

# 2nd set of open questions

## Law and Economics

Submit before Monday, Oct 12.

Choose and answer at least two of the following questions. These are open questions: there is no right or wrong answers. However, there are better and worse arguments you can make. Feel free to use any source of information that you want, but I recommend that you first spend some time thinking about the question on your own. Try to convey your answer in a **concise** and **clear** way.

**Submission format:** send me a .txt file via email. Each question number should be clearly marked in your answer.

1. In many settings there is both safety regulations and liability in place. For example a restaurant might be required to comply with certain safety and hygiene standards, and if the restaurant fails to pass an inspection the restaurant might have to pay a fine. However, if the liability system works well, the incentives to take precautions should induce the restaurant take precautions optimally. Why have then both safety regulations and liability?

2. For some torts and crimes there is ‘statute of limitations’ i.e. a certain period of time such that after that time no suit can be brought. Why do you think this limitations exist and for what types of torts and crimes makes more sense.

3. In most legal systems where divorce is legal it is not possible, when getting married, to enter a contract where both parties renounce to the right of divorce. Can you think of a reason for this impossibility?

4. In contract law, promises are enforceable if they are mutual. In contrast, promises to give gifts are not generally enforceable unless the intended recipient incurs some expenses in anticipation that the promise will be honored. Discuss this distinction from an economic perspective.