

## **Learning Outcome Statements 102 – Why Contracts Are Enforced/Why Contract Design Matters**

As a contract design student, you should understand and be able to apply the ideas and concepts introduced in the lecture and the corresponding course materials. In particular, you are expected to demonstrate the following skills:

- 1) Outline why contract enforcement usually increases social welfare.
- 2) Explain the rationale behind the freedom of contract.
- 3) Describe the assumptions that proponents of the freedom of contract make.
- 4) Explain how contract law takes these assumptions into account.
- 5) Outline how a contract can cause externalities and how contract law accounts for this possibility.
- 6) Describe the connection between facilitating trade and economic growth.
- 7) Explain by using an example why poorly designed contracts prevent beneficial trade.
- 8) Outline what the term *transaction cost* means.

Ahead of class, we will ask you to take a computer-graded quiz which is designed to test your knowledge of these learning outcomes.

At the beginning of the lecture, Professor Stremitzer will briefly review these learning outcomes. If you have questions regarding the learning outcomes, please ask them during this review in class.