

# Law and Economics



Avinash S. Ganu,

Advocate

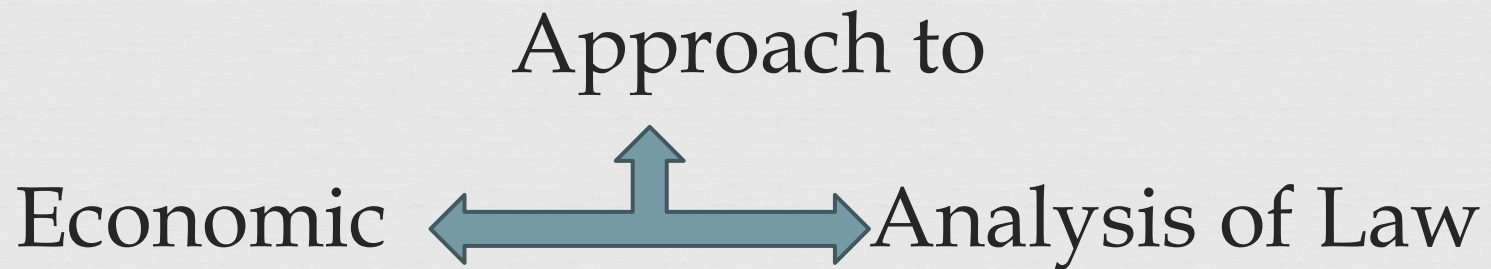
B.Sc. LL.M. (Pune), LL.M. In International Economic Law (Warwick,  
U.K. )

Sayali Ganu-Dabake,

Advocate

LL.M. (Business Laws), M.B.L., PGDIPRL, LL.M. (Health & Media Laws)

# Law and Economics



# Economic Approach



- ↻ Economic theory
  - ↻ Concepts
  - ↻ Principles
  - ↻ Assumptions
  - ↻ Methods – Graphs, Models
  
- ↻ Game Theory
  
- ↻ Microeconomics, Welfare Economics, Econometrics

# Analysis of Law



∞ Formation

∞ Structure

∞ Purpose

∞ Economic impact

- Cultivates external perspectives
- Helps for studying, understanding & improving law
- Provides coherent theory, precise hypothesis & empirically tested hypothesis

# Law & Economics



## ↻ Both Social Sciences

Deals with society and relationship of individuals within society

## ↻ Economics = Behavioural Science

studies & predicts behaviour

↻ Law = social tool to bring about change in behaviour

# Emergence of New Law & Economics



- ❧ 2<sup>nd</sup> half of 20<sup>th</sup> Century
- ❧ Interaction and interdisciplinary studies developed rapidly
- ❧ New discipline started emerging
  
- ❧ 1<sup>st</sup> stage – Economic regulations –  
Competition laws, Corporate laws, Tax laws
- ❧ 2<sup>nd</sup> stage – Semi – economic regulations –  
Contract law, Property rights, Torts
- ❧ 3<sup>rd</sup> stage – Other nonmarket laws & regulations –  
Crime, Marriage & Family laws, Discrimination & many others

# Founding Fathers



## ☞ Ronald Coase

1960 – Problem of Social Cost

## ☞ Guido Calabresi

1961 – Some Thoughts on Risk Distribution & Law of Torts

1972 – Property Rule, Liability Rule & Inalienability Rule – One View of Cathedral

## ☞ Garry Becker

1968 – Crime & Punishment

## ☞ Richard Posner

1973 – First Textbook : Economic Analysis of Law

# Other Scholars in Law & Economics

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Henry Manne  
Armen Alchian  
Oliver Williamson  
Douglas North  
Hayek  
Frederic Von  
Eleanor Ostrom

Daniel Kahneman  
James Buchanan  
Joseph Stiglitz  
Michael Spence  
George Akerlof  
Jean Tirole



# Schools in Law & Economics



- Chicago School
- New Haven School
- Functional/ Public Choice School
- Austrian School
- Institutional & New Institutional Law & Economics
- Behavioural Law & Economics

# Topics



- ❧ Introduction to Law & Economics
- ❧ Basic Concepts
- ❧ Economics of -
  - ❧ Contracts
  - ❧ Property
  - ❧ Torts
  - ❧ Crime
  - ❧ Competition

# Reference Books



- ⌘ Economic Analysis of Law – Richard Posner
- ⌘ Law and Economics – R. Cooter & T. Ullen
- ⌘ Law and Economics – J. Harrison & J. Theeuwes
- ⌘ The Economic Approach to Law – Thomas Miceli
- ⌘ Foundations of Economic Analysis of Law– S.Shavell
- ⌘ Economics and the Law – N. Mercurio & S. Medema