

Tort Reform in California

Tort law is an orderly process of resolving disputes and discouraging objectionable behavior. It is a vehicle to provide relief to injured parties and a crucial part of our civil justice system. However, when misused, it has serious consequences not only to individuals, but society as a whole.

Unfortunately, an overly aggressive tort system can have an undesirable effect. Frivolous tort cases or those that result in excessive damages and rewards can have negative consequences on the economy. These excessive tort costs are destructive to American businesses and harmful to consumers, wiping out billions of dollars of economic activity on an annual basis. Tort reform is essential for creating a safer and more productive environment where economic activity can flourish.

Through tort reform, states like **California** can reap the benefits of a more efficient judicial system while growing the economy.

Were California to enact reforms examined in this report, the resulting savings to the residents and businesses of the state would be \$22,691,096,000.

This means that the residents are in effect paying a "Tort Tax" of \$574 per person.

If savings from reforming the tort system could be realized, they would flow through the state's economy, supporting 206,474 additional jobs and \$46.07 billion in increased economic activity. The state government, already cash strapped, would benefit from increased tax revenues to fill its coffers.

Impact of Reducing Tort Costs in California

	Direct	Supplier & Induced	Total
Jobs	94,700	51,558	206,474
Wages	\$8,332,628,406	4,241,288,334	\$16,323,747,685
Economic Output	\$23,532,717,726	11,327,710,149	\$46,067,141,239
Tax Revenues			\$2,548,344,800

Industries Are Harmed by the Lack of Tort Reform

Industries across **California** are impacted by excessive tort costs. The burdens associated with these costs lead to the decline of investments in businesses. And instead, a majority of these resources are spent towards time and money for litigation. Thus, enacting tort reform would lead to a variety of benefits including higher productivity rates and innovation for all jobs.

How Industries Are Impacted by Excessive Tort Costs in California

Industry	Jobs	Wages	Output
Construction	(18,580)	\$(1,423,895,966)	\$(3,335,273,255)
Manufacturing	(11,333)	\$(1,335,054,474)	\$(5,743,361,565)
Wholesaling	(2,127)	\$(211,982,341)	\$(720,789,599)
Retailing	(8,195)	\$(379,672,529)	\$(918,678,543)
Transportation and Communication	(20,945)	\$(3,033,844,894)	\$(11,120,464,078)
Finance, Insurance and Real Estate	(24,590)	\$(1,857,423,271)	\$(8,350,134,024)
Business and Personal Services	(77,025)	\$(6,212,191,948)	\$(11,323,024,060)
Travel and Entertainment	(41,795)	\$(1,725,747,164)	\$(4,300,936,934)
Other	(1,884)	\$(143,935,099)	\$(254,479,181)
Total	(206,474)	\$(16,323,747,685)	\$(46,067,141,239)