

ECON 4080: LAW & ECONOMICS

TR 2-3:15, Monroe 118

Zoom Link for class: <https://virginia.zoom.us/j/96655623132?pwd=V0hRYjlaMXpleFkwdDVxekhUdjY4Zz09> Passcode: class

Instructor: Maria Westerfield, Monroe 219.
Office Hours: In person T TR 3:30-4:30 PM (please wear a mask)
 Zoom office hours TBA and by appointment
Phone: (434) 924-3177 Economics Department, Monroe Hall
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Required Textbooks: Law and Economics, 6e, Cooter & Ulen (available free online at <http://scholarship.law.berkeley.edu/books/2/>)
 Additional readings on Collab under “Resources”
 Notes Outline, available on Collab under “Resources”

Notes Outline: An outline of the notes will be available on Collab. Please print them out and bring them to class and take your notes on these. It would be helpful to put them in a binder. You will find that taking notes using the outlines will organize your notes and facilitate and expedite the note-taking process. **Laptops are *strongly discouraged* for note-taking.** You may also print out the files at the UVA Bookstore Copy Center, Phone: 434-924-0519, Email: bookcopy@virginia.edu.

Course Description: This course will apply the principles of microeconomic reasoning to legal rules and institutions from two points of view: the impact of economics on law, in which we will examine the importance of economic forces in the development of legal rules and policies, and the impact of laws on the allocation of resources. This analysis will be applied to the areas of tort, contract, and property laws, using a mix of both traditional economic presentations as well as the case method.

Lectures & Attendance There will be two lectures a week of one hour and fifteen minutes each; these will not parrot the reading. You are strongly encouraged to attend and participate every day in class. Students who are ill/quarantining may join via Zoom (link posted above), and the recordings will be posted. You will be graded on participation during your On-Call days (see below). Experience has shown that there is a strong correlation between attendance and performance. **Please be on time, and please stay the duration of the class.** Late entry into and early exit from the classroom are very disruptive. Please **turn off** cell phones when in class. **No texting in class, please.** Anyone texting will have their On-Call grade lowered. http://records.ureg.virginia.edu/content.php?catoid=27&navoid=703#atte_in_clas Students missing a substantial number of classes unexcused may receive a grade of W up to the withdrawal deadline; thereafter an F.

Office Hours: In person office hours in MON 219 T TR 3:30-4:30 (please wear a mask) for questions on material. Extra Zoom office hours for Extra Credit introductions TBA. Also Zoom meetings by appointment for material questions.

Grades (posted on Collab)

Final grade = 20% Midterm + 15% HW + 20% Paper + 5% Questions of the Day + 5% On-Call + 35% Final = 100%
 Grade distribution: A: 90-100; B: 80-89; C: 70-79; D: 60-69; F: below 60. +/- grades will be distributed within these brackets (ie, 86.7-89.9 = B+, 90-93.3 = A-, 93.4 – 96.6 = A, 96.7 – 100 = A+). There is no rounding for the final grade. **Final grades will only be changed if there has been an error in the calculation. Course work cannot be regraded to get extra points once final grades have been submitted.**

Tests: There will be one midterm and a final. The **midterm is Thursday, March 2, 2023** during the regularly scheduled class time and will count 20% towards the final grade. The **final exam** is scheduled for **Monday, May 8, 2023, 9 am-12 noon** in Monroe 118 (our regular classroom), and will count 35% towards the final grade. The final exam will be from the material from parts II and III (since the midterm), with some overview questions on part I. I am not authorized to change the final exam schedule. Only students who have 3 tests within a 24-hour period will be authorized to take the final at a different time, and must receive permission through the dean’s office. Tests will be comprised of a mix of multiple choice, true/false/explain, matching, short answer, long answer, and math problems. Students need to bring a calculator with exponential functions (no formulas saved). Notes and books will not be permitted.

http://records.ureg.virginia.edu/content.php?catoid=27&navoid=703#fina_exam

Homework: There will be 3 homework assignments given, with the average from the 3 homeworks to count 15% toward the final grade (or 5% each). **Homework will be posted on my website no later than 1 week before the due date.** Please work in groups of 4 people. Everyone should print out a copy of the problem set, and you should try the problems on your own before working with the group. However, each group will turn in **one** problem set to be graded. **Make sure the name of everyone in the group is on the problem set that is turned in, providing that everyone has contributed.** All groups will submit the problem set via email to me and a grader by 5 pm on the due date. You will email a word doc or pdf of the

homework (photos of graphs can be inserted), and cc everyone in your group. The assignment will be graded digitally, and sent reply all to each group with their graded version. Late homework is accepted with 5% deduction for each day late, with a max of 2 days late. **ABSOLUTELY NO** homework will be accepted after 2 days. Homework #1 is due **Friday, February 17, 2023 by 5 pm**. Homework #2 is due **Friday, April 7, 2023 by 5 pm** (note this is Good Friday, so contact me if this conflicts with religious observance). Homework #3 is due **Friday, April 28, 2023 by 5 pm**. Homework may be a combination of multiple choice, matching, true/false/explain, short answer, and problems.

Make-up Test/Homework: If you have prior information about missing a class, homework, or test (such as for athletics, religious holidays, field trips), please contact me as soon as possible about an alternate date to take the test or turn in a homework, or to complete a make-up test or homework. For any excused absence, students must satisfy all three of the following conditions in order to be able to turn in a rescheduled homework or test, or take a make-up test and/or homework without penalty: 1) **excused absence:** a student must have a valid excuse (see http://college.artsandsciences.virginia.edu/absence_regulations for a list of approved excuses; 2) **proof:** a student must provide proof of the valid excuse (obituary, athletic schedule, confirmation of visit to health care provider/doctor's note for illness or *pledged* note regarding your illness) within one week of the last date of absence; and 3) **notification:** To be excused the student must notify me in writing (acknowledged e-mail message is acceptable) prior to the date of absence if such notification is feasible. In cases where advance notification is not feasible (e.g. accident, or emergency), please provide notification as soon as feasible. If a student satisfies the three conditions, he/she will be allowed to reschedule or take the make-up test/homework to count for the missed grade. If a student does not satisfy one or more of the conditions, the student will not be allowed to reschedule or take the makeup and will receive a grade of zero for the missed test/homework. Students should contact me about an appropriate time to take the make-up test/homework.

Paper: You will be required to write one 5-7 page paper on a part II Property topic. You will also prepare 2 questions/critiques on a paper written by another student. The paper and questions/critique will count 20% toward the final grade. You will be given a choice of paper topics, or may choose one of your own. More information on the paper topic and grading method will be posted on Collab under Assignments. The paper is due **Friday, April 14, 2023 by 5 pm**. The questions/critiques of the other student's paper is due **Monday, April 17, 2023 by 11 pm**.

Question of the Day: After each class, there will be questions from that day's lecture and possibly the previous lecture posted on Collab under Tests & Quizzes and named after the lecture (ie "QOD Lecture 1"). They will be True/False, Multiple Choice, or Fill in the Blank. A correct answer earns one point; an incorrect attempt earns 0.5 points. These will be due by 11 pm the day after the lecture. Questions cannot be answered for credit after the due date. The denominator will be smaller than the numerator for calculating the grade, so that it is possible to earn up to 10% extra credit (or 0.5% of total grade). QOD will count 5% towards your final grade. **QOD will be pledged.**

On-Call: You will be assigned (in alphabetic order) days throughout the semester, approximately every 2 weeks, in which you and several other students will be "on call." The On-Call schedule will then be posted on Collab. You should be prepared to answer questions in class on the material for that week. You will be graded on your participation and preparedness for those days. Other students who are not "on call" for a given day are also welcome to engage in classroom discussions and ask questions. On-Call will count 5% towards your final grade. 4.5% will be from the 6 rounds, and 0.5% from the last day.

Canvas: We are using Canvas in place of Collab. Homework will be posted under Canvas/Files/Homework no later than one week before it is due. Grades will also be posted on Canvas. Grades will normally be posted within two weeks of the homework or test. Please do not email me to ask me when grades will be posted, or to calculate your grade for you, but feel free to email me if you think there is any error with your grade, or if you have any questions on any of the material.

How to Calculate Your Grade: Express your grades as a decimal (78% = .78).

$$(\text{HW\#1} ______ \times 5 \text{ pts.}) + (\text{HW\#2} ______ \times 5 \text{ pts.}) + (\text{HW\#3} ______ \times 5 \text{ pts.}) + (\text{Midterm} ______ \times 20 \text{ pts.}) + (\text{paper} ______ \times 20 \text{ pts.}) + (\text{QOD} ______ \times 5 \text{ pts.}) + (\text{On-Call} ______ \times 5 \text{ pts.}) + (\text{FINAL} ______ \times 35 \text{ pts.}) = ______ / (\text{Total possible pts earned so far} ______) \times 100 = \text{GRADE}$$

Extra Credit: There are 3 opportunities for extra credit: 1) Up to 0.5 points on final grade from QOD; 2) 0.25 points on final grade from completing course evaluation; 3) 0.25 points from attending one Zoom office hours meeting to introduce yourself.

Final Grade: Your final grade will be comprised of your average of your 3 homeworks, midterm exam, daily quiz average, on-call grade, paper, and final. Your letter grade is assigned depending on how it falls within the distribution outlined above. Once your final grade has been calculated, I cannot and do not change grades unless there is an error in the calculation. I do not offer extra credit to one student that is not offered to the entire class as a whole during the course of the semester.
http://records.ureg.virginia.edu/content.php?catoid=27&navoid=703#grad_syst

Extensions/Incompletes: Unless authorized by the dean's office, students must complete all course work before taking the final examination. **Instructors are not authorized to extend the time for completion of course work without the dean's approval.** http://artsandsciences.virginia.edu/college/grade/grade_system.html#a4

Extra Help: I encourage you to see me as early as possible if you feel you are falling behind. Tutors are also available through the Economics Department. <http://artsandsciences.virginia.edu/economics/undergrad/tutoring/index.html>

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. For more specific information about services and policies, including guidelines and forms for documentation, see the SDAC website at <http://www.virginia.edu/studenthealth/sdac/sdac.html>. The SDAC can be reached by telephone at: 434-243-5180 (voice); 434-465-6579 (video phone); and 434-243-5188 (fax).
http://records.ureg.virginia.edu/content.php?catoid=27&navoid=703#acco_for_stud

Honor Code: Students may work together on homework, which does not need to be pledged. Tests, papers, and the Question of the Day should be each student's individual effort, and will be pledged. For additional information, please visit: <http://records.ureg.virginia.edu/content.php?catoid=27&navoid=700> .

For more information on plagiarism, please visit:

<http://www.virginia.edu/honor/documents/PlagiarismSupplementFINAL.pdf>

Pledge: On all tests & papers, the student shall sign the following: "On my honor as a student at UVA, I have neither given nor received aid on this exam/paper."

Tips for success: Economics is considered quite a difficult course because it involves abstract thinking. You will need to spend considerable time preparing for class, reviewing your notes, and practicing problems.

How do you know when you know the material?

- 1) **The standard of "knowing" is the ability to explain to others, not to just understand.**
- 2) Deep knowledge means understanding the facts and conclusions (the forest and the trees) and how they are interrelated.
- 3) Strive for flexible knowledge over rote memorization.
- 4) Don't just be *familiar* with the subjects and vocabulary; develop an ability to precisely recall the material.

How to study:

- 1) Don't cram. Study over time by keeping up with the reading and exercises.
- 2) Read or skim chapters before coming to class, then reread after class.
- 3) Read actively, by taking notes and making an outline, and questioning yourself as you read. Note what you don't understand.
- 4) Stay focused and take good notes in class, and try to follow the logic of the explanations.
- 5) Review your notes after class, and before the next class.
- 6) Memorize vocabulary, but make sure you understand and can apply it.
- 7) Be able to replicate graphs (shapes, labeling) and understand them, and apply them when a variable changes.
- 8) Work through lots of problems such as chapter problems and homework, and ALWAYS draw a picture/graph when you can!
- 9) Find a study partner or study group and explain concepts to each other.
- 10) Ask me questions, both in class and at office hours, or via email. **There is no such thing as a dumb question.**

What you can expect in class:

This class, because it also combines case law, will have a greater amount of reading than a typical economics class. You will have an opportunity to engage in discussion and classroom examples, but will also be taking notes and learning models. Students who are "on call" should be prepared to answer facts about cases, how the cases are related to the economic material for the day's topic, vocabulary, and have a preliminary understanding of graphs from the textbook. Other students who are not "on call" are also welcome to engage in classroom discussions and ask questions. You will take notes on the notes outline from Power Point slides, my explanations, and from student answers.

APPROXIMATE COURSE SCHEDULE (MAY BE SUBJECT TO CHANGE)

*Starred items will be on Collab under "Resources."

Date	Lecture	Topic	Readings
Thurs 1/19	1	Intro to Law & Econ	C&U Ch. 1
Tues 1/24	2	Review of Micro Market Failure: Monopoly, Monopolistic Competition, Oligopoly, Game Theory Externalities	Review On Your Own: C&U Ch 2 pp. 11- 29 & Notes Outline Review Monopoly & Game Theory: C&U Ch 2 pp 29 – 37 + Perloff – Externalities (Collab) On Call Round I starts
Thurs 1/26	3	Market Failure: Public Goods & Imperfect Information	C&U Ch 2 pp 37-51 Perloff – Public Goods, Risk Preferences, Asymmetric Information (Collab)
Tues 1/31	4	Market Failure: Imperfect Information & Behavioral Economics	C&U Ch 2 pp. 41 – 51; Perloff –Asymmetric Information, Moral Hazard, Behavioral Econ (Collab) https://www.nytimes.com/2019/04/10/opinion/insurance-ai.html?action=click&module=Opinion&pgtype=Homepage Mind Over Money: : https://www.youtube.com/watch?v=tW_SNz1zNEM
Wed 2/1		Last Day to Add a Class	
Thurs 2/2	5	Last Day to Drop a Class Principle-Agent	http://www.forbes.com/sites/timworstall/2013/03/01/solving-the-principal-agent-problem-apple-insists-that-executives-must-hold-company-stock/
Tues 2/7	6	Efficiency vs. Equity	C&U Ch 2 pp 38 (GE), 42-43 *Polinsky ch. 2 (<i>Equity vs. Efficiency</i>) *Polinsky ch 15 On Call Round II starts
Thurs 2/9	7	Measuring Costs & Benefits, Some Problems Present Discounted Value Intro to Law & Legal Institutions: How to Structure Laws	*Polinsky, ch. 17 * "Disputed New Role for Poles" http://www.deepwaterhorizonsettlements.com/Economic/SettlementAgreement.aspx PDV: C&U, Ch. 2 p 27 <i>Mishkin – Growth, Institutions & Property Rights (Collab)</i> *Epstein " <i>All Quiet on the Eastern Front</i> " pp555-64 *Polinsky, ch. 16
Tues 2/14	8	Structure of Government Who Makes Law? The Nature of a Legal Dispute Judge-Made Law: Common Law	C&U Ch 3 pp 55 – 69 C&U Ch 3 pp 62 – 69 <u>Butterfield v. Forrester</u> (C&U pp 64-5) <u>Davies v. Mann</u> (C&U pp 66-7)
Thurs 2/16	9	Judge-Made Law: Interpreting Statutes	* <u>Flood v. Kuhn</u> http://onlyagame.wbur.org/2015/01/17/mlb-antitrust-status-history https://www.nytimes.com/2017/03/20/opinion/gorsuch-collision-course-with-the-administrative-state.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region&_r=0
Fri 2/17		HW 1 Due – 5 PM	
Tues 2/21	10	Judge-Made Law: Interpreting Statutes	* <u>Rector of Holy Trinity Church v. US</u> On Call Round III starts * <u>Debunking the Canons of Statutory Interpretation</u> https://www.nytimes.com/2018/02/09/us/oxford-comma-maine.html?ribbon-ad-idx=7&src=trending&module=Ribbon&version=origin&region=Header&action=click&contentCollection=Trending&pgtype=article

II. Property (Lectures 11-18)

Date	Lecture	Topic	Readings
Thurs 2/23	11	What is property? What can be privately owned? Why should property rights be private?	C&U Ch 4, pp. 73-74 *Demsetz, "Toward a Theory of Property Rights" *Hardin, "The Tragedy of the Commons"
Tues 2/28	12	How are ownership rights established?	C&U Ch 5 pp. 143-50 *Hammonds v. Central Kentucky
Tues 2/28			Review Session TBA
Thurs 3/2			Midterm on Part I material
3/7-9		Relax! ☺	Spring Break!
Sun 3/12		Time Change – DST begins (spring forward)	Time Change – DST begins (spring forward)
Tues 3/14	13	How are ownership rights established? First in Time (capture, conquest, creation)	C&U Ch 5 pp. 143-50 *Hammonds v. Central Kentucky *Pierson v. Post *Cheney Brothers v. Doris Silk Corp. C&U Ch 5 pp. 112-42
Wed 3/15		Last Day to Withdraw	Last Day to Withdraw
Thurs 3/16	14	How are ownership rights established? Find, Adverse Possession, Theft	C&U Ch 5 pp 151-56 On Call Round IV starts *Paset v. Old Orchard Bank & Trust Co.: *Van Valkenburg v. Lutz
Tues 3/21	15	Adverse Possession of Chattel How are ownership rights established? Voluntary Transfer (Sale, Bequests)	*O'Keefe v. Snyder C&U Ch 5 pp 150-51, 156-66
Thurs 3/23	16	How are ownership rights protected?	C&U Ch 4 *"The Problem of Social Cost" Ronald Coase *Landsburg, "Why I am not an environmentalist"
Tues 3/28	17	How are ownership rights protected? What are remedies?	*Carpenter v. Double B Cattle Co. *Polinsky, ch. 15 C&U Ch 4 C&U Ch 5 pp 166-74 *Calabresi & Melamed, "Property Rules, Liability Rules, and Inalienability: One View of the Cathedral" *Whalen v. Union Bag & Paper Co.
Thurs 3/30	18	What are remedies?	Boomer v. Atlantic Cement (C&U pp 170-71) *Spur Industries v. Del E. Webb Development Co On Call Round V starts

III. Torts & Contracts (Lectures 19-28)

Date	Lecture	Topic	Readings
Tues 4/4	19	Elements of a Tort: Classical Theory Economic Analysis of Torts	C&U Ch 6 pp187-201. 213-17 http://solum.typepad.com/legal_theory_lexicon/2004/01/legal_theory_le.html
Thurs 4/6	20	Incentives under different rules	C&U Ch 6 pp 201-13 * <i>US v. Carroll Towing Co.</i> http://www.learnedhand.com/ * <i>The TJ Hooper</i>
Fri 4/7		HW 2 Due – 5 PM	
Tues 4/11	21	Incentives under different rules Relaxing Core Assumptions (Rationality, Regulations)	* <i>Helling v Carey</i> C&U Ch 7 pp 248-50 <i>Li v. Yellow Cab Co. of CA</i> (in class) * <i>Scott v. Apha Beta Company</i> C&U Ch 7 pp 230-44 C&U Ch 7 pp 253-61
Thurs 4/13	22	Relaxing Core Assumptions (Rationality, Regulations) Computing Damages	C&U Ch 7 pp 230-44 C&U Ch 7 pp 253-61 On Call Round VI starts
Fri 4/14		Paper Due – 5 PM	
Mon 4/17		Paper Questions/Critiques Due – 11 PM	
Tues 4/18	23	Strict Liability, Modern Products Liability & Tort Reform	C&U Ch 6 pp 223-227 C&U Ch 7 pp 251-53, 261-74 * <i>Escola v. Coca-Cola Bottling Co.</i> * <i>Shepard v. Superior Court of Alameda County</i> * <i>Doe v. Miles Laboratories, Inc.</i> * <i>Mathias v. Accor Economy Lodging, Inc</i>
Thurs 4/20	24	Introduction to Contracts	C&U Ch 8 pp 276-87 * <i>Batsakis v. Demotsis</i> * <i>Hamer v. Sidway</i>
Tues 4/25	25	Contract Failure & Breach of Contract	C&U Ch 8 pp 291-99 C&U Ch 9 pp 341-72 * <i>Sherwood v. Walker (in book)</i> * <i>Obde v. Schlemeyer</i>
Thurs 4/27	26	Contract Failure & Breach of Contract	Make-up On Call C&U Ch 8 pp 291-99 C&U Ch 9 pp 341-72 * <i>Williams v. Walker-Thomas Furniture Co.</i>
Fri 4/28		HW 3 Due – 5 PM	
Tues 5/2	27	Remedies for Breach of Contract Landlord-Tenant Case Study	Everyone On Call C&U Ch 9 pp 307-40 * <i>Landlord-Tenant Case Study</i> Handout
Mon 5/8		Econ 4080 Final Exam, 9am -12 noon	