

## Economic Foundations of Legal Studies

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Office hours: By appointment via email during the following hours:  
Wednesday: 9-10 AM; 1-6 PM  
Tuesday and Thursday: 5-6 PM

Levy Tutorials: To be announced

Required text: Robert Pindyck and Daniel Rubinfeld  
Microeconomics 5<sup>th</sup> edition

1. Consumer behavior: indifference curves and Edgeworth box diagrams; pp. 61-86 and 569-572.
2. The demand curve; consumer surplus; pp. 101-125.
3. The derivation of a supply curve; short and long run; impact of a tax. chapter 8
4. Market price; short and long run concepts; demand and supply elasticity; application (price controls); pp. 19-44 and 53-55

NOTE THAT WE WILL SKIP CHAPTERS 5, 6 AND 7

5. How to use and interpret demand and supply curves; applications in a competitive market (price regulation, taxes, quotas, etc.); chapter 9.
6. Monopoly power; profits from market power; social costs; attempts to regulate; and illustrations of how a monopolist might try to increase appropriate more consumer surplus (price discrimination); pp. 327-331, 339-351, 359-364, and 369-381.
7. Other ways to obtain excess profits (monopolistic competition, oligopoly, collusion); prisoner's dilemma; pp. 423-430, 443-457.

NOTE THAT WE WILL SKIP CHAPTERS 13, 14 AND 15.

8. Imperfect information issues. Lemons markets – discussions of solutions like warranties and reputation; the Klein-Leffler/Shapiro models of reputation; self-enforcing bonds; adverse selection and the value of tie-in solutions; chapter 17
9. Signaling. Education as a signal and sorting mechanism; warranties and advertising as signals; investment bank apprenticeships as a sorting device; moral hazards and principal-agent problems; application to health insurance and the HMO experiment. Chapter 17.
10. More on signals and sorting. Sick leave policy as an information-revealing device; unused sick leave as a signal; efficiency wages and defined benefit pensions as self-enforcing bonds and signals the Becker-Stigler model of police officers' pensions

11. How defined benefit plans sort out older workers; how defined contribution plans sort out high discounters; how 401k pension plans encourage workers to pay themselves different levels of pay voluntarily.

12/ 13. Externalities and public goods. Coase theorem; Chapter 18.

14. Review Session