



# PRESIDENCY UNIVERSITY

BENGALURU

Roll No.													
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## End - Term Examinations – MAY 2025

Date: 28-05-2025

Time: 09:30 am – 12:30 pm

School: SOL	Program: BA/BBA/BCOM LLB HONS	
Course Code: LAW2019	Course Name: LAW AND ECONOMICS	
Semester: VIII	Max Marks: 100	Weightage: 50%

CO - Levels	C01	C02	C03	C04	C05
Marks	22	16	18	24	20

### Instructions:

- (i) Read all questions carefully and answer accordingly.  
(ii) Do not write anything on the question paper other than roll number.

### Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1.	Briefly explain the concept of Dead Weight Loss.	2 Marks	L2	C03
2.	Explain the meaning of 'cross-subsidization' in reference to market behavior.	2 Marks	L2	C03
3.	Why is expectation damages considered economically efficient in contract breaches? Briefly explain.	2 Marks	L2	C04
4.	Explain two disadvantages of a monopolized market.	2 Marks	L2	C02
5.	Describe 'incomplete contracts'	2 Marks	L1	C04
6.	Briefly explain the impact of externalities on economic welfare.	2 Marks	L2	C01
7.	Describe contestable markets.	2 Marks	L1	C03
8.	What is the economic rationale behind imposing strict liability for hazardous activities? Explain.	2 Marks	L2	C05
9.	Explain the concept of 'asymmetrical information'.	2 Marks	L2	C04
10.	What is the main economic objective of tort law?	2 Marks	L1	C05

## Part B

### Answer the Questions.

**Total Marks 80M**

<b>11.</b>	<b>a.</b>	Explain the concept of Allocative Efficiency and critically assess how legal systems can contribute towards achieving efficient resource distribution. Further discuss the significance of invisible hand theory in relation to allocative efficiency.	<b>10 Marks</b>	<b>L2</b>	<b>CO 1</b>
<b>Or</b>					
<b>12.</b>	<b>a.</b>	Explain the principle of Pareto Efficiency and critically analyze its applicability in evaluating legal rules. Why is it often seen as an ideal but unattainable goal in real-world legal settings? Discuss.	<b>10 Marks</b>	<b>L2</b>	<b>CO 1</b>
<b>13.</b>	<b>a.</b>	In the realm of law and economics, Kaldor-Hicks efficiency is often employed to justify policies that increase aggregate welfare, even when they create distributional imbalances. Elaborate.	<b>10 Marks</b>	<b>L2</b>	<b>CO 1</b>
<b>Or</b>					
<b>14.</b>	<b>a.</b>	The field of Law and Economics emerged as a response to the perceived rigidity and formalism of traditional legal theory, incorporating economic tools to explain and evaluate legal rules. Trace the intellectual history of the Law and Economics movement.	<b>10 Marks</b>	<b>L2</b>	<b>CO 1</b>
<b>15.</b>	<b>a.</b>	Critically examine the goals of Indian Competition Law in promoting market efficiencies. How successful has the Competition Commission of India been in achieving these goals? Discuss with the help of case laws.	<b>10 Marks</b>	<b>L2</b>	<b>CO 2</b>
<b>Or</b>					
<b>16.</b>	<b>a.</b>	Analyze the economic and legal rationale behind the breakup of AT&T. How did it reflect concerns about monopoly power and consumer welfare? Discuss.	<b>10 Marks</b>	<b>L4</b>	<b>CO 2</b>
<b>17.</b>	<b>a.</b>	The regulation of monopolies has long been justified on economic grounds such as preventing allocative inefficiency, curbing consumer exploitation, and protecting competitive markets. However, some scholars and industry actors argue that regulatory intervention often results in excessive bureaucracy, stifles innovation, and leads to regulatory capture. Critically analyze both sets of arguments regarding the regulation of monopoly.	<b>15 Marks</b>	<b>L4</b>	<b>CO 3</b>
<b>Or</b>					

<b>18.</b>	<b>a.</b>	Explain in detail the key determinants of market power. The Lerner Index is a widely used economic tool to measure the degree of market power based on the firm's pricing above marginal cost. Explain how the Lerner Index is calculated and interpret what its values signify in terms of monopoly behavior.	<b>15 Marks</b>	<b>L3</b>	<b>CO 3</b>
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<b>19.</b>	<b>a.</b>	In the context of novel cases, incomplete contracts and asymmetric information, parties often rely on courts to fill gaps or interpret intentions. Critically evaluate how economic analysis explains and justifies judicial interventions such as implying terms or interpreting ambiguities. Critically assess with the help of case laws.	<b>15 Marks</b>	<b>L4</b>	<b>CO 4</b>
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**Or**

<b>20.</b>	<b>a.</b>	The Hand Rule, derived from Judge Learned Hand's famous formula attempts to provide an economic standard for determining negligence by comparing the burden of precaution with the probability and gravity of harm caused. Critically analyze this formula from perspective of economic analysis of Tort law.	<b>15 Marks</b>	<b>L4</b>	<b>CO 4</b>
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<b>21.</b>	<b>a.</b>	Imagine a builder contracts with a client to construct a house for ₹50 lakhs but then receives a more lucrative offer to construct the same house for ₹70 lakhs. Analyze the situation using the efficient breach theory. Should the builder breach the original contract and pay damages to the first client? What legal remedy would lead to the most economically efficient result, and what might be the reputational or systemic costs of encouraging such breaches? Critically Analyze.	<b>20 Marks</b>	<b>L4</b>	<b>CO 5</b>
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**Or**

<b>22.</b>	<b>a.</b>	The economic analysis of tort law aims to minimize the total social cost of accidents by creating incentives for optimal precaution. Critically examine. Illustrate your arguments using case laws and hypothetical examples to assess the efficiency of economic approach towards tort law.	<b>20 Marks</b>	<b>L4</b>	<b>CO 5</b>
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