

Goetz, LAW AND ECONOMICS: CASES AND MATERIALS, West Pub. 1984

Charlie's book- Good bibli; good vocab.

Vocabulary:

- prisoner dilemma
- chicken
- externalities; private & socail (18)
- jointness (27)
- excludability(27)
- tendency to "congest" (27)
- Public goods: Gives Samuelson's optimality conditn:

Jointly consumable goods should be produced up to the pt where the sum of the marginal evaluations of all potential consumers equals the marginal cost of the good. p.28

- appropriability-- this is less clear.

"For nonjoint goods, appropriability requires not only the minimal prerequisite of excludability, but also the potential assignemnt or transferral of part of the benefits to someone else..."38

Why is this true only for nonjoint goods? Charlie recognizes that

'appropriability' (i.e., ability to 'make one's own') the benefits of something to a non-owner user may take place through transfer..." p.38

, which wouldn't seem an observation limited to nonjoint goods. He says that for joint goods,

"more than one person can truly and completely own the entire property and its stream of benefits-- if not in the legal sense, at least in a more fundamental underlying sense." 38.

With this I disagree. The disagreement may be just on the meaning of ownership-- he tends to confuse OWNERSHIP w the PRIVILEGE to use and enjoy. (he makes the same error at 51). There are abilities to get income out of ownership

*John Heel 1st  
distinguished  
jointness + excludability  
Samuelson confused  
then*

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which a mere priv of enjoyment won't get you-- to get the ben of a strangers "higher valued use" (or any use) excludability lets one transfer to strangers their rights of enjoyment for a fee.

Fountainbleu case: a decision to build a new addition blocking a neighboring hotel's access to the sun can NOT be enjoined merely because it is partly activated by spite. (49). Need to learn more about spite & malice-- check LEFF?

Goetz has a loose, charitable view of the Coase Theorem-- that it doesn't claim that the sam allocation of resources will always result regardless of the assmt of rights, but "merely asserts that an initial ownership decisio does not by itself mandate the final result as to how rights are used and by whom." (53) He attributes the possible changes in allocations to welath/income effects (he uses both terms w/out clearly distinguishing betw them - 53)- but says taht still, allocatns will be to highest-valued uses, even tho the identity of the use w highest value can CHANGE as a result of the shift in legal rules.

He doesn't admit or think signif Regan's point about the limits on rationality-- or else he's taking the "cheap" way out of setting the assumption at there being "no obstacles to transacting." (52) - - - -

On the phone, Charlie accepts my various theoretical pts-- he says he was using "ownership" in imprecise way in order to create class discussion. By "joint" goods in the disc of appropriability he also meant "non-excludable" ones-- just a little careless there.

As to additional reading (which I asked him about), he recommends:

- for purposes of reacquaintaing myself w notation: BAUMOL< ECO THEORY AND OPERATIONS ANAL
- interesting extension of the pub goods debate-- an exchange betw Samuelson, Coase, etc, maybe Demsetz too, in J of Law & Econ of the 1960's, re alloc of radio waves
- re Malicious use of prop rights-- he says the dividing line betw settlement and extortion is a particularly fruitful area-- he'll call back w cites.

→ Columbia last 6 mo - 4"  
James Lindgren