Bachelor Seminar “Topics in the game-theoretic analysis of law”
Prof. Dr. Susanne Goldlücke Chair of Microeconomic Theory
Winter Semester 2018/19 University of Konstanz

Level
Bachelor (registration is done centrally)

Language
English or German

Prerequisites
Knowledge in Microeconomics and Game Theory (e.g. the lecture „Microeconomics II“)

Requirements
You have to attend all days of the block seminar. Your grade will be based on the following:

- 70% Presentation of the topic. The presentation itself should take approx. 30 minutes, followed by a discussion.
- 20% Participation in the discussion of all topics.
- 10% Exposé (3 pages) for the Bachelor thesis based on your assigned topic. It should contain the proposed title for the Bachelor thesis, a rough outline, and a summary of the most important literature.

Preliminary list of dates
Topics are assigned via email. After you have received confirmation that you will participate in the seminar, please send an email with a list of your preferred five topics from the list below to my secretary Ms Matter (wiwi.micro@uni-konstanz.de). Send the slides on the evening before the presentation. When you have finished the exposé, please email a pdf version.

14/09/18 Deadline for sending a ranking of your preferred topics
30/09/18 Assignment of topics by email
Fr 26/10/18 8:45-9:45 preliminary meeting
18/01/19 Latest date for exposé
Fr 30/11/18 9:00 - 17:00 Presentations
Sa 01/12/18 10:00 - 14:00 Presentations
Topics: Game-theoretic analysis of law


1 The Coase Theorem and its implications

According to Eric Posner, the Coase theorem is an “economic idea you should forget” (Springer, 2017, p. 101-103). Present the “Coase theorem” and its interpretations. You can also discuss some transaction costs that are studied in the lab (endowment effect, incomplete information) or present a formal treatment of the Coase theorem (see e.g. the introduction of the textbook by Schweizer).


2 Coming to the nuisance

The reciprocal nature of externalities is very clear in the case that the polluter (e.g. a waste disposal site) is already there when the victim of pollution chooses its location close to the polluter (e.g. a residential area is developed around the disposal site). Should the victim in this case have the right to receive damage payments from the polluter?


3 A comparison of liability and property rules from an economic perspective

Explain how the compensation for harmful externalities is regulated and compare liability and property rules. You can give examples and argue which transactions costs are likely to matter the most.

4 Private information and the “polluter pays principle”

Explain the “polluter pays principle” and the advantages and disadvantages of this regulation. You can start by reading the following papers:


5 NIMBY problems

Explain the NIMBY problem and possible solutions. You can also discuss whether behavioral effects like motivated beliefs are likely to play a role for the NIMBY problem.


6 The unilateral care model and activity levels

What effect are different liability rules likely to have on the incentives for precaution? You can also explain what is meant by “activity levels” in this literature and discuss how they are affected by tort law.


7 Judgment proofness and liability rules

Explain the problem of judgment-proof tortfeasors and the consequences for the relative performance of different liability rules.

- Shavell "The judgment proof problem." International review of law and economics (1986)
8 Managerial liability

Explain the fiduciary duties of managers and discuss pros and cons of a business judgment rule or of insurance for managers. Further, you can give an overview over the literature on manager liability, connecting the legal and the economic literature. You can also look for current examples in the newspapers, or extend the existing models for example by introducing a conflict of interest in decision-making (e.g. “empire-building preferences”) and not only in effort choice.


9 Breach remedies and incentives to honor and sign a contract

In your presentation, introduce different remedies for breach of contract and the effect on the decision to breach. Stay within a market context and do not analyse bilateral monopoly and reliance choices. In addition, you can for example extend the analysis in Friedman (1989) to convex and concave cost functions or discuss further the “behavioral efficiency” identified by Engel and Freund (2017):


10 Breach remedies and reliance levels

What are the effects of different breach remedies on incentives to invest? Present the result that expectation damages can lead to one party overrelying on performance. Beyond that, you can extend the model, for example by using a different bargaining game for the ex post negotiations or by introducing risk aversion or inequity aversion into the model. Two very relevant articles are the following:

11 Litigation tournaments

In your presentation, explain a model of litigation as a contest between the litigants. This model has been used to compare different fee-shifting rules, the adversarial and the inquisitorial system, rules for appeals, and many other procedural rules. Beyond that, you can choose an application and go into more detail, ideally extending an existing model. You can start by reading the following papers:


12 Biases in judicial decision making

In your presentation, showcase evidence of good and bad decision-making in experiments with judges. Highlight the differences between judicial decision-making and e.g. consumer decision making. You can also compare different cognitive biases with respect to their prevalence and importance for judicial decision making and make suggestions how they can be remedied. You can extend the analysis for example by discussing how algorithms can or cannot help with legal decisions. The following two papers may be helpful: