



Essentials of Economics for Lawyers[©]

Elevating Your Legal Practice with Economics Knowledge

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Background – Chaka Patterson



- Partner at Alston & Bird (and former Partner at Jenner & Block and Jones Day)
- Professor at University of Chicago Law School
- Former General Counsel of a Fortune 1000 Global Education Company
- Former Treasurer & VP for Investor Relations of a Fortune 100 Energy Company
- JD from Harvard Law School
- MBA from University of Chicago Booth School of Business

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LAW SCHOOL

CHICAGO BOOTH
The University of Chicago Booth School of Business

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CHICAGO
THE LAW SCHOOL

Introduction to Economics

- The study of resource allocation
- Production, distribution, and consumption,
- Key Questions:
 - What to produce?
 - How to produce it?
 - For whom to produce it?

— Branches of Economics

Microeconomics

- Supply and Demand
- Elasticity
- Marginal Analysis
- Market Structures

Macroeconomics

- GDP
- Unemployment
- Inflation
- Fiscal & Monetary Policy

— The Importance of Economics in Law

Applications in Law:

- Antitrust Law
- Environmental Law
- Corporate Law
- Intellectual Property

— Enhanced Analytical Skills

- Decision-Making Framework
- Scarcity & Opportunity Cost
- Cost-Benefit Analysis
- Risk Assessment
- Game Theory & Behavioral Economics

— Improved Client Advice

- Business Clients & M&A
- Antitrust Issues
- Regulatory Compliance
- Litigation Strategy & Economic Evidence

— Policy and Regulatory Insight

- Economic Impact Analysis
- Cost-Benefit Analysis
- Policy Development & Evaluation

— Negotiation and Mediation

- Bargaining Power
- Incentives
- BATNA (Best Alternative to a Negotiated Agreement)

Valuation and Financial Analysis

- Asset Valuation Methods:
- Income, Market, Cost Approaches
- Financial Statement Analysis:
- Balance Sheet, Income Statement, Cash Flow

Example 1: Corporate Transactions

Mergers and Acquisitions (M&A):

- Use economic principles to assess the value of target companies, analyze market conditions, and forecast future financial performance.
- This helps clients make informed decisions and negotiate favorable terms.

Example: A lawyer might use discounted cash flow (DCF) analysis to determine the present value of a company's future cash flows, helping a client decide whether to proceed with an acquisition.

Example 2: Antitrust and Competition Law

Market Analysis:

- Use economic theories to evaluate market competition and the potential impact of mergers or business practices on market dynamics.
- Work with economists to define relevant markets, assess market power, and predict the effects of business conduct on consumer welfare.

Example: A lawyer might argue that a proposed merger would create a monopoly, using economic data to show how it would reduce competition and harm consumers.

Example 3: Intellectual Property Valuation

Licensing and Litigation:

- Help clients value their IP assets, which is essential for licensing agreements, sales, or litigation.
- Use economic models to estimate the economic benefits derived from IP, such as patents or trademarks, and advise on strategies to maximize their value.

Example: In a patent infringement case, a lawyer might calculate the economic damages by estimating the lost profits or reasonable royalties that the patent holder would have earned if the infringement had not occurred.

— Example 4: Litigation and Damages Assessment

Quantifying Damages:

- In commercial disputes, lawyers use economic analysis to quantify damages.
- This involves calculating lost profits, future earnings, and other economic impacts to support their client's claims or defenses.
- They often work with forensic economists to provide expert testimony.

Example: In a breach of contract case, a lawyer might present an economic analysis showing the financial losses suffered by their client due to the breach, including lost revenue and increased costs.

Example 5: Regulatory Compliance

Cost-Benefit Analysis:

- Lawyers help clients navigate complex regulatory environments by understanding the economic implications of compliance.
- They advise on cost-benefit analyses and the economic impact of regulatory changes on business operations, ensuring that clients comply with laws while minimizing costs.

Example: A lawyer might help a company assess the economic impact of new environmental regulations, advising on the most cost-effective ways to comply while maintaining profitability.

Example 6: Bankruptcy and Restructuring

Economic Analysis of Viability:

- Lawyers in bankruptcy cases use economic principles to assess the viability of restructuring plans.
- They analyze financial statements, market conditions, and economic forecasts to determine the best course of action for distressed companies.

Example: A lawyer might evaluate whether a company should reorganize under Chapter 11 or liquidate under Chapter 7 by analyzing the potential recovery for creditors and the future profitability of the business.

Example 7: Environmental Law

Cost-Benefit Analysis for Compliance:

- Environmental lawyers use economic analysis to help clients comply with environmental regulations in a cost-effective manner.
- They assess the economic impact of compliance measures and advise on strategies to minimize costs while meeting regulatory requirements.

Example: A lawyer might help a manufacturing company evaluate the costs and benefits of different pollution control technologies to comply with new environmental standards.

— Enhancing Client Satisfaction

- Comprehensive service through financial acumen.
- Meeting client expectations in corporate litigation.
- Career benefits from multidisciplinary expertise.

Key Takeaways



Economics Enhance a Lawyer's:

- Analytical Skills
- Client Advice
- Policy Insight
- Negotiation & Valuation



Final Thoughts:

Economics + Law = Strategic Advantage



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