

# Law and the Economy

ROGER BOWLES

Martin Robertson · Oxford

# Contents

<i>List of Tables and Figures</i>	x
<i>Preface</i>	xi
<i>Acknowledgements</i>	xiv
<i>Table of Cases</i>	xvi
1 An Introduction to Economic Analysis	1
The development of economics	2
Economic analysis and economic man	4
Concluding remarks	19
2 Costs	21
Introduction	21
Social and private cost	24
Correcting divergences between social and private cost	26
Transactions costs	29
Concluding remarks	31
3 Valuation and Evaluation	34
Basic principles of valuation	34
Measuring aggregate gains and losses	47
Concluding remarks	52
4 The Economics of Crime	54
The decision to commit crime	54
Decisions about the control of crime	61
Optimal policy	67
Conclusion and summary	69

5 The Economics of Punishment	72
Allocating police resources	73
Sentencing policy	79
Summary and conclusions	83
6 The Administration of Justice	87
Introduction	87
The choice between judges and juries	89
The enforcement of fines	97
Summary and conclusions	104
7 Tort	106
The objectives of the tort system	106
Efficiency, transactions costs and the assignment of liability	109
Negligence	112
Accidents, the tort system and proposals for reform	119
Concluding remarks	124
8 Contract	127
Contracts and the cost of contracting	127
Basic elements	131
Contract, price and the assignment of risks	134
Risk and the cheapest insurer	135
Non-performance	138
Bargaining power and unconscionability	139
Concluding remarks	142
9 Foreign Money Obligations	145
English law pre-1975	145
The Miliangos decision	151
Choice of interest rate	155
Conclusions	162

10 Regulation	164
Some motives for regulation	165
The consequences of regulation	171
The behaviour of regulators	176
Applications	177
Concluding remarks	185
11 The Economics of Litigation	187
Introduction	187
The decision to litigate	188
Settlement versus trial	191
The size of settlement	194
Payments into court	199
Concluding remarks	200
12 Economic Aspects of Legal Services	203
Introduction	203
Public versus private provision	204
Conveyancing fees	207
Contingent fees	218
Concluding remarks	220
<i>Bibliography</i>	223
<i>Index</i>	233