14.24: Law & Economics

Meets: Tuesday and Thursday, 1:00–2:30 p.m., Building E51-145.

Recitation: Friday, 2:00-3:00 p.m., Building E51-145.

Professor: Christopher Snyder. Office hours: Monday 1:00–2:30 p.m. and by appointment; Building E52-391c; telephone 253–5067; email: cmsnyder@mit.edu.

Teaching Assistant: Paolo Sodini. Office hours: Thursday 3:00–4:00 p.m. and by appointment; Building E52-262g; telephone 253–8896; email: psodini@mit.edu.


Prerequisites: 14.01 or its equivalent and knowledge of basic calculus.

Overview and Philosophy

The economic analysis of law is regarded by some as “the most important development in legal scholarship in the 20th century.” In brief, it is the scientific approach to studying the law. On the theoretical side, it involves applying neoclassical economics—economic agents react to prices and other incentives to maximize their objectives—to two basic questions. First, a positive question: what are the effects on society of instituting a new law? Second, a normative question: what laws would be best for society? On the empirical side, the economic analysis of law involves quantitative analysis (estimation and prediction) of the effects of various changes in the law. Economic analysis contrasts the way law has been analyzed traditionally (comparing cases to precedents and reasoning from intuition rather than from a rigorous theory). Economic analysis has been rapidly gaining acceptance and influence in law schools and journals.

The course will introduce the student to the application of microeconomic theory, including price theory and game theory, to the analysis of law. The analysis will proceed at about the level of an intermediate microeconomics course. Empirical issues will receive less attention than theoretical, though we will discuss concrete examples. Some of the examples will be abstract for the sake of simplicity, but we will study actual legal cases as well.
A list of topics is given below. Antitrust is another legal issue that has been studied extensively in the economics literature. As it is covered in 14.20, it has been omitted from the topics list. Constitutional law and administrative law also fall outside the scope of the class.

**Course Requirements**

Five problem sets will be assigned. Student solutions will not be collected and graded. Instead, detailed answers to the problem sets will be distributed and reviewed in recitation. A series of hour-long midterm exams will be given covering each subject area. To perform well on the exams, it is essential to have worked carefully through the corresponding problem set. There will be four midterm exams; the lowest grade can be dropped. An absence from an exam will be counted as the low grade and dropped. Of course, it is recommended that the student be present for every exam.

The final exam for the course will be cumulative. It will be held during finals week and scheduled by the registrar. Please consult the exam schedule published later in September and let me know immediately of any conflicts.

A term paper, to be assigned early in the semester, will be due on November 14. Late papers will receive a penalty of a half a letter grade per business day.

Attendance and regular participation in the 26 class sessions are required and will be graded. Students will frequently asked questions in class, sometimes asked to volunteer answers and sometimes called on at random, mimicking the “Socratic method” practiced in law schools. The questions will deal with understanding and interpretation of the readings, with definitions, with microeconomic analysis. Students may sometimes be asked to present their solutions to problem sets. We may use the debate and/or trial formats as the subject matter dictates. Note that successful participation requires preparation of the assignments (reading and problem sets) before class.

Participation will be graded each day (check plus for excellent participation, check for satisfactory participation, check minus for poor participation, zero for absence), and the daily grades aggregated to produce a final participation score. It should be noted that brave attempts, even if the answer proves to be incorrect, receive credit, especially for difficult questions. Grading will be conducted with the intent to encourage participation, not stifle it.

The T.A. will review the problem sets, cover background topics, and answer student questions about lectures in recitation. Students are also encouraged to avail themselves of the professor’s and T.A.’s office hours for any questions.
Grading and Academic Integrity

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Participation</td>
<td>10%</td>
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<tr>
<td>Paper</td>
<td>20%</td>
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<tr>
<td>Midterm Exams</td>
<td>40%</td>
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<tr>
<td>Final Exam</td>
<td>30%</td>
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Collaboration on exams is prohibited. Students may obtain help from classmates on problem sets. In fact, students are encouraged to form study groups to work on the problems and to review the lecture material. A student may discuss his/her paper with classmates and may have a colleague proofread it, but must write it independently.

Course Outline

- Sep. 7 Introduction
- Sep. 12 Property Law
- Sep. 14 Property Law
- Sep. 19 Property Law
- Sep. 21 Property Law
- Sep. 26 Property Law
- Sep. 28 Property Law
- Oct. 3 Midterm Exam 1
- Oct. 5 Contract Law
- Oct. 12 Contract Law
- Oct. 17 Contract Law
- Oct. 19 Contract Law
- Oct. 24 Midterm Exam 2
- Oct. 26 Tort Law
- Oct. 31 Tort Law
- Nov. 2 Tort Law
- Nov. 7 Tort Law
- Nov. 9 Tort Law
- Nov. 14 Tort Law
- Nov. 16 Legal Process
- Nov. 21 Midterm Exam 3
- Nov. 28 Legal Process
- Nov. 30 Legal Process
- Dec. 5 Midterm Exam 4
- Dec. 7 Criminal Law
- Dec. 12 Criminal Law