

Chapter 19 #1: What is the Good Samaritan rule? How does it differ in English-speaking countries versus continental Europe? Explain the benefits and costs of each system.

*The Good Samaritan Rule is a biblically-motivated regulation wherein a bystander who observes an individual to be in danger is forced to rescue when the cost of rescue is trivial, but later on requires the rescuee to compensate the successful rescuer. In English-speaking countries, the bystander is not required to rescue while the rescuee is not asked to compensate. In continental Europe, the bystander is required to rescue if the cost of rescue is trivial but the individual in trouble must compensate the rescuer later on. The ruling in continental Europe is more efficient given the incentives it poses. When the cost of rescue is trivial, the benefits of saving the individual is much higher relative to the cost. Therefore, it is better that the bystander is forced to rescue. At the same time, the potential rescuee will take precautions not to need any rescuing since he will have to pay for the cost of any future rescue. Risks will then only be made if the expected costs are less than the value of the activity to the potential rescuee. This then reduces the number of risky activities down to the optimal level.*

Chapter 20 #1: What problems arise if rights are given to the first person or entity? What problems arise if we ignore who was first? How do we avoid strategic behavior by the participants?

*If rights are given to the first person or entity, then many parties will try to be there first. More than optimal amount of resources may be utilized just so the party will be the first and staying there. In other words, this creates high transaction costs.*

*On the other hand, if we ignore who was first, we may incur more costs when determining who should have the right. There are alternatives when allocation the rights but these may be very costly.*

*To avoid strategic behavior, we can clarify the contingencies when being first counts and when the doctrine of coming to the nuisance should be invoked. One should first determine which sequence is optimal and then design rules that promote the efficient outcome. Thus, the*

*determination of which side should have the right depends on the costs and benefits of the entire income stream, not just on those costs and benefits after the second party came.*

Chapter 20 #2: When should being first be considered? When should moving costs be weighed in the cost-benefit calculations? If separately owned inputs into the production of damage take place sequentially over time, what is the correct economic methodology for determining the allocation of rights?

*Being first should be considered when the first use of a large, featureless expanse of land establishes its character. If the character of the place is determined by the second use but the second use should not have been there, then there should be weighing of the cost-benefit calculations for the first party to move.*

*Now, the correct methodology for determining the allocation of rights is by first determining the efficient sequential allocation of resources. This depends on the particular set of circumstances. The next step is to determine the liability rule or property right allocation that promotes the efficient sequence.*

Chapter 20 #3: Why is the following argument unacceptable on economic grounds? Since the nuisance was there first, the victims willingly consented to it by establishing residences nearby.

*If the character of the area is more suitable for the victims and not so much for the first party, then the first party should have already foreseen that the second party would come. As a result, the second party establishing nearby is a statement that the nuisance should move.*

Chapter 20 #4: In *Bove v. Donner Hanna*, Bove was there first, but the courts did not grant the rights to Bove. But in *Mahlsted v. Indianola*, the courts did grant rights to the party that was first. Why did the courts act differently in these two cases?

*What constitutes the difference here is the character of the place. In *Bove v. Donner Hanna*, Bove established residence in a marshy area fit for industry, not for residential purpose. On the other hand, *Mahlstedt* had asked for a court injunction barring the operation of a city*

*dump neighboring his property. Given that there was nothing peculiar to the location, it is 'featureless,' and therefore, the first use determines its character. The court, in both cases, want the parties to act efficiently based on the circumstances.*

Chapter 20 #5: When is it appropriate to have a nonconforming land use?

*It is appropriate to have "nonconforming land use" for those activities that should have been there first and should remain, while initiation of similar activities are prevented because the cost-benefit stream dictates that they should be undertaken elsewhere. This is true even if the activity would have been outlawed if it had not been first.*

Chapter 20 #6: Explain why the court made Del Webb pay for moving of the smelly feedlot even though when cities expand, cattle feedlots are not compensated for moving costs.

*The novel solution in this case reflect the fact that the cattle feedlot owner could not have reasonably foreseen the development of a retirement community nearby and therefore should be compensated for all costs associated with moving his business.*

*If the court had not questioned whether the developer should have been there in the first place, the court would have ruled for the feedlot to move without compensation, as it was cheaper to move the feedlot than to move the residents. But without compensation an inefficient precedent would have been established. Developers would choose areas inappropriate from a social cost-benefit analysis because the developers would not incur the costs to the adjacent nuisance of moving away. In future situations, even if it were cheaper for the builder to develop elsewhere than to make the feedlot move, the developer might move near the feedlot (if the developer did not have to compensate the feedlot owner).*

Chapter 20 #7: What are the advantages and disadvantages of riparian rights versus a system of prior appropriation.

*Both types of allocation of rights are used on surface water use within the United States. In the eastern United States, the riparian system is utilized. Under this system, the entitlement to water is based on ownership of property that is adjacent to the stream. All riparian owners have an equal entitlement to the water (communal rights). A major problem though is that this system restricts the use of water to riparian owners and requires that water be used only on riparian land. The water may be more useful if it is used elsewhere.*

*On the other hand, many western U.S. states use the prior appropriation system, or the miners' philosophy of "first in time, first in right." Individuals who first appropriate water by diverting it have superior rights to those who appropriate the water later. During water shortages, earlier users are entitled to their full allocation, while later users can be cut off completely (essentially property rights system that grants advantage to whoever is first). Furthermore, a person will often continue to draw the appropriated amount, even if it is more than necessary, to maintain the entitlement.*

Chapter 20 #8: What problems arise when the right to a shipwreck goes to the discoverer rather than to the ship owner or the insurance company that insured the wreck?

*Insight is gained by first realizing that the choice is between the insurance company having a property right and the discovery groups having a communal right – in the latter situation, whichever discovery group finds the gold first, gains the right. A communal right will result in too much investment in being first, as this is the only way to gain the entitlement. Moreover, there will be "overfishing" for the ship. This means that too many people will engage in the search, resulting in a higher than necessary total cost of search and a lower probability of being the first to discover the wreck. In contrast, if the insurance company owns the right, then the insurance company can have the discovery groups bid for the right to search.*