

## **LAW AND ECONOMICS FOR HYPOTHESIS TESTING**

***Responsible Faculty Instructor:***

**Amit Kumar** [amit.kumar1@jgu.edu.in]

Assistant Professor, Jindal Global Law School

Credits: 4

Credits Type: Legal

Cross-registration: No

Pre-requisites: grade of A and above in economics (only if such entry criteria is permitted), being comfortable with high school level math would be preferred.

**COURSE DESCRIPTION (COURSE VISION):**

The course is proposed with an intention to allow students to use economics as a tool to better understand laws and the legal system. The course will deal with three portions: learning the economics required for legal analysis; learning concepts and methods of law and economics and; introduction to legal hypothesis testing.

**TEACHING METHODOLOGY:**

The course will primarily utilise lectures and discussions on reading materials as methodology. The course will also be heavily relying on class experiments and online simulations to teach the economic concepts. An access to laptop would be necessary as later module require usage of JASP to carry out hypothesis testing.

**INTENDED LEARNING OUTCOMES:**

Upon completion of the course, students should be able to

1. Define Rational Choice Theory (herein forward 'RCT') and Behavioral economics, identify their application in the real world.
2. Understand RCT and its related concepts such as game theory, appreciate the loopholes in RCT and how they are explained by Behavioral economics.
3. Analyse the trends in lawmaking across different jurisdictions by utilizing insights and tools from economics such as default options, nudges, regulatory sandboxes etc.
4. Qualitatively assess the pros and cons of application of Behavioral economics in different legal systems.
5. Apply hypothesis testing to add more nuances to their ongoing legal research.
6. Understand the scope for improvement in legal spheres in and hopefully be able to make academic contributions in addressing the same.

READING LIST (upto 10 select readings):

1. Cooter & Ulen (2012). Law & Economics, 6th edition (textbook).
2. Hammitt, J. K. (2013). Positive versus normative justifications for benefit-cost analysis: Implications for interpretation and policy. *Review of Environmental Economics and Policy*.
3. Bernard, H. R. (1996). Qualitative data, quantitative analysis. *CAM Journal*, 8(1), 9-11.
4. L Gatto, A Montes, Better Policies for urban waste disposal, 51, <https://fundacionalternativas.org/wp-content/uploads/2022/07/8b5321bbe47b13b63ea4d13fb3fcd248.pdf>.
5. <https://www.newscientist.com/article/mg21829221-700-nudge-youre-being-manipulated-have-you-noticed/>.
6. Daniel, K. (2017). Thinking, fast and slow (relevant excerpts).
7. Fried, B. H. (2003). Ex ante/ex post. *J. Contemp. Legal Issues*, 13, 123.
8. Engel, C. (2011). Dictator games: A meta study. *Experimental economics*, 14, 583-610.
9. Jimenez-Buedo, M., & Miller, L. M. (2010). Why a trade-off? The relationship between the external and internal validity of experiments. *Theoria. Revista de Teoría, Historia y Fundamentos de la Ciencia*, 25(3), 301-321.
10. Socio Economic Caste Census Dataset, <https://secc.dord.gov.in/>, (for case study, relevant excerpts to be decided later in class).

WEEKLY READING PLAN (WEEKLY OUTLINE):

A weekly plan is provided below:

| MODULES  | WEEK(S) |
|--|---------|
| <b>MODULE 1: INTRODUCTION TO LAW &amp; ECONOMICS</b> <ul style="list-style-type: none"> <li>• What is Law &amp; Economics</li> <li>• Why do we need Law &amp; Economics</li> </ul>   | 12      |
| <b>MODULE 2: BASIC ECONOMICS CONCEPT</b> <ul style="list-style-type: none"> <li>• Primer on microeconomics: supply, demand, efficiency, market equilibrium, price floor, price ceiling, dead weight loss</li> </ul>        | 3-4     |
| <b>MODULE 3: RATIONAL CHOICE THEORY</b> <ul style="list-style-type: none"> <li>• Understanding 'Rational Choice'</li> <li>• Game Theory:</li> <li>• Nash Equilibrium</li> <li>• Mixed Strategy Nash Equilibrium</li> </ul> | 5-7     |
| <b>MODULE 4: BEHAVIOURAL ECONOMICS</b>   | 8-9     |

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|--|---------|
| <ul style="list-style-type: none"> <li>Critique of Rational Choice, Ostrom's work discrediting Rational Choice Theory: Dictator Game</li> </ul>  |         |
| <b>MODULE 5: INTRODUCTION TO DATA</b><br><ul style="list-style-type: none"> <li>Introduction to statistics</li> <li>Introduction to datasets</li> </ul>  | 10-11   |
| <b>MODULE 5: INTRODUCTION TO LEGAL HYPOTESIS TESTING</b><br><ul style="list-style-type: none"> <li>Introduction to JASP (a open access data analysis software)</li> <li>Case study for hypothesis testing to test significant correlation</li> </ul> | 12-13   |
| <b>REVISION WEEK</b>   | Week 14 |