

ECON 405 – LAW and ECONOMICS
(Topics in the economics of property law and family law)
COURSE DESCRIPTION

Instructor: **Mehmet Baç** email: **bac@sabanciuniv.edu**

Lecture hours: Tuesdays 5.40-7.30pm; Wednesdays 5.40-6.30pm.

Office Hours: **on appointment or online**

SUBJECT: The rules that govern the private relationships between citizens have a direct impact on the quality of life, raising questions of the form: Should the power generator plant be allowed to operate? If yes, does it matter for economic efficiency who bears the pollution cost? Should divorce laws be more “liberal”? How should rights in general, and property rights in particular, be determined, verified and enforced?

This course studies selected topics from property law, nuisance, family law and inheritance laws from an economic perspective, with an analytical approach. *This is not a descriptive law course.* Rather, it is a course that asks “*what sense can we make of the law?*” from a critical utilitarian perspective. One of its objectives is to show that economics principles and analysis can be applied virtually to all fields of law and generate useful insights. Law and economics courses are now in the regular curricula of major US and European universities’ economics departments and this one, offered since 2003 at Sabancı University, is a Turkish premiere. The course is of use for those who are considering legal education, a law and economics master’s or PhD degree abroad, or those who want to see how microeconomics principles improve our understanding of the effects of the legal system on the behavior of citizens and efficiency.

ECON 201 and ECON 204 are **prerequisite courses**.

A strong background in microeconomic theory and a good economic intuition are what you need for this course.

EVALUATION:

Midterm 35 percent (November 17, Tuesday, during class hours) Final exam 50 percent (TBA) and news homework 15 percent.

The news homework is an economic analysis of a news item with legal content from newspapers or magazines. The details and deadlines for this homework will be announced during the term.

IMPORTANT NOTICE:

You will be considered as N/A (no attendance) student if you are absent in the midterm without a valid excuse.

Please note that Sabancı University has strict regulations on cheating and plagiarism; I will not hesitate to apply these regulations if I must.

COURSE MATERIAL: Lecture notes and other readings will be posted on SUCourse.

Good textbooks are also available as supplementary material, including the classic **textbook** by Robert Cooter and Thomas Ulen, *Law and Economics*, sixth edition. The authors have set a useful website: <http://www.cooter-ulen.com>.

A supplementary textbook is David Friedman's *Law's Order*. All the pages of Friedman's book can be viewed at http://www.daviddfriedman.com/laws_order/index.shtml.

To get a start to Turkish Law in English, consult *Introduction to Turkish Law*, edited by Tansay and Wallace, Turhan Kitabevi, Ankara 1996, or *Fundamentals of Turkish Private Law* by Erhan Adal Beta Yayınları 2002.

The following **internet sources** will be useful. <http://www.makrohukuk.com>
<http://www.idealhukuk.com/index.asp> and <http://www.hukukrehberi.net/>.

COURSE OUTLINE

I. INTRODUCTION to Law & Economics and basic economic concepts

Approaches to the Economic Analysis of Legal Issues. An overview of basic economic tools and description of concepts and a reminder of the main theorems/results of microeconomic theory that will be useful in application of economic principles to the analysis of law. A couple of examples will be introduced and discussed to show the use of our knowledge of economics in legal issues. Efficiency of Law – Wealth Maximization - What law will lead to efficient outcomes? Impact of law on behavior.

II. PROPERTY RIGHTS and PROPERTY LAW

The economic approach to study how ownership rights should be allocated and protected. What happens if property rights are not clearly defined? Efficient ownership. We study in depth the notion of transaction costs and a cornerstone of analysis, the Coase theorem, which earned a Nobel prize to its inventor. Externalities, nuisances and pollution. Protection of rights: property rule vs liability rule. Inalienable rights. Restrictions on property rights. First possession rule, capture rule, and the efficient use of common resources.

III. FAMILY LAW (time permitting)

Economic analysis of laws on formation, governance and dissolution of the marriage contract. Facts on marriage and divorce. Impact of divorce laws on incentives to marry and incentives to invest on conjugal capital.