



**An assessment of excessive tort costs in the Los Angeles-Long Beach-Anaheim MSA and California and potential economic benefits of reform**

A flawed civil justice system which generates exorbitant levels of damages or numbers of awards and which is unpredictable in its outcomes may result in negative impacts through the misallocation of society’s scarce economic and human resources. Tort reform can lead to substantial economic benefits, and states which have implemented reforms have seen improved judicial efficiency and measurable advancement in economic performance.

All major industry groups are negatively affected, with the retail trade, business services, health services, and other services industries typically experiencing the greatest losses.

Losses due to Excessive Tort Litigation in the State of California	
Direct Costs	<b>-\$48.109 billion each year</b>
Gross Product	<b>-\$75.504 billion each year</b>
State Gov Revenue	<b>-\$3.946 billion each year</b>
Local Gov Revenue	<b>-\$3.269 billion each year</b>
Job Loss	<b>-748,775 jobs</b>

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Excessive tort litigation in the **Los Angeles-Long Beach-Anaheim MSA** results in:

- \$23.870 billion** in direct costs annually
- \$37.463 billion** in gross product annually
- \$23.736 billion** in personal income annually
- 371,522 jobs**

Excess costs result in a “**tort tax**” of **-\$2,835 per person**

**Notes:**

The economic effects of excessive tort costs take into consideration dynamic multiplier effects. The “tort tax” is defined as the per capita loss of gross product in the area. The Perryman Group quantified the aggregate excess costs associated with the current system, allocated this amount across states, and examined the resulting downstream effects. Costs were allocated to the **Los Angeles-Long Beach-Anaheim** Metropolitan Statistical Area (**Los Angeles** and **Orange** counties) based on relative legal costs in the area and economic and demographic patterns. Tort reform can reduce or eliminate these costs. Thus, these results may also be viewed as a measure of the benefits of reasonable reform measures.



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