

A new economic analysis finds that opponents of the U.S. tort liability system have presented no evidence that the tort system can be blamed for economic problems, and that tort law changes advocated by President Bush will have no substantial positive effect in these areas.

The findings are published in a Briefing Paper of the Economic Policy Institute (EPI), a nonprofit, nonpartisan think tank in Washington DC. The 20-page report is titled *Frivolous Case for Tort Law Change*, by Lawrence Chimérine and Ross Eisenbrey, and is available at EPI's Web site: <http://epinet.org>.

EPI examined in detail an annual estimate of the cost of the U.S. tort system published by Tillinghast-Towers Perrin (TTP), a consulting firm whose clients include many of the world's largest insurance companies. Advocates of changes to the tort system have long relied on TTP's estimates, citing them in claims that there is a tort liability "crisis" that warrants changing the tort system. Users of the TTP reports include the President's Council of Economic Advisers (CEA), which devoted an entire chapter of its *2004 Economic Report of the President* to tort liability.

EPI's economic analysis reveals that TTP's reports are one-sided, exaggerating the impact of the tort system and ignoring its benefits, and that evidence supporting them is shaky or nonexistent. Claims that the tort system harms the U.S. economy do not square with the data. In fact, there is a good deal of evidence to the contrary.

Opponents of America's tort liability system blame the tort system for a host of economic and business ills, including high liability insurance premiums, reduced employment and wages, lower corporate profits, and dampened productivity. EPI's careful examination of available data and economic trends concludes that, to the contrary:

- Fully half of the "costs" that Tillinghast-Towers Perrin attributes to the tort system are actually transfer payments from wrongdoers to victims, which, the Congressional Budget Office agrees, are not true costs to society as a whole, as they "merely shift money from injurers to victims."
- A number of economic factors, not the tort system, have caused insurance premium increases in recent years.
- There is no evidence that the tort system has reduced real wages and caused job loss.
- Far from harming corporate profits, product quality, productivity, or research and development spending, the tort system has actually been beneficial in all of these areas.
- There is no basis for claims that tort law changes now being considered will result in more jobs.