

## REVIEW NOTES - INTRODUCTION TO LAW AND ECONOMICS

### I. Introduction of law and economics

- 3 methods to look at laws/legal institutions
- Given a situation, which is the most efficient rule of law? (Assumes efficiency is the correct goal.)
- Assuming efficiency of the law, what economic theory explains the law? Can testable implications be derived from the theory (e.g., under what conditions will the law change)?
  - o if this is the legal rule, therefore this will be the outcome.
  - o examples of each of the methods
- Examples of Law and Economics in action
- methodology of law and economics
  - o economists focus on efficiency
  - o lawyers focus on justice, equity, etc.
  - o economists claim:
    - (positive analysis) economic concepts can often explain the law and legal institutions.
    - (positive analysis) the law creates implicit prices on individual behavior and the consequences of the law can be analyzed as a response to those implicit prices.
    - (normative analysis) the law should be efficient, where it is not, the law should be changed.

### II. Brief overview of the law and legal institutions

- the common law system in the U.S.
  - o definition of the common law (vs. civil law)
  - o potential problems
    - hidden law (how is it hidden?)
    - appointed judges (why is this a problem?)
    - potential chaos as the law can vary by jurisdiction.
      - the doctrine of stare decisis (what's that?)
    - less flexible than civil law (why?)
- an example of the common law in action - the privity doctrine
  - o definition of privity
  - o important cases (how did the law change over time?)
  - o how can one get a favorable ruling in a court case?
    - the facts in your case match those of favorable preceding cases
    - the facts in your case are different than those of unfavorable preceding cases
    - the judge is willing to overturn a previous, unfavorable ruling (how often does this happen?)
- the federal and state court systems in the U.S.
  - o 3 level hierarchy
    - trial courts (what does this court do?)
    - appellate courts (what does this court do?)
    - U.S. or State Supreme Courts (what does this court do?)
  - o how can one get your case heard in federal courts as opposed to state courts?