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The development of care technology under liability law

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Abstract

It is well known that strict liability and negligence induce pareto optimal care in a most restrictive model of unilateral accidents. The paper at hand extends this traditional theorem from its static context to an intertemporal setting where tort law induces progress in care technology. This model provides a methodological framework for a general analysis of the dynamic incentives generated by alternative liability rules. One of the many possible extensions of the basic model is to allow for incomplete information. Particularly, we drop the assumption that the authority setting the due care standard under negligence is able to assess technical progress ex ante. It is shown that the dynamic incentives of the negligence rule are distorted compared to strict liability in this modified framework.

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