Ambiguity and Accident Law

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This paper analyzes liability rules, when agents, both the potential injurer and the potential victim can perceive ambiguity, i.e., they are not aware of the probability of the accident. Both the potential injurer and the potential victim invest in care and they derive utility from the activity which may lead to the accident. We find that negligence and strict liability are not efficient if the stipulated care level is the optimal care level. But under negligence with the defence of contributory negligence, if the agents are pessimistic, we may be able to get efficient care level by both agents.