

Law and Economics for Solving Social, Economic and Technical Challenges

Overview

Development of science and technology enhances economic feasibility for intensive exploitation of natural resources for mass production and free movement of goods and services. This will not only contribute to wealth generation but imposes social, economic and technical challenges.

Law and Economics as an interdisciplinary method analyzes the efficacy of legal rules and its implications on both reasonable man and rational man. High transaction costs (search, bargaining and enforcement) in a market and non-market environment call for efficient legal rules to minimize the costs. The Law and Economics advocate for imposition of costs on least cost avoider and or high risk bearer.

Socio-economic, technical, scientific and legal environment in and around the world changes rapidly and calls for development of Law and Economics knowledge and its dissemination to academicians, industry executives, policy makers and non-governmental organizations.

Market and non-market transactions cannot progress to any great extent without an effective system of laws. Keep in view of this, the course focuses on: Choices between rules or standards; Methods to overcome winners and losers under strong political influence on legal reforms; Allocation and utilization of scarce resources within the scope of tangible and intangible efficient property rights; Design of contract law in accordance with the economic efficiency criteria to address efficient breach of contract under contractual incompleteness; Liability rules and their efficacy to provide incentives to the parties to take precautionary measures to reduce the risk of harm. The law and economics analysis on: Zero transaction costs and the negative externality, standard form of contracts and the efficient breach of contracts, liability of harm vs. regulation of safety, pure economic loss; Liability for managers and directors; tort law in the market place; liability rules and the accident costs, taking and the eminent domain; Smart Cities and the Zoning Policy.

The course participants will learn the concepts of Law and Economics and its application to market transaction as well as non-market transactions.

Modules	18th -31th August, 2016 Number of participants for the course will be limited to 50.
You Should Attend If...	<ul style="list-style-type: none">▪ you are an entrepreneur who is interested to understand the concepts of property rights, contracts and torts involved in production, distribution and consumption process to reduce costs and maximize benefits under the sustainable development framework;▪ you are a policy maker who is interested to under the law and economics concepts and its applications to reduce market and non market transactions costs to enhance overall social wellbeing;▪ you are part of judiciary who is interested to apply law and economics methods to provide efficient redressal to your clients;▪ you are a student or faculty from economic, law, science and technological academic institutions interested in learning how to do research on social, economic and technical challenges of the society within the frame work of Law and Economics.
Fees	The participation fees for taking the course is as follows: Participants from abroad : US \$500 Industry/ Research Organizations: ` Rs. 30000 Academic Institutions: ` Rs. 10000 (For students Rs. 5000; For IIT Kanpur students Rs. 2500) The above fee include all instructional materials, computer use for tutorials and assignments, laboratory equipment usage charges, 24 hr free internet facility. The participants will be provided with accommodation on payment basis.

The Faculty



Prof. Hans-Bernd Schaefer as a teacher, researcher and promoter of Law and Economics has published several scientific papers and books. He has visited several institutions across the world and motivated scholars to work in the field of Law and Economics. He was Fellow of the Norwegian Academy of Science, Oslo; Distinguished visiting faculty at Toronto University School of Law; Honorary Professor, Faculty of Law, Universidad de San Martín de Porres; Honorary Member of the Polish Association of Law and Economics; and Scholar Prize of the European Association of Law and Economics. He has served as Director, Hamburg branch of the European Master Programme in Law and Economics; Director, Marie Curie Fellowship Programme of the German Academic Exchange Service (DAAD); Director, Doctoral Programme in Law and Economics at the University of Hamburg, financed by the German Science Foundation (DFG) and President, European Association of Law and Economics. For further information, please browse the web link <http://www.law-school.de/schaefer.html?&L=0>.



Uday Shankar Racherla is Professor of Indian Institute of Technology, Kanpur. His research interest is Intellectual Property Rights.



Dr. P Murali Prasad is an Associate Professor of Indian Institute of Technology, Kanpur. His research interest is Environmentalism and Consumerism within the Economics, Science and Policy framework.

Course Coordinators

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Link for Registration:
<http://www.gjan.iitkgp.ac.in/GREGN/index>

Law and Economics for Solving Social, Economic and Technical Challenges

GIAN, IIT Kanpur

(3 hrs Lectures and One hour Discussion)

18th-31st August, 2016

Course Outline:

18th August, 2016

Law and Economics: An Overview

Economics is the science of rational choice under conditions of scarcity. The concept of man as a rational maximizer of his self-interest implies that people respond to incentives- that if a person's surroundings change in such a way that he could increase his satisfaction by altering his behavior, he will do so. An economy cannot progress to any great extent without an effective system of laws.

Rules vs. Standards: What are the choices between rules or standards and their preferable circumstances?

Legal Reforms: The main topic is that legal reforms usually have winners and losers, and though they might be growth promoting they might be impossible, if losers have strong political influence. The unit deals with methods to overcome such obstacles.

19th August, 2016

Tragedy of the commons and the anti commons: Over use vs under use of a Resource.

Coase Theorem: Resources will move from the lowest valued in use to highest valued in use, irrespective of the initial allocation of property rights, under the assumption of zero transaction costs and voluntary bargaining.

20th August, 2016

Intellectual Property Rights: Essential concepts, Relationship to Innovation and economic growth and strategies.

22nd August, 2016

Good faith- Economic perspectives: It addresses contractual incompleteness.

Fully specified contract: The specified terms in a contract maximizes the parties' joint benefits over joint costs that make both the parties better off. Accordingly, the design of the contract law is in accordance with the economic efficiency criterion.

Damage compensation for breach of contract: The expectation remedy is proffered with respect to the breach decision, the restitution remedy is preferred with respect to the reliance remedy and the liquidity remedy is generally preferred with respect to risk allocation. Thus, which remedy is best overall depends upon the relative importance of these three considerations in each contract situation or type of contract situation.

23rd August 2016

Warranties: A producer of a high quality product can provide additional unit of warranty at a lower cost than a producer of a low quality product. It is mainly because of the break-down probability of good quality product is lower than the break-down probability of a bad quality product. What is optimal warranty?

Strict Liability versus Negligence Rules: Strict liability with the defence of contributory negligence will result in higher social welfare. However, victims engage too often in their activity. Similarly, negligence rules will result in higher social welfare, but injurers engage too often in their activity. Thus, strict liability will result in greater social welfare, if it is more important to control injurers' level of activity to that of victims.

24th August, 2016

Liability of harm vs. Regulation of safety: Neither regulation nor liability provides incentives to exercise the socially desirable levels of care by the parties. Therefore, the policies of these two alternative legal approaches are considered as substitutes for correcting the externalities. The optimal-mix of alternative legal system is the one in which the regulatory authorities set the standards as minimum and the court considers these standards as minimum and award the damage compensation in case of harm occurs. Similarly, the minimum standards of regulation may perhaps reduce the risk of harm to least a reasonable extent, if the liability system is unable to do so because of several reasons.

Pure economic loss: Pure Economic losses are losses, which do not result in damages to property. For such losses the individual damages differ from the social damages. Part of the damage is redistributive in the sense that a harmful act causes a damage to some persons and a benefit to other persons. Law and economic scholars have developed specific concepts to deal with this class of damages in tort law.

25th August, 2016

Liability for managers and directors: This teaching unit deals with recent proposals to make managers, board members and directors personally liable for inflicting harm to shareholders and customers.

Tort law in the market place: Tort law is usually confined to wrongdoings, which lead to an infringement of property, liberty or health. Violations of competition law are usually punished with administrative fines. But things are changing and tort claims are given to victims for the violation of competition rules. The pros and cons of this development are part of this teaching unit.

26th August, 2016

Consumerism and Environmentalism: Asymmetric information and bounded rationality advocates for consumerism. Similarly, too many goods will be produced with negative externality. Institutional efficacy on consumerism and environmentalism will be discussed.

Taking and the eminent domain: Under positive transaction costs the transfer of entitlement will not occur even it benefits for example, eminent domain (bargaining theory of property). The

property rule is inefficient in terms of transfer of the entitlement with the prevalence of the holdout problem (sellers of a property) and the free rider problem (buyers of a property). So, there is a need for state intervention (liability rule) for fixing the values in order to transfer the entitlement.

27th August, 2016
(Examination)

29th August, 2016
Zoning Theory: Land use change from agricultural land use to industrial land use; Suburban Zoning.

30th August, 2016
Urban Land Use Violations and Its Implications on Households: Agglomeration economics contribute to urbanization. Competition among cities for industrial property for revenue and employment generation limits efficacy of Zoning Regulation. So, hazardous industrial activities in residential *per se* impose opportunity cost of pollution.

International Faculty: Prof. H B Schaefer

Course Coordinators

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