

PhD-Course: Topics in Law and Economics

Marco Fabbri
Aarhus University
June 14-17, 2022

Contact information: fabbrimf83@gmail.com

Time and venue: Total of 24 lecture hours. The course amounts to 5 ECTS.

Grading: Students are asked to submit a short essay or a research proposal at the end of the course. The proposal should outline how the theoretical insights and empirical methods learned in the course could be used in their own research. The proposal should include a clear research question, the method used to answer the questions, and an outline of the empirical strategy and/or the theoretical framework.

Background: Law is of fundamental importance for economics students. As future academics, employees in the private sectors, or public officials, economics students will be routinely confronted with fundamental questions about the economic underpinnings of certain legal rules or commercial practices, their impact on society, and their desirability. The purpose of this interdisciplinary, research-based course is to offer students a deep understanding of cutting-edge analytical methods that are most relevant for scholars working at the intersection between law and economics.

Teaching method

Classes are taught according to the Socratic method typical of US law schools. Students will be asked to prepare in advance on a judicial decision or an academic publication, which will then be examined in detail during the following class. Economic principles will be distilled from actual legal cases or practices. Classes will be interactive with most of the time devoted to questions and critical appraisal of existing theories and empirical analysis.

Course procedures: The course consists of 11 lectures over 4 days. As a final project for this course, students will employ the set of tools acquired so far to write and present an essay on a recent article applying modern computer techniques, such as automatic text analysis or machine learning, to the study of legal problems. The instructor will assess the research proposal (pass/fail).

Instructor:

Marco Fabbri, Senior Researcher at the Department of Economics at Aarhus University
<https://sites.google.com/site/alfamarcofabbri>

Tentative overview of the course schedule and topics (subjects to changes, please check the most updated version on the website before the course start):

Tuesday June 14th

16.00 – 18.00 Introduction and Lecture 1: Basic model of tort

18.30 Dinner: location t.b.a.

Wednesday June 15th

9.00 – 10.30 Lecture 2: Extensions of the basic model of tort

10:30 – 11:00 Coffee Break

11.00 – 12:30 Lecture 3: Law and institutions I

12.30 – 13.30 Lunch

13:30 – 15:00 Lecture 4: Law and institutions II

15.00 – 15.30 Coffee Break

15.30 – 17.00 Lecture 5: Guest lecture on Institutions, Prof. Jonathan Schulz (George Mason University)

Thursday June 16th

9.00 – 10.30 Lecture 6: Basic model of crime

10:30 – 11:00 Coffee Break

11:00 – 12:30 Lecture 7: Incentives for compliance

12.30 – 13.30 Lunch

13.30 – 15.30 Lecture 8: Guest lecture on Compliance, Prof. Alice Guerra (University of Bologna)

Friday June 17th

9.00 – 10.30 Lecture 9: Basic model of contracts

10:30 – 11:00 Coffee Break

11:00 – 12:30 Lecture 10: Extensions of the basic model of contracts

12.30 – 13.30 Lunch

13:30 – 15:00 Lecture 11 – Research topic presentations and feedback

15.30 Coffee break and farewell

Readings (send an email to fabbrimf83@gmail.com to get access to the material):

The reading for the course will be journal articles, book chapters, and online supplementary materials.

For an introduction to law and economics we will go through selected chapters of the book:

- Wittman, Donald (2006), *Economic Foundations of Law and Organization*, Cambridge: Cambridge University Press – paperback (ISBN-13: 9780521685245 | ISBN-10: 0521685249)

For the part on Law and Institution, we will mostly use the book

- Henrich, Joseph. *The WEIRDest people in the world: How the West became psychologically peculiar and particularly prosperous*. Penguin UK, 2020.

Other articles and cases:

Classes 1 - 2:

Torts and Learned Hand rule

- US v. Carroll Towing Co.
- Wittman's BOOK: chapters 15-16 (you can skip the sections marked by #)
- Mattiacci, G. D., & Parisi, F. (2005). The economics of tort law (ch.6) in *The Elgar Companion to Law and Economics*, 87-102.
- Carbonara, E., Guerra, A., & Parisi, F. (2016). Sharing residual liability: the cheapest cost avoider revisited. *The Journal of Legal Studies*, 45(1), 173-201.

Classes 3 - 5:

Institutions

- Henrich's book: Prelude + Chapters 5, 6, 8
- Schulz, Jonathan F., et al. "The Church, intensive kinship, and global psychological variation." *Science* 366.6466 (2019): eaau5141.
- Arruñada, Benito. "Human nature and institutional analysis." in *New institutional economics: A guidebook* (2008): 81-99.
- Arruñada, Benito. "Specialization and rent seeking in moral enforcement: The case of confession." *Journal for the Scientific Study of Religion* 48.3 (2009): 443-461.
- Fabbri, Marco. "Institutional quality shapes cooperation with out-group strangers." *Evolution and Human Behavior* 43.1 (2022): 53-70.

Classes 6 – 9

- Wittman's BOOK: chapter 7
- Becker, Gary S. (1968). Crime and Punishment: An Economic Approach. 76 *Journal of Political Economy* 169.
- Polinsky, A. Mitchell, and Steven Shavell. (2000). *Public Enforcement of Law*. *Encyclopedia of Law and Economics*. Vol. 5. Boudewijn Bouckaert and Gerritt De Geest (eds.). Northampton, MA: Edward Elgar.
- Rizzolli, M., & Stanca, L. (2012). Judicial errors and crime deterrence: theory and experimental evidence. *The Journal of Law and Economics*, 55(2), 311-338.
- Fabbri, M., & Hoepfner, S. (2018). Compliance Externalities and the Role-Model Effect on Law Abidance: Field and Survey Experimental Evidence. *Journal of Empirical Legal Studies*, 15(3), 539-562.
- Fabbri, M., Nicola Barbieri, P., & Bigoni, M. (2019). Ride your luck! A field experiment on lottery-based incentives for compliance. *Management Science*, 65(9), 4336-4348.

Classes 10 – 11:

Contract liability

- Hadley v. Baxendale
- BOOK: 5-7, 24-25 (skip the sections marked by #)
- READING: Bebchuk, Lucian A. and Shavell, Steven. 1991. "Information and the Scope of Liability for Breach of Contract: The Rule of Hadley v. Baxendale." *Journal of Law, Economics and Organization*, 7: 284-312.
- Bigoni, M., Bortolotti, S., Parisi, F., & Porat, A. (2017). Unbundling Efficient Breach: An Experiment. *Journal of Empirical Legal Studies*, 14(3), 527-547.
- Mittlaender, S., & Buskens, V. (2019). Retaliation, remedies, and contracts. *American Law and Economics Review*, 21(2), 280-306.