

## Chapter 7

1. Discuss the sense in which the Coase Theorem renders the notion of “causation” essentially meaningless in externality or accident settings. What is the implication for deriving an efficient remedy?
2. Suppose the owner of a boat, on seeing an impending storm blowing up, moored his boat to a dock without first obtaining the owner’s permission. During the course of the storm, the boat did \$500 worth of damages on the dock, but the boat was saved. The dock owner sued for damages and won. What assignment of rights and enforcement rule (property or liability) are implied by this ruling? Would it have made sense for the court instead to award the plaintiff more than the \$500 in damages to deter the defendant’s actions?
3. Can you explain why people voluntarily enter into condominium or planned community contracts that greatly restrict their rights over their property?
4. Define an “externality” and explain why it is a social problem. Is the socially optimal level of an externality generally zero? If not, why not? How does the law deal with externalities?
5. Explain the similarities and differences between strict liability in tort law and a Pigovian tax.
6. Gino’s barbeque is known for its famous spare ribs, which are cooked in an open pit. However, some neighbors complained about the smoke, and the city adopted an ordinance that made such open pits illegal. Could this ordinance be a regulatory taking? If so, what would be the measure of Gino’s loss? How might the city seek to avoid paying compensation?
7. Because of a shortage of certain transplantable body parts (such as kidneys), the government is considering a law that would compel people to donate those parts upon their death. Would this rule be more efficient than relying on voluntary donations? Is this a taking, and if so, what would be the measure of compensation? Is there a justification for relying on this approach to remedying the shortage, rather than by allowing a market in body parts?
8. Do you agree with the following statement: “By depriving owners of idiosyncratic value, eminent domain encourages too much transfer of land to public use.”
9. A private landowner accidentally uncovers a cache of dinosaur bones on his property while excavating for a foundation. The bones are of important scientific value, but also have a high market value. Should the owner be allowed to sell the bones to the highest bidder? What if the government seizes the bones? Would it be a taking? What would the compensation be?

10. Private takings involve government seizures of private property for purposes of economic redevelopment rather than for provision of a public good. Courts have nevertheless generally granted cities the power to use eminent domain in this way given the spillover benefits from redevelopment of a blighted urban area. Review the key cases in this area and assess the economic logic of the various rulings.
11. Evaluate the following assertion: “The eminent domain clause of the Fifth Amendment is really about fairness rather than efficiency.”
12. Economic theory views property as a bundle of rights rather than as a single entity. It would therefore seem to follow that any government regulation of property should be viewed as a “partial taking.” Courts have nevertheless generally been reluctant to label such regulations as compensable takings under the eminent domain clause. Is this a supportable position from an economic perspective?