Contents

List of illustrations ix
List of contributors xi

1 Law, economics, and institutional complexity: an introduction 1
FABRIZIO CAFAGGI, ANTONIO NICITA, AND UGO PAGANO

PART I
Complexity in law and economics 19

2 The future of law and economics 21
THOMAS S. ULEN

3 Law and economics in historical perspective 46
DOUGLAS C. NORTH

4 Legal positions and institutional complementarities 54
UGO PAGANO

5 Legislate today or wait until tomorrow? An investment approach to lawmakering 84
FRANCESCO PARISI AND NITA GHEI

PART II
Private orderings, efficiency, and the role of the state 103

6 The enforcement of contracts and the role of the state 105
ALAN SCHWARTZ

7 Minimal liberty and the 'Coasean Liberal': boundaries and complementarities between the state and the market 118
ANTONIO NICITA AND ERNESTO SAVAGLIO
8 Private orderings and intellectual property: what is the best incentive system? 133
NANCY GALLINI AND SUZANNE SCOTCHMER

9 Fairness and welfare: are they really competing values? 154
FRANCESCO DE NOZZA

PART III
Contractual incompleteness and the nature of endogenous enforcement 163

10 Costly contingent contracts: a failure of the Coase theorem 165
LUCA ANDERLINI AND LEONARDO PELLI

11 Game-theoretic solutions to endogenous contractual incompleteness 191
FRANCESCO FARINA

12 Customary contracts 213
H PEYTON YOUNG

13 Group relations and industrial districts 225
ALBERTO BATTISTINI

PART IV
Governance models and corporate ethics 241

14 What is corporation? The corporate personality controversy and the fiduciary principle in corporate governance 243
KAISUHITO TWAI

15 Fiduciary duties, models of firms, and organizational theories in the context of relational interdependencies 268
FABRIZIO CAFAZZI

16 Incomplete contracts and corporate ethics: a game theoretical model under fuzzy information 310
LORENZO SACCONI

Illustrations

Figures
7.1 Social preferences cycle 126
11.1a Long-term contract as a sequential game 195
11.1b Opportunism or cooperation in a long-term contract 197
11.2 Exit strategies 200
11.3 An example 200
11.4 Technological types of the buyers 202
11.5 Who has the perfect information about market’s preferences? 205
12.1 Distribution of share contracts by county in Illinois, 1995. Blank counties had too few data to be statistically meaningful 218
12.2 Distribution of shares in a typical northern Illinois county (Tazewell) and a typical southern Illinois county (Effingham) 219
12.3 The hypothetical state of Torusota. Each vertex represents a farm, and soil qualities are High, Medium, or Low 220
12.4 Simulated outcomes of the process for $n = 200, \beta = 0.20$ 221
13.1 GM and Fisher Body. A three-period extended form game 231
14.1 A person and things 244
14.2 The basic structure of a sole-proprietorship firm 245
14.3 The basic structure of a partnership firm 245
14.4 Contractual relations between a partnership firm and outside parties 246
14.5 Corporation as a legal device to simplify outside relations 246
14.6 The two-tier ownership structure of a corporate firm 248
14.7 A "nominalistic" corporation 249
14.8 A holding corporation and a pyramidal ownership structure 251
14.9 A (hypothetical) self-owning corporation 251
14.10 Mutually holding corporations 252
14.11 Cross-shareholdings among twelve corporations 253
14.12 Managers as agents in a sole-proprietorship firm 254
14.13 Corporate managers as fiduciaries of the corporation 255
16.1 A game of hierarchical transaction with unforeseen contingencies 315
16.2 Each state, characterized by a specified observable ex post return $Q_s$, is associated with every class of fuzzy cooperative benefit 332