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## **Economic analysis of the “Good Faith”**

**Hamid BAGHERZADEH<sup>1</sup>** (PhD in Private law, Attorney at Law)  
**Fatemeh MOHSENI<sup>2</sup>** (Master in international economic business law)

### **Abstract**

According to economic analysis of law, the principle of “Good Faith” has economic efficiency in contracts. This, firstly, as a general legal principle, bears obligations and duties over contract’s parties to reach satisfaction and feeling of legal security, then leads to efficiency in contracts. Furthermore, “Good Faith” by the burden of honesty and lack of inappropriate actions liabilities in all of the contract formation steps to the parties prevents opportunistic behaviours caused from contract vacuums, and by protecting policies leads to contractual expansion. “Good Faith” by submitting additional obligations, fills incomplete contracts. This, as an efficient legal Instrumental, assists parties, especially who don’t have enough financial abilities and information resources to predict all upcoming events to increase the economic efficiency of contracts through saving transaction costs. “Good faith” by minimising contractual defects and creating efficiency seeks to increase the profits and economic benefits of the contractors. So, adjusting contractual relationships to avoid from the waste of resources and support of contractual trust is applicable solely by enforcing all parties to adjust “Good Faith” and its arising commitments in bargaining, performance and interpretation levels of the contract. Such a commitment aims to optimise the contractual process and thus increasing the social welfare.

### **Key words:**

Good Faith, Economic Analysis, Law, Commitment, Contract.

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1. EMAIL: hamid.bagherzadeh@kcl.ac.uk  
2. fatemeh.mohseni.86@gmail.com