Table 1

Legal Rule	Payment Schedule	Geometric Representation
Full damages	0 if $x \leq z$ $L(x)$ if $x > z$	OABC
Marginal damages	0 if $x \leq z$ $L(x)-L(z)$ if $x > z$	OAD

Figure 1

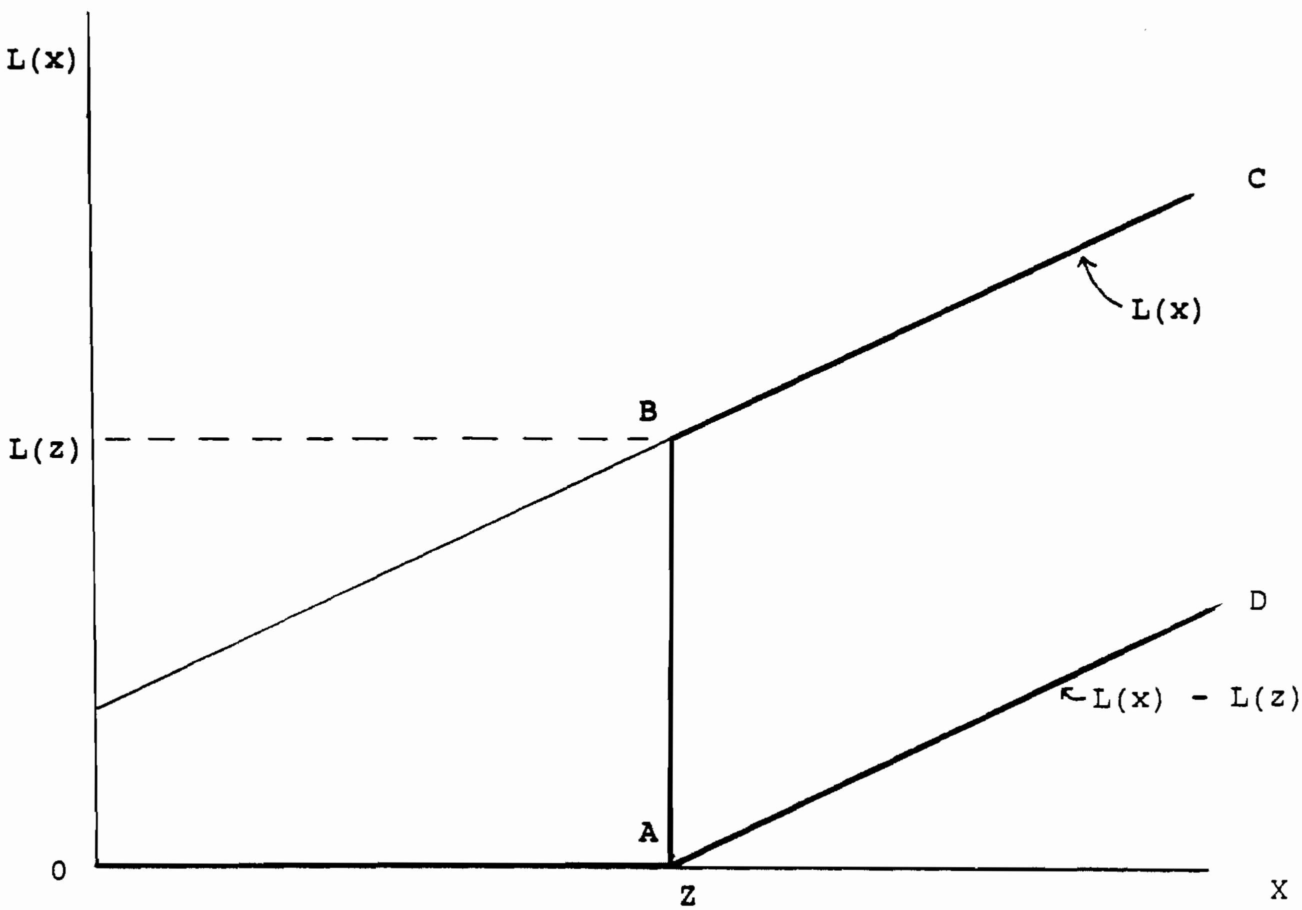


Figure 2

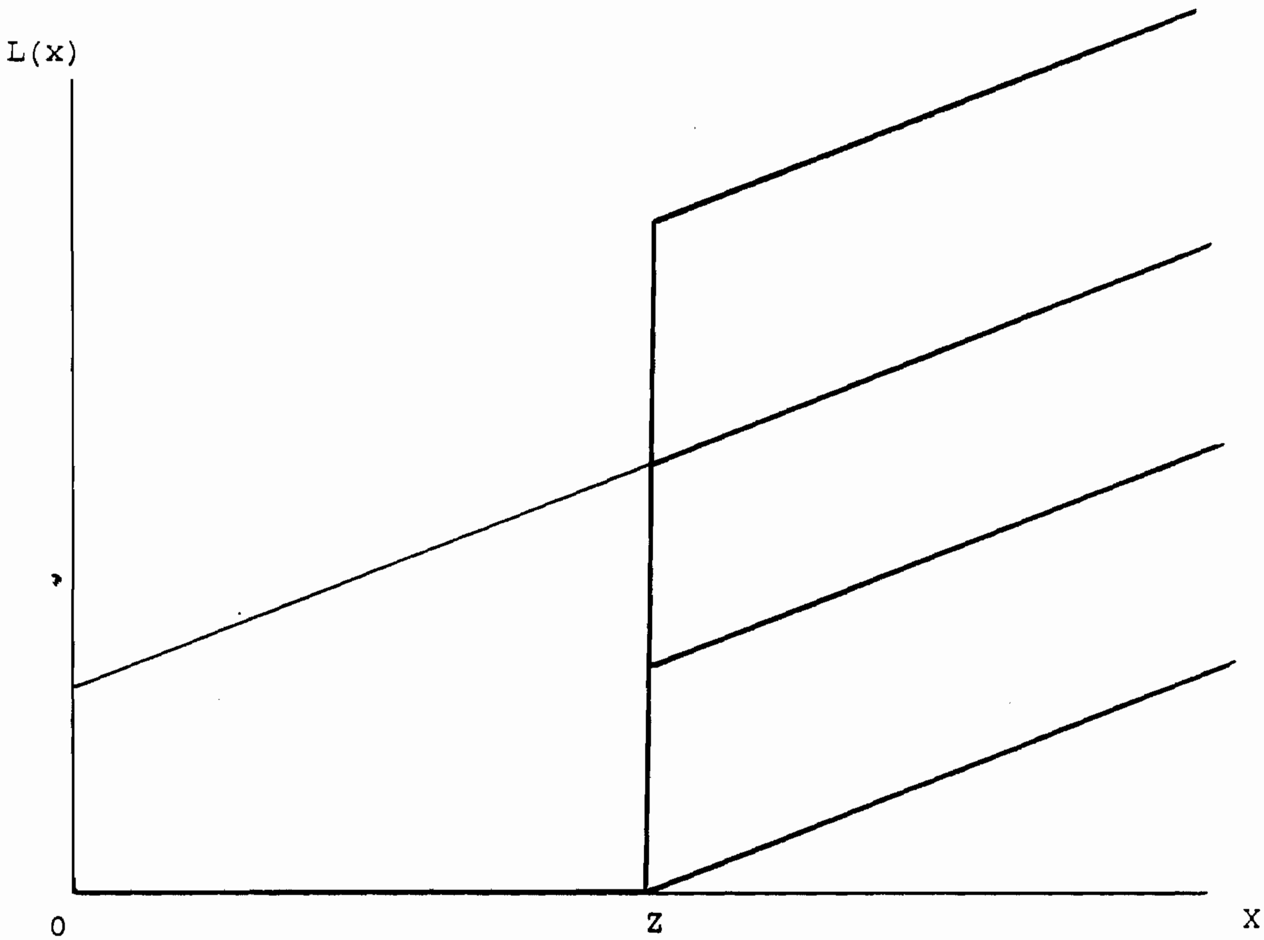


Figure 3

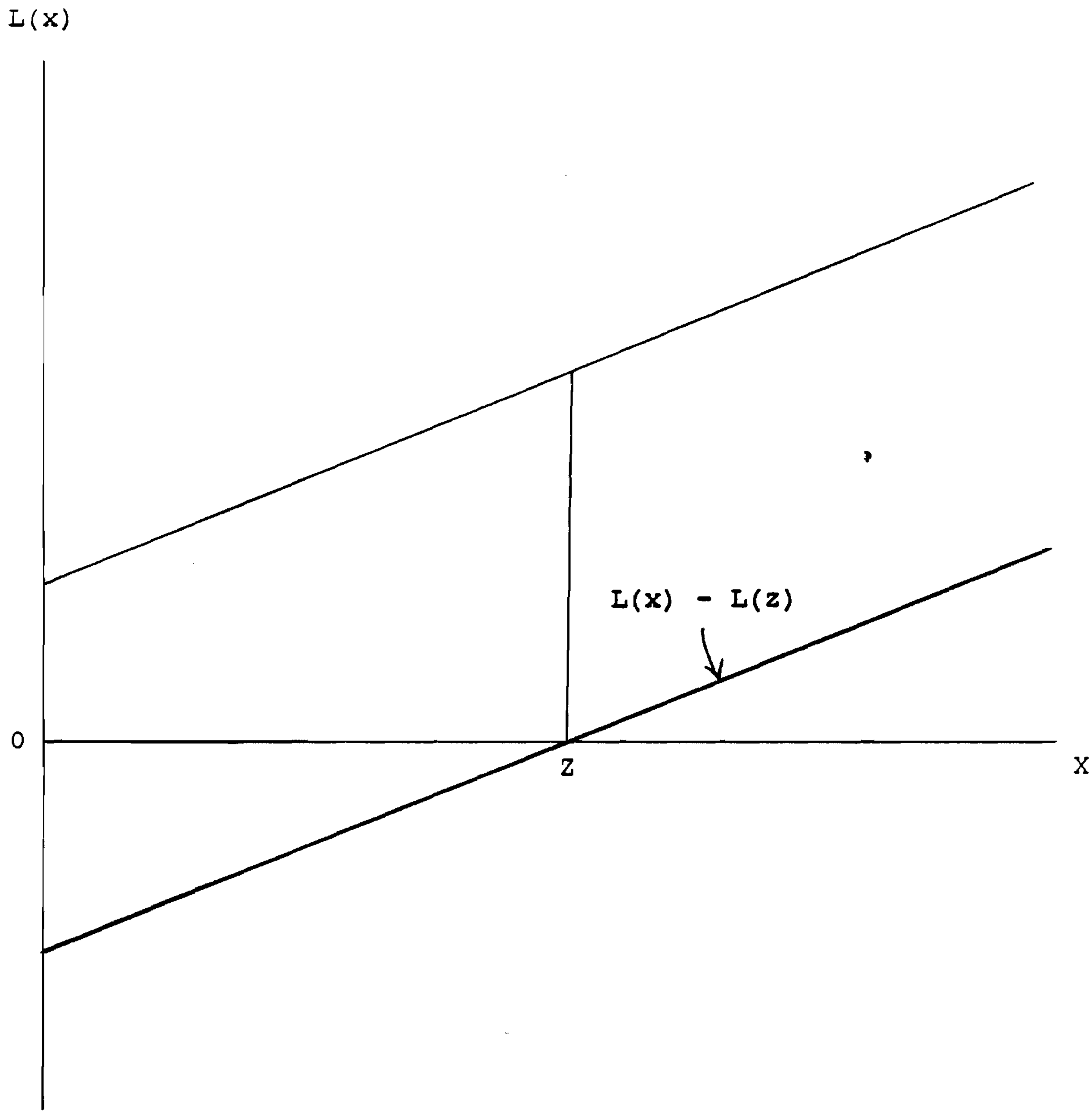
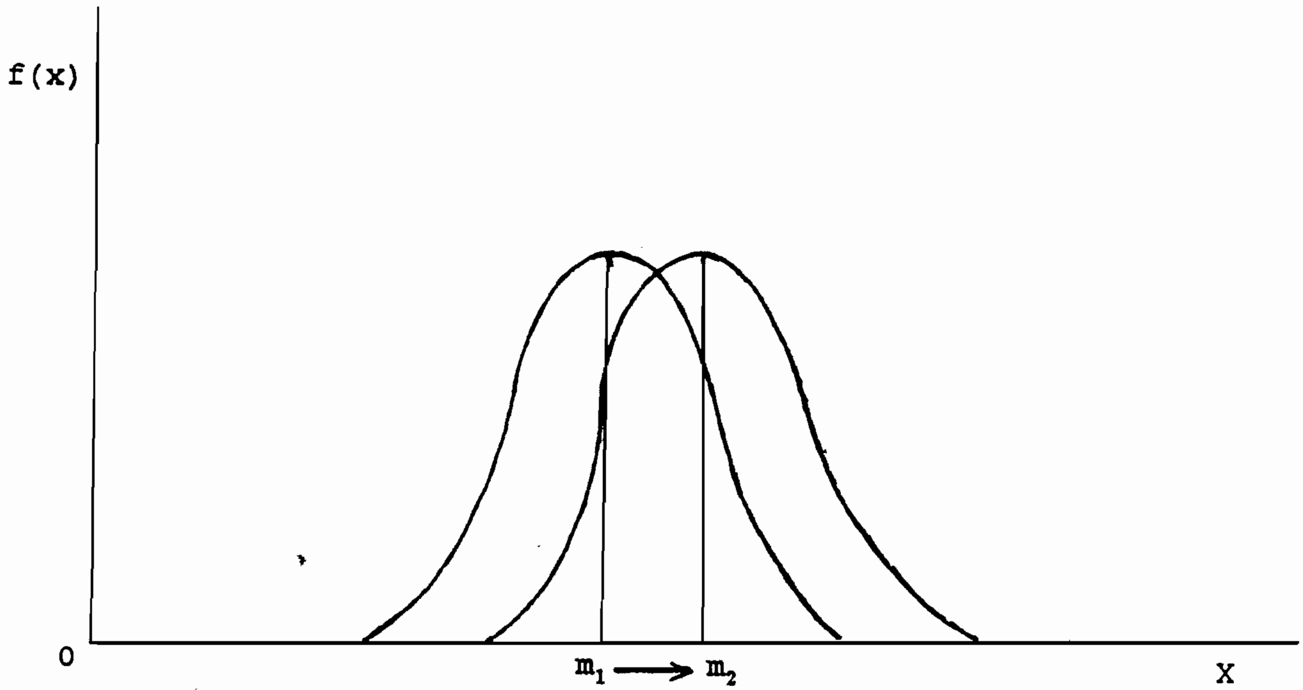


Figure 4



always be satisfied.

9. As Becker (1968) notes, this principle dates back at least as far as Jeremy Bentham's observation: "The more deficient in certainty a punishment is, the severer it should be."

10. Polinsky & Shavell (forthcoming) note that $1/F(x^*)$ is also not the appropriate multiplier if administrative costs can be saved by reducing the probability of punishment (e.g., by cutting back on enforcement resources). What we show is that $1/F(x^*)$ may not be the appropriate multiplier even if $F(x^*)$ is fixed, or even if changes in the probability of punishment are reflected by changes in the legal rules (as discussed in Section 6) that do not produce any administrative savings.

11. Equation (21) also generalizes P'ng's (1983a) result that, if there is a positive probability that a defendant who chooses not to murder will nonetheless be punished, the denominator of the traditional multiplier should be the difference between this probability and the probability that a guilty defendant will be punished.

12. This multiplier is actually one of a family of optimal multipliers of the form $A/F(x)L(x) + B/F(x)$, where A and B are arbitrary constants. (The example in the text sets $A=0$