Econ 119
Economic Analysis of Law:
Contract Law, Corporations, Debtor-Creditor Law, and Bankruptcy.

Prof. Michelle White
Economics 320
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Ofc hrs: 1 – 2p Tues and 4 – 5p Thursday

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This course uses economic theory to evaluate the economics effects of US law in several legal fields, including contract law, corporation law and corporate governance (how large corporations are organized and governed), debtor-creditor law, and bankruptcy law.

The course will have a discussion section on most weeks, which will meet on Tues at 6p in room 300 of the Econ building. The midterm will be on February 10th. The final exam is scheduled for March 15th from 7-10p (but we may try to find an alternate time). Please make sure that you can take both exams at the scheduled times. The midterm and final will each count for 50% of the grade.

Lecture notes and study questions are posted on the course website at WebCT.
Syllabus and Readings

Notes on finding the readings: books should be on reserve at SSH. Most of the readings are posted on WebCT, the link for others is given on the reading list. Some additional readings and newspaper articles will be added during the quarter. * indicates background reading, not required.

I. Contract Law (2 wks)

  Cooter and Ulen, *Law and Economics*, chapters 6 and 7 (on reserve).

  Polinsky, *An Introduction to Law and Economics*, chapters 5 and 8 (on reserve).


II. Constitutional Law—Economics of Takings (1/2 wk)

  (no readings—see lecture notes)

III. Consumer bankruptcy (1 wk)

  White, Michelle, “Credit Cards and Personal Bankruptcy,” 2007 (on WebCT)

IV. Organization of Production (1 wk)

  Hansmann, Henry, “Ownership of the Firm,” *J. of Law, Econ. and Organization*, vol. 4:2, (Fall 1988), pp. 267-. (on WebCT)

V. Corporate Law and Corporate Governance (3 wks)

  A. General issues


B. Empirical evidence--Event studies


Yermack, David, “Flights of Fancy: Corporate Jets, CEO Perquisites, and Inferior Shareholder Returns.” (on WebCT).

C. Staggered Boards, Independent Directors, and Other Provisions, etc.

Bebchuk, Lucian Arye, Cohen, Alma and Ferrell, Allen, "What Matters in Corporate Governance?" (September 2004). (on WebCT)

Wallison, Peter, "Will Independent Directors Produce Good Corp Governance?" AEI, Jan 2006 (on WebCT). Note: this article gives a quite biased viewpoint!

D. Executive Compensation


Brian J. Hall; Kevin J. Murphy, “The Trouble with Stock Options” *The Journal of Economic Perspectives*, volume 17, number 3, page: 49 – 70. (on WebCT)


VI. Debtor-Creditor Law (1 wk)


VII. Corporate Bankruptcy (1 wk)