: The Model of Precaution," *California Law Review*, Vol. 73, pp. 1-51.

Landes, William and Richard Posner (1985) "A Positive Economic Theory of Products Liability," *Journal of Legal Studies*, Vol. 14, pp. 535-567.

Michael J. Graetz, Jennifer F. Reinganum and Louis L. Wilde (1986), 'The Tax Compliance Game: Toward an Interactive Theory of Law Enforcement'

A. Mitchell Polinsky and Yeon-Koo Che (1991), 'Decoupling Liability: Optimal Incentives for Care and Litigation'

Experimental Tests and Empirical Evidence

Lewis Kornhauser and Andrew Schotter (1990), 'An Experimental Study of Single-Actor Accidents'

Kim A. Kamin and Jeffrey J. Rachlinski (1995), 'Ex Post ≠ Ex Ante: Determining Liability in Hindsight'

Elizabeth Hoffman, Kevin McCabe and Vernon L. Smith (1996), 'Social Distance and Other-Regarding Behavior in Dictator Games'

Uri Gneezy and Aldo Rustichini (2000), 'A Fine Is a Price'

Iris Bohnet, Bruno S. Frey and Steffen Huck (2001), 'More Order with Less Law: On Contract Enforcement, Trust, and Crowding'

W. Kip Viscusi and Richard J. Zeckhauser (2004), 'The Denominator Blindness Effect: Accident Frequencies and the Misjudgment of Recklessness'

IV. Procedural Law and Dispute Resolution:

Handbook Chapter 4&5

Rational Choice Theory

George L. Priest and Benjamin Klein (1984), 'The Selection of Disputes for Litigation'

I.P.L. P'ng (1983), 'Strategic Behavior in Suit, Settlement, and Trial'

Jennifer F. Reinganum and Louis L. Wilde (1986), 'Settlement, Litigation, and the Allocation of Litigation Costs'

Cooter, Robert and Daniel L. Rubinfeld (1989) "Economic Analysis of Legal Disputes and Their Resolution," *Journal of Economic Literature*, Vol. 27, pp. 1067-1097.

Keith N. Hylton (1994), 'An Economic Theory of the Duty to Bargain'

Lucien Arye Bebbchuk (1996), 'A New Theory Concerning the Credibility and Success of Threats to Sue'
Frank H. Easterbrook (1988), 'Stability and Reliability in Judicial Decisions'

Rafael Gely and Pablo T. Spiller (1990), 'A Rational Choice Theory of Supreme Court Statutory Decisions with Applications to the "State Farm" and "Grove City" Cases'

Experimental Tests and Empirical Evidence

Linda Babcock, George Loewenstein, Samuel Issacharoff and Colin Camerer (1995), 'Biased Judgments of Fairness in Bargaining'

Edward J. McCaffery, Daniel J. Kahneman and Matthew L. Spitzer (1995), 'Framing the Jury: Cognitive Perspectives on Pain and Suffering Awards'

Russell Korobkin and Chris Guthrie (1997), 'Psychology, Economics, and Settlement: A New Look at the Role of the Lawyer'

Linda Babcock, George Loewenstein and Samuel Issacharoff (1998), 'Creating Convergence: Debiasing Biased Litigants'

Serena Guarnaschelli, Richard D. McKelvey and Thomas R. Palfrey (2000), 'An Experimental Study of Jury Decision Rules'

Greg Pogarsky and Linda Babcock (2001), 'Damage Caps, Motivated Anchoring, and Bargaining Impasse'

Chris Guthrie, Jeffrey J. Rachlinski and Andrew J. Wistrich (2001), 'Inside the Judicial Mind'

George Loewenstein and Don A. Moore (2004), 'When Ignorance is Bliss: Information Exchange and Inefficiency in Bargaining'

V. Additional topics:

Law and Norms

Lindbeck, A., Nyberg, S. and Weibull, J (1989), 'Social Norms and Economic Incentives in the Welfare State,' *Quarterly Journal of Economics*, vol. 114

Sunstein, Cass (1996), 'On the Expressive Function of Law,' *University of Pennsylvania Law Review*, vol. 144.

McAdams, R. (2000), 'A Focal Point Theory of Expressive Law,' *Virginia Law Review*, vol. 86.

Comparative Law

Rubin, Paul (1977) "Why is the Common Law Efficient?" *Journal of Legal Studies*, Vol. 6, pp. 51-63.

Priest, George (1977) "The Common Law Process and the Selection of Efficient Rules," *Journal of Legal Studies*, Vol. 6, pp. 65-82.

La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer (2008), "The economic consequences of legal origins." *Journal of economic literature* Vol. 46(2), pp. 285-332.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer (2003), "Courts." *The Quarterly Journal of Economics* Vol. 118(2), pp. 453-517.