Title: Tort Reform and Accidental Deaths: Is there a link?

Author: Haley Tipsord
Faculty Sponsor: Martin F. Grace, Department of Risk Management & Insurance

Introduction

Rubin and Shepherd (2007) suggest certain tort reforms actually lower accidental death rates. This is contrary to the common sense notion that liability for one’s accidents deters negligent behavior. Rubin and Shepherd find a statistical correlation between the use of a set of tort reforms and lower accidental death rates. Their rationale for this relationship is that tort reforms reduce expected liability costs which translates into lower product prices. These lower prices can allow consumers to spend their money on risk reducing products such as medicines, safety equipment and medical services. This is a controversial result.

Method

I attempted to replicate Rubin and Shepherd’s results by trying to reproduce the data from their research. I was not completely successful. One of the reasons it is not possible to replicate their results completely is because of the judgment of deciding exactly when a tort reform is put into place. It was possible to replicate a crucial result of their research, but not all. Further, based on work by Grace and Leverty (2013), some reforms are struck down by state courts. So, I accounted for this fact. Together with Prof. Grace we developed a tort reform database based upon three sources: Avraham (2014), Grace and Leverty (2013), and individual state statutes when there was a discrepancy.

I estimated a panel model, with state and year fixed effects, of the form shown below

\[
\log(\text{Non-Motor Vehicle Death Rate})_{it} = \alpha + BX_i + \sum G_r\text{Tort Reform}_r + \sum S_r\text{ Strike}_r + \epsilon_t + u_i + v_{it}
\]

Most papers examine one reform at a time, but I chose to examine them together.

I regressed the log of the non-motor vehicle death rates (like Rubin and Shepherd) on various state specific variables \((X_i)\) such as those used by Rubin and Shepherd. I also accounted for the year of enactment of a “Tort Reform” and whether it is eventually struck down.

Major Result

I find that Rubin and Shepherd’s for dollar value limits on non-economic damages result seems to be robust. I increased the size of the data set to include more recent years and found that that was the only result that withstood different model specifications and time periods.

Bibliography


Keywords: Tort Reform, Death Rates, Non-economic Damage Caps, Liability Reform Effects, Econometric Model