



Course and Examination Fact Sheet: Autumn Semester 2018

5,248: Economic Incentives and the Law: A Decision-Theoretic Approach

ECTS credits: 3

Overview examination/s

(binding regulations see below)

Decentral - Presentation (in groups - all given the same grades) (50%)

Decentral - Presentation (individual) (30%)

Decentral - Active participation (20%)

Attached courses

Timetable -- Language -- Lecturer

[5,248,1.00 Economic Incentives and the Law: A Decision-Theoretic Approach](#) -- Englisch -- [Gärtner Dennis](#)

Course information

Course prerequisites

The topics of this course will be analyzed using (micro) economic reasoning and models. The models will mostly be from the theory of consumer choice and the firm as well as game theory. Some models include basic aspects of asymmetric information. Participants should have a basic knowledge of and interest in game theoretic concepts.

There will be a brief review of the needed tools at the beginning of the course.

Note: This is **not** a course about trade or competition law. **No prior legal knowledge is required.**

Course content

This course looks at the role of legal institutions through an economist's lens: using microeconomic tools, particularly game theory, we seek to understand the incentives created by legal provisions such as property rights, damage regulations, regulations governing breach of contract, and how these legal provisions help promote efficiency.

As an example, we will analyze how different liability rules in case of accidents change behavior.

An interesting case in this regard happened a few years ago: smart phones of one of the major producers burst into flames because of faulty batteries. The producer issued a recall of the defective phones a few weeks after the phone was launched, but by then injuries of several people as well as multiple cases of damaged property had been reported. The affected phones were first replaced but it later turned out that the replacement phones suffered from the same failures. The phone was later discontinued and completely pulled from the market.

This exemplary case posed interesting questions about liability: Should the manufacturer be held liable for damages and injuries caused to users of its phone? To third parties? Does the answer change if users continued to use their phones after they learned about the danger of doing so? Should the manufacturer be forced to pay higher compensations since the replacement devices suffered from the same problem?

We will also try to answer questions like "do higher sentences lead to less criminal activity?" or "under what conditions are parties willing to settle instead of pursuing a lawsuit?".

To tackle those and other legal questions, participants will, individually and in groups, develop and present economic models. On the one hand, participants will be able to judge legal rules with regard to their efficiency (positive analysis). On the other hand, the course will enable participants to think about designing legal rules with the goal to achieve efficiency (normative analysis).

The interdisciplinary nature of this course will enable students to see how economic reasoning and tools they might already be familiar with can be applied to different, but connected areas. The course's interactive character will also foster communication and presentation skills of the participants.



Course structure

The course is built around chapters of the textbook *The Economic Approach to Law* by Thomas Miceli (see below).

Based on the corresponding chapters of the textbook, the course covers the following five areas, each consisting of one general model and some extensions to this model:

- Tort (or accident) law
- Contract Law
- Property Law
- Litigation (lawsuits)
- Economics of crime

The basic models will be presented by students in groups and each student individually presents one of the extensions.

We will additionally solve exercises from the textbook in order to apply the theoretical findings.

Course literature

Miceli, Thomas J. *The Economic Approach to Law*. Stanford University Press, 2017.

Additional course information

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Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination time and form

Decentral - Presentation (in groups - all given the same grades) (50%)

Remark

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Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/3)

Examination time and form

Decentral - Presentation (individual) (30%)

Remark

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Examination-aid rule



Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

3. Examination sub part (3/3)

Examination time and form

Decentral - Active participation (20%)

Remark

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Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

Examination content

Each group of participants presents one of the baseline models of the five areas mentioned above (roughly 60-90 minutes).

Additionally, each student individually presents one extension to the baseline model of one of the five areas (different from the major model (s)he presented, roughly 10-15 minutes).

Examination relevant literature

Miceli, Thomas J. *The economic approach to law*. Stanford University Press, 2017.

Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc. When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 23 August 2018
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 15 October 2018
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 05 November 2018

Please look at the fact sheet once more after these deadlines have expired.