

NAFE MEMBER NEWS

National Association of Forensic Economics

NAFE Member News
Volume 16, Issue 3
August 2002

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Note from the President

The NAFE summer board meeting was held July 27 and 28, 2001, in Portland, Oregon. The minutes of this meeting are posted on the NAFE web site and also in this newsletter. I discuss a few of the highlights of the meeting in this message.

The Nominating Committee Chair Mike Butler submitted a written report containing nominee recommendations for two Board positions. The Nominating Committee recommendations were discussed and unanimously approved by the Board. The terms of Mark Kuga, Western Vice-President, and Stan Smith, Mid-Western Vice-President, expire January 3, 2003. New persons for these positions will be chosen by the next mail ballot election. The nominee for Western Vice-President is Tyler Bowles. The nominee for Mid-West Vice-President is Gary Skoog. Appearing elsewhere in this newsletter is a nominating form that members may submit to nominate other candidates, with a deadline of October 15, 2002, for receipt of such additional nominations. On November 1, 2002, mail ballots will be sent to NAFE members with a deadline return date of December 1, 2002. I will report the election results at the membership meeting on January 3, 2003. My thanks to the Nominating Committee (composed of Mike Butler, Elizabeth Gunderson, Mark Kuga and Robert Tansky) for its work and recommendations and to Tyler Bowles and Gary Skoog for their willingness to be candidates.

The Board unanimously approved a revision of the NAFE Statement of Ethical Principles. This statement has been mailed to members with a ballot asking for a vote on whether NAFE should adopt the proposed revision. Returned ballots must be postmarked by October 1, 2002. A copy of the proposed revision of the statement, along with the ballot, appears elsewhere in this newsletter. Please don't forget to cast your vote. This process has been more arduous than I thought it would be in the beginning, but it has heightened awareness among members of the statement of ethical principles, generated beneficial discussion, and produced

what I and other members of the NAFE Board believe to be an improved statement. I want to thank the Committee on Ethics (Frank Tinari and Bob Male) and also Stephen Horner for the hours they devoted to this effort, as well as the other members of the NAFE Board and the other NAFE members who put time and energy into providing comments on the various drafts of this proposal.

The Board voted to make the two At-Large Vice-Presidents on the NAFE Board Co-Chairs of the Special Program Committee. The position of Chair of this committee has been held for the past two and one-half years by Allan McCausland, who has indicated a desire to step down from this position as of the time of the January 2003 membership meeting. Allan has devoted great energy to this job: He organized the Social Security Actuary panel session at the upcoming ASSA meeting in January; he worked to set up and select the members of the Special Programs Committee; and he set up subcommittees on employment disputes and business damages. Allan's efforts are very much appreciated, and his work has laid the foundation for generating greater participation by NAFE members in program planning and providing ideas for conference programs and sessions.

In addition to this report about the summer board meeting, I call your attention to upcoming meetings through early 2002. There are forensic sessions in New Orleans in late November, Washington, D.C. in January, and St. Thomas in late January and New York in February. Details are provided elsewhere in this newsletter.

Finally, by the time you receive this newsletter, you will already have received in the mail a searchable CD containing the contents of the *Journal of Forensic Economics*, Vols. 1 - 12, and the *Litigation Economic Review* (Vols. 1 - 4). Kurt Krueger deserves much praise for his work in producing this CD.

I look forward to seeing you at future NAFE sessions.

Jim Rodgers
jdr@psu.edu



South 2002—New Orleans

SOUTHERN ECONOMIC ASSOCIATION

NEW ORLEANS – NOVEMBER 24-26

Organizer: David H. Ciscel, Vice-President, Southern Region

NAFE will host three sessions (see schedule below) at the Southern Economics Association Meetings being held this year at the Hyatt Regency New Orleans Hotel, November 24-26. Registration and schedule information will be available at a later date on the SEA website at: <http://www2.bus.okstate.edu/ecls/sea/call2001.htm>

We are still in need of discussants, if you would like to be a discussant, please contact session organizer:

David H. Ciscel
Department of Economics
The University of Memphis
Memphis TN 38152
901 678 5531
dhciscel@memphis.edu
ciscel@bellsouth.edu

Sunday, November 24, 2002

NAFE Session I — 8:00 a.m.-9:45 a.m.

Unique Problems Faced by of the Forensic Economist

Chair: David C Sharp, The University of Southern Mississippi

“The Role of the Forensic Economist in Eminent Domain Litigation,” George A. Barrett, Michael L. Brookshire & Associates

“Handling Taxes in Wrongful Termination Cases,” James D. Rodgers, Pennsylvania State University

“Recent Developments in Structured Settlements,” Patrick Fitzgerald, Oklahoma City University

Discussant: David Rosenbaum, University of Nebraska

NAFE Session II— 12 noon-1:45 p.m.

Issues In Measuring Damages in Loss of Household/Family Services

Chair: Thomas R. Ireland, University of Missouri at St. Louis

Panel Participants: David H. Ciscel, The University of Memphis and Allyn Needham, Shipp, Needham & Durham

NAFE Session III— 2:00 p.m.-3:45 p.m.

Estimation Problems in Forensic Reports

Chair: David H. Ciscel, The University of Memphis

“Using a 40-year Sample to CPS Occupational Data to Forecast Earnings Capacity,”
Thomas Carroll, The University of Nevada/Las Vegas

“Household Labor by Family Type and Gender: A PSID Update,”

David C. Sharp, The University of Southern Mississippi
And David H. Ciscel, The University of Memphis

Discussants: Allyn Needham, Shipp, Needham & Durham and Patrick Fitzgerald, Oklahoma City University

National 2003—Washington, DC

ALLIED SOCIAL SCIENCE ASSOCIATIONS

WASHINGTON, D. C. – JANUARY 2-5, 2003

Organizers: Tyler J. Bowles (Tbowles@econ.usu.edu, 435 797 2378)

Ed Foster (foster@econ.umn.edu, 612 624 6567).

Preregistration material should be available in September at <http://www.vanderbilt.edu/AEA/>
but make your plans to attend now.

Friday, January 3

8:00 a.m.

I. Topics in Forensic Economics

Presiding: Ed Foster, University of Minnesota

"The Forensic Economics of Punitive Damages," Michael L. Brookshire, Marshall University
Discussant: Sophie Korczyk

"Productivity of Forensic Damages Experts,"
Frank D. Tinari, Seton Hall University and Tinari Economics, and Elias Grivoyanis, Yeshiva University
Discussant: David Rosenbaum

"Derivative Instrument Valuation and Model Risk," Susan Mangiero, Pace University and GSM Associates, LLC
Discussant: To be announced

12:00 noon – 3:00 p.m. **Board of Directors Luncheon Meeting**

3:00 p.m. – 4:15 p.m. **Board of Editors Meeting**

4:45 p.m. – 6:00 p.m. **NAFE General Membership Meeting**

6:30 p.m. – 8:00 p.m. **NAFE Reception**

Saturday, January 4

8:00 a.m.

II. Topics in Forensic Economics II

Presiding: Tyler J. Bowles, Utah State University

"Generalizations of the Increment-Decrement Model," Gary Skoog, DePaul University
Discussant: Ed Foster

"Probability Mass Functions for Number of Years to Final Separation," Gary Skoog and James Ciecka, DePaul University
Discussant: Frank Slesnick

"Using Backcasting to Test the Accuracy of Estimates of the Present Value of Future Earnings,"
Bradley Ewing, Texas Tech University, and James Rodgers, Penn State University
Discussant: Tyler Bowles

10:15 a.m.

III. Social Security Administration Data and Forensic Economics

Presiding: Alan McCausland, McCausland Economic Associates

Panel of Social Security Administration Office of the Actuary staff and forensic economics questioners to be announced.

2:30 p.m.

IV. Ethical Principles in Litigation: Comparing the Economic and Legal Perspectives

Presiding: Manuel Smith, Economic Consultant

Panel of ethicist and forensic economics questioners to be announced.

International 2003—U.S. Virgin Islands

FIFTH NAFE WINTER MEETING
ST. THOMAS, U.S. VIRGIN ISLANDS— JANUARY 31 AND FEBRUARY 1, 2003
Organizers: Jim Rodgers and Bob Tansky

Deadline for Paper and/or Roundtable Proposals: October 1, 2002

Jim Rodgers and Bob Tansky are putting together the 5th Winter NAFE Conference in St. Thomas, U.S. Virgin Islands at the Renaissance Grand Beach Resort. Paper abstracts and/or roundtable/panel discussion proposals are invited for four sessions, two each on Friday and Saturday mornings, January 31 and February 1, 2003. Discussants and session chairs are also being sought for these sessions. Submit abstracts of papers, roundtable session proposals, and offers to serve as a session chair or discussant to Jim Rodgers and Bob Tansky by no later than October 1, 2002. Our addresses are

James D. Rodgers
 347 Koebner Circle
 State College, PA 16801
 814-237-9322
 814-238-0323 (Fax)
 jdr@psu.edu

Robert E. Tansky
 Economic Research Corporation
 3710 Old Farm Lane
 Fort Gratiot, MI 48059-4025
 810-989-5572
 rtansky@arenet.net

The Renaissance Grand Beach Resort is located on the northeast side of St. Thomas. The web site for this hotel can be found at the following URL <http://www.renaissancehotels.com/dpp/PropertyPage.asp?MarshaCode=STTSR>

A map showing the location of the hotel on St. Thomas can be found at

<http://www.renaissancehotels.com/dpp/Map.asp?marshacode=STTSR>

For all room reservations, contact Sandy Berardis at Centre for Travel, State College, PA, by calling 1-800-255-2140. The registration fee for NAFE members attending the conference is \$60.00. There is no registration fee for spouses or others traveling with a NAFE member. The cost of a hotel room at the conference hotel will be approximately \$240.00 per night, which includes tax, maid service and fees, plus an additional one-time charge of \$8.00 for baggage handling. The room rates are available from Monday, Jan. 27, through Tuesday, Feb. 4. In order to attend the first session scheduled for 8:30 a.m. on Friday morning, Jan. 31, attendees will need to arrive by no later than Thursday evening, January 30. It would be appreciated if all attendees make their hotel reservations through Sandy Berardis, rather than on their own, as the room rate we are given by the hotel and the free conference room that is provided is based on a guarantee of at least 9 rooms being paid for Thursday, Friday and Saturday nights. **Hotel room charges must be paid in full by October 15, 2002. Note also that it is advisable to make plane reservations early.**

East 2003—New York City

EASTERN ECONOMIC ASSOCIATION
NEW YORK CITY—FEBRUARY 21-23, 2003
NAFE Organizer: Rick Gaskins, Vice-President, Eastern Region

CALL FOR PAPERS

Paper Proposals are being accepted on an ongoing basis until all sessions become filled

The Eastern Economic Association will hold its annual conference in New York City, February 21st to 23rd, 2003 at the Crowne Plaza Manhattan Hotel.

Current plans are for NAFE to sponsor three sessions on forensic economics issues, all on Saturday, February 22nd. The three sessions are tentatively planned to be on the following topics:

- (1) Actuarial Issues in Forensic Economics
- (2) Business Valuation and Commercial Damages
- (3) Wrongful Death: Approaches to Household Services and Personal Consumption.

Presentations on topics other than these probably can be accommodated in the program. Interested presenters, discussants and session chairs should contact Rick Gaskins (rrgaskins@aol.com or 301-698-9777).

West 2003—Denver

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL DENVER— JULY 11-15, 2003

NAFE Organizers: **Dr. Robert Male, Vice-President At Large**
New Western Vice-President (to be elected this fall)

CALL FOR PAPERS & PROGRAMS DEADLINE: JANUARY 15, 2003

The 78th annual conference, will be held at the Denver Adam's Mark Hotel, Friday-Tuesday, July 11-15, 2003. For the NAFE sessions you are encouraged to submit your ideas, topic suggestions, abstracts of papers, and offers to serve as a discussant to:

Robert Male, Ph.D.
PO Box 1100
Clackamas, Oregon 97015
voice: 503-656-0680 fax: 503-656-6321
bobmale@attbi.com

WEA conference details will be posted as they become available at: <http://www.weainternational.org/conferences.htm>

2003 ASSA/NAFE SESSION WITH SSA

The Chief Actuary for the Social Security Administration, Stephen Goss, has agreed to do a program for us in Washington, DC, in January 2003 at the ASSA Meetings. The Session will be held at midmorning on Saturday, January 4, 2003. He will try to have three people there: himself, J. Patrick Skirvin (economist for SSA) and Alice Wade (actuary for SSA). He wanted to name three in the event someone cannot make it. The format that Steve and I have tentatively agreed on is that we will have a panel of the three of them, two people from NAFE asking questions of them that will be submitted to them before hand, and I will be moderator. We want to allow a maximum of opportunity for audience questions and interactions within the structure of the program.

Steve and I discussed five areas of methodology/assumptions to discuss in the program:

- Discounting to Present Value
- Worklife Expectancy
- Life Expectancy
- Retirement Assumptions
- Productivity/Real Wage Increase Assumptions.

However, the program questions need not be restricted to these five areas. Mary Young and John Hanieski have agreed to be panelists/questioners at the Session. I am soliciting questions from the membership to ask the SSA people.

I am hereby asking you folks for suggested questions. All suggested questions should be sent to me at:

Email: mea248@aol.com or
Fax: 603-746-3899 or
Snail mail: PO BOX 248, 834 Main Street, Contoocook, NH 03229-0248

I am then going to forward copies of them to Mary and John. Mary, John and I will then develop a set of questions for the SSA Panelists. Once we have done this we will then post the questions to Special Programs Committee for final comments and suggestions. The finalized questions will then be sent to the SSA Panelists so that they will have the questions well in advance of the session. Our plan is to allow a maximum of interaction between the Panelists and the Session attendees around the questions as well.

Please email, fax or snail mail me questions you may have for the Session. Thanks.

Allan McCausland, Chair
Special Programs Committee

FYI etc.

Ballots for Revised Statement of Ethics

The following ballot and a proposed statement (see Minutes, pgs. 8-9) were mailed to NAFE members 8/5/02

BALLOT FOR PROPOSED NAFE STATEMENT OF ETHICAL PRINCIPLES

I approve the adoption of the proposed ethics statement.

I oppose the adoption of the proposed ethics statement.

(signature of NAFE member)

(printed name of NAFE member)

Return ballot postmarked no later than October 1, 2002 to: Nancy Eldredge, Secretary
National Association of Forensic Economics
P.O. Box 30067
Kansas City, MO 64112-0067

From Article Three of the NAFE By-Laws Effective May 15, 2000:

Section 4. Quorum. Fifteen (15) voting members at any meeting shall constitute a quorum. If a quorum is not present at any meeting of members, a majority of the members present may adjourn the meeting from time to time without further notice.

Section 6. Mail Ballots. In lieu of a meeting, the Board of Directors may submit matters to the members for member approval by means of a mail ballot. Each solicitation must set forth each proposed action and provide an opportunity to vote for or against each action, must indicate the number of responses needed to meet quorum requirements and the percentage of approvals necessary to approve each matter, and must state the deadline by which a ballot must be received in order to be counted. In order for a mail ballot to be effective, the total number of responses received by the deadline must equal the number of members that would be required to be present to constitute a quorum if such action was proposed at an annual or special meeting. In order for a proposed action to be approved, the number of votes cast in favor of such action must equal or exceed the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

In accordance with the by-laws, to constitute a quorum, the number of votes cast must be at least 15, and more than 50% of the votes cast must be in favor of the proposal in order for it to be approved.

Nomination of Candidates for NAFE Board Positions

At the 2002 summer board meeting, the NAFE Board of Directors approved unanimously the recommendations of the Nominating Committee (composed of Michael Butler (Chair), Elizabeth Gunderson, Mark Kuga and Robert Tansky). The slate of candidates is listed as the "Board Nominations" on the form on the next page.

Under the NAFE by-laws, another candidate for a vice-presidential position can be placed on the ballot if forms are submitted by 20 or more NAFE members nominating that candidate. If you wish to propose an alternative nominee for either or both of the two listed slots, please send your suggestion(s) using the form below to the NAFE office (P.O. Box 30067, Kansas City, MO 64112-0067) postmarked by October 1, 2002.

The official ballots will be mailed to NAFE members on or about November 1, 2002. The ballots will contain the names of the candidates recommended by the Nominating Committee and approved by the NAFE Board, and, in addition, any candidates qualified by the petition provisions described in Article Four, Section 2(c) of the NAFE by-laws. Accompanying the ballot will be some information about the professional qualifications and background of each candidate. The ballot will also allow write-ins for each position being filled.

Returned ballots postmarked no later than December 1, 2002, will be counted. The election results will be certified in December by the NAFE Executive Director and announced by the NAFE President at the annual membership meeting at 4:45 p.m. on Friday, January 3, 2003, at the ASSA meeting in Washington, DC

Any questions should be directed to NAFE office: Phone: 816-235-2833, or email umkcnafe@umkc.edu

FYI etc.(continued)**Form for Submitting Alternative Nominations for NAFE Board Positions**

Western Vice-President—3 year term

Board Nomination: Tyler Bowles*Alternative Nomination:* _____

Mid-Western Vice-President—3 year term

Board Nomination: Gary Skoog*Alternative Nomination:* _____

**Minutes of the National Association of Forensic Economics
Board of Directors meeting
Portland, OR, July 27 – 28, 2002**

Attending: Jim Rodgers, Stan Smith, David Ciscel, Jerry Martin, Mark Kuga, Rick Gaskins, Bob Male, Stephen Horner, Jack Ward, George Schieren

1. Jim Rodgers opened the meeting at 8:00 am. He welcomed and thanked everyone for attending this important meeting. He also expressed special thanks to Mark Kuga and Bob Male for finding the site for this year's meeting and initiating the arrangements.
2. The minutes of the Board's meetings for the last year (July 2001, Kansas City; January 4, 2002, Atlanta; February 18, 2002, electronic; March 14, 2002, electronic; March 20, 2002, electronic; April 24, 2002, electronic; May 10, 2002, electronic; July 1, 2002, Seattle) were approved (Rodgers-Male).
3. George Schieren presented the annual financial report. The new membership dues system seems to be working as anticipated to smooth out the revenue flow. There were questions about the allocation of costs to several of the meetings. These will be checked by Schieren. There was discussion about ensuring that NAFE funds continue to be handled in accordance with sound accounting procedures, leading to the following actions:
4. A motion was approved for Rodgers and Schieren to investigate alternatives for where to invest, and how much to invest, temporarily unused cash and for them to report back to the Board (Ciscel-Smith).
5. A motion to secure a bond (approximately \$100K-\$150k) on all persons handling funds was approved (Ciscel-Smith).
6. It was moved and approved that Nancy Eldredge prepare a procedure manual for all her job responsibilities in an effort to enhance the ability to secure bonding (Ciscel-Smith).
7. The Board approved changing the address of record of the corporation from Nancy Eldredge's home to the office of an accountant or lawyer in Missouri (Rodgers-Male).
8. The financial report was approved (Rodgers-Gaskins).
9. There was discussion about the exact number of paid-up members in NAFE and how many more could be expected the rest of the year under the new membership system. Schieren reported that revenues for 2002 should be at least what they had been in past years, but that the number of members might be less than had been reported in past years. A motion was approved for Stan Smith, Kurt Krueger, Nancy Eldredge, and George Schieren to determine exactly how many current members are in NAFE and how many journals were being mailed (Rodgers-Kuga).
10. Ciscel reported that the Southern Economic Association meetings will be held in New Orleans the Sunday through Tuesday of Thanksgiving week this year. He has three sessions scheduled. In light of the sparse attendance at past SEA meetings, consideration should be given to having the Southern Vice-President work on sessions at the fall International Atlantic Economic Society meetings usually held in mid-October.
11. Gaskins reported that attendance at the Eastern Economic Association meetings continues to be on the upswing. He is planning on having at least one session on business evaluation at the 2003 meetings.

(continued)

FYI etc. (continued)

12. Kuga reported that attendance at this year's Western Economic Association meeting in Seattle was down from past years, with about two-thirds of the numbers that usually attended. This was in line with a reduced attendance experienced by the conference as a whole.
13. The ASSA meetings will be held in Washington D.C. in January 2003. NAFE has four sessions scheduled. There will be a Board of Directors lunch, a *JFE/LER* editors meeting, a general membership meeting, and a reception. A complete schedule will be published as soon as the exact location of NAFE functions is determined by the ASSA, hopefully with sessions and functions all scheduled in a hotel and the same hotel.
14. Rodgers announced that the NAFE Winter meeting will be at the Renaissance Grand Beach Resort in St. Thomas, U.S. Virgin Islands, on January 31 - February 1, 2003, and urged everyone to attend if possible.
15. A written communication from Bob Thornton provided the decision from the Past Presidents about their award. Kurt Krueger will have the plaque made up for presentation at the membership meeting in Washington DC. Past recipients have been:

12/28/90 - Eli Schwartz & John P. Adams	1/3/98 - Dennis McConnell
1/4/91 -- none	1/3/99 - Tom Ireland & Chuck deSeve
1/3/92 - Reuben Slesinger	1/7/00 - Mike Brookshire & Nancy Eldredge
1/5/93 - Ev Dillman	1/7/01 - Stephen Horner
1/3/94 - none	1/7/02 - Kurt Krueger
1/6/95 - Jack Ward & Gerald Olsen	
1/5/96 - Bob Thornton & Frank Slesnick	
1/4/97 - none	
16. The recommendations of the Nominating Committee (Michael Butler - chair, Mark Kuga - Board representative, Beth Gunderson, and Bob Tansky) were approved (Rodgers-Male) for Gary Skoog to be put on the ballot for Mid-Western Vice-President and for Tyler Bowles to be put on the ballot for Western Vice-President. Nominations were closed July 15, 2002, and the committee agreed to present only one nominee for each position.
17. Ward reported that there are new forms and guidelines for referees for the *JFE*. He expects that the journal should be able to catch up on issues this year (it is one issue behind). Piette is dealing with electronic submissions and is working on invited papers and a symposium issue.
18. A motion (Rodgers-Ciscel) was approved to put the contents of the CD containing the contents of past issues of the *JFE* and *LER* on the NAFE web site with access through a common password.
19. It was moved (Male-Kuga) and approved that the Special Programs Committee be co-chaired by the two At-large Vice-Presidents, effective with the end of the term of service of Chair Allan McCausland at the end of the January annual membership meeting.
20. Martin reported that the NAFE-L has approximately 280 users signed up, with about 30 active on the list. The NAFE-L committee needs two new members to work with Martin on the NAFE-L Committee. A motion (Rodgers-Smith) was approved for Martin to recruit the new members who will have staggered terms. The disclaimer about the use and absence of control of the NAFE-L will be posted on the list once per quarter.
21. A motion (Male-Smith) was approved to submit the following Statement of Ethical Principles and Tenets of Practice to the membership for a vote to replace the existing Statement of Ethical Principles:

National Association of Forensic Economics

Preamble: The primary missions of the National Association of Forensic Economics (NAFE) are research and education in the field of forensic economics. NAFE is not a credentialing organization that has assessed whether its members have met certain qualifications or whether those wanting to become members meet certain qualifications. NAFE does not require its members to pledge to follow a particular code of professional or ethical conduct, nor does it have a formal mechanism to sanction those who might violate such a code. However, because NAFE members are interested in protecting and elevating the integrity of the profession, they have voted to adopt and promulgate the following statement of ethical principles and tenets of practice.

Statement of Ethical Principles and Tenets of Practice

Practitioners of forensic economics should strive to provide impartial and accurate economic analysis related to any litigation for which they are engaged, improve the science of forensic economics, and protect the integrity of the profession through adherence to the following:

1. Employment

Practitioners of forensic economics should decline involvement in any litigation when they are asked to assume invalid representations of fact or alter their methodologies without foundation or compelling reason.

2. Compensation

Practitioners of forensic economics should not accept contingency fee arrangements, or fee amounts associated with the size of a court award or out-of-court settlement in a legal proceeding.

(continued)

FYI etc. (continued)

3. Diligence, Objectivity and Accuracy

Practitioners of forensic economics should strive to ensure that proffered opinions are based upon theoretically sound methodologies and unbiased, valid and reliable economic information. They should also strive to be accurate, objective and thorough in their analyses and refrain from submitting to any party in the litigation any information, through commission or omission, that they know to be misleading, biased or inaccurate.

4. Disclosure

Practitioners of forensic economics should stand ready to provide sufficient detail to allow replication of all numerical calculations, with reasonable effort, by other competent forensic economics experts, and be prepared to provide sufficient disclosure of sources of information and assumptions underpinning their opinions to make them understandable to others.

5. Consistency

While it is recognized that practitioners of forensic economics may be given a different assignment when working for the plaintiff than when working for the defense, for any given assignment, the basic assumptions, sources, and methods should not change regardless of the party who employs the expert to perform the assignment. There should be no change in methodology for purposes of favoring any party's claim. This tenet is not meant to preclude methodological changes as new knowledge evolves, nor is it meant to preclude performing requested calculations based upon a hypothetical.

6. Knowledge

Practitioners of forensic economics should strive to maintain a current knowledge base of their discipline.

7. Discourse

NAFE supports the preservation of open, uninhibited discussion at conference sessions related to the profession of forensic economics. It is NAFE policy to discourage the citation of oral remarks made by participants in professional conference sessions.

8. Responsibility

Practitioners of forensic economics are encouraged to make known the existence of, and their adherence to, these principles and tenets to those retaining them to perform economic analyses and to other participants in litigation. In addition, it is appropriate for practitioners of forensic economics to offer criticisms of breaches of these principles and tenets.

22. There being no further business, the meeting was adjourned at 10:30 am, July 28, 2002.

Respectively submitted by
George A. Schieren, Executive Director
August 15, 2002



"BIRTH" ANNOUNCEMENT

We are announcing a new electronic list-serve for forensic economists and accountants working in the areas of commercial damages and business valuation. The Business Damages List is hosted by Topica and is very easy to use. New subscribers need only send a blank e-mail message to bd-l-subscribe@topica.com and we will sign you on. The list is intended to facilitate collaborative discussions among experts and the subject matter is confined to issues involving lost profits analysis and business appraisal. The list is open to any member of either NAFE or AAEFE. We encourage you to join one of these organizations if you are not a member already. Rick Gaskins assisted at the birth, but then relinquished his parental rights to the following List Managers. We welcome your participation.

Kevin Kirkendall	Kevin@KirkendallConsulting.net
Jubin Merati	jubinla@YAHOO.COM
Ray Neveu	rneveu1@maine.rr.com
Michael O'Hara	mohara@mail.unomaha.edu
Jennifer Polhemus	economs@precision-research.com

FYI etc. (continued)

Following is a copy of the letter sent registered mail to John E. Scarbrough on March 14, 2002

Dr. John E. Scarbrough
Litigation Analytics, Inc.
127 Main Street, Building II
Ridgefield, CT 06877-4932

Dear Dr. Scarbrough:

It appears that you sent a letter to Mr. Kenneth Feinberg (Friday, January 18, 2002 3:42 PM) outlining your views concerning the methods for calculating economic damages contained in the Interim Rules of the Victim Compensation Fund. We, the Board of Directors of the National Association of Forensic Economics (NAFE), are writing to you about statements you made in that letter about the members of NAFE and the Journal of Forensic Economics (JFE). Your letter was anonymously posted on the VCF web page, but your web address was part of the letter. Certainly you are free to make judgments and statements about NAFE or the JFE in any forum, but some of your statements are untrue. Your comments were posted in a national, public forum. We would therefore like to correct some of the misstatements you made. We have highlighted portions of your letter after which we provide corrections of the errors in your statement.

You stated: "Furthermore, from the rules, it appears that your input on economic-related issues has come from those who have established themselves as 'experts' in the courtroom, where the only test is that they can convince a group of laymen, including the lawyers, that they know something about which they speak. Unfortunately, these 'experts' are almost universally unfamiliar with the economics of human capital, the very issue to be addressed by you and the fund. That is, it appears that your advice has come from the typical courtroom economist who, while quite able to convince a jury of his or her 'expertise', generally lacks education in the very part of economic science underlying the issues being addressed. Universally, your rules reflect the approaches taken by so-called litigation economists, many of whom belong to the relatively new association of plaintiff 'experts' known as the National Association of Forensic Economics (NAFE). The journal of that association is the Journal of Forensic Economics."

Our Response: First, NAFE is over 16 years old and the *JFE* has been published for over 14 years. Second, to the best of our knowledge, no one from NAFE provided any input into the Interim Rules. In fact, many of our members have been very critical of those rules. NAFE has members from over 350 universities and colleges, as well as all national accounting firms. NAFE has over 800 members, from all fifty states, Canada, Puerto Rico, Britain and Ireland. A brief check of our web page would show you the structure, breadth and quality of our membership.

You stated: "This journal is the sole reference for most of the citations these economists make to the 'scientific literature'. Unfortunately, this journal is not included in research libraries of universities granting a Ph.D. in economics. It is only available in a few law libraries for the obvious reasons."

Our Response: In fact, the libraries of the University of Chicago, Harvard, Stanford, Cal-Berkeley, Northwestern, Illinois, Rutgers, Johns Hopkins, MIT, Penn State, and over 100 other university libraries carry the *JFE*. The *JFE* has published papers by authors from Harvard, Berkeley, Duke, Michigan, Illinois and many other prestigious universities. The *JFE* is carried by over 12 national citation services and is recognized as an authority in research in forensic economics.

You stated: "Noticeably lacking are articles in that journal by authors from the ranks of legitimate human capital economics. For example, we have never seen an article published in that journal by an author who has also published in the *American Economic Review*, the flagship journal of the economics profession."

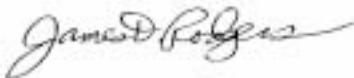
Our Response: In fact, our members and authors have published in the *American Economic Review*, the *Journal of Economic Literature*, the *Journal of Political Economy*, *Econometrica*, the *Journal of Law and Economics*, the *Journal of Human Resources*, as well as almost all nationally known economic journals. Any observer may discover these facts by reviewing our membership list and the Econlit citation web page.

You stated: "According to a newspaper report, NAFE met 'jointly with the American Economic Association' (AEA) during its recent annual meetings in Atlanta. This seems to provide the imprimatur of the AEA to NAFE activities. In fact, there are over fifty associations who are loosely affiliated with the Allied Social Sciences Associations (ASSA). ASSA associations hold their annual meetings at the same time and place each year. The fact that NAFE and AEA meet annually as part of the ASSA is pure happenstance. No one at the AEA administrative offices, nor the president of the association, was aware of this misrepresentation. Moreover, the so-called 'joint panel to discuss problems with the compensation fund' chaired by the joint editors of the NAFE journal, was a 'press conference' called by NAFE. According to the AEA, it had nothing to do with NAFE's press conference. Clearly, the American Economic Association, whose members include virtually all American winners of the Nobel Prize for economics, all winners of the John Bates Clark Medal, all members of the President's Council of Economic Advisors, is not going to participate in a joint panel chaired by the editors of a special interest 'journal.'"

Our Response: In fact, no representative from NAFE ever stated that our meetings were joint meetings with the AEA. The ASSA material announcing the special meeting in Atlanta clearly identifies our NAFE special session as an ASSA session. A *Wall Street Journal* article stated that the meeting was held in conjunction with the AEA. This was their representation, not ours. Our session was a special session, not a press conference.

We invite you to reconsider your remarks in light of what we have written here and ask that you send us a retraction and an apology for the untoward comments you made publicly about us. We also invite you to visit our web site at www.NAFE.net and perhaps join our organization at some point in the near future.

Sincerely,



For the Board of Directors,
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FYI etc. (continued)

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