

The Convergence of Law and Economics: Implications for the World of Trade

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Introduction

Law and economics are two distinct disciplines, rooted in very different soils, developed to solve different problems encountered by evolving societies. Each has created its own characteristic traditions. Each draws on its own set of epistemological tools. Law is largely deductive, reasoning from principle and precedent to establish new precedents (and perhaps even new principles); reality is tested against the law and if necessary is constrained to conform to the law. Economics is inductive, discerning systematic elements in the chaotic froth of economic life that are then labeled "economic laws"; these laws are tested against reality and, when found wanting, it is the law that is reshaped or restated to conform with the reality (although sometimes ideologues in the field of economics do precisely the reverse!)

Yet law and economics also have fundamental similarities. Both are concerned, for example, with procedural and substantive "fairness". In law, we have the well-known concepts of *due process* and *metu justice*. It is less well understood that there are essentially similar concepts at play in economics. For example, the notion of a market transaction incorporates the notion of procedural fairness in the sense that the transaction must be between a willing seller and a willing buyer with no coercion ap-

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