ECON30018
Economics of the Law

SUBJECT GUIDE

Semester 1, 2015

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Subject Coordinator

Economics Department
Faculty of Business and Economics
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Subject Outline

Introduction

Welcome to Economics of the Law. It is hoped that students will find this subject interesting as an application of the economic principles that they have learnt in earlier years of their course and that it will prove useful in their subsequent careers.

Prerequisites

Students are expected to have completed:

Introductory Microeconomics,

Intermediate Microeconomics.

Students are not required or expected to have any particular knowledge of the law.

Subject Objectives

On successful completion of this subject you should be able to:

i. Identify economic principles underlying various legal concepts;
ii. Apply economic tools to analyse legal issues;
iii. Identify an appropriate economic framework for analysing legal issues;
iv. Identify legal provisions that may require economic analysis;
v. Explain economic concepts in rigorous but non-technical terms;
vi. Evaluate, from an economic perspective, alternative interpretations of facts relevant in a legal context.

Generic Skills

In this subject you will have the opportunity to develop important generic skills. These include:

i. Developing the ability to identify and apply economic principles appropriate for analysing and interpreting fact situations.

ii. Developing an ability to identify the facts relevant for an economic understanding of particular business conduct.

iii. An ability to use economic tools to assess competing interpretations of business conduct.
Awareness Issues

At a broader level, studying this subject will increase your awareness of issues such as:

i. The role of competition law for business conduct;

ii. The significance of property rights, including intellectual property rights;

iii. The decisions of courts in relation to penalties imposed for breaches of the law.
Contact Details

**Lecturer Contact Details**

Your coordinator for Economics of the Law is Dr Rhonda Smith.

Email: rhondals@unimelb.edu.au

Room: 419

111 Barry St., Carlton

Phone: 8344 9884

Consultation Hours: mornings

**Tutor Contact Details**

Your tutor for Economics of the Law is Dr Rhonda Smith.

Contact Details: as above.

**Email Protocol**

While academic staff endeavor to address queries received via email, it is more appropriate to resolve substantive questions face-to-face during normal consultation hours. With this in mind, we encourage all students to familiarize themselves with the consultation hours offered by lecturers and tutors in this subject.

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address. Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link: [http://accounts.unimelb.edu.au/](http://accounts.unimelb.edu.au/).
### Lectures and Tutorials

#### Lecture Times

All lectures in this subject will be held from 9 am – 11 am on Thursdays.

Location: The Spot-1022 (Level 1 Theatre)

Preliminary Lecture Schedule

This section provides a tentative timetable of lectures for the semester. However, there will be some adjustments but with plenty of prior notice.

<table>
<thead>
<tr>
<th>Week</th>
<th>Date of Lecture</th>
<th>Topic</th>
<th>Required Reading</th>
<th>Further Reading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5 March</td>
<td>Introduction and overview</td>
<td>Church &amp; Ware, chap 2</td>
<td>Oliver E. Williamson, University of Pennsylvania Law Review, Vol 125 (4)</td>
</tr>
<tr>
<td>2</td>
<td>12 March</td>
<td>Agreements, Cartels and, tacit collusion.</td>
<td>Church &amp; Ware, chap 10, 11 &amp; 22</td>
<td>Carlton &amp; Perloff, chap 5; Michael E. Porter, Competitive Advantage, chap 4</td>
</tr>
<tr>
<td>4</td>
<td>26 March</td>
<td>Market power and predatory pricing</td>
<td>Church &amp; Ware, chap 12</td>
<td>Carlton &amp; Perloff, chaps 5 &amp; 10</td>
</tr>
<tr>
<td>5</td>
<td>2 April</td>
<td>Mergers and Substantial lessening of competition</td>
<td>Church &amp; Ware, chap 23</td>
<td>Porter, chap 10</td>
</tr>
<tr>
<td>6</td>
<td>EASTER BREAK</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7</td>
<td>16 April</td>
<td>Vertical Agreements.</td>
<td>Church &amp; Ware Chaps 20-22</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>23 April</td>
<td>The economics of consumer</td>
<td>Church &amp; Ware, chap 6</td>
<td>Averitt, N. and Lande, R. (1997), ‘Consumer Sovereignty: A Unified Theory of Antitrust and</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Reading Material</th>
</tr>
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<tbody>
<tr>
<td>8</td>
<td>30 April</td>
<td>Property Rights and Intellectual Property</td>
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<tr>
<td></td>
<td></td>
<td>Church &amp; Ware, chap 18</td>
</tr>
<tr>
<td>9</td>
<td>7 May</td>
<td>Property Rights: Third Party Access</td>
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<td></td>
<td></td>
<td>Church &amp; Ware, chaps 24-26</td>
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<td>10</td>
<td>14 May</td>
<td>Pricing issues: price discrimination; regulating prices</td>
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<tr>
<td></td>
<td></td>
<td>Church &amp; Ware, chap 5</td>
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<tr>
<td>11</td>
<td>21 May</td>
<td>Penalties</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Varian (1996), Intermediate Microeconomics, chapter 32</td>
</tr>
<tr>
<td>12</td>
<td>28 May</td>
<td>Review</td>
</tr>
</tbody>
</table>

Note:

Jeffrey Church & Roger Ware, Micro Economics: A strategic approach

Church & Ware is out of print. However, it is posted in full on the following website:

http://works.bepress.com/cgi/viewcontent.cgi?article=1022&context=jeffrey_church

If you are unable to access the book using this URL, google the following:

Jeffrey Church and under ‘books’ you will find a PDF of ‘industrial organization: a strategic approach’ and you will gain access.

References are indicative and others will be added. Other media material will be provided as appropriate.
Tutorial Schedule

Tutorials will be held on Thursdays from 3.15 – 4.15 in Alice Hoy-101.

Tutorials will commence in Week 2.

The tutorial program will be added to the LMS.

Assessment

Assessment Overview

Your assessment for this subject comprises the following:

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Due</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Assignment 1</td>
<td>April 2 2015</td>
<td>20%</td>
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<tr>
<td>Assignment 2</td>
<td>May 14 2015</td>
<td>20%</td>
</tr>
<tr>
<td>End-of-semester exam</td>
<td>Assessment period</td>
<td>60%</td>
</tr>
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Assignment 1

1. ‘‘What actually occurred when Davids entered into Australia in 1986 is instructive. The effect of that entry was to significantly lower prices. In an industry where the margins are generally very small, the lowering of prices was in the order of 2 to 3% - a dramatic reduction.’’ [Spender J, Davids Holdings, 1993, para 313.]

   The judge used this information to infer the consequences of the proposed merger. Using your knowledge of economics, comment critically on the statement as evidence of market power. (6 marks)

2. ‘‘Market definition is largely unnecessary given that there are quantitative methods for assessing the effects of particular conduct.’’ Do you agree with this statement? Explain why/why not. (7 marks)

3. Is economics relevant for determining whether conduct is collusive under Australian law? Explain. (7 marks)

Note: You are not required to discuss the Davids case in detail and you DO NOT need to read it. However, it may be useful to read the case headnote to understand the facts and perhaps a little of the text before and after paragraph 313 to understand the context of the statement. It can be accessed via austlii at

1. Submission should be in hard form – **essays to be handed in at the lecture**, NOT to the Student Centre.

2. Please use double spacing.

3. For the appropriate system of referencing see below.

4. Word limit: No more than 1000 words.

**Assignment 2**

Explain the economic rationale behind Australia’s consumer law. Given this rationale, identify any shortcomings you consider to exist in the present law. How might they be addressed?

1. Submission in hard form – **essays to be handed in at the lecture**, NOT to the student centre.

2. Please use double spacing.

3. For the appropriate system of referencing see below.

4. Word limit: No more than 3000 words.

**End of Semester Examination**

Duration of exam: 2 hours

The exam will be based on the entire semester’s material.

This exam is an **open book** exam. This means that students may bring into the exam room copies of articles or books to which they may wish to refer. However, handwritten notes or lecture handouts may not be brought to exams.

Copies of past exam papers will be placed on the LLM

*Note: You may be interested in a booklet developed by the CSHE which provides an introduction to the issues around assessment. It can be downloaded from: [http://www.cshe.unimelb.edu.au/pdfs/assessment%20.pdf](http://www.cshe.unimelb.edu.au/pdfs/assessment%20.pdf)*

**Plagiarism and Collusion**
Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any other source (eg. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct.


The Teaching and Learning Unit has developed a web-based ‘Academic Honesty Module’ that allows you to learn more about and test your knowledge of plagiarism and collusion. You are strongly encouraged to complete this module, which can be accessed at:

http://tlu.ecom.unimelb.edu.au/AcademicHonestyTest/index.cfm

Late Submission

Late submissions must be accompanied by a completed Request for Special Consideration form. The form must be handed to the Undergraduate Student Centre.

Late assignments, where approval for late submission has not been given, will be penalised at the rate of 10% of the total mark per day, for up to 10 days, at which time a mark of zero will be given.

Special Consideration

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration.

The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application:

http://www.ecom.unimelb.edu.au/students/special/

Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based,
in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others.

You will be required to use the APA system or Harvard System of referencing. The TLU has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments. The booklets can be found here: http://tlu.ecom.unimelb.edu.au/pdfs/apastyle.pdf / and http://tlu.ecom.unimelb.edu.au/pdfs/The_Harvard_System.pdf

It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assignment. Including references that have not been used may also result in your assignment being penalised.

**Group Work**

Working as part of a group can be mutually beneficial and is encouraged. However, all assessment for this subject is based on individual work. There is no group assessment.

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**Teaching & Learning Unit**

The Teaching and Learning Unit offers a wide range of support services to students. If you are having any difficulty in studying for this subject you could arrange a consultation with the Unit’s learning skills specialist. The learning skills specialist can review your current approaches to study and offer advice on how to adjust to the demands of tertiary study. If you are a student from a non-English speaking background there is an English as a Second Language specialist who is available to help with your written work. Both of these specialists are available for face-to-face consultations or electronically through email. Go to the Faculty office to arrange for consultations or contact the specialists electronically through the Teaching and Learning Unit web page. The web page also contains a wide variety of study skills topics and information sheets for students, and a timetable of up-coming events, including focussed workshops, designed to support Economics and Commerce students in their study.

The Teaching and Learning Unit is located on the 2nd floor of the Babel Building. Please visit the TLU’s website – [http://tlu.ecom.unimelb.edu.au/](http://tlu.ecom.unimelb.edu.au/).

Make use of the Teaching and Learning Unit. It is there to help.