

Introduction
Economics of Law, Policy and Organization

I. Structure of the Course
Course Instructors

- Course Director: Richard Wellen, Division of Social Science
- Jan Krouzil
- James McGillvray
- See corrected tutorial time for Tutorial 02.

Getting into this Course

- Automated enrollment only until Sept 20.
- By Permission only: Sept 21 – Oct 20.
- 28 student limit in each tutorial.
- Switching: On-line only or find another student.

What this course is about.

- Economic ‘thinking’ and social issues.
- Problems in law, public policy, organizational systems.
- No technical background in economics req’d.

Assigned Work

- Little or no outside research.
- Essay writing, debates, critical thinking, etc.
- Critical skills assignments – tutorial presentations.
- Difficult but (mostly) short-ish readings.

Course materials

- Two course kits (\$50-\$60).
- Book by Winter (under \$20).
- Internet readings.
- Lecture Outline (not notes!): PowerPoint slides (posted *after* the lecture).

II. Why study the economics approach to social and legal issues?

Public Issues

- Legal and policy issues: moral, right vs. wrong.
- Politics and the state: market vs. government
- Endless stream of problems: crime, jobs, gas prices, poverty, high taxes,

corruption.

- 'Crisis of the week' mentality.

Economists on public issues.

- Against the common view:
 - Lack of political will?
 - Gov't blackmailed by big business?

Economics: Why is it called the '*Dismal Science*'?
Methodological Reasons

- Cost – benefit analysis. (CBA)
- Social welfare (net value) – measured in \$.
- Facts are objective, values are subjective.
 - Smoking debate: health vs. pleasure.
 - Is efficiency an objective value.

Substantive reasons

- Problems, bad things have silver lining.
- Disappointments provide useful signals.
- Examples:
 - Stock market crash.
 - Unemployment.
 - Rising gas prices.
- Gov't too often interferes. Prices should guide.
- Replace 'good and bad' with 'how much'.

Scarcity, Allocation, Budgeting

- Needs, wants, resources.
- Can scarcity be abolished?
- Human beings always disappointed.
- Wants exceed resources. Trade-offs. Good things conflict.

Trade-offs

- Why trade-offs? Wants change, vary according to situation and person.
- Each satisfaction reveals/produces another want.
- Subjectivity: values are not 'intrinsic' or 'objective'.
- Cost of x = value of what we must give up to get it.

Examples of trade-off issues.

- What's the value of a wilderness or clean environment?

- Why poor countries don't control smog, spend \$ on life-extending medical tech, etc.
- Are we spending enough on curing cancer?
- Are you spending enough time studying?

Examples (cont'd)

- Lower taxes vs. Safe water.
- Sports stadiums vs. social housing.
- Job security vs. productivity.

A last example

- Payday loan industry.
 - High interest rates, exorbitant fees.

Exploiting poor neighborhoods?

OR

Filling gap left by chartered banks?

Solving social problems. Political vs. Economic

- Loudest complainers.
- Have our cake and eat it too.
- Give people what's *really* good for them.
- Ad hoc.
- Absolute values.
- Cost/benefit analysis
- No escape from trade-offs
- Markets allocate resources better. Nobody decides
- Systematic.
- 'How much?'

III. Pros and Cons of Economists' views

Pros

- Politicians, bureaucrats, experts not perfect.
- Realism.
- Social well-being can't be planned / predicted.
- Market has created wealth.

Cons

- Should efficiency be our 'master' value?
- Is gov't always inefficient?

- Not all values are trade-offs
 - Well-paid workers vs. competitiveness.
 - Fairness vs. efficiency.