

Central European University  
Department of Economics  
Academic Year 2009/2010

Lecturer: **Andrzej Baniak**  
Nador 11 Building, room 410  
E-mail: baniaka@ceu.hu

## Topics in Law and Economics

### General Information

**Course level:** This is an optional course for second year MA 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 a final exam (50%), student presentation of an assigned paper from the reading list (40%) and class participation (10%). 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. Centralization, decentralization and harmonization

When it is desirable to delegate power and when to centralize it? When harmonization of laws is desirable?

- (\*\*)Herings and Kanning (2008),
- (\*\*)Crettez and Deloche (2006),
- (\*\*)Garoupa and Ogus (2006),
- (\*\*)Rantakari (2008),
- (\*\*)Baniak and Grajzl (2009),
- (\*)Carbonara and Parisi (2007),
- (\*)Loeper (2009),
- (\*)Monheim-Helstroffer and Obidzinski (2010),
- (\*)Nicolaidis (2004)

## 2. 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, Glaeser, Porta, de Silanes and Shleifer (2003),
- (\*\*)Glaeser and Shleifer (2003),
- (\*\*)Grajzl and Baniak (2009),
- (\*)Grajzl and Murrell (2007),
- (\*)Chong and Gradstein (2007),
- (\*)Guriev and Sonin (2008),
- (\*)Immordino and Pagano (2008)

## 3. Optimal complexity of Law

When the detailed law (rule) is desirable and when not.

- (\*\*)Staton and Vanberg (2008),
- (\*\*)Kaplow (1995),
- (\*\*)Kaplow (1992),
- (\*)Mahoney and Sanchirico (2005),
- (\*)Crettez, Deffains and Deloche (2009),
- (\*)Fon and Parisi (2007)

## 4. Law enforcement in antitrust: leniency programs.

What is the best method of fighting with cartels (or organized crime)?

- (\*\*)Motta and Polo (2003),
- (\*\*)Spagnolo (2008),
- (\*\*)Spagnolo (2004),
- (\*)Aubert, Rey and E.Kovacic (2006),
- (\*)Harrington (2008),
- (\*)Hinlopen and Soetevent (2008),
- (\*)Apestequia, Dufwenberg and Selten (2007),
- (\*)Hamaguchi, Kawagoe and Shibata (2009)

## 5. Law and Social Norms

How do social norms interact with legal rules in structuring incentives and behavior?

- (\*\*)Posner (1997),
- (\*\*)Funk (2005),
- (\*\*)Cooter (1998)
- (\*)Bohnet, Frey and Huck (2001),
- (\*)Shavell (2002),
- (\*)Cooter (1997)

#### 6. 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

- Apesteguia, José, Martin Dufwenberg, and Reinhard Selten**, “Blowing the Whistle,” *Economic Theory*, 2007, *31*, 143–166.
- Aubert, Cécile, Patrick Rey, and Wiliam E.Kovacic**, “The Impact of Leniency and Whistleblowing Programs on Cartels,” *International Journal of Industrial Organization*, 2006, *24*, 1241–1266.
- Baniak, Andrzej and Peter Grajzl**, “Interjurisdictional Linkages and the Scope for Institutional Harmonization,” Working paper, SSRN December 2009.
- Bohnet, Iris, Bruno S. Frey, and Steffen Huck**, “More Order with Less Law: On Contract Enforcement, Trust, and Crowding,” *The American Political Science Review*, Mar 2001, *95* (1), 131–144.
- Carbonara, Emanuela and Francesco Parisi**, “The paradox of legal harmonization,” *Public Choice*, September 2007, *132* (3), 367–400.
- Chong, Alberto and Mark Gradstein**, “Inequality and Institutions,” *The Review of Economics and Statistics*, 04 2007, *89* (3), 454–465.
- Cooter, Robert**, “Expressive Law and Economics,” *The Journal of Legal Studies*, Jun 1998, *27* (2), 585–608.
- Cooter, Robert D.**, “Punitive Damages, Social Norms, and Economic Analysis,” *Law and Contemporary Problems*, 1997, *60* (3), 73–91.
- Crettez, Bertrand and Régis Deloche**, “On the unification of legal rules in the European Union,” *European Journal of Law and Economics*, May 2006, *21* (3), 203–214.
- , **Bruno Deffains, and Régis Deloche**, “On the optimal complexity of law and legal rules harmonization,” *European Journal of Law and Economics*, April 2009, *27* (2), 129–142.
- 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.
- Fon, Vincy and Francesco Parisi**, “On the optimal specificity of legal rules,” *Journal of Institutional Economics*, August 2007, *3* (02), 147–164.

- Funk, Patricia**, “Governmental Action, Social Norms, and Criminal Behavior,” *Journal of Institutional and Theoretical Economics (JITE)*, September 2005, 161 (3), 522–.
- Garoupa, Nuno and Anthony Ogus**, “A Strategic Interpretation of Legal Transplants,” *Journal of Legal Studies*, 2006, 35, 339–363.
- 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.
- Hamaguchi, Yasuyo, Toshiji Kawagoe, and Aiko Shibata**, “Group size effects on cartel formation and the enforcement power of leniency programs,” *International Journal of Industrial Organization*, March 2009, 27 (2), 145–165.
- Harrington, Joseph E.**, “Optimal Corporate Leniency Programs,” *Journal of Industrial Economics*, 2008, 56 (2), 215–246.
- Herings, P. Jean-Jacques and Arnald J. Kanning**, “Harmonization of private law on a global level,” *International Review of Law and Economics*, December 2008, 28 (4), 256–262.
- Hinloopen, Jeroen and Adriaan R. Soetevent**, “Laboratory evidence on the effectiveness of corporate leniency programs,” *RAND Journal of Economics*, 2008, 39 (2), 607–616.
- Immordino, Giovanni and Marco Pagano**, “Legal Standards, Enforcement and Corruption,” CEPR Discussion Papers 7071, C.E.P.R. Discussion Papers December 2008.
- Kaplow, Louis**, “Rules versus Standards: An Economic Analysis,” *Duke Law Journal*, December 1992, 42 (3), 557–629.
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- Loeper, Antoine**, “Coordination in Heterogeneous Federal Systems,” Mimeo, Managerial Economics and Decision Sciences, Kellogg School of Management, Northwestern University, August 2009.
- Mahoney, Paul G. and Chris W. Sanchirico**, “General and Specific Legal Rules,” *Journal of Institutional and Theoretical Economics*, 2005, 161 (329).
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- Posner, Richard A.**, “Social Norms and the Law: An Economic Approach,” *The American Economic Review*, 1997, 87 (2), 365–369.

- Rantakari, Heikki**, “Governing Adaptation,” *The Review of Economic Studies*, 2008, 75 (4), 1257–1285.
- Shavell, Steven**, “Law versus Morality as Regulators of Conduct,” *American Law and Economics Review*, 2002, 4 (2), 227–257.
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- , “Leniency and Whistleblowers in Antitrust,” in Paolo Buccirossi, ed., *Handbook of Antitrust Economics*, Cambridge, MA: MIT Press, 2008, pp. 259–305.
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