

# Decoupled Liability and Efficiency: An Impossibility Theorem\*

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## Abstract

A basic feature of tort law is that of coupled liability. The damages awarded to the victim equal liability imposed on the injurer. This feature of tort law is incorporated in the very definition of a liability rule by postulating that the shares of loss borne by the two parties sum to one. In this paper the relationship between this feature of tort law and efficiency is investigated. It is shown that coupled liability is necessary for efficiency, i.e., if a rule is such that it invariably gives rise to efficient outcomes then it must be the case that under it the liability is coupled. In other words, no rule with decoupled liability can be such that it always yields efficient outcomes.

Keywords: Decoupled Liability, Liability Rules, Hybrid Liability Rules, Efficient Rules, Quasi-Efficient Rules, Condition of Negligence Liability.

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