

# Racial and Socioeconomic Disparities, Market Failures, and The Law

## Course Description and Goals

What can law and economics teach us about racial and socioeconomic disparities and inefficiencies in markets? This course will tackle many legal questions with economic tools. Questions include: Why is the U.S.'s criminal legal system so punitive, especially for Black men? How much should pharmaceutical companies pay for their role in the opioid epidemic? What are the downstream consequences of racially exclusionary housing contracts? These questions are emblematic of those in criminal, tort, property, and contract law. My goals for the course are for you to learn how to use the analytical and empirical tools of economics to glean insight into these and other questions.

## Course Materials

### *Required Book:*

Cooter, Robert and Thomas Ulen, 2012. *Law & Economics*, 6<sup>th</sup> Edition.

Available online:

[http://www.econ.jku.at/t3/staff/winterebmer/teaching/law\\_economics/ss19/6th\\_edition.pdf](http://www.econ.jku.at/t3/staff/winterebmer/teaching/law_economics/ss19/6th_edition.pdf)

## Schedule for the Course

<i>Date</i>	<i>Topic</i>	<i>Readings/Assignments</i>
Aug 28 (1)	Why study law and economics? How does	C&U Ch 1

	the law intersect with racial disparities?	Ellora Derenoncourt, Chi Hyuan Kim, Moritz Kuhn, and Moritz Schularick. <a href="#">“Changes in the Distribution of Black and White Wealth since the US Civil War.”</a> <i>Journal of Economic Perspectives</i> , 2023. <b>Read pages 71-79.</b>
<i>Sep 2</i> (2)	What makes a good law? What do we mean by efficiency?	C&U pages 12-14 and 42  Richard Hornbeck and Trevon Logan <a href="#">“One Giant Leap: Emancipation and Aggregate Economic Gains.”</a> Working Paper, 2023. <b>Read Introduction, pages 1-5.</b>
<i>Sep 4</i> (3)	Introduction to Regression I	<b>Reading check.</b> Baker, Regina S. "The historical racial regime and racial inequality in poverty in the American South." <i>American Journal of Sociology</i> 127, no. 6 (2022): 1721-1781. <b>Read pages 1721-1723 and pages 1731-1741.</b>
<i>Sep 9</i> (4)	Introduction to Regression II	Althoff and Reichardt, <a href="#">“Jim Crow and Black Economic Progress After Slavery.”</a> <i>The Quarterly Journal of Economics</i> , Forthcoming. <b>Read Pages 1-9.</b>  <b><i>In class:</i></b> Read <a href="#">Summary of Research on Causal Effects of Incarceration on Employment</a>
<i>Sep 11</i> (5)	An introduction to crime & punishment I	C&U pages 454-460  Western, Bruce, and Becky Pettit. “Incarceration & social inequality.” <i>Daedalus</i> 139.3 (2010): 8-19.
<i>Sep 15</i> <i>Sep 16</i>	Guest lecture by Professor Shaffer at Harvard Law	<b>Homework 1 on Crime Due</b>
<i>Sep 18</i> (7)	An Introduction to Crime & Punishment II: The Value of Liberty	<b>After class read:</b> Stevenson, Megan T., and Sandra G. Mayson. "Pre-trial detention and the value of liberty." <i>Virginia Law Review</i> 108, no. 3 (2022): 709-782. <b>Read 709-717</b>
<i>Sep 23</i> (8)	An Introduction to Crime & Punishment III: The Efficacy of	David Lee and Justin McCrary. <a href="#">“The Deterrence Effect of Prison: Dynamic Theory and Evidence.”</a>

	Deterrence and Other Determinants of Crime	Working Paper, 2016. <b>Read pages 1-6 and the Figures.</b>  Arora, Ashna. "Juvenile Crime and Anticipated Punishment." <i>American Economic Journal: Economic Policy</i> 15, no. 4 (2023): 522-550. <b>Read pages 1-4.</b>
		<b>Reading Check on Required Reading</b>
Sep 25 (9)	Tradeoffs & Disparities in the Criminal Justice System	<a href="#">Summary</a> of Feigenberg, Benjamin, and Conrad Miller. "Would eliminating racial disparities in motor vehicle searches have efficiency costs?" <i>The Quarterly Journal of Economics</i> 137.1 (2022): 49-113.  <b>Optional:</b> Emma Harrington, William Murdock III, and Hannah Shaffer. "Prediction Errors, Incarceration, and Violent Crime: Evidence from Linking Prosecutor Surveys to Court Records." Working Paper. <b>Read Introduction.</b>
Sep 27		<b>Homework 2 on Crime Due</b>
Sep 30 (10)	Evaluating Discrimination in the Criminal Justice System	Pierson, Emma, et al. "A large-scale analysis of racial disparities in police stops across the United States." <i>Nature Human Behaviour</i> 4.7 (2020): 736-745.
Oct 2	What is it like to be a lawyer and law student?	Submit questions for lawyers
Oct 7 (11)	Exam Review	Study
Oct 9	Exam	Study some more 😊
Oct 14	No class for reading days	Study for other classes 😊
Oct 16 (12)	Torts: Who should be liable when something goes wrong? Part I	C&U pages 187-199  Currie, Janet, John Voorheis, and Reed Walker. "What caused racial disparities in particulate exposure to fall? New evidence from the Clean Air Act and satellite-based measures of air quality." <i>American Economic Review</i> 113.1 (2023): 71-97.

Oct 21 (13)	Who should be liable when something goes wrong? Part II	C&U pages 199 – 208
Oct 23 (15)	How should we put a dollar value on a life?	C&U pages 253 – 261  Lavetti, Kurt. "The estimation of compensating wage differentials: Lessons from the deadliest catch." <i>Journal of Business &amp; Economic Statistics</i> 38.1 (2020): 165-182. <b>Read introduction and look at figures.</b>
Oct 28 (16)	How much should pharma companies pay for their role in the opioid epidemic?	Abby Alpert, Bill Evans, Ethan Lieber, David Powell. "Origins of the Opioid Crisis and Its Enduring Impacts", <i>Quarterly Journal of Economics</i> , 137(2): 1139-1179, 2022. <b>Read Intro and <a href="#">NBER Digest</a></b>
Oct 29		<b>Homework 3 on Torts Due</b>
Oct 30 (17)	An introduction to game theory and contracts	C&U pages 33-37, 276-282
Nov 4 (18)	What should be done about bad contracts? The example of racial covenants	<a href="#">What is a racial covenant?</a> University of Minnesota Mapping Prejudice Project. <ul style="list-style-type: none"><li>We will discuss the <a href="#">data</a> that will be used in your problem set.</li></ul> For your problem set, you will read: Aradhya Sood and William Speagle. " <a href="#">The Long Shadow of Racial Discrimination: Evidence from Racial Covenants</a> ," Working Paper.  <i>Optional:</i> Brooks, Richard. "Covenants without Courts: Enforcing Residential Segregation with Legally Unenforceable Agreements," <i>American Economic Review</i> . Vol. 101, No. 3, May 2011 (pp. 360-65).
Nov 6 (19)	What should be done about bad contracts? The example of Southern labor law	Roback, Jennifer. "Southern labor law in the Jim Crow era: exploitative or competitive?" <i>The University of Chicago Law Review</i> 51.4 (1984): 1161-1192.

		Optional: Naidu, Suresh. "Recruitment restrictions and labor markets: Evidence from the postbellum US South." <i>Journal of Labor Economics</i> 28.2 (2010): 413-445.
Nov 8		Homework 4 on Contracts due
Nov 11 (20)	Exam Review	Study
Nov 13	Exam	Study some more ☺
Nov 18 (21)	An introduction to property rights	C&U pages 70-74
Nov 20 (22)	Can you bargain for an efficient solution?	C&U pages 88-94  In-class bargaining exercise
		Ayres, Ian, and Peter Siegelman. " <a href="#">Race and gender discrimination in bargaining for a new car.</a> " <i>The American Economic Review</i> (1995): 304-321.
Nov 25 (23)	How should property rights be protected?	C&U pages 94-102
Nov 27	Happy Thanksgiving!	
Dec 2 (24)	Eminent Domain	C&U pages 161-163
		Pritchett, Wendell E. "The public menace of blight: Urban renewal and the private uses of eminent domain." <i>Yale L. &amp; Pol'y Rev.</i> 21 (2003): Read pages 1-13.
Dec 3		Homework 5 on property due
Dec 4 (25)	Intellectual Property Rights: Patents, copyrights, and trademarks, oh my!	C&U pages 112-135  Gil Appel, Juliana, Neelbauer, and David A. Schweidel. " <a href="#">Generative AI has an Intellectual Property Problem.</a> " <i>Harvard Business Review</i> , 2023.
Dec 16	Final Exam	Exam is 2-5pm on Monday December 16

## Grading Criteria

Final course grades will be assessed based on performance in the following activities:

	Second Chances	Percent of Grade
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Three exams	Lowest 1 dropped	65%
Five homeworks	Lowest 1 dropped	20%
In-class quizzes	Lowest 2 dropped	15%

Final grades will then be assigned as follows:

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A+	97-100%
A	93-96.9%
A-	90-92.9%
B+	87-89.9%
B	83-86.9%
B-	80-82.9%
C+	77-79.9%
C	73-76.9%
C-	70-72.9%
D/F	< 69.9%

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## Make-up Exams and Quizzes

I know life happens so you may have a legitimate conflict due to travel for academics/sports/ or job interviews, religious holidays, family emergencies, and sickness. In the case of travel or religious holidays, you must email me at least one week beforehand. In the event of an emergency or illness, you must provide proof that the excuse is legitimate (e.g., doctor's note). We will then schedule your makeup exam or quiz. If you miss class for any reason, you should get notes and announcements from a classmate.

## Seeking Help

Economics offers an incredibly powerful set of tools for analyzing the world. Everyone in the course comes with different preparation from their economics and math courses. And using these tools comes more naturally to some people than others. I want you to succeed in this course and come

away with a better understanding of economics and the law. I encourage you to come to office hours to ask me questions and ask questions in class.

## Communicating with Me

The best way to communicate with me is during class or in office hours. Email is best used to schedule appointments and should have the subject “ECON 3800: appointment”. Any substantive discussion should occur in person. Please check the syllabus and canvas before asking me a logistical question through email. I will check and respond to course-related email once per day, usually in the afternoon.

## In-class Etiquette

People learn more and perform better when they feel safe and respected. I will always strive to treat you fairly and give you the respect that you deserve. I expect you to treat me and your peers with respect in return. Part of respecting me and your classmates is creating a learning environment with minimal distractions. **All phones should be put away during class time. Please come to class on-time.**

I would also encourage you to use pen and paper rather than your computer to take notes. [Research](#) suggests that people learn better when they write by hand rather than type notes. Typing tends to lead to transcription rather than synthesis.