

**UNIVERSITY OF PENNSYLVANIA**  
**Department of Economics**  
**ECON-036 (PPE-036): Law and Economics**  
**Fall, 2017**

Professor Camilo García-Jimeno

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Class meetings: McNeil Building 167-8, Tuesdays and Thursdays, 10:30pm-11:50pm

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**Course Description:**

Why do societies adopt laws to regulate all kinds of relationships between their members? What are the effects of those laws on the economic behavior of individuals, firms, and the government? Where do those laws come from, and how are they adopted? In this course we will study this set of questions using the analytical tools and conceptual framework of Economics. We will first explore aspects related to the nature of law as a social institution, to answer why societies need laws and why they matter. In particular, we will understand why property and contracts emerge as the result of the need to regulate social environments under strategic interaction, and how enforcement and social norms are necessary for the laws to have any effect. We will also analyze how laws shape economic incentives, and thus alter the behavior of economic agents. For example, we will study why societies use torts, antitrust laws, patents or prohibitions to deal with accidents, regulate industries, guarantee intellectual property, combat discrimination or deter crime, and what are the (intended and unintended) consequences of those laws, both theoretically and empirically. This will then allow us to discuss the features that different laws should have to achieve social objectives. The analytical framework will allow us to discuss key issues such as abortion legislation, the death penalty, desegregation laws, gun control, and drug prohibition.

**Prerequisites:**

Econ-001 or Econ-010.

**References:**

Textbook: Miceli, Thomas (2008). *The Economic Approach to Law*. Stanford University Press.

Additional suggested readings:

Cooter, Robert and Thomas Ulen (2011). *Law and Economics*. Pearson, 6<sup>th</sup> Edition.

Posner, Richard (1977). *Economic Analysis of Law*. Little Brown and Co., 2<sup>nd</sup> Edition.

Shavell, Steven (2004). *Foundations of Economic Analysis of Law*. Harvard University Press.

Baird, Douglas, Robert Gertner and Randal Picker (1994). *Game Theory and the Law*. Harvard University Press.

**Evaluation:**

The course will be graded with 2 midterm exams, each having a 20% weight, a term paper with an 18% weight, and 7 homework assignments, out of which the highest 6 grades will be kept, each having a weight of 7%. The dates for each homework and its corresponding due date are specified in the schedule below.

Absence policy for midterms: Students who miss the midterm for any reason will take an oral make-up exam.

**Schedule:**

1. Tuesday, August 29: Introduction and Roadmap of the Course  
Homework 0
2. Thursday, August 31: The Purpose of the Law: Social Welfare  
Homework 0 due
3. Tuesday, September 5: The Purpose of the Law: Social Welfare
4. Thursday, September 7: Why do we Need Laws? Externalities
5. Tuesday, September 12: When do we Need Laws? Coase  
Homework 1
6. Thursday, September 14: What Laws do we Need? Calabresi and Melamed
7. Tuesday, September 19: The Microeconomics of Law: Risk and Information  
Homework 1 due
8. Thursday, September 21: The Microeconomics of Law: Private Information, Disclosure, and Incentives  
Homework 2
9. Tuesday, September 26: The Economics of Property Law
10. Thursday, September 28: Unbundling Property Rights  
Homework 2 due
11. Tuesday, October 3: The Economics of Intellectual Property Law  
Homework 3
12. Thursday, October 5: FALL BREAK

13. Tuesday, October 10: *The Economics of Intellectual Property Law*
14. Thursday, October 12: *Review*  
Homework 3 due
15. Tuesday, October 17: FIRST MIDTERM
16. Thursday, October 19: *The Economics of Family Law*
17. Tuesday, October 24: *Common Law and Legal Institutions*
18. Thursday, October 26: *The Economics of Tort law*
19. Tuesday, October 31: *The Economics of Tort law*  
Homework 4
20. Thursday, November 2: *The Economics of Contract Law*
21. Tuesday, November 7: *The Economics of Contract Law*  
Homework 4 due  
Homework 5
22. Thursday, November 9: *The Economics of Antitrust Law and Regulation*
23. Tuesday, November 14: *The Economics of Antitrust Law and Regulation*  
Homework 5 due  
Homework 6
24. Thursday, November 16: *The Economics of Criminal Law*
25. Tuesday, November 21: *The Economics of Criminal Law*  
Homework 6 due  
Homework 7
26. Thursday, November 23: THANKSGIVING
27. Tuesday, November 28: *Review*  
Homework 7 due
28. Thursday, November 30: *Student Presentations*
29. Tuesday, December 5: *Student Presentations*
30. Thursday, December 7: SECOND MIDTERM

# Departmental Course Policies

Courses taught in the Department of Economics are covered by a common set of course management policies specified below.

## Prerequisites

Please note that course prerequisites are strictly enforced by the Department. The fact that Penn InTouch lets you sign up for a course, does not mean you satisfy the prerequisites or that you are exempt from the prerequisites. We reserve the right to drop students from courses that they enrolled in if they do not satisfy the prerequisites. We will do so up until 72 hours before the course selection period ends.

## Academic Integrity Issues

Academic integrity is a very important part of student life, and the Department of Economics takes it seriously. Please carefully read the [Guide for Students on Academic Integrity at the University of Pennsylvania](#).

If a student is found in violation of academic integrity, it is at the professor's discretion to give the student a failing grade for the assignment and/or the course. Students who are suspected of committing infractions will be reported to the Office of Student Conduct.

The department reserves the right to undertake procedures that would catch breaches of academic integrity, should any arise, such as photocopying or scanning midterms or other work before it is returned, and close proctoring during exams.

## Exam Attendance

Courses have individual policies regarding midterm exam attendance. Final exam attendance is mandatory and is governed by a number of university regulations, see the Provost's [Rules Governing Final Examinations](#). Final exams can only be given on the exam date scheduled by the university registrar. No instructor can hold a final exam or require submission of a take-home exam except during the period in which final examinations are scheduled. No final exams may be scheduled during the last week of classes or on reading days. All students must be allowed to see their final exam, with an access period of at least one regular semester after the exam has been given.

In cases where attendance at a midterm or a final exam is mandatory, there are only a few valid excuses for missing an exam. They are:

- Three exams scheduled within one calendar day (for final exams ONLY!) This policy of 3 exams does not count for midterm exams given during class time.
- An exam is given outside of the regular class schedule and the timing conflicts with another class in which the student is enrolled.
- Observance of a university-recognized religious holiday.
- UPENN Business that takes you away from campus. Absence from campus on UPENN business includes, for example, athletic events in which you are actively participating. In such cases, you need to make arrangements with your professor ahead of the exam date to take the exam at another time (preferably earlier than the schedule date).
- An illness/health emergency.
- A death in your family.
- Documented disabilities that allow you to take the exam under other circumstances.

Examples of reasons that are **not** valid for missing an exam are:

- job internships;
- beginning fall or spring break early or returning after a scheduled exam;
- end of semester early flights; take home exams.
- any other reason you would prefer not to be at the university when the exam is scheduled.

It is at the discretion of the instructor to grant you permission to miss a midterm exam because of a conflict with a job interview. To petition such a permission you must provide documentation of the date, time, and location of the job interview.

***Students are responsible for making sure, at the beginning of the term, that they can attend the exams. Registering for a course means that you certify that you will be present for the exam (unless one of the explicitly stated exceptions above arises.)***

If you are unexpectedly ill at the time of the exam and unable to reach the instructor ahead of time, then you can give notification of your illness as soon as you are able. Do not take an exam if you are ill and then expect to have an opportunity to retake the exam because you were ill the first time and did poorly.

Students who arrive late to an exam will generally be required to hand in their exam at the same time as other students.

### **Course Absence Reporting**

During the semester students are required to use the Course Absence Reporting (CAR) system to communicate with the instructor about course absences. CAR can be accessed using the [PennPortal](#). This is particularly important for missed exams/assignments. If a student has to miss an exam due to one of the valid reasons listed above, the student must notify the instructor via CAR as soon as possible and state the reason for her/his absence and provide an estimate of the time period in which (s)he is unable to fulfill her/his academic obligations. Note: making false statements when using CAR is considered a violation of academic integrity and, if discovered, will be reported to the Office of Student Conduct and may result in a failing grade.

CAR is not active during the final exam period. Students who have to miss a final exam for a medical reason have to provide documentation from a health care professional.

### **Dropping a Course, Withdrawals and Incompletes**

Students may drop a class before the end of the first five weeks of the semester by using [Penn InTouch](#). Failure to attend a course does not automatically result in being dropped from the course. Courses that are dropped will no longer appear on a student's transcript.

UPENN provides an option for students to withdraw from courses. Students may withdraw up to the end of the 10th week of the semester with the permission of the instructor. For further details, see the College's [Withdrawal from a Course](#) page.

If a student's work in a course is incomplete (s)he may receive a grade of "I" (short incomplete) or "II" (long incomplete). For instance, a student may request an incomplete after the deadline for withdrawal has passed and the only work that is incomplete is the course final exam or final paper; the student has experienced prolonged illness or a family tragedy during the semester. Granting an incomplete is at the discretion of the instructor. Students should work out an arrangement for clearing the incomplete with the professor as soon as possible. For further details see the College's [Incomplete Grades](#) page.

Students who receive an F in a course may retake the course for credit. Both the new grade and the original F will be tabulated into the final g.p.a. and a credit unit will be awarded if the student receives a passing grade. For further details see the College's [Policy Governing Retaking a Course](#) page.

### **Make-up Exams**

Make-up final exams are to be taken only during the designated make-up exam week, usually at the beginning of the following semester.

### **Deadlines**

Work should be handed in on time. Work that is not handed in on the day that it is due may, at the professor's discretion, receive less or zero credit. Professors may request that a hard copy rather than an emailed copy be handed in.

## **Grading**

The relative weights on the different elements course work are set by the instructor. So are the rules that permit (or do not permit) dropping the lowest problem set score. If a student is permitted to drop one exam or problem set score, but misses more than one exam (for an invalid reason), then the student may receive a zero for the missed exam.

One department-wide rule is that, if the course permits dropping the lowest problem set score, a student who has entered a course late and missed the first problem set drops that one, not a later one.

## **Correcting Errors in Grading**

Errors in grading sometimes occur; this section lays out rules and procedures for requesting a correction. The important general rule is that such a request should clearly and succinctly state the unambiguous error you believe has occurred.

Errors in grading arising from illegible or garbled answers are not subject to correction. Students who believe their work has been graded incorrectly should petition for a correction in writing to the Professor. Students should not approach either the instructor or the TA with an oral request before making their written request. Requests should be focused on the specific error and should be made within a week of the work being returned.

The entire graded work (problem set or examination) should be resubmitted; there is no guarantee that grades will rise as, statistically, positive and negative errors in grading are equally likely. If the request arises because you think different students have been graded differently, all the affected students should submit their work as a group.

Here is a suggested way to request to correct an error grading: *"Dear Prof. X: I am a student in your economics 222 course. I believe that the grades on my midterm were added up incorrectly. As you can see from the exam I left in your mailbox, I have 25 on each of the four questions, but 73 on the exam. Sincerely, Z."*

The College's policies governing the review of a grade apply. Please see [Policies Governing Grades](#).