



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	-\$52.987 billion each year
Gross Product	-\$83.159 billion each year
State Gov Revenue	-\$4.347 billion each year
Local Gov Revenue	-\$3.601 billion each year
Job Loss	-787,490 jobs

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

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

- \$26.290 billion** in direct costs annually
- \$41.261 billion** in gross product annually
- \$26.142 billion** in personal income annually
- 390,731 jobs**

Excess costs result in a “**tort tax**” of **-\$3,147 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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