



FACULDADE DE DIREITO  
Universidade de Lisboa

## Curricular unit sheet

Course Master

1<sup>st</sup> semester 2020/ 2021

Curricular unit

**LAW AND ECONOMICS**

Responsible Academic staff and respective workload in the curricular unit (enter full name)

Professor Paula Vaz Freire (PhD)

Learning outcomes of the curricular unit

The course aims to provide students with the essential concepts and methodologies of Law and Economics, in a dynamic and critical perspective

Syllabus

### 1. INTRODUCTION. A BRIEF OVERVIEW OF LAW AND ECONOMICS

Pioneering works

Law and Economics as a separate field of inquiry

### 2. BASIC ECONOMIC NOTIONS

Rationality, incentives and institutions

Externalities, public goods and common resources

Efficiency

### 3. COASE AND TRANSACTION COSTS ECONOMICS

“Coase Theorem”

Transaction costs

Market, contract and firm

The “Coase Theorem” and environmental problems

### 4. AREAS OF RESEARCH

#### 4.1. Property

“Property rights”

Intellectual property

The “Tragedy of the Commons”

#### 4.2. Contract

Welfare analysis of bargaining

Default rules

Incompleteness; Default rules; Relational Contracts

Bilateral risks and insurance

Efficient breach

Holdup

Precontractual liability

#### 4.3. Liability

Negligence

The “economics of prevention”; The “Hand Rule”

Externalities as social costs

Adverse selection

Moral hazard

### 5. THEORY OF THE FIRM

The nature of the firm

Firm boundaries

Vertical integration

Agency Theory



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Corporate control  
Governance

#### 6. REGULATION

Command-and-Control v. Cap-and-Trade  
Market failures  
Antitrust: relevant markets and market concentration  
Vertical and horizontal restrictions  
Natural monopolies  
Essential utilities

#### 7. CONSTITUTION AND PUBLIC CHOICE

Political governance and accountability  
Cost-Benefit Analysis. The “costs of rights”  
“Rent-seeking”, corruption, lobbying  
“Regulatory capture”

#### Teaching methodologies (including evaluation)

Classes combine traditional lectures with student’s participation based on mandatory reading materials

Individual evaluation: class participation, final written paper

#### Main Bibliography

##### *Basic bibliography*

**Cooter, Robert & Thomas Ulen**, *Law & Economics*

(Free online access <https://scholarship.law.berkeley.edu/books/2/>)

##### *Advanced bibliography*

**Calabresi, Guido; A. Douglas Melamed**

“Property Rules, Liability Rules and Inalienability: One View of the Cathedral”, *Harvard Law Review*, 85 (6), 1972, pp. 1089-1128

**Coase, Ronald**

“The Nature of the Firm”, *Economica* 4 (16), 1937, pp. 386–405

“The Problem of Social Cost”, *Journal of Law and Economics* 3 (1), 1960, pp. 1–44

“The Lighthouse in Economics”, *Journal of Law and Economics* 17 (2), 1974, pp. 357–376

**Friedman, David**

*Law's Order: What Economics Has to Do with Law and Why It Matters*, Princeton University Press: New Jersey, 2000

**Mackaay, Ejan**

*Law and Economics for Civil Law Systems*, Edward Elgar, Cheltenham, 2013

**Posner, Richard**

*Economic Analysis of Law*, Aspen Publishers, 2011