



## Course and Examination Fact Sheet: Autumn Semester 2019

### 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) (45%)

Decentral - Written examination (45%, 60 mins.)

Decentral - Active participation (10%)

#### 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. Optimally, this course will be taken after having successfully completed Micro II, but motivated students should find it quite feasible to take the course during the same semester as Micro II, as the vast majority of concepts used will in principle be familiar from the assessment class in microeconomics.

There will be a brief review of the required 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, groups of participants will, following the textbook, 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 preliminary topics of the course cover the following six areas, typically consisting of one general model and some extensions to this model:

- Tort (or Accident) Law
- Contract Law
- Property Law
- Economics of Crime
- Economics of Legal Procedure (Litigation/Lawsuits)
- Antitrust Law

The basic models will be presented by students in groups. The understanding of the models will be deepened in the lectures where we will examine extensions and applications of the models. We will additionally solve exercises from the textbook in order to apply the theoretical findings.

The final exam is planned to take place at the last lecture date. The definite date, time and location will be communicated in class and via StudyNet. The exam will cover the contents from the presentations and lectures.

## Course literature

Miceli, Thomas J. *The Economic Approach to Law*. Stanford University Press, 2017, and selected references therein.

## 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) (45%)

##### 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 - Written examination (45%, 60 mins.)

### Remark

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### Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

### Supplementary aids

none

### Examination languages

Question language: English

Answer language: English

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## 3. Examination sub part (3/3)

### Examination time and form

Decentral - Active participation (10%)

### 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

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## Examination content

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

The final exam covers the contents of the presentations as well as the lectures.

## Examination relevant literature

Miceli, Thomas J. *The economic approach to law*. Stanford University Press, 2017, and selected references therein.



### Please note

Please note that this fact sheet alone is binding and has priority over any other information such as StudyNet (Canvas), personal databases or faculty members' websites and information provided in their lectures, etc.

Any possible references and links within the fact sheet to information provided by third parties are merely supplementary and informative in nature and are outside the University of St.Gallen's scope of responsibility and guarantee.

Documents and materials that have been submitted no later than the end of term time (CW51) are relevant to central examinations.

Binding nature of the fact sheet:

- Information about courses and examination time (central/decentral) and examination type starting from the beginning of the bidding on 22 August 2019
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for decentral examinations after the 4th semester week on 14 October 2019
- Information about examinations (examination aid regulations, examination content, examination-relevant literature) for central examinations as from the starting date for examination registration on 4 November 2019

Please consult the fact sheet again after these deadlines have expired.