Law and Economics, written exam 18/19

Answer 8 of the following 10 questions.

1. Briefly explain three of the main assumptions behind ‘homo economicus’, and why the concept has been criticized.

2. What does the ‘bargain theory’ entail? And is it applicable in Denmark?

3. Explain in your own words why some lobbies are more influential than others are. And would European farmers or European consumers be most capable of influencing the legislative process in the EU?

4. Explain in your own words why information asymmetry plays an important role in company law and give examples of Danish and/or European legislation that intends to reduce information asymmetry.
5. Explain the connection between market definition and Art 102 TFEU concerning abuse of dominance – e.g. why do we need the market definition and which measure do we use to define it?

**Article 102**

*Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.*

**Such abuse may, in particular, consist in:**

1. directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
2. limiting production, markets or technical development to the prejudice of consumers;
3. applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
4. making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

6. From an economic point of view, should we always fulfil agreements and contracts?

7. Explain in your own words how and why a cartel can create deadweight loss.

8. Explain how protection of IP rights (intellectual property rights) create incentives for firms to innovate.

9. With the use of public choice policy, explain why fishing quotas exist.
10.

Minicase: Imagine that the Council of the European Union has suggested to abandon all patents. This means that firms cannot receive patent protection of their inventions. Instead, all inventions will be based on open access. As incentive, the Council wishes to introduce a financial reward system to reward inventors of their new inventions and development of existing products and processes.

Evaluate this new system: name at least two legal issues and two economic issues to be discussed in the European Parliament.