

“Optimal Contractual Remedies for Risk Averse Agents with Bilateral Private Information”

BY **Sheridan Fellow Kenneth Khoo, NUS Law**

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4.00PM TO 6.00PM

FEDERAL CONFERENCE ROOM

FEDERAL BUILDING LEVEL 1, NUS LAW (BUKIT TIMAH CAMPUS)

ABSTRACT

The author examines the relative efficiency of three contractual remedies (specific performance, ex ante expectation damages and ex post expectation damages) in a setting of seller risk aversion with bilateral private information and a buyer's endogenous option not to sue. In his model, he isolates the effect of seller risk aversion on joint welfare and prices. Contrary to the existing literature, he establishes that seller risk aversion may reduce the joint welfare of contracting parties under ex ante expectation damages as compared to its ex post counterpart. Using numerical optimization techniques, the author finds that the superiority of ex post expectation damages over ex ante expectation damages is robust to numerous changes in parameter values. He argues that the efficiency of ex post damages arises from a “reduction-in-disutility” effect associated with seller risk aversion. Importantly, he shows that this effect dominates any inefficiency stemming from a “truncated distribution” effect where the buyer has an endogenous option not to sue. The author's results have important implications for the establishment of appropriate remedies in contracts with ex post payoff uncertainty.

ABOUT THE SPEAKER



Kenneth is a Sheridan Fellow at the NUS Faculty of Law. Kenneth graduated from NUS in 2014 with a Bachelor of Laws (First Class Honours) and a Bachelor of Social Sciences (Economics) (First Class Honours), from the London School of Economics and Political Science with a Master of Science in Economics in 2018, and from Yale Law School with a Master of Laws in 2019. He also received the Ministry of Trade and Industry (Economist Service) Prize for Best Thesis in Economics from NUS. Kenneth has research and teaching interests in hybrid areas where Law and Economics intersect, especially in commercial subjects like Competition Law, Corporate Law and Contract Law. His work has been published in local and foreign journals like the Journal of Competition Law and Economics and the Singapore Journal of Legal Studies. He is currently a doctoral student at Yale University.

REGISTRATION

Participation is by invitation only.
Visit <https://nus.edu/2xPipac> or scan the QR Code.

Registration commences at 3.45pm. Light refreshments will be served.
For more information, please contact Ms Alexandria Chan (E) rescle@nus.edu.sg

