

Introduction to Law and Economics Midterm Examination Answer

production level	cost and benefit	net benefit of producer	harm to community	
0		0	0	$0 - 0 = 0$
1		20	10	$20 - 10 = 10$
2		36	25	$36 - 25 = 11$ 最大
3		52	43	$52 - 43 = 9$
4		70	63	$70 - 63 = 7$
5		86	83	$86 - 83 = 3$

- (i) What is the socially optimal production level (show your calculations)? (5%)
- (ii) If the producer has the right to decide its production level, what will be the level it chooses? (5%) (86 最大)
- (iii) If the community has the right to decide how much to produce, what will be its level? (5%) (0 最小)
- (iv) Show that regardless of whether it is case (ii) or (iii), as long as bargaining is frictionless, the social optimal can be attained. Please give your answers by first making up tables similar to the following two, and then state your conclusion by using results in your tables. (15%)

(A)

production level	amount of compensation the community needs to pay the producer to reach this level	net gain of the community in moving to this level
0	$86 - 0 = 86$	$(83 - 0) - 86 = -3$
1	$86 - 20 = 66$	$(83 - 10) - 66 = 7$
2	$86 - 36 = 50$	$(83 - 25) - 50 = 8$
3	$86 - 52 = 34$	$(83 - 43) - 34 = 6$
4	$86 - 70 = 16$	$(83 - 63) - 16 = 4$
5	$86 - 86 = 0$	$(83 - 83) - 0 = 0$

Producer has the right

大家出錢

(B)

production level	amount of compensation the producer needs to pay the community to reach this level	net gain of the producer to reach this level
0	$0 - 0 = 0$	$(0 - 0) - 0 = 0$
1	$10 - 0 = 10$	$(20 - 0) - 10 = 10$
2	$25 - 0 = 25$	$(36 - 0) - 25 = 11$
3	$43 - 0 = 43$	$(52 - 0) - 43 = 9$
4	$63 - 0 = 63$	$(70 - 0) - 63 = 7$
5	$83 - 0 = 83$	$(86 - 0) - 83 = 3$

Community has the right

(86, -75)

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(11, 0)

(v) What will be the net private benefit and net community benefit after the Coasian bargaining, for each of the cases when (a) producer has the right, and (b) the community has the right? Are they the same? (10%) NO

(vi) What are your conclusions regarding efficiency and income allocation of Coase Theorem? (5%) Bargaining attains efficiency regardless of

(vii) Suppose the bargaining cost of the side which initiates the bargaining is 10. Is Coase Theorem still correct? Why? Prove your answer. (15%)

3. 民法及民事訴訟法在功能的差異是什麼? (5%) 訴之三要素是什麼? 各代表什麼意思? (10%) See civil procedure slide pp. 5-7.

allocation of rights. But different assignments of rights result in different individual benefits.

2 (vii) The ~~the~~ last numbers in (A) will decrease by 10 if the bargaining cost is 10. In that case all numbers are negative, ~~and~~ implying it is not possible for the community to initiate bargaining. In that case the production level will be 5, and benefit allocation will be (86, -83). This is not Pareto optimum.

~~The~~ the last numbers in (B) will decrease by 10 too. But at ~~output~~ output 2, ~~the~~ the producer's net benefit is still ~~the~~ positive (11-10). Therefore, producer will bargaining to the output 2, implying a Pareto optimum.

When there is bargaining cost, ~~the~~ allocation of legal rights matters even for ~~the~~ ~~the~~ efficiency: in (A) the outcome is inefficient, while in (B) it still is. Both ~~the~~ Coase theorem 1 and 2 fail.

~~Slide~~

2. 平衡效率性及正確性。事實之認定越準確，就愈需要投入成本，但成本愈高，越容易在廣度上符合效率。(見此事實訴訟 slide p2)。以 ~~非增廣性~~ 訴訟金額可以達到法院審理層級為例 (見 p3)

3. 當事人，訴訟標的，訴之聲明

↓
要說明
原被告是誰。

↓
為請求法院審理之
標的。原被告
主張。原被告
是，僅止說明
主張並不夠，
還要表明訴訟
標的之原因及事實。

為請求法院如何
判決之聲明，如
給付，確認，形
成等等。

4. $\{(x, y) \mid x, y \geq 0, x + y = 100,000\}$

換句話說，把10萬元全數分給兩個人，不論怎麼分都是 P.O.

9. 要