

Final Report

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“People respond to incentives”. This phrase is the most fundamental fact that can summarize most of economics, leaving the rest commentary. Waiting half an hour to buy a tank of gasoline at a federally controlled price in the late 1980s or making a wide range of automobile safety legislation could have effect on the phenomenon as the way people originally wish to unfold; the result might turn out to be in backward instead. Whether people would choose to purchase a tank of gasoline at a good price or enjoy the speed and recklessness, it is tantamount to choosing. An interesting question that if people do not respond as what they are wanted to be, how we can control their trend still remains. Another question that how much anti-or-pro policies are in effect is following. The answers, however, are in position of pure logic. In the late 1970s, Sam Peltzman of the University of Chicago found that the two effects were of approximately equal size.

Anyway, after this slight digression into the challenge of empirical research, we cannot underestimate the power of incentives. Especially Criminal Law is a critical area for understanding how people respond to incentives. To what extent do harsh punishments deter criminal activity? A case of particular interest is the death penalty. Although there were so many various researches and studies attempting to explain the relation between capital punishment and decrease of murder rates, the failures of accounting for them have left over the birth of incentives. The result is that incentives matter. Perhaps in a moment of rage, a murderer becomes so carried away that he will kill a victim even if he has only a 20% chance of escaping execution. Then even he perceives his chances to be 15% or 25%.

The third question that if incentives are the key to moving what people should do, how they are working in court's decision can be unavoidable in perspective of economics in the courtroom. A startling observation about the impotence of judges was made in 1961 by Prof. Ronald Coase of the University of Chicago Law School; the court cannot control how the resource is employed. In Coase's honor, his observation has come to be called the Coase Theorem. It applies whenever the parties to a dispute are able to negotiate, to strike bargains, and to be confident that their bargains are enforceable. Under these circumstances, the Coase Theorem says that the allocation of property rights, or the choice of liability rules, or more generally any distribution of entitlements (a formulation that includes both property rights and liability rules) has no effect on the ultimate allocation of resources. When however, circumstances prevent negotiations, entitlements, liability rules, property rights, and so forth do matter. Moreover, the traditional economist's prescription for efficiency- making each individual fully responsible for the cost he imposes on others- is meaningless. It is meaningless because the costs in question result from conflicts between two activities, not from either

activity in isolation.

The advice and suggestion are clear; make them negotiate with each other. The right question for the court, therefore, to consider is, which liability rules are least likely to interfere with these negotiations?

Dear Prof. Kim,

I, firstly apologize for my absence a couple of times from class. I certainly know I have no excuse for that and you are not going to fall for any poor improvised excuses. I have to concede that to sign up for this class twice made me go slow on this class and interfere with emission of my 100% fully motivated participation.

This class I have experienced in this semester, I suppose, cannot meet your expectation you expected on us the first day of this class. Personally, as a senior of this class, I should have lead the rest of the class member to reach the goal.

However, in the spite of low motivation, I think I have a better confidence on legal mind considered to take this class continuously. The different dynamics of this class from the last affirmed where I should go and what I should do.

I cannot thank you enough, Prof. Kim, any way. We. All the class members, promise you to make you proud for future.