SCOPUS-Indexed • Open-Access Journal • Peer-Reviewed

GNLU Journal of Law & Economics

Volume IV (I) Jan-Jun 2021 ISSN 2582-2667





ADVISORY BOARD OF THE GNLU JOURNAL FOR LAW AND ECONOMICS

DR. JUSTICE D.Y. CHANDRACHUD, JUDGE, SUPREME COURT OF INDIA.

MR. JUSTICE A.K. SIKRI, FORMER JUDGE, SUPREME COURT OF INDIA.

PROF. (DR.) S. SHANTHAKUMAR, DIRECTOR, GUJARAT NATIONAL LAW UNIVERSITY.

PROF. (DR.) BIMAL N. PATEL, VICE-CHANCELLOR, RASHTRIYA RAKSHA UNIVERSITY & FORMER DIRECTOR, GNLU.

PROF. (DR.) ARIEL PORAT, ALAIN POHER PROFESSOR OF LAW AT TEL AVIV UNIVERSITY & FISCHEL-NEIL DISTINGUISHED VISITING PROFESSOR OF LAW AT UNIVERSITY OF CHICAGO.

PROF. (DR.) HANS-BERND SCHAFER, PROFESSOR EMERITUS, BUCERIUS LAW SCHOOL, UNIVERSITY OF HAMBURG.

PROF. (DR.) THOMAS ULEN, SWANLUND CHAIR PROFESSOR EMERITUS, ILLINOIS COLLEGE OF LAW.

PROF. (DR.) JAIVIR SINGH, PROFESSOR OF ECONOMICS AND DIRECTOR OF CENTRE FOR THE STUDY OF LAW & GOVERNANCE, JAWAHARLAL NEHRU UNIVERSITY.

PROF. (DR.) RAM SINGH, PROFESSOR OF ECONOMICS, DELHI SCHOOL OF ECONOMICS, UNIVERSITY OF DELHI.

PROF. (DR.) TOM GINSBURG, LEO SPITZ PROFESSOR OF INTERNATIONAL LAW, LUDWIG AND HILDE WOLF RESEARCH SCHOLAR, PROFESSOR OF POLITICAL SCIENCE AT UNIVERSITY OF CHICAGO LAW SCHOOL.

PROF. (DR.) HENRIK LANDO, PROFESSOR OF LAW & ECONOMICS, COPENHAGEN BUSINESS SCHOOL.

PROF. (DR.) AJIT MISHRA, SENIOR LECTURER, DEPARTMENT OF ECONOMICS, UNIVERSITY OF BATH.

PROF. (DR.) SAUL LEVMORE, WILLIAM B. GRAHAM DISTINGUISHED SERVICE PROFESSOR OF LAW, UNIVERSITY OF CHICAGO LAW SCHOOL.

EDITORIAL BOARD OF THE GNLU JOURNAL FOR LAW AND ECONOMICS

EDITOR-IN-CHIEF

PROF. (DR.) RANITA NAGAR

FACULTY EDITORS

DR. HITESHKUMAR THAKKAR (EXECUTIVE EDITOR)

PROF. (DR.) NUNO GAROUPA

STUDENT EDITORS

ADRIKA BISEN	KRISHNA AGARWAL	ANANT AGARWAL
ISHAAN GUPTA	MOHIT AGARWAL	MANSI SUBRAMANIAM
KHUSHI PAREKH	PRATYUSHA IVATURI	

EDITORIAL NOTE

- *Editors*

The Literature of Law and Economics is enlarging throughout the globe, the main reason being that economics provides a general scientific methodology of recognizing and resolving complex phenomena in the day to day transactions. Further, it has proven itself to be a dynamic field encompassing both theoretical and empirical frameworks. And a lot of work is needed to be done and is being done. This Journal is an attempt to spread the discipline among a wider base so as to stimulate young minds in this field and catalyse the process of development of the same in India.

The present issue consists of three articles which cover different facets of law ranging from regulatory mechanism to Constitutional Law with a special insight on the developing 'Indian School of Thought' for law and economics which is in sync with the aim of the Journal. To solve some of the world's problems, is the outlook that all these articles echo, and they apply law & economics to these complex issues to present unique solutions.

In this issue, Prof. Régis Lanneau writes in his authoritative manner on the aspect of regulatory competition in the post-globalisation period in the paper titled **Preconditions to Regulatory Competition**. A crucial observation in law and economics is the role played by legal systems in economic growth, resulting in legislators and policymakers putting their focus on making the legal system attractive to investment. Prof. Lanneau dispels this notion through extensive analysis of the pre-conditions to regulatory competition, showing that the cost of attracting scarce economic resources through favourable changes in the legal system have both financial, legal, and political costs. The problem of not weighing costs of regulatory competition is even more serious for developing countries, putting their constrained resources under stress. The paper also prescribes the role of law-takers, laying down that rationality and freedom must be maintained by law takers. In conclusion, the author suggests that a more quantitative approach is required to fully gauge the effect of legal systems and the competition between them.

Anagha MV in her paper titled **"An Economic Analysis of the Spread of Fake News"** examines the deep social problem of fake news through the lens of law and economics. The author explains how in the current 'Information Age', the spread of disinformation through fake news results in a Pareto suboptimal transaction due to high social costs. However, as individuals do not internalise such costs themselves, they opt to continue transacting fake news. Coupled with the benefit of anonymity of fake news vendors, a lopsided transaction emerges

with inefficient social outcomes. Arguing for a market intervention aiming to shift the burden of fake news on users, the author proposes to target the platforms on which such fake news is published. An intervention in the form of levy of a Pigouvian tax on such platforms would internalise the external costs and produce a deterrence effect. The author concludes by urging policymakers to act swiftly to curb the spread of fake news through the law and economics analysis.

Dr. Shivani Mohan and Dr. Manoranjan Kumar in their paper titled **"Economic Analysis of Liquor Prohibition in Bihar on the Efficiency Criteria"** assess the impact of the liquor ban imposed in the State of Bihar to ascertain the economic viability and the benefits it seeks to derive. The authors study the impact on revenue of the state after the ban, observing that the expenditure on education dropped and expenditure on healthcare was less than average of other states. An increase in the fiscal deficit of the states was noted in the period of five years after the ban. The authors also focus on the association between the liquor ban and the rate of crime, showcasing through statistical analysis that the loss of revenue and economic gains for the state outweighs the few positive outcomes of the ban. The authors conclude that the administrative and economic costs of enforcement are substantially above the social gains resulting from the prohibition, suggesting that social mobilisation and adequate funding must be provided to ensure efficient implementation of the aims of the liquor prohibition.

TABLE OF CONTENTS

Preconditions to Regulatory Competition by *Régis Lanneau*

https://doi.org/10.69893/gjle.2021.000036 *Pg 01- 23*

An Economic Analysis of the spread of Fake News by *Anagha MV*

https://doi.org/10.69893/gjle.2021.000035 *Pg 24- 37*

Economic Analysis of Liquor prohibition in Bihar on the Efficiency Criteria by *Dr. Shivani Mohan & Dr Manoranjan Kumar*

https://doi.org/10.69893/gjle.2021.000034 *Pg 38-52*