

Trial News

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Damages

Measuring the loss of enjoyment of life in personal injury cases in Washington -- hedonic damages

by Stan V. Smith

In most courts, the value of a human being is not recognized. According to the laws of many states, your life isn't worth a "plugged nickel" if you no longer work. So, except in Georgia, Connecticut, Mississippi and New Mexico, and in Section 1983 cases, if you are injured or killed and have lost all your future enjoyment of life, but have no lost income, you or your survivors stand little chance of collecting anything for the value of your life.

Fortunately, in non-fatal injury cases, most states do allow for the partial loss of enjoyment of life.¹ The field of economics has much to say about how to value these losses, and thus many courts have allowed expert testimony on the loss of enjoyment of life damages to assist juries in evaluating these losses.

In fatal injury cases, while a decedent cannot recover for his or her own loss of enjoyment of life, an economic model can and has been used in courts throughout the country to value the loss of society and companionship to survivors.

Most states do allow non-fatal injury victims to recover for their lost enjoyment of life without requiring cognitive awareness on the part of the victim. Recently, in *Molzof v. United States*, 112 S.Ct. 711 (1992), a Federal Tort Claims Act case, the U.S. Supreme Court unanimously ruled that cognitive awareness is no longer required for damages to be claimed against the U.S.

Government. In a few states, however, you can recover only if you are aware of the loss you have experienced from an injury. If you are in a permanent coma, you or your survivors are entitled to nothing. In these states, such as New York, it is thus "cheaper to kill than to maim."

The loss of enjoyment of life is a separate element of damages in the majority of states. In several states, it is a part of pain and suffering. From an economic point of view, where these damages fit on a jury form does not affect their calculation. Washington's Supreme Court held, in *Kirk v. Washington State Univ.*, (Wash 1987) 746 P2d 285, that a jury may be instructed to consider the "loss of enjoyment" of life, and that such an instruction would not mislead the jury or lead to double recovery in addition to pain, suffering and disability.

Legal views on the issue of loss of enjoyment of life are beginning to change, in part because of an economic model that places a dollar figure on the *hedonic value of life* -- the pleasure or satisfaction we get from living. The hedonic model of the value of life, along with its implications, has stirred some controversy. Since the concept was first pre-

sented 1984, dozens of articles have appeared in law reviews and legal and economic journals, and a handful of books have been published on the topic. In some 25 states so far, both in injury and death cases, judges have permitted me to testify and thus educate juries as to economic evidence on the hedonic value of life. In most of these cases, juries are concluding that the value of life itself is quite significant; in many cases,

such testimony, awards may become more predictable, leading to more settlements, less litigation, and hence lower insurance premiums. Appropriate and reasoned jury awards often result from such expert witness testimony.

Before economic testimony on the loss of enjoyment of life was available, the value of a workaholic, based primarily on wages, would have been considered to be greater than the

value of a person who led a more balanced life, and who may have thus contributed more significantly to the community. Similarly, a working mother would receive greater compensation than a mother who chose to work full time in the home and/or in volunteer settings. Testimony on the loss of enjoyment of life

now gives juries a way to properly evaluate the non-monetary value of life.

"Hedonic value" refers to that part of life's worth which is separate from the financial value, such as lost earnings. In death cases, the loss is total. In injury cases, the concept of hedonic value is used to measure the diminution of the value of life as a consequence of trauma, separate from the palpable pain and suffering of the trauma itself. Courts

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awards have been in excess of \$1 million.

Over the past decade, plaintiff's attorneys have begun to see that in cases where there is little or no lost income, such as for very young or retired people, testimony on hedonic damages can have a very powerful effect. More recently, defense attorneys have recognized that in cases where juries are likely to be overly sympathetic to the victim, defense testimony on hedonic damages can help argue against sky-high claims for losses, thus preventing runaway verdicts. Through

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are increasingly recognizing the distinction between experiencing the pain and suffering of the incident itself, and the subsequent suffering from a disability caused by an injury. If you lose a leg you may not only lose your job, but also your self-esteem, your ability to perform many personal care functions, and much of your social and leisure potential.

One of the first cases involving expert economic testimony on hedonic damages is a wrongful death case, *Sherrod v. Berry*, 629 F.Supp. 159, (N.D. Ill. 1985), aff'd, 827 F.2d 195, (7th Cir. 1987), vacated, 835 F.2d 1222 (7th Cir. 1987), rev'd on other grounds, 856 F.2d 802 (7th Cir. 1988). In *Sherrod*, a 19-year-old unarmed youth was killed by a policeman. The 7th Circuit Court ruled that hedonic value testimony was "invaluable" to the jury and that it did not invade its province as the defense had argued. More recently, in *Ferguson v. Vest*, Circuit Court, 3rd Judicial Circuit, Madison County, IL, Case No. 87-L-207, the concept was successfully applied to an injury of a woman who received unnecessary radiation for a false positive pap smear indicating a cancer she did not have.

In *Sherrod*, the hedonic award was for \$850,000, in addition to lost earnings of \$300,000 and loss of society and companionship of \$450,000. In *Ferguson*, the jury awarded \$1,082,000 for the hedonic loss of the pleasure of living, and an additional \$1,000,000 for pain and suffering. Because of this novel use of economic testimony, both of these verdicts of over \$1,000,000 received extensive front-page coverage in many major publications, including *The Wall Street Journal* and *The National Law Journal*.

How then do we place a dollar value on life?²

Even though there is no explicit market-place for life, there is much objective evidence as to its value. The expert testimony I present to juries includes a summary of the economic studies as to the value of life. This information assists juries as a tool and a guide in determining the proper amount of damages, a conclusion which they must ultimately reach on their own.

There are several ways economists measure the price society is willing to pay to save

a life. One way, well accepted in the pre-reviewed academic literature in economics, is to measure what we currently pay to reduce a given risk of death. From these measurements we can then derive the hedonic value. For example, suppose we can buy a safety device, such as an automotive airbag, for \$500. If, through the purchase of 5,000 such devices, one life is saved, then economists reason that since \$2,500,000 has been spent to save a life, one life is worth \$2,500,000, at least to the 5,000 buyers of the device. Consumer safety devices, extra pay for risky work and government safety regulations all provide a great deal of evidence that shows that we routinely value life in the several-million dollar range.

The hedonic model relates the value of life to remaining life expectancy. The pleasure of life for an 80-year-old person in good health would be less than that for a 20 year old. I take into account age, sex and other factors that determine life expectancy. The more years to look forward to, the greater the loss of future satisfaction. This is a reasonable assumption that I suggest a jury may wish to adopt. The model also takes into account pre-existing disabilities as well as the disabilities resulting from the current cause of action.

Jurors may, of course, choose higher or lower figures than the ones to which I testify, depending on the results of its own individual search for the truth. The jury's search should incorporate as much economic insight as possible, along with its moral and philosophical views, and all the specific information about the plaintiff. Just as a jeweler would evaluate the worth of a diamond by examining all its facets, I believe a jury should evaluate a case from all its aspects. While the economic aspects are not the only ones, they should not be ignored.

In evaluating an injury case such as *Ferguson*, the testimony of a psychiatrist or psychologist can also help the jury determine the amount of reduction in the victim's quality of life. This reduction can be used in the hedonic model to estimate the reduction of hedonic value. For instance, if a woman who loses both legs in an accident is judged to have lost approximately 50 percent of her hedonic value of life, and if that percentage of loss is estimated to remain constant throughout her remaining life expectancy, then the loss may be estimated to be approximately half the total value of her life.

The hedonic loss as a result of a disability is distinct from palpable pain and suffering, which may be large or small, depending on the nature of the incident. In *Ferguson*, the jurors interviewed after the verdict said they found my testimony on hedonic damages extremely useful to their deliberations. Their \$200,000 award for past hedonic loss exceeded my \$136,000 estimate, while their award of \$882,000 for future hedonic loss matched my estimate exactly.

Data on the amounts of money we routinely pay for lifesaving may also be used to examine the loss of the value of society and companionship resulting from wrongful death or profound injury. What we as a society are willing to pay to prevent the wrongful death of some statistically average, unknown person, is an estimate of what we would be willing to pay to preserve the life of a close loved one. Thus many courts in

many states have allowed economic analysis to be used to value the loss of society and companionship to survivors.

Some defense attorneys have incorrectly called hedonic value testimony speculative. Judge George Leighton wrote in the *Sherrod* case that speculative damages refer to the uncertainty as to the cause of the damages, not to the difficulty of measuring their extent. In the absence of such testimony, the alternative is for jurors to pluck a figure from thin air, swayed by the emotionality of the trial.

Courts have wide discretion to admit testimony by experts. Recently, in *Daubert v. Merrell Dow Pharmaceuticals*, 113 S.Ct. 2786 (1993), the U.S. Supreme Court ruled that decisions to admit expert testimony must be based on whether the expert's conclusions result from following proper scientific methods. In *Daubert*, the Court reversed a 9th Circuit's affirmation of a Federal Court Judge's ruling to exclude an expert's testimony, stating that exclusion based on the so-called Frye test, which required general acceptance of the conclusions in the scientific community, was at odds with the liberal thrust of the Federal Rules of Evidence.

Obviously, many cases involving the loss of enjoyment of life have been decided by juries who haven't heard economic testimony on this topic. But emotional arguments in court are a poor substitute for rational and guided thinking to help frame appropriate awards. These decisions must be made with both mind and heart.

We can't live in a risk-free world. Nor should every accident have the economic consequence pinned on some third party. But, if a court finds that someone is responsible for an injury or the loss of a life, then the full value of that injury or life should be compensated. We all place a value on our lives, even if we no longer earn a living. Until recently, jurors were left to their own unpredictable estimations of such values. More and more, courts and juries are agreeing that the value of life is not trivial. One does not have to be a social activist to argue for a better educated jury to determine elements of damages that most states already allow under the law. The use of testimony on hedonic damages increases the likelihood of a fairer jury result -- an outcome we could all live with.

Professor Stan V. Smith is an economist trained at the University of Chicago and an Adjunct Professor at DePaul University College of Law, where he teaches a course on economic damages. He is President of Corporate Financial Group, a Chicago-based firm offering consulting services in economics and finance.

Endnotes:

1. For a detailed look at the statutes and case law state by state, see, "Trial Manual for Proving Hedonic Damages," by Monty L. Preiser, Laurence Bodine, and Stanley E. Preiser, Lawpress Corp., Westport Conn., 800-622-1181.
2. For specific details and examples, see "Economic/Hedonic Damages: A Practice Book for Plaintiff and Defense Attorneys," Anderson Publishing Company, Cincinnati, Ohio, 1990. This book and other materials are available from: Corporate Financial Group, Ltd., 1165 N. Clark St., Chicago, IL 60610; Phone 312-943-1551 or Fax 312-943-1016.