

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?