



**ECONOMIC ANALYSIS OF LAW**  
**LGST 212 / BEPP 212**

**SPRING 2015**

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<https://canvas.upenn.edu/courses/1259250>

**Class Meetings** Mondays & Wednesdays, 9:00 – 10:30, Room JMHH F60  
**Office Hours** Tuesdays, 2:00 – 4:00. Or email to arrange a meeting. Or feel free to stop by any time Tues. or Thurs. afternoon.

**Course Description:**

This course provides an introduction to the economic analysis of law and legal institutions. It explores positive and normative theories of wealth maximization as a goal of law—as well as their critiques—and seeks to develop students' understanding of the ways law responds to and shapes private incentives to behave (anti-)socially. The first half of the course surveys the application of key economic concepts to basic features of the Anglo-American common law of property, contract, and tort. The second half of the course focuses the tools thus developed on an in-depth analysis of the law of modern business organizations, principally the corporation. In so doing, the course aims to supply a foundation not only in a mode of analysis, but also in the substance of corporate organizational law.

Prerequisite: Econ 001

**Required Texts:**

1. Richard A. Posner, *Economic Analysis of Law* (9th ed., 2014)
2. Frank H. Easterbrook & Daniel R. Fischel, *The Economic Structure of Corporate Law* (1993)
3. Selected cases and scholarly articles [to be provided by Buccola via Canvas]

### **Exams and Grading:**

Grading will be based the results of midterm (35%) and final (50%) exams, the format of which will be discussed in class, as well as on professionalism (15%).

### **Class Format and Policies:**

This course will involve some lecture, some group discussion, and some “Socratic” questioning. At times, I will call on students without deference to volunteerism. Therefore, students are expected to have read the assigned materials and to be ready to discuss them critically.

It is not always feasible to complete readings before class. I will not call on a student who emails me to this effect at least an hour before class (max four times during the semester). Please do not pretend to have read what you haven’t.

Electronic devices will not be permitted in class. Shopping, texting, and gaming negatively affect group dynamics. If an emergency requires that you have connectivity, confer with me before class.

More generally, students are expected to behave professionally. Shirking and whining, in particular, are to be discouraged. A secondary goal of this course is to develop social intuitions about how to create a strong reputation within a business organization. Teaser: everyone likes someone who is courteous, punctual, engaged, and positive; everyone dislikes the opposite.

### **Informal Lunches and Dinners:**

I would love to get to know you better and to hear your views on the course (among other things). To that end, I will organize some opportunities to have meals in small groups. This is not, however, a course requirement or expectation.

### **Readings:**

Reading assignments will be posted to the course’s Canvas website. Additionally, at the end of each class session I will preview the material assigned for the next session.

### **Course Thumbnail (tentative):**

1.     **1.14.15** — introduction to american legal system; reading judicial opinions; legal rules as price determinants
2.     **1.21.15** — property rights
3.     **1.26.15** — getting property
4.     **1.28.15** — property and the injunction: information and monopoly
5.     **2.2.15** — property and externalities: a basis for regulation?

6. 2.4.15 — contract remedies: efficient breach and opportunism
7. 2.9.15 — incomplete contracts: default rules
8. 2.11.15 — the mailbox rule: coin-flipping and arbitrary rules
9. 2.16.15 — detecting and penalizing torts
10. 2.18.15 — comparative and contributory negligence: taking precautions
11. 2.23.15 — causation puzzles
12. 2.25.15 — nuisance
13. 3.2.14 — critiques of the economic analysis of law
14. 3.4.15 — **midterm exam**
15. 3.16.15 — agency costs and agency law
16. 3.18.15 — general partnership i: partnership opportunities
17. 3.23.15 — general partnership ii: understanding default rules
18. 3.25.15 — introduction to the corporate form;
19. 3.30.15 — limited liability and aggregation; the tort problem
20. 4.1.15 — shareholder and manager i: fiduciary obligations
21. 4.6.15 — shareholder and manager ii: business-judgment rule
22. 4.8.15 — shareholder and manager iii: market for corporate control and executive compensation
23. 4.13.15 — controlling and minority shareholder i: opportunities, redux
24. 4.15.15 — controlling and minority shareholder ii: squeeze-out and appraisal
25. 4.20.15 — creditor oppression i: asset substitution and dividends
26. 4.22.15 — creditor oppression ii: covenants and monitoring
27. 4.27.15 — constituency statutes and benefit corporations
28. 4.29.15 — jurisdictional competition