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Negligent Economics: An Analysis of the Calculus of Negligence

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Poster Presentation P44

NEGLIGENT ECONOMICS: AN ANALYSIS OF THE CALCULUS OF NEGLIGENCE

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Improving the United States' legal liability system will maintain the safety and justice of our country. To advance legal methods, court decisions should be analyzed economically in an attempt to minimize costs and yield the optimal social outcome. This study determines whether the utilization of the calculus of negligence, a common law based on economic analysis, produces just and cost minimizing rulings. These cost minimizing rulings will lead to the aforementioned optimal equilibrium. Six United States court cases, judged on a matter of negligent liability, were selected for this study and analyzed with the criteria presented in the Hand Rule. These criteria establish whether the chosen cases employed the calculus of negligence and to what extent they minimized costs. The analysis found that rulings made under the Hand Rule generated the most fair verdicts and deterred costly future decisions. These results suggest that future common law should be rooted in economic analysis.