

**University of Western Ontario**

**Law and Economics I**  
**Econ3366B**

**Lecture 1**

- **Instructor**

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Office hour:    Tues. & Wed. 2:30 - 3:30

- **Course Homepage:**

<https://owl.uwo.ca/portal>

# Course Description

- Law and Economics is an interdisciplinary subject.
  - Economic Analysis of Law.
- It uses economics to understand incentive effects of law.
- Students will learn how microeconomic theory can be used to critically evaluate law and public policy.

# Course Description

- A legal dispute between private parties (e.g., injurer and victim) can often be modeled as a **game** between them. Alternative legal rules create different incentives by changing the game to be played. Efficiency property of the equilibrium of the game can be examined under alternative laws in *property, tort, and contract*.
- In public law, economics can be used to develop a model of criminal behavior based on a theory of rational choice to commit a *crime*. Optimal criminal justice policies can be identified in minimizing the social costs of crimes.

# Learning Outcomes

By the end of the semester, successful students will be able to:

- apply economic concepts to examine incentives created by law
- explain alternative ways of resolving legal disputes
- describe a legal dispute as a strategic game between parties
- identify and evaluate the likely outcome (equilibrium) of the game
- analyze and compare alternative laws in terms of efficiency
- understand crime deterrence effects of punishments

# Assessment

- The midterm 25%
- The final exam 40%.
- Three homework assignments 15%
- Presentation project 15%
- Class participation 5%

# Rules on class attendance

- A half point will be deducted for each absent hour (from class participation points).
- Each student gets free allowance for three absent hours. For example, if you were absent five hours, only one point will be deducted.
- No excuses will be accepted for absence unless officially documented.
- A student who is absent for twelve hours or more will get 'F' regardless of other achievement in the course.

# Classification of law

- Public law
  - Criminal
- Private law (civil law)
  - Property
  - Contract
  - Tort

# Required Text

- *Law and Economics*,  
R. Cooter and T. Ulen, 6th ed.,  
Pearson Addison-Wesley. (2012).
- Textbook website:  
<http://www.cooter-ulen.com/>

# Textbook structure

	Chapters
• Intro. to Law	3
• Property	4 and 5
• Tort	6 and 7
• Contract	8 and 9
• Procedure	(10, 11)
• Crime	12 (13)

# Freight train carrying crude oil derailed, catches fire in rural Canada; no deaths reported

Jan. 8, 2014 • 1 min read • [original](#)

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# Warranty of habitability doctrine

- The statute creates an "implied promise" by the landlord that the premises and the areas within the landlord's control "are fit for human occupation at the inception of the tenancy and that they will remain so throughout the lease term."

# Contract example (Text, Ch. 1)

- An oil company signs a contract to deliver oil by a certain date from the Middle East to a European manufacturer.
- Before the oil is delivered, war breaks out in the exporting country, so that the oil company cannot perform the contract as promised.
- The lack of oil causes the European manufacturer to reduce production and lose profits.
- The manufacturer brings an action (*i.e.*, files a lawsuit) against the oil company for breach of contract and asks the court to award it a sum of money, called “damages.”

# Contract example continued

- Unfortunately, the contract is silent about the risk of nonperformance in the event of war.
- In resolving the suit, the court must decide whether
  - (i) to excuse the oil company from performance on the ground that the war made the performance “impossible” or
  - (ii) to find the oil company in breach of contract and to require the oil company to compensate the manufacturer for lost profits.

# Example: Armed robbery

- Punishment for crime
  - Why punish?
  - How to punish?
  - Suppose we impose the maximum possible penalty for armed robbery.

# Next lecture

- *Common Law System and Precedent*
  - Chapter 3
- *Department of Justice Canada*
  - Justice and the Law in Canada
  - <http://canada.justice.gc.ca/en/jl/index.html>