title: Optimal Overspecified Contracts

This paper identifies situations where desired outcomes may only be implemented with the stipulation of `overspecified contracts', defined as contracts that include clauses that are not enforceable. The desired outcome is achieved in equilibrium by secretly breaching the overspecified contract. Such mechanisms are needed to circumvent legal restrictions or practical enforcement limitations that prevent implementation with enforceable contracts. A general model of contractual enforcement is formulated. Necessary and sufficient conditions for the optimality of overspecified contracts are derived. Overspecified contracts are redundant when Courts process information as standard Bayesian agents and the only legal restriction to contract enforcement is limited liability.