



Course and Examination Fact Sheet: Autumn Semester 2023

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

ECTS credits: 3

Overview examination/s

(binding regulations see below)

decentral - Presentation, Analog, Group work group grade (75%)

Examination time: Term time

decentral - Active participation, Analog, Individual work individual grade (25%)

Examination time: Term time

Attached courses

Timetable -- Language -- Lecturer

[5,248,1.00 Economic Incentives and the Law: A Decision-Theoretic Approach](#) -- English -- [Piacquadio Paolo Giovanni](#)

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.**

Learning objectives

After taking this course, students will:

- understand how the basic economic reasoning and tools provide insights on economic incentives and legal provisions;
- be able to apply these tools for discussing advantages and disadvantages of alternative legal provisions;
- improve their communication, scientific interaction, and presentation skills.

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).

Course structure and indications of the learning and teaching design

The course is built around chapters of the textbook *The Economic Approach to Law* by Thomas Miceli (see below, with the exception of the part on "Antitrust Law" which will be based on the textbook by Belleflamme and Peitz).

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.

Course literature

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

Belleflamme, P., & Peitz, M. (2015). *Industrial Organization: Markets and Strategies*. Cambridge University Press. (for the part on Antitrust)

Additional course information

--

Examination information

Examination sub part/s

1. Examination sub part (1/2)

Examination modalities

Examination type	Presentation
Responsible for organisation	decentral
Examination form	Oral examination
Examination mode	Analog
Time of examination	Term time
Examination execution	Asynchronous
Examination location	On Campus
Grading type	Group work group grade



Weighting 75%
Duration --

Examination languages

Question language: English
Answer language: English

Remark

--

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

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.

2. Examination sub part (2/2)

Examination modalities

Examination type Active participation
Responsible for organisation decentral
Examination form Oral examination
Examination mode Analog
Time of examination Term time
Examination execution Synchronous
Examination location On Campus
Grading type Individual work individual grade
Weighting 25%
Duration --

Examination languages

Question language: English
Answer language: English

Remark

--

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

Active classroom participation.

In the "Active classroom participation" examination form, regular participation in class is assessed.

The assessment criteria can be as follows:

Requests to speak enrich the discussion (productive) / requests to speak disturb the discussion (counterproductive);

Requests to speak are correct/requests to speak are incorrect;

Requests to speak are frequent/average/rare;

No requests to speak, but students follow the lesson/no requests to speak and students do not noticeably follow the lessons.



Examination content

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

Students are expected to read the relevant literature in advance so that a discussion about the topics can emerge in class. The grade for active participation will in part be based on those discussions.

Main topics are:

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

Examination relevant literature

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

Belleflamme, P., & Peitz, M. (2015). *Industrial Organization: Markets and Strategies*. Cambridge University Press. (for the part on Antitrust)

Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW51) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 42 are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 34 (Thursday, 24 August 2023);
- Examination information (supplementary aids, examination contents, examination literature) for decentralised examinations: in CW 42 (Monday, 16 October 2023);
- Examination information (supplementary aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 45 (Monday, 06 November 2023);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the de-registration period in CW 45 (Monday, 06 November 2023).