

**Economics 404W.1, Penn State University
Spring Semester 1999
Current Economic Issues: Forensic Economics
TR 1:00 - 2:15
317E Henderson Human Development East**

A. Instructor: James D. Rodgers, Professor of Economics
Office: 605 Kern Graduate Building
Office Hours: 4:00 - 5:00 P.M., Tuesday & Thursday, or by appointment
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B. Textbooks:

Econ 404W Binder of Readings available for purchase from the Student Book Store on College Avenue (hereinafter referred to as "*Binder*"). Much of the *Binder* is composed of chapters from Michael L. Brookshire and Stan V. Smith, *Economic/Hedonic Damages*, referred to (affectionately) as BS, and the 1992/1993 Cumulative Supplement to this book, referred to as BS-CS. The other material is from other periodicals, journals and books.

Gerald D. Martin, *Determining Economic Damages*, Tenth Revision (Santa Ana, California: James Publishing, Inc., 1998) Hereinafter, this book is referred to as "Martin."

C. Course Objectives: The primary objective of this course is to expose economics majors to the field known as "forensic economics," the application of the general theories and methodologies of economics to the measurement of damages and/or proof of liability in litigation. Also, this is a "writing intensive course," and, as such, a second objective of this course is to give you an opportunity to do some writing in a course in your major. Both exams and homework assignments will be designed to give you this opportunity.

D. Writing Assignments and Examinations: There will two examinations, a mid-term on Tuesday, March 2, and a take-home final to be turned by Monday, May 3, at 4:00 p.m. Over the semester, there will also be several homework assignments that will involve writing short reports, answering questions about various damages issues and/or appraising economic damages. The mid-term will count 20% of your grade, the final 30%, and the homework assignments 40%. The remaining 10% will be based on class attendance and participation, and class attendance will be taken on a regular basis.

E. How to improve your chances of performing well:

1. Attend class regularly.
2. Keep up with the reading, and read assignments at least once before the material is covered in class.
3. Don't hesitate to use the office hours that I offer you.

F. List Service for This Course: This course has its own list service with the address: L-ECON404W@lists.psu.edu. As a student enrolled in this course, you are automatically a subscriber to this list. If you send a message to the list, it automatically goes to every subscriber, i.e., to me and to all other students enrolled in this class.

G. Notice to Students with a Disability: The Pennsylvania State University encourages qualified persons with disabilities to participate in its programs and activities. If you anticipate needing any type of accommodation in this course or have questions about physical access, please inform me as soon as possible.

H. Topics, Reading Assignments and Probable Dates for Class on the Respective Topics:
There could be some modification of topics covered depending on the pace of the course and the interests of students. When you see "(Peruse)" after a particular reading, that means that you should scan over the reading but you need not try to absorb it.

1. General Introduction to Tort Law

Binder, pp. 5-13: Robert Cooter and Thomas Ulen, *Law and Economics*, Scott-Foresman, 1988, pp. 326-40.

2. Overview of the Field of Forensic Economics

Binder, pp. 14-28: BS, Ch. 1, BS-CS, Ch. 1, and John O. Ward and Gerald W. Olson, "Forensic Economics: The Development and Outlook for the Field," in Patrick A. Gaughan and Robert J. Thornton, eds., *Litigation Economics* (Greenwich, Connecticut: JAI Press, 1993), pp. 1-13.

3. The Role of the Forensic Economist; Ethical Behavior of Experts

Martin, Ch. 1

Binder, pp. 29-41

Binder, pp. 42-50: Walter Johnson and Edward Sattler, "The Importance of the Selection Process in Maintaining Expert Credibility: A Guideline for Choosing the Economist," *Journal of Legal Economics* (hereafter abbreviated *JLE*), Vol. 2, No. 3 (Dec. 1992), pp. 3-11.

Binder, pp. 51-58: Pauline Fox, "The Economic Expert in Wrongful Death/Personal Injury Cases: Workable Competition or Monopoly Power," *Journal of Forensic Economics* (hereafter abbreviated *JFE*) Vol. 4, No. 3 (Fall 1991), pp. 255-62.

Binder, pp. 59-65: Frank Tinari, "Competition for Forensic Economists and Their Ethical Behavior," *JFE*, Vol. 6, No. 3 (Fall 1993), pp. 263-69.

4. Data Needed for an Economic Appraisal in Personal Injury and Death Cases

Binder, pp. 36-38 & p. 41: BS, Ch. 2, Sec. 2.9 ff, BS-CS, Ch. 2, Sec. 2.9 ff.

Martin, Ch. 2 and Ch. 18 (Peruse)

5. The Basics of Estimating Lost Earnings

Binder, pp. 66-94: BS, Ch. 3, BS-CS, Ch. 3

Binder, p. 195: Dates of the Year Expressed as Percentages

Martin, Chs. 3 (Earnings & Data), 10 (Calculating Trends) and 11 (Interest & Present Value), and 12 (A Sampling of Methods to Calculate Losses)

Binder, pp. 95-97: Robert J. Thornton, "Calculating the Present Value Of Future Earnings in Pennsylvania: An Economist's Viewpoint on the Treatment of Productivity Growth," *Pennsylvania Bar Association Quarterly* (Jan. 1994), pp. 37-41.

6. Life and Worklife Expectancies

Martin, Ch. 7; *Binder*, pp. 98-118: 1989-91 Life Tables for the United States

Binder, pp. 119-29: Frank Slesnick and Robert Thornton, "Life Expectancies for Persons with Medical Risks," *JFE*, Vol. 7, No. 2 (Spring/Summer 1994), pp. 197-208.

Binder, pp. 130-35: Frank Slesnick and Robert Thornton, "New Estimates of Life Expectancies for Persons with Medical Risks," *JFE*, Vol. 10, No. 3, pp. 285-90.

Binder, pp. 136-41: Barry Ben-Zion and Ronald G. Reddall, "Life Expectancy and Actuarial Present Values: A Note to Forensic Economists," *Research in Law and Economics*, Vol. 7 (1985), pp. 161-71.

Binder, pp. 143-53: James E. Ciecka, "A Survey of the Structure and Duration of Time Periods for Lost Earnings Calculations," *JLE*, Vol. 4, No. 2 (Summer 1994), pp. 39-50.

Binder, pp. 154-61: Murray Gendell and Jacob Siegel, "Trends in Retirement Age by Sex," *Monthly Labor Review* (Hereafter *MLR*), July 1992, pp. 22-29.

7. The Age-Earnings Cycle

Binder. Everett Dillman, "The Age-Earnings Cycle - Earnings by Education," *JFE*, Vol. 2, No. 1 (Dec. 1988), pp. 105-116.

Binder: pp. 174-88: Robert Thornton, James Rodgers and Michael Brookshire, "On the Interpretation of Age-Earnings Profiles," *Journal of Labor Research*, Vol. 17, No. 2 (Spring 1997), pp. 351-65. (Peruse)

Binder, pp. 189-93: "Money Income in the United States: 1997," Table 9 (recent age-earnings profiles).

8. Estimating the Future Earnings of Children

Binder, pp. 202-4 and pp. 211-2: BS, 7.4 and BS-CS, 7.4.

Binder, pp. 214-21: B. Perry Woodside, III, C. Donald Wiggins and John J. Venn, "Assessing Lost Earnings Capacity for an Injured Minor," *JLE*, (Dec. 1991), Vol. 1, No. 3, pp. 95-101.

Binder, pp. 222-33: Andrew Gill and Jack Foley, "Predicting Educational Attainment For A Minor Child: Some Further Evidence," *JFE*, Vol. 9, No. 2 (Spring/Summer, 1996), 101-12.

9. Estimating the Earnings of Women

Binder, pp. 196-200 and pp. 209-10: BS, 7.2 and BS-CS, 7.2

Binder, p. 194: Earnings by Level of Educational Attainment and Sex, 1975 and 1995.

Binder, pp. 234-43: Daniel E. Hecker, "Earnings of College Graduates: Women Compared with Men," *MLR*, March 1998, pp. 62-71. (Peruse)

Binder, pp. 244-56: Paul Ryscavage, "Gender-Related Shifts in the Distribution of Wages," *MLR*, July 1994, pp. 3-15. (Peruse)

Binder, pp. 257-68: Frank P. Corcione and Robert J. Thornton, "Female Work Experience: Voluntary vs. Involuntary Labor Force Activity," *JFE*, Vol. 4, No. 2 (Spring/Summer 1991), pp. 163-74.

10. Estimating the Earnings of Minorities, Retirement-Age Persons, Professionals and Other "Special" Occupations

Binder, pp. 200-202, 205-208, 210-213: BS, 7.3, 7.6-7.9 and BS-CS, 7.3, 7.6-7.8.

Binder, pp. 269-71: "Measuring Years of Healthy Life," *Family Economics and Nutrition Review*, Vol. 9, No. 1 (1996), pp. 47-49.

Binder, pp. 272-82: Ralph J. Brown, "Loss of Earning Capacity In The Case Of A Farmer," *Litigation Economics Digest* (Hereafter *LED*), Vol. 1, No. 1 (Fall 1995), pp. 1-11 (Peruse)

11. Estimating Fringe Benefits

Binder, pp. 283-96: BS, Ch. 4, BS-CS, Ch. 4

Martin, Ch. 4

12. Estimating Personal Consumption Deductions

Martin, Ch. 5

Binder, pp. 297-99: Ronald A. Dulaney, "Estimating Decedents' Consumption Expenditures in Wrongful Death Actions: Some Refinements," *JLE*, Vol. 1, No. 2 (July 1991), pp. 94-98

Binder, pp. 300-305: Christopher Bruce, "Determination of Personal Consumption Expenditures in a Fatal Accident Action: A Note," *JFE*, Vol. 10, No. 3, pp. 291-96.

13. Estimating the Value of Household Services

Binder, pp. 306-15: BS, Ch. 5, BS-CS, Ch. 5

Martin, Ch. 6

Binder, pp. 316-26: Thomas R. Ireland, "Value of Homemaker Production by Implied Opportunity Cost: Using a Family Human Capital Methodology," *JLE*, Vol. 1, No. 2 (July 1991), pp. 1-11

14. Estimating Taxes

Martin, Ch. 8

Binder, pp. 80-81 and p. 93: BS 3.8 and BS-CS 3.8.

Binder, pp. 327-38: W. Cris Lewis and Tyler J. Bowles, "Alternative Approaches to Tax Adjustments in Appraising Economic Loss," *JLE*, Vol. 6, No. 1 (Spring/Summer, 1996), pp. 27-38.

15. Estimating Economic Losses in Personal Injury Cases Involving Partial Disability

Martin, Ch. 9, Sections 901, 902, 904, 910 and 940.

Binder, pp. 339-350: BS, Ch. 8, BS-CS, Ch. 8

Binder, pp. 351-58: Gary Albrecht, "Forecasting The Earnings Of A Partially Disabled Individual," *JLE*, Vol. 1, No. 2 (July 1991), pp. 50-57

16. Estimating Medical and Institutional Care Costs

Martin, Ch. 9, Sections 903, 920 and 930.

Binder, pp. 359-69: BS, Ch. 6, BS-CS, Ch. 6

Binder, pp. 370-86: Frank Slesnick, "Forecasting Medical Costs in Tort Cases: The Role of the Economist," *JFE*, Vol. 4, No. 1 (Winter 1990), pp. 83-99

17. Hedonic Damages

Binder, pp. 387-400: BS, Ch. 9, BS-CS, Ch. 9

Martin, Chapter 15-1 through 15-7.

Binder, pp. 401-10: Kip Viscusi, "The Value of Life: Has Voodoo Economics Come to the Courts? *JFE*, Vol. 3, No. 3 (Fall 1990), pp. 1-15. (Peruse)

Binder, pp. 411-34: James Rodgers, "How Do You Compensate a Dead Person?"

18. Putting It All Together and Presenting Economic Damages At Trial

Martin, Ch. 13; *Binder*, pp. 435-50. BS, Ch. 11

19. Structured Settlements

Martin, Chapter 17

I. Schedule of Topics or Activities for Each Class Meeting (Subject to Adjustment)

- 1/12 First Day of Class, Administrative Matters, Overview of Course
- 1/14 General Introduction to Tort Law
- 1/19 Overview of the Field of Forensic Economics
- 1/21 The Role of the Forensic Economist; Ethical Behavior of Experts
- 1/26 To be announced
- 1/28 To be announced
- 2/2 To be announced; First Homework Assignment Due Today in Class
- 2/4 Data Needed for an Economic Appraisal in Personal Injury and Death Cases
- 2/9 The Basics of Estimating Lost Earnings
- 2/11 The Basics of Estimating Lost Earnings
- 2/16 The Basics of Estimating Lost Earnings
- 2/18 Life and Worklife Expectancies
- 2/23 Life and Worklife Expectancies; Second Problem Set Due in Class Today
- 2/25 The Age-Earnings Cycle
- 3/2 Estimating the Future Earnings of Children
- 3/4 Open Book Mid-Term Exam
- 3/9 No class due to Spring Break
- 3/11 No class due to Spring Break
- 3/16 Estimating the Earnings of Women
- 3/18 Estimating the Earnings of Minorities, Retirement-Age Persons, Professionals and Other "Special" Occupations
- 3/23 Estimating Fringe Benefits
- 3/25 Measuring Personal Consumption Deductions
- 3/30 Problem Day: Students Present Answers to Problem Set #3
- 4/1 Estimating Household Services
- 4/6 Estimating Taxes
- 4/8 Estimating Economic Losses in Personal Injury Cases Involving Partial Disability
- 4/13 Estimating Medical and Institutional Care Costs
- 4/15 Hedonic Damages #1
- 4/20 Problem Day: Students Present Answers to Problem Set #4
- 4/22 Hedonic Damages #2
- 4/27 Putting It All Together and Presenting Economic Damages at Trial
- 4/29 Structured Settlements
- 5/3 Take-Home Final Exam Due by 4:00 P.M.