B.E. International Program

Faculty of Economics, Thammasat University

Course Outline

EE403 Law and Economics

Semester 1/2013 (August 13 – November 30, 2013)

Number of credits: 3 credits

Lecture Time: Wednesdays and Fridays, 15.30 – 17.00 PM

Lecture Venue: 201, 2nd floor, Faculty of Economics
Thammasat University, Tha Prachan campus

Instructor: Supruet Thavornyutikarn, *PhD*
Room 5, 60th Anniversary Bldg (Tha Prachan)
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Office Hours : 11.00 – 12.00 & 13.00 – 15.30
Wednesdays and Fridays or by appointment

Prerequisites*: a) EE210 or b) EE211 and EE212 or c) EE213 and EE214 or d) by lecturer's consent*

Course Description

This course investigates interrelation and interaction of two disciplines: law and economics. It also covers a broad Thai legal system with an emphasis on economic-related laws. Explore economic concepts and theories necessary to analyse laws including property rights and civil and commercial code. Study economic regulation using law and an impact of law on economic behaviour.

Objectives

- To realise the interrelationship between economics and law as an interdisplinary study and its significance in the understanding of our society
- To systematically analyse how law or legal rules can influence economic behaviour by employing basic economic tools and being able to explain existence of law
- To explain the impact of legal enactment and amendment on behaviour of economic entities
- To examine the efficiency and effectiveness of legal enforcement and being able to make recommendations on legal amendment that improve economic efficiency

Assessments

Class Attendance: Students are required to attend at least 70 per cent of the total lecture hours.
Midterm Examination: 30 per cent
Coursework and Presentation: 30 per cent – list of academic papers will be given later after the discussion with the class; each individual should select one paper to summarise, review, and present in class.

Summary/Review: should not exceed 4 A4 pages [10 per cent]
Presentation: should not exceed 10 minutes (+10 minutes discussion) [10 percent]
Commentary:- every student should comment on another by writing a commentary of 1 A4 page and brief comment (10 minutes) [10 per cent]

Final Examination: 40 per cent

Plagiarism Policy

- No student will copy another person's work, partially, substantially, or fully, without giving proper reference and citation.
- Any writing found to be plagiarized is subject to severe penalties (at least failure of the course) without further notice.
- It is important for the writing to reflect students' ability to analyse than for it to be grammatically flawless. A clear and well-organised writing will better communicate student's idea.

Failure to comply with this policy will result in no assessment of any kind.

Reading Materials

Compulsory Reading

Coase, R., 1960, "The Problem of Social Cost," *Journal of Law & Economics*, Vol. 3, pp.1-44

Main Textbooks

Cooter, Robert and Thomas Ulen. 2011. ***Law and Economics*** (6th Edition). Pearson Addison Wesley: Boston, MA. (all other previous editions are applicable)

Friedman, David D. 2001. ***Law's Order: What Economics Has to Do with Law and Why It Matters***. Princeton University Press: Princeton, NJ. Internet-based Version available at: http://www.daviddfriedman.com/laws_order/

Supplementary Reading

Harrison, Jeffrey L. 2003. ***Law and Economics in a Nut Shell***. Thomson West: St Paul, MN.

Schäfer, Hans-Bernd and Claus Ott. 2004. ***The Economic Analysis of Civil Law*** (translated by Matthew Braham). Edward Elgar: Cheltenham, UK

Werin, Lars. 2003. ***Economic Behavior and Legal Institutions: An Introductory Survey***. World Scientific: New Jersey.

Wittman, Donald. 2006. ***Economic Foundations of Law and Organization***. Cambridge. University Press: Cambridge, UK.

Topics

<u>Part I</u>: Fundamentals

1. Introduction [🕐14 and 16 Aug]

    What is Law and Economics?
    Why does Law matter? What Economics has to do with Law?
    Law and Economics as an interdisciplinary study
    Law and Economics in practice

2. Basic Economic Concepts/Tools [🕐21 Aug]

    Rationality and Economic Efficiency
    Coase Theorem
    Cost-Benefit Analysis
    Game Theory and Bargaining Theory
    Behavioural Economics

<u>Part II</u>: Legal Framework for Perfect Competitive Market

3. Property Rights [🕐23, 28 and 30 Aug]

    What is Property Right?
    Importance of property rights
    What can be possessed? What cannot? Is property right absolute?

4. Contract [🕐4, 6 and 11 Sep]

    What is Contract?
    Elements and Formation of Contract
    Enforceability of Contract and Breach of Contract
    Compensation or Remedies
    Incomplete Contract and Implicit Contract

5. Disputes, Settlements, and Legal Processes: Active and Passive Roles of Law [🕐13 and 18 Sep]

    Active: pre-trial litigation (plea bargaining), court procedure, and enforcement
    Passive: private bargaining using law and enforcement as a threat
    Costs of Legal Process

<u>Part III</u>: Legal Frameworks for Externalities

6. Tort or Civil Liability [🕐20, 25 and 27 Sep]

    Tort and its Elements
    Negligence
    Liability and Liability Rules: Hand's Rule
    Compensation

7. Rational Criminal Behaviour [🕐9, 11 and 16 Oct]

    Rationality of being a criminal
    Cost of criminality: apprehension versus conviction

8. Punishment/Sentencing and Avoidance [🕐18, 25 and 30 Oct]

    Ex post and Ex Ante: Deterrence and Punishment
    Trade-off between *Ex Post* and *Ex Ante*
    Optimal Punishment

<u>Part IV</u>: Selected Topics

** to be discussed in class **

Important Dates

Class begins	August 13, 2013
Adding and Dropping Course	August 13 – 27, 2013
Midterm Exam	**October 4, 2013; 15.30 – 17.00 PM**
Course Withdrawal with “W”	October 16 – 21, 2013
Last day of classes	November 30, 2013
Final Exam	**December 16, 2013 ; 9.00 – 12.00 AM**