BACHELOR OF ECONOMICS
THAMMASAT UNIVERSITY

EE403

Law & Economics

Course Description

"Thailand's Legal System. The relationship between law, economy, and politics. Applying economic theory to analyze reasons for the existence of property rights, civil, and commercial law. The effects of law on economic behavior and on economic outcomes."

Pre-requisites

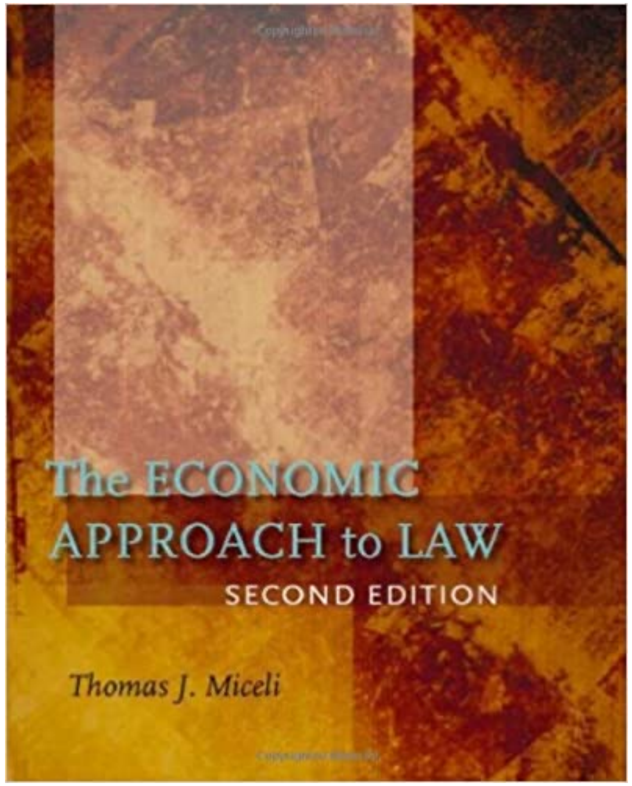
a) EE210 or

b) EE211 and EE212 or

c) EE213 and EE214

Textbook

- Thomas J. Miceli, (2017). *The Economic Approach to Law. 3rd Edition*. Stanford Economics and Finance



Thomas J. Miceli
University of Connecticut

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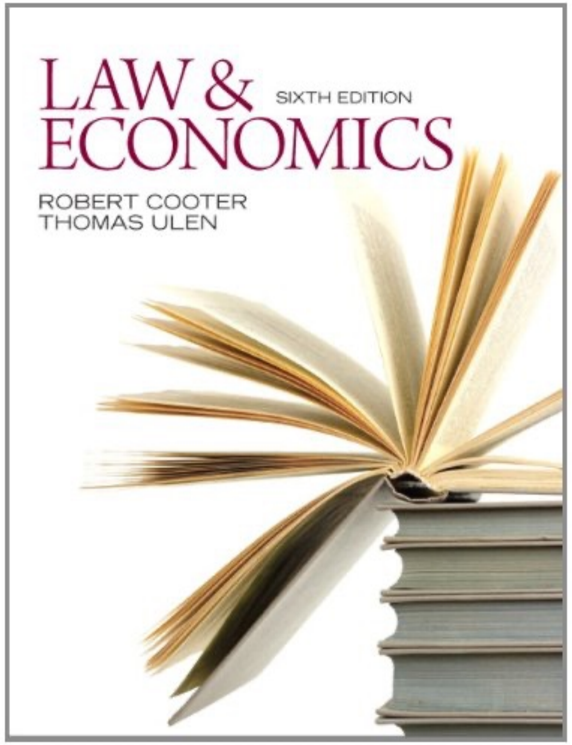
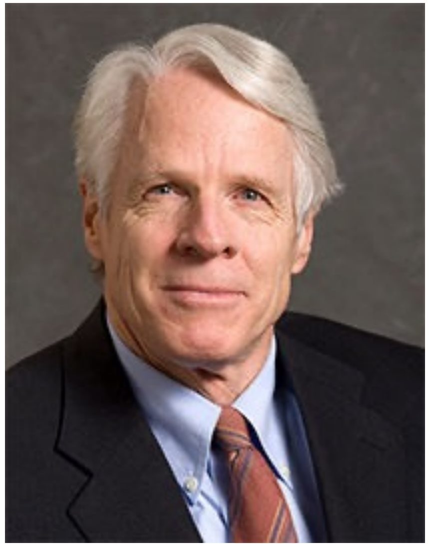
Textbook

- Robert B. Cooter and Thomas S. Ulen. (2011). *Law and Economics, 6th Edition*. Prentice Hall.





Robert Cooter
University of California, Berkeley

Thomas S. Ulen
University of Illinois at Urbana-Champaign.

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Evaluation

• Homework	15	points
• Mid-term examination	35	points
• Final examination	50	points

Mid-term exam date: Wednesday 28, September 2022
12:00 – 14:00 hrs.

Final exam date: Tuesday 12, December 2022
9:00 - 12:00 hrs.

Review of economics concepts

- Maximizing net benefit

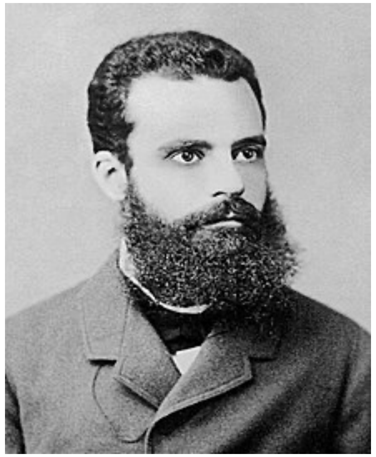
Review of economics concepts

- Elasticity

Review of economics concepts

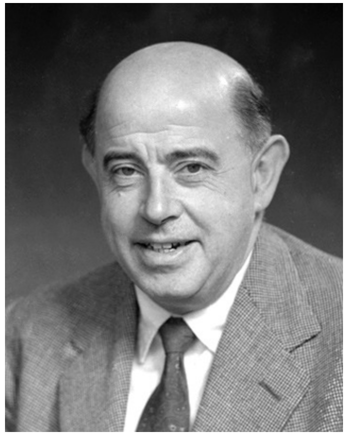
- **Pareto Improvement:** No one is made worse off. At least one person is made better off.
- **Kaldor-Hicks Improvement:** Some people may be made worse off. But we could imagine some set of transfers from those made better off to those made worse off so that, post-transfers, no one is worse off (a *potential* Pareto Improvement).
- **Pareto Efficient**: *We cannot find a way to make some people better off without making anybody else worse off.*
- **Kaldor-Hicks Efficient**: *We cannot find a way to make some people better off without making anybody else worse off* ***more****.*

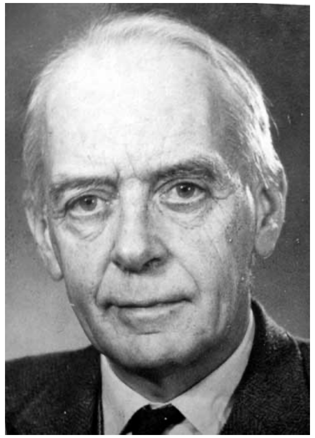
Pareto improvement and efficiency



- Pareto improvement is an action that leads to an economic advantage <u>without</u> making anyone worse off.
- Given an initial allocation of goods or resources for a set of individuals, a Pareto improvement was made if a change in resources benefits at least one person while harming no one else.
- These improvements will go on to a point where the allocation is Pareto efficient, that is when no more allocation changes can be made without making anybody worse off.

Kaldor-Hicks improvement

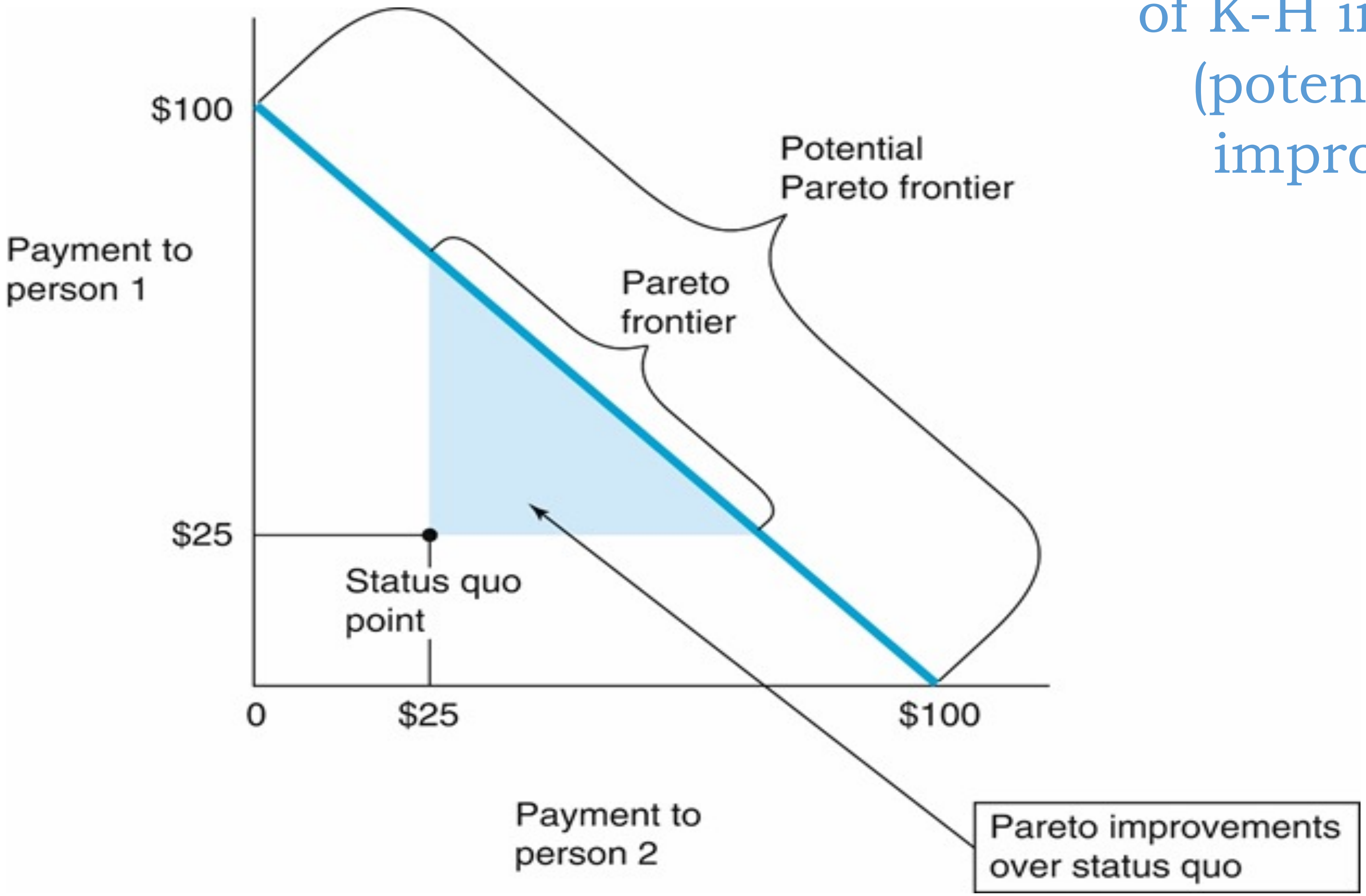




- A re-allocation is a Kaldor–Hicks improvement if those that are made better off could <u>hypothetically compensate</u> those that are made worse off <u>and lead to a Pareto-improving outcome</u>.
- The compensation does not actually have to occur and thus, a Kaldor–Hicks improvement can in fact leave some people worse off.
- The Kaldor–Hicks criterion is an underlying rationale for cost–benefit analysis.
- The project would typically be given the go-ahead if the benefits exceed the costs.
- The criterion is used because it is argued that it is justifiable for society as a whole to make some worse off if this means a greater gain for others.

Review of economics concepts

Can you identify the area of K-H improvement (potential pareto improvement)?



What Is the Economic Analysis of Law?

- People respond to incentives. Economics provides a behavioral theory to predict how people respond to laws.
- Legal sanctions such as monetary damages or imprisonment are implicit prices ➔ guide behaviors in a socially desirable direction.
- How will a sanction affect behavior? For example,
  - if punitive damages are imposed upon the maker of a defective product, what will happen to the safety and price of the product in the future?
  - will the amount of crime decrease if third-time offenders are automatically imprisoned?

*"**punitive damages** : damages exceeding simple compensation and awarded to punish the defendant."*

What Is the Economic Analysis of Law?

- An example: Suppose that a manufacturer knows that product will sometimes injure consumers. How safe will he make the product?
- For a profit-maximizing firm, the answer depends upon three factors:
  1. cost of making the product safer
  2. the manufacturer's legal liability for injuries to consumers and
  3. the extent to which injuries discourage consumers from buying the product.
- Comparing marginal cost (for making the product safer) and marginal benefit (for making the product safer)
- The profit-maximizing firm will adjust safety until the cost of additional safety equals the benefit from reduced liability and higher consumer demand for the good.

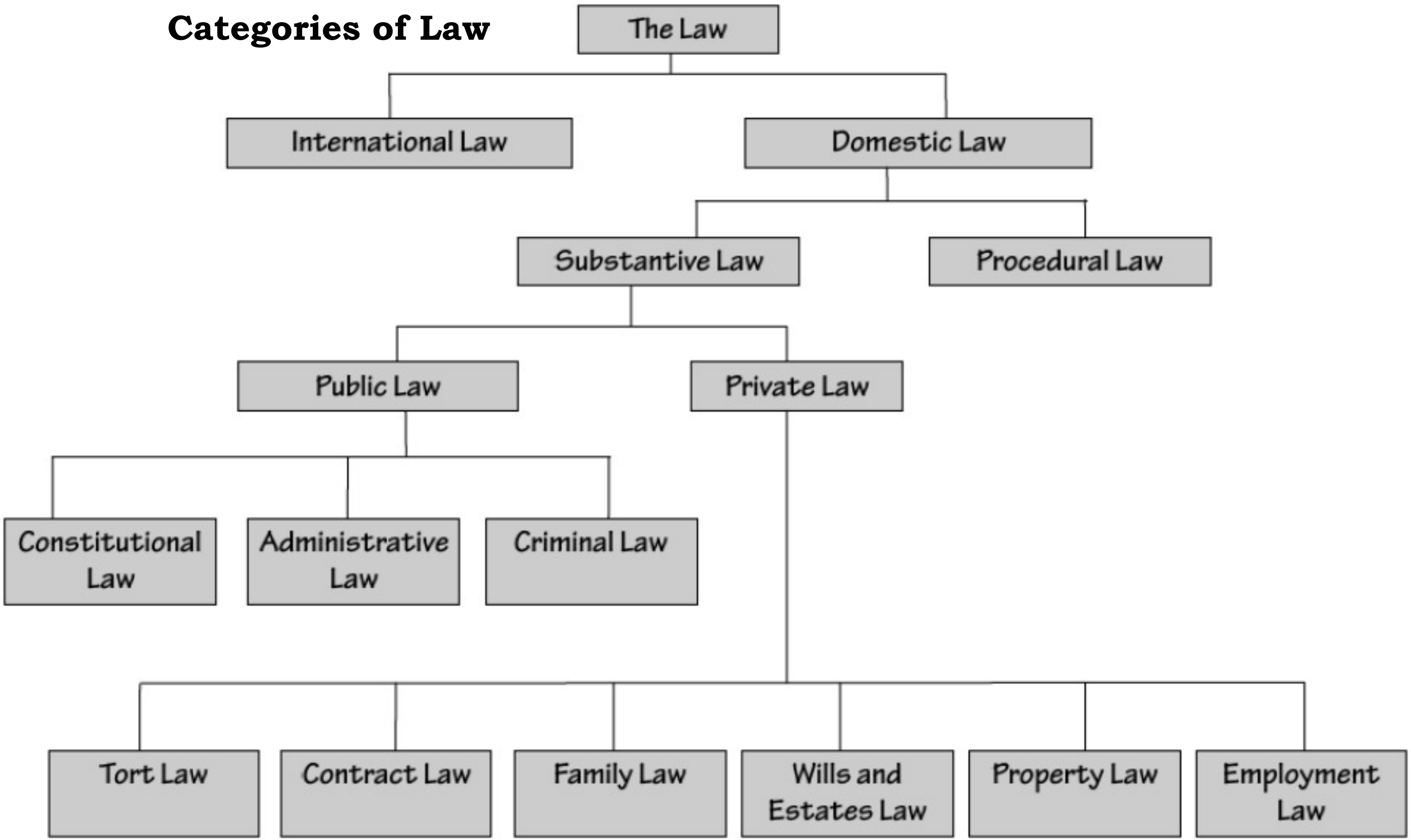
Common law

Common law is generally *uncodified.* This means that there is no comprehensive compilation of legal rules and statutes. While common law does rely on some scattered statutes, which are legislative decisions, it is largely based on *precedent,* meaning the judicial decisions that have already been made in similar cases. These precedents are maintained over time through the records of the courts as well as historically documented in collections of case law known as yearbooks and reports. The precedents to be applied in the decision of each new case are determined by the presiding judge. As a result, judges have an enormous role in shaping American and British law. Common law functions as an adversarial system, a contest between two opposing parties before a judge who moderates. A jury of ordinary people without legal training decides appropriate sentence based on the jury's verdict.

Civil Law

Civil Law, in contrast, is *codified*. Countries with civil law systems have comprehensive, continuously updated legal codes that specify all matters capable of being brought before a court, the applicable procedure, and the appropriate punishment for each offense. Such codes distinguish between different categories of law: substantive law establishes which acts are subject to criminal or civil prosecution, procedural law establishes how to determine whether a particular action constitutes a criminal act, and penal law establishes the appropriate penalty. In a civil law system, the judge's role is to establish the facts of the case and to apply the provisions of the applicable code. Though the judge often brings the formal charges, investigates the matter, and decides on the case, he or she works within a framework established by a comprehensive, codified set of laws. The judge's decision is consequently less crucial in shaping civil law than the decisions of legislators and legal scholars who draft and interpret the codes.

Categories of Law



Categories of Law

- Public Law : regulates the relationship between government and its citizens.
- Private Law : law governing the relationships between private individuals and between individuals and organizations
- Substantive Law : law that defines the rights, duties, and obligations of citizens and government.
- Procedural Law : law that prescribes the methods of enforcing the rights and obligations of substantive law.
  - Ensures that all citizens are treated fairly
    - Ensures that neither the police or courts act arbitrarily
    - Examples include proper procedures to gather evidence, requirements for lawful arrest, and trial procedures
- Administrative Law (กฎหมายปกครอง) – law related to the relationship between people and government agencies

4 main laws in Thailand

The fundamental laws that form the backbone of Thai law have been codified into four codes:

1. The Civil and Commercial Code : ประมวลกฎหมายแพ่งและพาณิชย์
   - includes provisions relating to general principles, obligations, contract law, property law, family law, the law of succession etc.
2. The Penal Code: ประมวลกฎหมายอาญา
3. The Civil Procedure Code: ประมวลกฎหมายวิธีพิจารณาความแพ่ง
4. The Criminal Procedure Code. ประมวลกฎหมายวิธีพิจารณาความอาญา