

# Economic Impact of Excessive Tort Costs in California

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 by excessive torts, with the **retail trade, business services, health services, manufacturing, and miscellaneous services** industries typically experiencing the greatest losses.

## THE CURRENT ANNUAL IMPACT OF EXCESSIVE TORT COSTS ON BUSINESS ACTIVITY IN CALIFORNIA

Every year excessive tort costs continue to take their toll on the state economy. Sensible tort reform can **reduce** or **eliminate** these costs, allowing them to be viewed as a measure of the benefits of reasonable reform measures.

**-\$47.3**

**BILLION PER YEAR  
IN EXPENDITURES**

**-\$23.6**

**BILLION PER YEAR  
IN GROSS PRODUCT**

**-\$14.8**

**BILLION PER YEAR  
IN PERSONAL INCOME**

**-242,761**

**PERMANENT JOBS**

## EFFECT OF EXCESSIVE TORTS ON GOVERNMENT



Business activity generates incremental taxes to State and local governments and reduced business activity due to excessive tort costs results in an estimated loss of **-\$1.235 billion** in State revenue and **-\$1.015 billion** in local government revenue.

## EXCESSIVE TORTS INDUCE A "TORT TAX"



The reduction in business activity due to excessive tort costs leads to lower than expected gross product in the area. This per capita loss in gross product results in a **"tort tax"** of **\$594.74 per person** due to tort issues in the state's civil justice system.

**Source:** All information summarized from *Economic Benefits of Tort Reform: An assessment of actual and potential economic benefits in selected states* published by The Perryman Group. The full study is available for free download at [www.perryman.com](http://www.perryman.com).

**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 compared California's tort costs to those in the benchmark state used in this study (Ohio), which has enacted notable reforms and exhibits a somewhat below average level of tort costs, to quantify the amount of excess costs as of 2019. 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.



**The  
Perryman Group**

[perryman.com](http://perryman.com) | [info@perryman.com](mailto:info@perryman.com) | 254.751.9595

The Perryman Group is a focused team of analysts who know how to address any economic information task and present findings effectively. Our in-house professionals bring expertise in economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing. Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively.

Clients include more than half of the Fortune 100, over two-thirds of the Global Top 25 and the six largest energy companies doing business in the US.