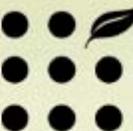


Economics and Pathogen Performance Standards

Elise Golan
Economic Research Service, USDA



The economics of crime and punishment

Some stylized conclusions:

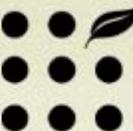
- **When victims do not know who harmed them, public law enforcement is preferable to private**
- **Fault-based liability is usually preferable to strict liability**
- **When an act results in harm only with a probability, sanction the act, not the actual occurrence of harm**



More stylized conclusions

Performance standards are preferable to process standards for a number of reasons:

- Incentives**
- Efficiency**
- Innovation**
- Harmonization**



Incentives

Performance standards place responsibility for safety with firms - and strengthen incentives for compliance

Firm's responsibility for safety

Weak

Strong



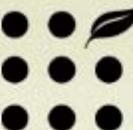
Information

**Prior
Approval**

**Process
Standards**

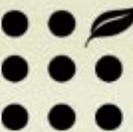
**Performance
Standards**

Tort Law



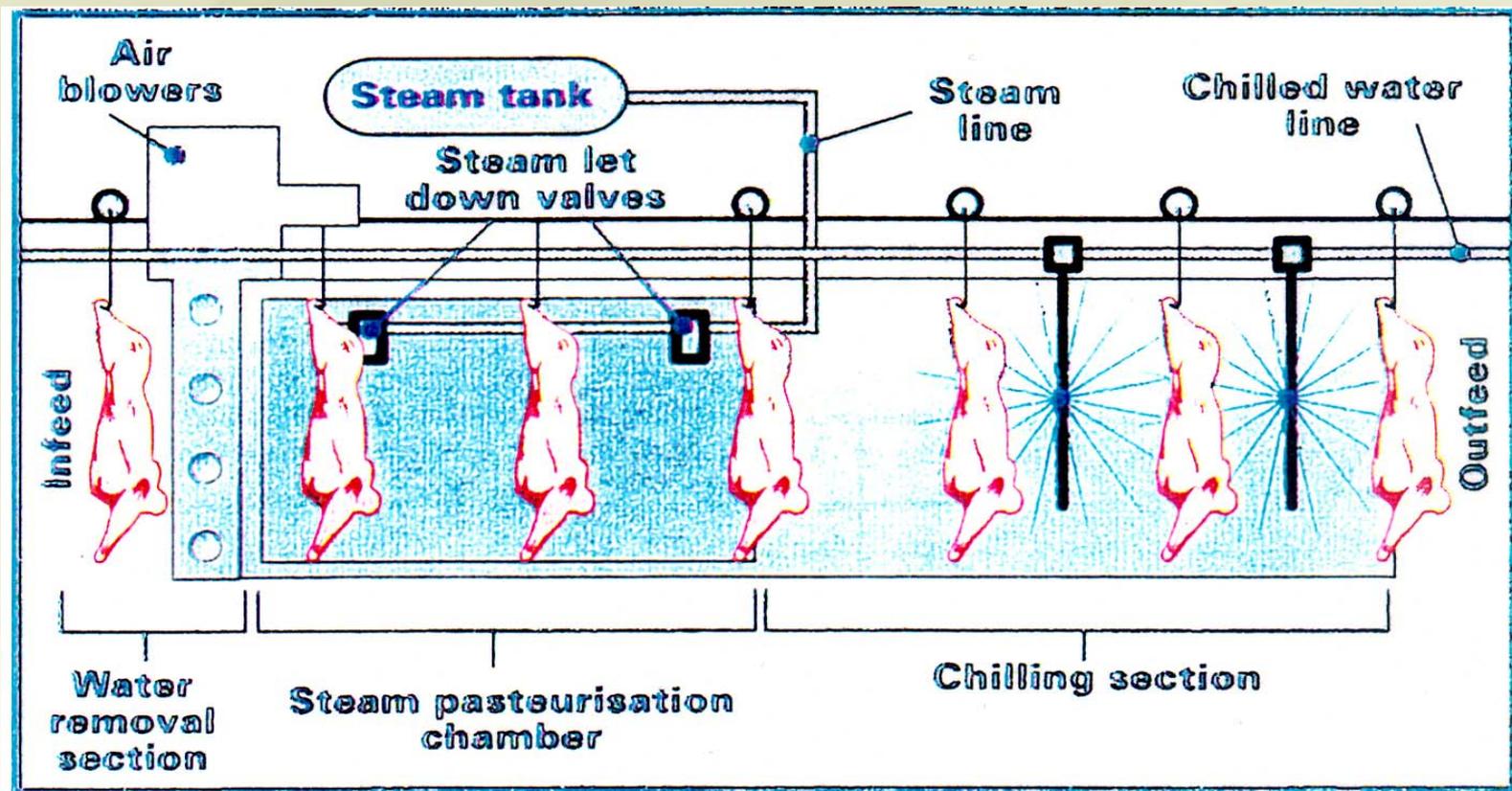
Efficiency

Unlike process standards, performance standards allow firms to choose the most efficient technologies



Innovation

Unlike process standards, performance standards allow firms to innovate to increase efficiency



Harmonization

- **Performance measures are usually necessary to validate process standards**



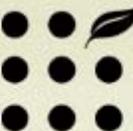
- **Performance measures are usually necessary to establish the equivalency of divergent food safety systems**



And more stylized conclusions

Some guidelines for setting performance standards

- **Regulate as close to the end user as practical, while encouraging upstream solutions**
- **Strict standards are preferable to lax**
- **Regulate in sync or slightly before competitors**
- **Criteria for verifying compliance should be informative, reliable measured, and flexible**



Now that we've gathered all these stylized facts....

...how well do they fit the food safety case?

