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ISBN: 9781422498897

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(Pub.3340)

PREFACE

When we were invited to prepare this reader on commercial law, we thought about its appropriate scope, and its place among other readers in this series. The most straightforward approach is to follow the definition of commercial law that is adopted in most law school curricula, which reflects the Articles of the Uniform Commercial Code. This scope, however, falls somewhat short of being coherent in functional terms. It is underinclusive because commercial enterprises enter into a much wider range of contracts. It also seems overly broad because parts of the UCC (particularly, secured transactions and guaranties) address core features of business finance and the capital structure of corporations.

We chose nevertheless to stick with the conventional understanding of commercial law and embraced the opportunity to present this field as an informative arena for applying and testing scholarly theories of contract and of contract law. We have used this approach on several occasions in the past, teaching upper-year, law school seminars in the theory and practice of commercial transactions. Our goal in these seminars, and now in this reader, is to examine a selection of foundational contributions to commercial law scholarship and invite readers to consider whether these articles offer insights into the contracting patterns and issues of the real world. We prepared this book as a text for an advanced contracts or commercial law seminar, or a companion to a course in commercial law. In light of the book's application of contract theory, it may also be assigned in an undergraduate or graduate law-and-economics course.

We examine four bodies of law in the UCC: sale of goods, payments, letters of credit and suretyship, and secured transactions. Sale of goods law is the most similar to mainstream contract law and should be familiar to students who are taking or have taken the basic contracts course. Indeed, a comparison of the legislative provisions governing sales and the common law governing service contracts can offer insights into institutional competence and biases in law making.

Transactions involving security interests and/or guaranties (or sureties) are more closely allied with finance. Although consumer finance is an important topic, we focus on the core question of how to employ these transactions to minimize the cost of financing a business enterprise. This has been a very active area for investigation by both financial economists and lawyers, and we have reproduced many of the important insights. Payments law, in contrast, attracts very little attention in law school curricula and scholarship. Yet, we are in a period of rapid

technological change, toward paperless payment instruments such as debit and stored value cards, and forms of e-cash. This raises the question of whether the framework in Articles 3 and 4 continue to be useful in designing the regulation of the newer mechanisms.

Our perspective in this book might be characterized as predominantly economic, but we emphasize its applied approach. An important feature of this approach is to appreciate the interconnectedness of contracts and of contract law. Clients ask lawyers to draft their contracts at least partly because lawyers know the governing law: particularly, the terms that courts are not willing to enforce and the terms that the courts will add to an incomplete contract. Lawmakers, in turn, are guided by the needs of transacting parties and they should be informed as to contracting patterns. Although this reader focuses on commercial law, it repeatedly asks whether the law, and the scholarly commentary, fully appreciates the realities of commercial practice. In our seminars, we ask students to look at actual commercial contracts, now available in electronic databases such as *cori.missouri.edu* and *onecle.com*.

Throughout this reader, we urge the student also to consider the institutional structure of commercial law making, beginning with an introduction to these factors in Chapter 2.3. In our legal system, law is made by courts, legislatures and regulators. Given the significant differences in their information and biases, readers might speculate about the different rules that would emerge from each of these institutions to address any given legal issue. This analysis becomes even more interesting and complicated when one allows for a choice of processes within each institution: such as the legislative drafting process of the NCCUSL and the ALI.

We thank our series editor, Roberta Romano, for her helpful comments on an earlier draft. We also benefitted from the reactions and comments of students in a number of seminars in commercial transactions that we have taught at Columbia, Harvard, Miami and Virginia. We thank George Pence for his research assistance. We have made every effort to keep the excerpts from selected articles brief, while distilling in a comprehensible form the important insights from each. We indicate deletions from the original texts by ellipses, but have deleted footnotes and subheadings without indication.

Robert E. Scott

George G. Triantis

October 2009

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CONTENTS

1. *The Normative Foundations of Commercial Law, 1*
 - 1.1 **What is Commercial Law?** 1
 - 1.2 **Why Do Commercial Parties Contract?** 3
 - 1.3 **Why Do Commercial Parties Write Incomplete Contracts?** 9
 - 1.4 **The Nature of Commercial Law Rules,** 10
 - 1.5 **The Normative Principles of Commercial Law,** 12
 - 1.6 **The Political Economy of the Uniform Commercial Code (in a nutshell),** 14
 - 1.7 **Conclusion,** 21

2. *The Value of Commercial Law: The Design of Defaults, 23*
 - 2.1 **Introduction: Contract Incompleteness, Gap-Filling and Defaults,** 23
 - 2.2 **Default Rules Versus Default Standards,** 26
Louis Kaplow, *Rules Versus Standards: An Economic Analysis,* 26
Ian Ayres, *Preliminary Thoughts on Optimal Tailoring of Contractual Rules,* 30
Notes, 35
 - 2.3 **Institutional Competence in Commercial Law-Making,** 38
Larry E. Ribstein and Bruce H. Kobayashi, *An Economic Analysis of Uniform State Laws,* 39
Alan Schwartz and Robert E. Scott, *The Political Economy of Private Legislatures,* 43
Einer R. Elhauge, *Does Interest Group Theory Justify More Intrusive Judicial Review?,* 55
Notes, 62
 - 2.4 **Incorporation of Industry Practice,** 65
Lisa Bernstein, *Merchant Law in a Merchant Court: Rethinking the Code's Search for Immanent Business Norms,* 68
Jody Kraus and Stephen D. Walt, *In Defense of the Incorporation Strategy,* 75
Notes, 81

2.5 The Case for and Against Mandatory Commercial Law Rules, 82

Russell Korobkin, *Bounded Rationality, Standard Form Contracts, and Unconscionability*, 83

Philippe Aghion and Benjamin E. Hermalin, *Legal Restrictions on Private Contracts Can Enhance Efficiency*, 90

Notes, 94

3. Sales Law, 95

3.1 Introduction, 95

3.2 Karl Llewellyn and the Normative Underpinnings of Article 2, 96

Zipporah Batshaw Wiseman, *The Limits of Vision: Karl Llewellyn and the Merchant Rules*, 96

James Whitman, *Commercial Law and the American Volk: a Note on Llewellyn's German Sources for the Uniform Commercial Code*, 106

Alan Schwartz, *Karl Llewellyn and the Origins of Contract Theory*, 109

Notes, 113

3.3 Rejection, Revocation, and Cure, 115

John A. Sebert, Jr., *Rejection, Revocation, and Cure Under Article 2 of the Uniform Commercial Code: Some Modest Proposals*, 115

George L. Priest, *Breach and Remedy for the Tender of Nonconforming Goods Under the Uniform Commercial Code: An Economic Approach*, 119

Notes, 124

3.4 Contract Flexibility: Price and Quantity, 128

Paul L. Joskow, *Price Adjustments in Long-Term Contracts: The Case of Coal*, 128

John C. Weistart, *Requirements and Output Contracts: Quantity Variations Under the UCC*, 132

Notes, 139

3.5 Contract Flexibility, Termination Rights and Damages, 141

Robert E. Scott and George G. Triantis, *Embedded Options and the Case Against Compensation in Contract Law*, 141

Eugene Kandel, *The Right to Return*, 148

Notes, 151

3.6 Good Faith Purchase, 154

Grant Gilmore, *The Good Faith Purchase Idea and the Uniform Commercial Code: Confessions of a Repentant Draftsman*, 154

Harold R. Weinberg, *Markets Overt, Voidable Titles, and Feckless Agents: Judges and Efficiency in the Antebellum Doctrine of Good Faith Purchase*, 158

Notes, 163

3.7 Choice of Law, 165

David Frisch, *Contractual Choice of Law and the Prudential Foundations of Appellate Review*, 165

Fred H. Miller, *Intrastate Choice of Applicable Law in the UCC*, 169

Notes, 173

4. Payment Systems, 179

4.1 Introduction, 179

4.2 Negotiability and the Modern Economy, 185

Grant Gilmore, *The Commercial Doctrine of Good Faith Purchases*, 185

Albert J. Rosenthal, *Negotiability—Who Needs It?*, 188

Ronald J. Mann, *Searching for Negotiability in Payment and Credit Systems*, 192

Thomas W. Merrill and Henry E. Smith, *Optimal Standardization in the Law of Property: The Numerus Clausus Principle*, 197

Notes, 201

4.3 The Finality Doctrine, 205

Ronald J. Mann, *A Payments Policy for the Information Age*, 205

Arnold S. Rosenberg, *Better Than Cash? Global Proliferation of Payment Cards and Consumer Protection Policy*, 211

Notes, 218

- 4.4 **Allocating the Risk of Loss, Theft, and Fraud, 224**
 - Robert D. Cooter and Edward L. Rubin, *A Theory of Loss Allocation for Consumer Payments*, 224
 - Clayton P. Gillette, *Rules, Standards, and Precautions in Payment Systems*, 230
 - Arnold S. Rosenberg, *Better Than Cash? Global Proliferation of Payment Cards and Consumer Protection Policy*, 235
 - Edward L. Rubin, *Efficiency, Equity, and the Proposed Revision of Articles 3 and 4*, 239
 - Notes, 243

- 5. **Credit Instruments, Suretyship and Standby Letters of Credit, 247**
 - 5.1 **Introduction, 247**
 - 5.2 **Motivations for Sureties and Standby Letters of Credit, 250**
 - Douglas G. Baird, *Standby Letters of Credit in Bankruptcy*, 250
 - Avery W. Katz, *An Economic Analysis of the Guarantee Contract*, 253
 - Notes, 258
 - 5.3 **Sureties versus Alternative Lending Arrangements, 260**
 - Avery W. Katz, *An Economic Analysis of the Guarantee Contract*, 260
 - Notes, 365

- 6. **Secured Credit, 267**
 - 6.1 **Introduction, 267**
 - 6.2 **Why are Some Creditors Secured and Others Not?, 270**
 - Thomas H. Jackson and Anthony T. Kronman, *Secured Credit and Priorities Among Creditors*, 270
 - Alan Schwartz, *Security Interests and Bankruptcy Priorities: A Review of Current Theories*, 274
 - Saul Levmore, *Monitors and Freeriders in Commercial and Corporate Settings*, 277
 - Notes, 280

- 6.3 Proceeds, After-Acquired Property and Future Advances, 283**
R. Wilson Freyermuth, *Rethinking Proceeds: The History, Misinterpretation and Revision of U.C.C. Section 9–306*, 283
Robert E. Scott, *A Relational Theory of Secured Financing*, 289
Notes, 292
- 6.4 Priority Allocation Over Time: First–in–Time versus Later–in–Time Priority Rules, 294**
Hideki Kanda and Saul Levmore, *Explaining Creditor Priorities*, 294
George G. Triantis, *Financial Slack Policy and the Laws of Secured Transactions*, 298
Notes, 302
- 6.5 Notice Filing and Disclosure Alternatives, 305**
Randal C. Picker, *Perfection Hierarchies and Nontemporal Priority Rules*, 305
Alan Schwartz, *A Theory of Loan Priorities*, 310
Notes, 317
- 6.6 Distributional Consequences of Secured Credit, 320**
Lynn M. Lopucki, *The Unsecured Creditor's Bargain*, 320
Elizabeth Warren, *Making Policy With Imperfect Information: The Article 9 Full Priority Debates*, 323
Alan Schwartz, *Security Interests and Bankruptcy Priorities: A Review of Current Theories*, 329
Lucian A. Bebchuk and Jesse M. Fried, *The Uneasy Case for the Priority of Secured Claims in Bankruptcy*, 331
Notes, 341