

the FORECAST

A Newsletter of the National Association of Forensic Economics



Board of Directors
Meeting Minutes: page 3

Argument for Use of
the Net Discount Rate
by Dave Tucek: page 10

In Memory of James Rodgers
by Marc Weinstein and
Gary Skoog: page 12

Featured photos in this issue are of Jim at various NAFE meetings

President's Letter

David Rosenbaum, President, NAFE
drosenbaum@unl.edu

Greetings from the no-longer-frozen Midwest. I knew those flannel-lined jeans would come in handy.

The latest issue of our journal has a symposium on future research directions. Jack Ward's paper looks at the validity and reliability of current methods in estimating economic damages. Given the choices for so many variables, there can be wide ranges in estimated losses for any particular case. He points out that there also can be variations in loss projections due to interpretations of the law: the treatment of self-consumption is a good example. Do we use decedent income or family income? Jack revisits his inaugural paper on research agendas (published in 1987). It is incredibly interesting to see how far the profession has come in estimating things like worklife (as compared to Shirley Smith's 1982 work) or self-consumption (initially based on Earl Cheit's 1961 work). He illuminates the recommendations of researchers and editors as to future directions in forensic research. There is a lot to do.

Michael Brookshire and Frank Slesnick draw on past forensic surveys to illuminate topics on which FE's have wanted to see additional research. The topics where we have seen progress in research (worklife and personal consumption, for example) make up many of the topics that forensic experts still want to explore. Some questions coming out of their research include how to measure worklives for the disabled or the self-employed, self-consumption out of household services, techniques for measuring inflation rates for medical costs in life care plans and a deeper look at fringe benefits. Given Jack's observations above, we may never have resolution on these topics, but maybe we can better define the boundaries.

Steve Shapiro provides more refined suggestions for deeper dives into specific topics. His first three areas revolve around structural models linking interest rates, wage or price inflation and medical costs. He then touches on forecast accuracy. These ideas fit nicely with Jack's call to examine validity and reliability of methods.

In all, this symposium points out how far research has come in addressing various topics and how far it needs to go. Given the variation in data and

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NAFE

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PROMOTING THE ADVANCEMENT OF FORENSIC ECONOMICS

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Article submissions, news items, comments, and suggestions from NAFE members for *The Forecast* are encouraged and can be sent to Lane Hudgins at lane@lh-analysis.com. Submissions guidelines are available online at <http://nafe.net/TheForecast>.

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From the Executive Director

Marc Weinstein, Executive Director, NAFE
mweinstein@teameconomics.com

Included in this newsletter are minutes from the July 2021 Summer Board of Director's Meeting and information from NAFE's financial statements for the period ending November 2021 as prepared by the accountancy firm The Block Teitelman Group. All exhibits for Board of Director's Meeting Minutes are available at the NAFE website: www.nafe.net. Draft minutes for the NAFE Membership Meeting held January 2022 will be available for review in the Summer 2022 issue of *The Forecast*.

MINUTES OF THE SUMMER BOARD OF DIRECTORS' MEETING JULY 16, 2021

In attendance:

Voting Members:

David Rosenbaum, President
 Robert Baumann, Eastern VP
 Constantine Boukidis, At-Large VP
 Michele Angerstein-Gaines, Southern VP
 Jerome Paige, At-Large VP
 Dwight Steward, Mid-West VP
 Stephanie Rizzardi, Western VP

Non-Voting Members:

Marc Weinstein, Executive Director
 Lane Hudgins, Editor — *The Forecast*
 Kevin Cahill, Past President
 Steven Shapiro, Editor — JFE
 Kurt Krueger, Editor — JFE
(via video conference)

- David Rosenbaum called the meeting to order at 9:02am CDT. David thanked everyone for attending and thanked Marc Weinstein for his hard work throughout the year.
- Marc Weinstein welcomed everyone and presented the draft minutes from the Winter BOD meeting and Online Meeting. He asked for any typo corrections to be emailed to him. Pending minor grammatical changes, the following motions were passed:
 - It was moved and seconded (Boukidis, Baumann) that the Board approve the minutes of the Winter BOD meeting (1/3/2021). (Vote: Yes: 7; No: 0; Abstain: 0)**
 - It was moved and seconded (Gaines, Boukidis) that the Board approve the minutes of the Online BOD meeting (4/9/2021). (Vote: Yes: 7; No: 0; Abstain: 0)**
- Marc Weinstein presented the Executive director reports which included the Financial Statements prepared by The Block Teitelman Group, a Membership Report and current bank statements. A discussion ensued regarding the changes that have occurred because Nancy is no longer an employee but is doing some limited contract labor for the JFE. Marc explained that the US Trust bank account will replace the Riverview Bank account, and the Riverview account will be closed within the next six months or so. Marc explained that opening an account with a larger bank (Citizens, Wells Fargo) was attempted but proved difficult.

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ANNOUNCEMENT

SPECIAL NAFE SESSION IN HONOR OF

James Rodgers

TO BE HELD IN CONJUNCTION
 WITH THE

ASSA — NEW ORLEANS, LA

JANUARY 6–7, 2023



To honor, to remember, and to yet again learn from JAMES RODGERS, Ph.D., at the 2023 meeting of the Allied Social Science Associations in New Orleans, NAFE will host a session devoted to Jim's publications, presentations, discussions, and mentoring.

Audience participation in the form of recalled examples of Jim's humor will be welcome.

Jack Ward and Steve Shapiro will be leading our effort; Kevin Cahill will Chair the session.

We hope you can attend this special session to celebrate Jim Rodgers and his many contributions to the profession of forensic economics.

More details to follow.

Continued from page 3

- C. It was moved and seconded (Paige, Rizzardi) that the Board approve the financial statements ending May 31, 2021. (Vote: Yes: 7; No: 0; Abstain: 0)**
- D. It was moved and seconded (Boukidis, Paige) that the Board retroactively authorized Marc Weinstein to sign the IRS Form 990 for the year 2020 on behalf of NAFE which was filed by the Block Teitelman Group on July 15, 2021. (Vote: Yes: 7; No: 0; Abstain: 0)**
4. NAFE Regional Meetings. (specific information for each meeting is contained in the BOD Meeting Binder):
- Dwight Stewart updated the board on his progress in planning sessions at the 58th Annual Missouri Valley Economic Association Conference at the Kansas City Marriott Country Club Plaza, Kansas City, MO October 14-16, 2021. Dwight has confirmed three or four papers and is looking for two discussants.
 - Michele Gaines updated the board on her progress (or lack thereof) in planning sessions at the Southern Economic Association's 91st annual meeting to be held November 20, 2021 at the Marriott Marquis in Houston, Texas. She conveyed her difficulty in finding participants. Discussion about alternative options ensued.
 - Constantine Boukidis updated the board on his and Jerome Paige's progress in organizing the ASSA 2022 meeting which will be held in Boston, MA on January 7-9, 2022. They reported that everything is setup, and all spots save one discussant have been filled and many have been confirmed.
 - Marc Weinstein outlined the schedule for the Winter BOD meeting to be held Friday January 7, 2022. David Rosenbaum asked about awards presented during the general membership meeting. Marc Weinstein and Steve Shapiro explained the process and precedent for the Past President Award.
 - Rob Baumann reported his progress in planning the 48th Annual Eastern Economic Association meeting to be held in 2022. Rob summarized the meeting as "so much potential, so little organization." The location and dates have not yet been announced. There were some theories and guesses about where the meeting may be held, taking into consideration that the 2022 ASSA meeting is being held in Boston. Rob brought up the possibility of holding an in-person conference with a virtual option and a discussion ensued. Details to follow when the EEA announces the venue and dates.
5. NAFE International and other meetings:
- Kevin Cahill announced the winter meeting will be held in San Juan, PR on January 28-29, 2022.
 - Steve Shapiro announced the International Meeting will be held in Quebec, Canada on May 28, 2022 at the Fairmont Le Chateau Frontenac. Steve encouraged all going to please reserve your rooms as Jack Ward had to personally guarantee rooms nights and they still need about 20 room nights filled. Steve stated he was attempting to get a presentation similar to the 'state papers' on Canada.
 - Michele Gaines updated the board on Zoom at Noon monthly online update meetings. She outlined the general purpose of the meetings to keep in touch with members between other forms of contact and encouraged the board members to attend whenever possible.
- Stephanie Rizzardi announced the Fall Forensic Workshop meeting will be held October 1-2, 2021 at The Landing Lake Tahoe Resort and Spa. Stephanie reported she had 17 confirmed and would like about 20 to 22 minimum participants. She stated she was able to negotiate a great rate, \$300 per night versus the about \$500 per night the hotel usually charges. She is hoping to get some new participants this year. She stated the deadline to reserve through the hotel block is August 30, 2021.
 - David Rosenbaum announced the AAEFE meeting will be held at the New York, New York hotel in Las Vegas on April 22-23, 2022.
6. After Marc Weinstein asked Lane Hudgins to step out, Michele Gaines reported to the board the efforts and results of the Nominating Committee outlined in the memo and attached CVs. The Board discussed the recommendation of Lane Hudgins as President-Elect. Some concerns were raised about the burden on Lane if she was both President and Editor of the Forecast. It was decided the board would encourage Lane to seek assistance as she saw fit.
- A. It was moved and seconded (Boukidis, Rizzardi) that the board accept the recommendation of the Nominating Committee of Lane Blum Hudgins for President-Elect to assume a two-year term from the end of the General Membership Meeting on January 7, 2022. (Vote: Yes: 7; No: 0; Abstain: 0)**
7. Lane Hudgins reentered the room. Michele Gaines continued with her report of the Nominating Committee with the recommendation of Michael O'Hara as Vice-President at Large. Discussion ensued.
- A. It was moved and seconded (Gaines, Rizzardi) that the Board accept the recommendation of the Nominating Committee of Michael O'Hara for Vice President at Large to assume a three-year term from the end of the General Membership Meeting on January 7, 2022. (Vote: Yes: 7; No: 0; Abstain: 0)**
8. Michele Gaines continued with her report of the Nominating Committee with the recommendation of Nikanor Volkov as Vice-President-South. Discussion ensued.
- A. It was moved and seconded (Boukidis, Rizzardi) that the Board accept the recommendation of the Nominating Committee of Nikanor Volkov for Vice President-South to assume a three-year term from the end of the General Membership Meeting on January 7, 2022. (Vote: Yes: 7; No: 0; Abstain: 0)**
9. Lane Hudgins gave a report to the board regarding the Forecast Newsletter. A memo was provided within the binder. The spring/summer 2021 issue was just released. Lane outlined her idea to start an annual "year in review" mega issue. Lane stated she was looking for help with this. Discussion regarding print vs. online only for the newsletter was introduced. Lane pointed out the importance of having a print copy, at least for the year in review copy as a promotion tool. Lane reported the new graphic designer is working out well. The new designer uses Flipsnack, which is a free service. Moving away from ISSUU means losing the statistics, but ISSUU costs \$39 monthly which Lane (unbeknownst to the board) has been paying privately up to this point. A decision was made that, while the stats are interesting, they are probably not worth the monthly cost, a switch to Flipsnack seemed appropriate. Lane then stated that she would like to begin looking at a change in the management of the Forecast. A committee will be formed including the President, the Executive Director and the current Editor to work on a plan for the future.
10. Lane Hudgins brought to the attention the antiquated by-law requiring the publication of a form to allow write-in nominations for board positions. A committee was formed (Rosenbaum, Boukidis) to address and change the language in the by-laws for a more efficient means and timing of write-in nominations.
11. Kevin Cahill, in his role on the Membership Committee, presented some results from the NAFE Membership Enrollment and Renewal Survey, 3/25/2021. Some graphical representations of responses can be found in the meeting binder. Overall, the results were instructive and highlighted areas of concern and areas for growth and improvement. Kevin commended William Rogers on his work preparing and analyzing the survey. The Board thanked William, Kevin and the entire committee for their hard work. After some discussion it was recommended that, after further analysis of the responses, and maybe some modifications, the survey should be a routine exercise as a measure of how NAFE is responding to the ongoing needs of the organization.
12. Kevin Cahill also presented to the board as part of the Membership Committee a group of Incentives in the form of membership discounts: a multiple-year discount, a firm discount and a new member discount.
- A. It was moved and seconded (Paige, Baumann) that the Board accept the recommendation of the Membership Committee to implement multiple-year, firm and new member discounts after some language changes, to become effective December 1, 2021. (Vote: Yes: 7; No: 0; Abstain: 0)**
13. Kevin Cahill continued his report from the Membership Committee with an update on the outreach efforts via attendance at an accounting conference. Kevin let the board know that Bill Brandt looked into the cost for attending such a conference and that the registration fees would be waived. Marc Weinstein stated that NAFE would pay for the transportation and lodging of a member to go to such a conference and make a presentation for the benefit of NAFE and asked for the Membership Committee to identify the 2022 meeting or meetings during the Winter 2022 BOD meeting.
14. David Rosenbaum brought up the idea of workshops for new FEs with this possibility of offering continuing education credits. Discussion ensued.
15. Marc Weinstein presented an update on the Women of NAFE Committee chaired by Josefina Tranfa-Abboud. A memo was provided in the meeting binder outlining the committee's ongoing efforts.
16. Marc Weinstein gave an update on the NAFE-L. It is reported the NAFE-L is running smoothly. Marc encouraged board members to post questions to NAFE-L ahead of non-affiliated list servers.
17. Steve Shapiro brought Kurt Krueger electronically into the meeting at 2:25pm to give the board an update relating to JFE issues. Steve remarked on the ease of searchability within the newly updated Allen Press JFE website. He stated

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that the submission statistics presented in the binder may look artificially low due to a backlog. Volume 29-2 is in the works and will be a symposium issue. Steve gave an update on the State Papers series and thanked special editors, Jim Rodgers and Bob Male for their ongoing work. Steve encouraged members to visit the online early page to get published articles before the JFE is printed, stating there is no reason not to begin citing these articles as they appear on the website. Steve and Kurt plan to discuss print vs. electronic formats for the JFE going forward and plan to present updates on that topic at the Winter 2022 BOD meeting after talking with Allen Press and doing a cost analysis. Kurt Krueger suggested adding a shortcut page to the JFE website with a link to each state paper. Steve suggested that updates to state papers need not be done by the original author.

18. Marc Weinstein updated the board on the ongoing Fire Sale of the back copies of the JFE which cost around \$600 per year to store.
19. Marc Weinstein proposed a creating a new administrative position in the wake of Nancy's retirement. Marc proposed an Associate Director position to assist the Executive Director in day-to-day activities. The position be filled by recommendation of the Executive Director and confirmed through a majority vote of the BOD and would serve a three-year term concurrent to the Executive Director. Jerome Paige questioned continuity considerations in running the terms staggered and concurrent. Discussion ensued. In the end the board decided concurrent terms were the better option for the position.

A. It was moved and seconded (Boukidis, Baumann) that the Board creates the position of Associate Director to be recommended by the Executive Director and approved by a vote of the majority of the Board of Directors. The Associate Director's term shall run concurrent with the Executive Director. (Vote: Yes: 6; No: 0; Abstain: 1)

20. Marc Weinstein proposed Michele Angerstein-Gaines assume the position of Associate Director at the end of her term as Vice President-South.

A. It was moved and seconded (Baumann, Boukidis) that the Board accept Marc Weinstein's recommendation of Michele Angerstein-Gaines for the position of Associate Director; assuming the position at the end of

her term as Vice President-South. (Vote: Yes: 6; No: 0; Abstain: 1)

21. Michele Gaines presented a Member Seal to the board with proposed language regarding the use of such seal. A committee was created to finalize the language regarding the seal's use and distribution consisting of Michele Gaines, Rob Baumann and Constantine Boukidis.
22. Lane Hudgins presented a memo included in the binder regarding workshop sessions at organized meetings. Discussion about the evolution of NAFE from an academic to professional organization ensued. Thoughts about FFEW formatted meetings, workshops, breakout sessions, and "Ask the Expert" series were discussed and when and where these meetings may be the most productive.
23. Lane Hudgins drew attention to the recent Forecast which included a tribute to Luvonia Casperson, PhD, the first female NAFE president. Lane thanked Marc Weinstein and Jack Ward for their help.
24. Marc Weinstein informed the board that Allen Press plans to submit a proposal this quarter for Social Media management which would begin in early 2022.

25. **It was moved and seconded (Boukidis, Paige) to close the Summer 2021 BOD meeting at 3:32pm CDT. (Vote: Yes: 7; No: 0; Abstain: 0)**

Respectfully submitted by:

Marc A. Weinstein
Executive Director
National Association of Forensic Economics

Welcome New NAFE Members!

The following is a list of new NAFE members for the period October 1 – December 31, 2021:

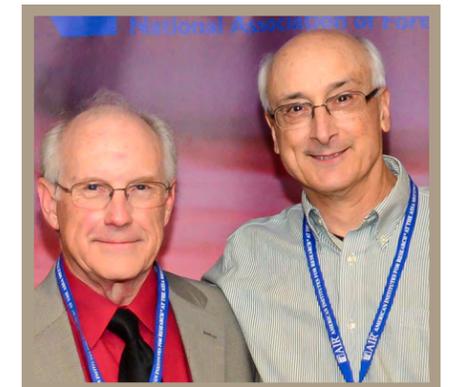
- TERRANCE GRIEB, Moscow, ID
- WALTER LIERMAN, West Linn, OR
- LELA LAWLESS, Phoenix, AZ
- CAMERON POTH, Dallas, TX
- CHRISTINA HOUSEWORTH, Geneva, NY
- MIRINDA MARTIN, Rexburg, ID
- AMNON STEINER, Ann Arbor, MI
- VENROY PORTER, Chicago, IL

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legal interpretation, we will likely never have consensus. But at least we may get closer to the bounds of "reasonable degree of economic certainty".

Sorry that we could not be together for the ASSA meetings in Boston. We had good sessions virtually. Thanks to Jerome Paige and Constantine Boukidis for organizing the sessions. Let's hope the Westerns will be in person.

– David



The National Association of Forensic Economics, Inc.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – CASH BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

Revenues and Other Income	2021	2020
Membership and Fees	153,586	144,223
Other Income – Credit Card Rewards	-	337
Interest	268	1,391
Total Revenues and Other Income	\$153,854	\$145,951
Expenses	2021	2020
Accounting	5,450	5,600
Bank Charges	3,071	3,262
Conferences	18,934	27,005
Donations	-	50
Internet	120	1,039
Legal and Insurance	1,916	2,370
Newsletter	371	5,193
Payroll and Related Taxes	14,129	34,039
Publication and Database Management	41,092	42,643
Subscriptions & Miscellaneous	2,652	2,439
Supplies and Mailing	522	1,040
Telephone and Fax	392	3,062
Website Development	2,420	640
Total Expenses	\$91,069	\$128,382
Change in Net Assets	\$62,785	\$17,569
Net Assets – Beginning	165,503	147,934
Net Assets – Ending	\$228,288	\$165,503

The National Association of Forensic Economics, Inc.
STATEMENTS OF CASH FLOWS – CASH BASIS
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

Cash Flows from Operating Activities	2021	2020
Change in Net Assets	62,785	17,569
Adjustments to Reconcile Change in Net Assets to Net Cash provided by Operating Activities:		
(Increase) Decrease in Travel Deposit and Reimbursements	-	1,413
Decrease in Payroll Tax Liabilities	(884)	(667)
Net Cash provided by Operating Activities	61,901	18,315
Cash and Cash Equivalents – Beginning	164,887	146,572
Cash and Cash Equivalents – Ending	\$226,788	\$164,887

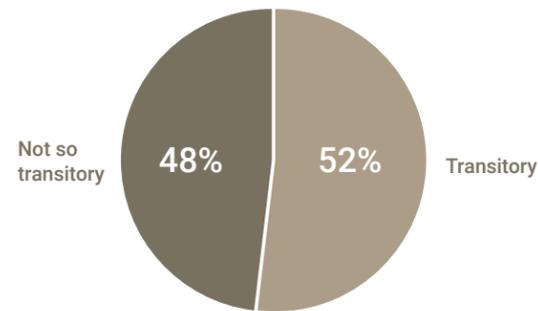
THE FORECAST ASKS: SURVEY SAYS!

The wait is over! Here are the results of *The Forecast's* first-of-its-kind reader survey.

A big thank you to all NAFE members who participated in this survey. I hope you enjoy perusing the results and comparing your answers to those of your colleagues.

1. One of the big economic concerns of the day: INFLATION!

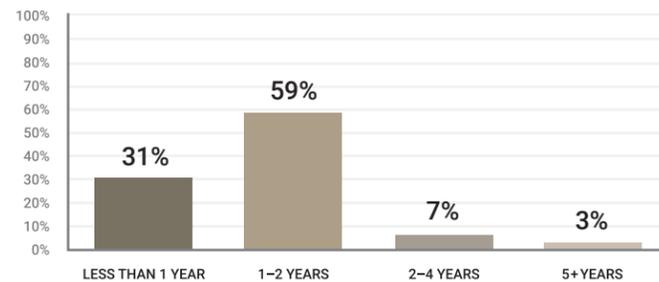
And our first question to you is:
Is the current higher-than-the-FED-would-prefer-the-rate-of-inflation-to-be:



52% of respondents said inflation is *Transitory*, and 48% said inflation is *Not so transitory*

2. But, of course: "It depends on what the meaning of the word 'transitory' is."

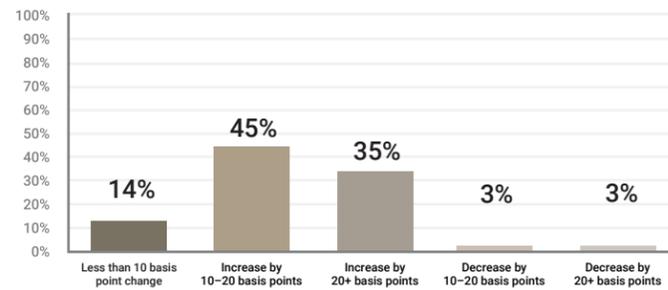
So now, please tell us how you define *transitory*:



31% of respondents defined *transitory* as *less than 1 year*, 59% defined *transitory* as *1-2 years*, 7% defined *transitory* as *2-4 years*, and 3% defined *transitory* as *5+ years*

3. Next up: U.S. Treasury Yields...

Compared to the current 10-year nominal U.S. Treasury yield, please tell us your forecast of this yield at the end of the third-quarter 2022? From current yields, I predict this yield will:



14% of respondents predict that the yield on 10-year nominal U.S. Treasuries will change so little (up or down) that you might need a magnifying glass to see the difference (*a less than 10 basis point change*),

45% predict that yields on these treasuries will *increase by 10-20 basis points*,

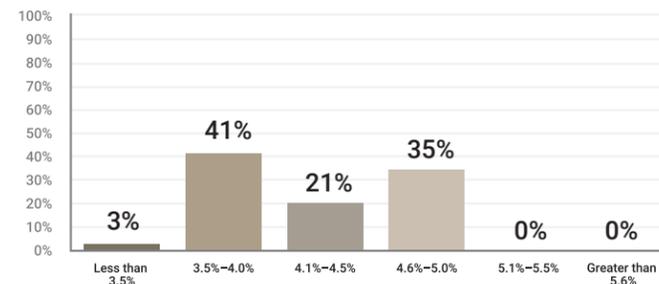
35% predict that yields on these treasuries will *increase by 20+ basis points*,

3% predict that yields on these treasuries will *decrease by 10-20 basis points*, and

3% predict that yields on these treasuries will *decrease by more than 20 basis points*

4. Now tell us your thoughts on UNEMPLOYMENT.

By the end of 2022, I see the unemployment rate hovering around:



By the end of three-quarter 2022,

3% of respondents believe the unemployment rate will be *less than 3.5%*,

41% believe unemployment rate will be between *3.5%-4.0%*,

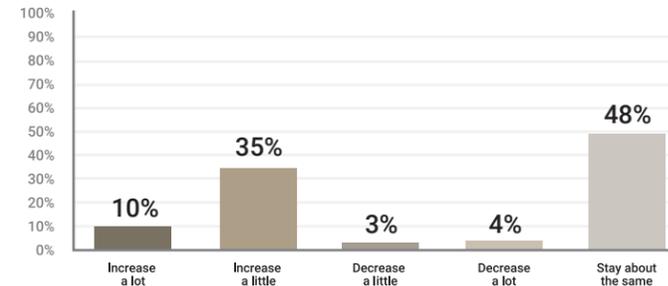
21% believe it will be between *4.1%-4.5%*,

35% believe it will be between *4.6%-5.0%*, and

0% of respondents believed unemployment will be at *5.1% or greater*

5. And what about YOUR EMPLOYMENT?

In the next year, do you think demand for your forensic economic services will:



10% believe demand for their services will *increase a lot*,

35% believe demand for their services will *increase a little*,

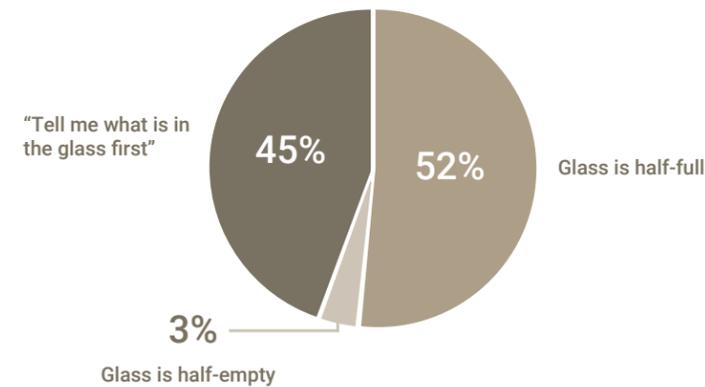
3% believe demand for their services will *decrease a little*

4% believe demand for their services will *decrease a lot*, and

48% believe demand for their services will *stay about the same*

6. Last Question...Tell us a bit about yourself!

What kind of person are you?



52% of respondents described themselves as a *Glass is half-full kind of person*,

3% described themselves as a *Glass is half-empty kind of person*, and

45% described themselves as a *"Tell me what is in the glass first, then I will answer your question" kind of person*

And with that, I say *Cheers* to all NAFE members who participated in this survey, no matter how full or empty your glass may be!
If you have a suggestion for a future survey I hope you won't hesitate to share.

News from the JOURNAL OF FORENSIC ECONOMICS

As this issue of the Forecast was being prepared, NAFE members should have received the latest issue of the *Journal of Forensic Economics*, Volume 29, Issue 2. Until the next issue is printed, members should be aware that accepted papers for future issues of the JFE are available for download on www.journalofforensic-economics.com, the JFE website. Those papers can be downloaded by accessing the "Online Early" area of the website, <https://meridian.allenpress.com/jfe/publish-ahead-of-print>. In "Online Early," members can click on a link that allows a member to sign up for e-mail alerts when a newly accepted paper is typeset and available for download. Papers that have been accepted for publication in JFE, Volume 30, Issue 1 and that will be appearing in "Online Early" include:

- Eric W Christensen
"Personal Consumption of Household Services."
- Steven Feinstein and O. Miguel Villaneuva
"Securities Litigation Event Studies in the Covid Volatility Regime."

- David I. Rosenbaum and Kathleen G. Ellis
"Estimating Personal Consumption Rates for Husbands and Wives: A Comparison of Income-Strata and Microdata Models."

Argument for Use of the Net Discount Rate:

The Flaw in Relying on Separate Growth and Discount Rates to Estimate the Expected Present Value of a Future Loss

written by Dave Tucek¹

Because no one knows what would have happened in the future but for the event that gave rise to a particular tort, and because no one knows what future investment returns will be, it is clear that both a plaintiff's future losses and a plaintiff's future total returns are random variables. That is, they are variables whose values depend on outcomes of random phenomena. It follows then, that the present value of the future losses is also a random variable. Additionally, given a starting part for estimating a loss, (e.g., a base earnings level or medical costs specified in a life care plan) and a means of accounting for the risk that the loss may or may not be incurred, it is clear that the expected present value of future losses depends on future growth rates and investment returns.

As is shown below, estimating the expected present value of a future loss based on individual values for the growth and discount rates will result in biased estimates of the present value. Moreover, because the covariance between current and future interest rates and the future growth in wages or medical care costs is positive, the resulting estimate of the present value will be biased upward.

Let L_t be the future loss in loss year t , and K_t be the corresponding present value factor (a function of the discount rate, i), constructed in a way such that the present value, P_t , of L_t equals the product $K_t \cdot L_t$. (Note that K_t is an inverse function of the discount rate, i). It follows then that:

(1) $E(P_t) = E(K_t \cdot L_t)$ where $E(\cdot)$ denotes the expected value.
From this, it follows that:

(2) $E(P_t) = E(K_t) \cdot E(L_t) + Cov(K_t, L_t)$ where $Cov(\cdot)$ denotes the covariance.²

In other words, even if K_t and L_t equal their expected values, any estimate based on their individual values will be biased downwards if the covariance between K_t and L_t is positive, and biased upwards if it is negative.³ If L_t is a function of future growth in wages or medical costs, the covariance between L_t and the *discount rate* will be positive for several reasons.

1. Value Economics, LLC, St. Louis, MO. Email: dave.tucek@valueeconomics.com

2. For any two random variables, X and Y ,
 $Cov(X, Y) = E[(X - E[X]) \cdot (Y - E[Y])] = E[X \cdot Y - Y \cdot E[X] - X \cdot E[Y] + E[X] \cdot E[Y]]$
 $= E[X \cdot Y] - E[Y] \cdot E[X] - E[X] \cdot E[Y] + E[X] \cdot E[Y]$
 $= E[X \cdot Y] - E[X] \cdot E[Y]$ which gives:
 $E[X \cdot Y] = E[X] \cdot E[Y] + Cov(X, Y)$ or the result relied on in (2) above with $X = K_t$ and $Y = L_t$.

3. Of course, such an estimate may founder for other reasons – for example, the underlying forecasted growth rate may be in error or simply unsupported.

4. The bias is upwards because the resulting estimate of the present value is missing the second term of the right side of (2) above. Because this term is negative, the resulting present value estimate is overstated when it is omitted.

5. Some forensic economists rely on forecasts of both growth and interest rates taken from the same source. While this would seem to meet the requirement of consistency, it is not possible for the forensic economist to reach this conclusion without knowledge of the assumptions that went into the growth and interest rate forecasts and the specification of the underlying model, assuming that such a model exists.

First, consider the Fisher equation:

$$(1 + i) = (1 + r) \cdot (1 + \pi^e)$$

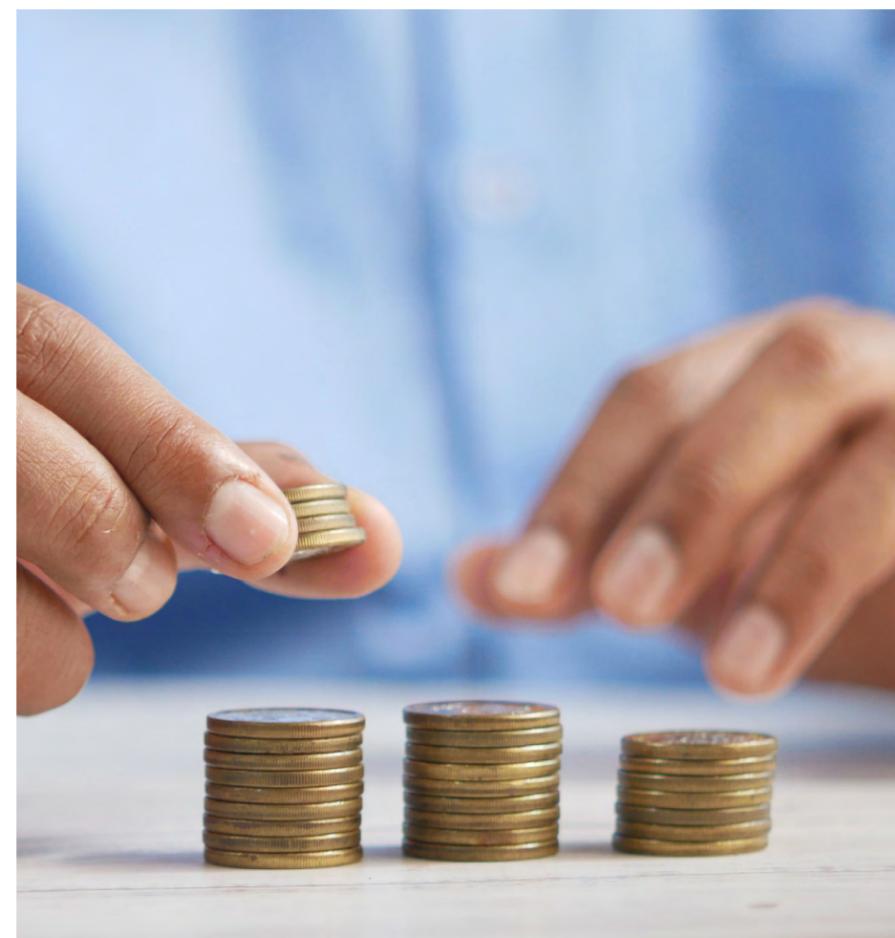
where “ i ” is the nominal rate of interest; “ r ” is the real rate of interest; and “ π^e ” is expected inflation. This shows that expected inflation is the link between nominal interest rates and expected nominal growth rates. Because these two variables are positively correlated, the covariance between the discount rate, i , and L_t will be positive. **Further, because K_t is an inverse function of i , the covariance between K_t and L_t will be negative.** Consequently, the estimated value of P_t will be biased upwards if it is based on individual values of K_t and L_t and if L_t is a function of future economic growth and inflation.⁴

Second, the real interest rate is determined by the supply of capital (savings) and the demand for capital (investment). Because expected future economic growth is a determinant of both savings and investment, the real rate of interest and expected real growth rates are positively correlated. Consequently, discounting with real interest rates leads to the same conclusion: if L_t is a function of future growth in wages or medical costs, the

covariance between K_t and L_t will be negative and the estimated value of P_t based on their individual values will be biased upwards.

If K_t is expressed on a net discount rate basis, and if the NDR is stationary, L_t will not be a function of future economic growth or inflation and $Cov(K_t, L_t)$ will equal zero. Consequently, use of an NDR eliminates the bias in the estimated value of P_t . Note that it is necessary to test the NDR for stationarity because it is a forecast of the difference between the growth rate and the discount rate. Clearly, if the NDR is not expected to be stable about some mean, but is instead nonstationary, a forecast based on its mean will not be meaningful. Put differently, either $E(K_t)$ or $E(L_t)$ (or both) in (2) above would not be constants.

An astute reader will note that for a given NDR, any separate discount and growth rates which produce the same NDR will produce the same results and conclude that adopting the NDR approach adds nothing meaningful to the estimation process. The flaw in this logic is that the separate discount and growth rates need to be consistent – that is, the expectations for economic growth and inflation underlying the chosen discount rate must be consistent with the chosen growth rate. Often, this is clearly not the case, with an extreme example being current interest rates relied on for discounting and with average growth rates calculated over a fifty-year period used to project losses into the future. While this example presents an obvious disconnect between the two variables that determine the NDR which produces identical results as applying the growth and discount rates separately, it is not farfetched since the choice of discount and growth rates are often done in isolation of each other.⁵ Again, this need for consistency between the discount and growth rates underlying the NDR translates into a requirement that the NDR be stationary.



CALL FOR SUBMISSIONS AND BOOK REVIEWS

The Forecast: A Newsletter of the National Association of Forensic Economics encourages submissions on topics of interest to practicing forensic economists and the NAFE community of members.

If you have an idea for a newsletter article or if there is a book – current or past release – that you would like to review, then please consider preparing a submission for our newsletter. It is contributions from NAFE members that make our newsletter appealing and informative and we would appreciate having yours.

Submissions and reviews should be amiable and well-reasoned in nature, should not refer to subjects of active litigation, and should be approximately 1200 words or less. Submissions should be in Microsoft Word, and all tables and charts should be submitted as part of the MS Word file *and* as separate pdf files. Accepted submissions may need to be edited for space constraints and the production schedule will determine when articles will be published. Submissions can be sent directly to me at lane@lh-analysis.com.

Submitting an article or book review for publication is easy and I am always happy to answer questions regarding possible submissions. If you have an idea you think could work for submission, please do not hesitate to contact me at lane@lh-analysis.com.

We look forward to your submission!

Sincerely,

Lane Hudgins,

Editor, *The Forecast* – A Newsletter of the National Association of Forensic Economics

In Memoriam: Remembrances in honor of James D. Rodgers

Saddened by the news of James Rodgers' passing, at the conclusion of NAFE's virtual Eastern Meeting sessions, several attendees shared their memories of Jim, whose humor was as irresistible as his warm smile and whose work as a forensic economist, researcher, and leader of NAFE embodied our organization's tag-line "Promoting the Advancement of Forensic Economics".

Of those remembrances, Marc Weinstein and Gary Skoog have generously shared their thoughts for this issue of *The Forecast* to honor Jim — his humor, his friendship, his work for NAFE, and his contributions to the forensic economics profession.

Everybody's Friend and Mentor, and My Role Model

James D. Rodgers (June 18, 1943 – February 15, 2022)

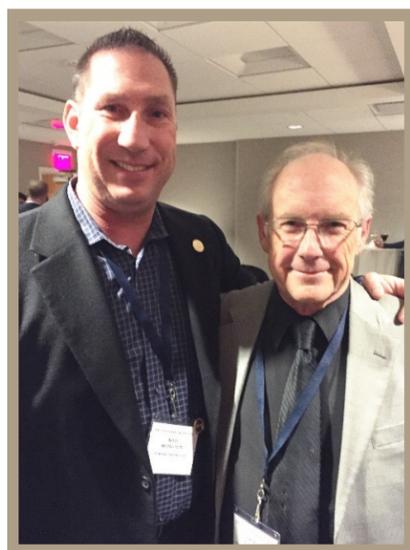
written by Marc Weinstein

I grew up in the city of Philadelphia, attended Philadelphia Public School, and am a true Homer from the City of Brotherly Love. Starting in the 7th grade, I was segregated with a group of others and placed into an accelerated math program that went through high school. My 9th grade math teacher would periodically bring in speakers in careers in mathematics and one woman discussed how she valued marital assets for divorce proceedings and testified as an expert at trial. She mentioned in passing an organization that was forming in Kansas City known as the National Association of Forensic Economists (later changed to National Association of Forensic Economics in 1992). I sought out information on the organization and learned the names of some of the founding members including Jack Ward and those in close proximity to Philadelphia including Jim Rodgers (Penn State University), Ed Mathis (Villanova), and Bob Thornton (Lehigh).

At the NAFE Sessions of the Eastern Economic Association Annual Meeting in Washington, DC in or around February 2002 (20 years ago), my first meeting, I went to learn from the sessions, meet some of the people I had read about and whose research I utilized on a daily basis, and to hopefully meet Jim Rodgers. After the sessions, Rick Gaskins and Manny Smith organized a group dinner at a restaurant a few blocks from the conference hotel. I latched on to Jim, listening to his many conversations, interacting whenever I felt confident enough to add to the topic, and I positioned myself so that when we sat down, I would be right next to Jim at dinner. It was definitely a coveted seat to be next to or directly across from Jim and I was skillful enough to secure a position to soak up his wit and wisdom.

After I realized that I was not going to be the next Julius "Dr. J." Erving, my childhood idol, I hoped I could follow in Dr. Jim Rodgers' footsteps. I followed his career at Penn State and after spending time with him at the Eastern Meeting, I became his friend. I looked to him for guidance and he immediately became my mentor.

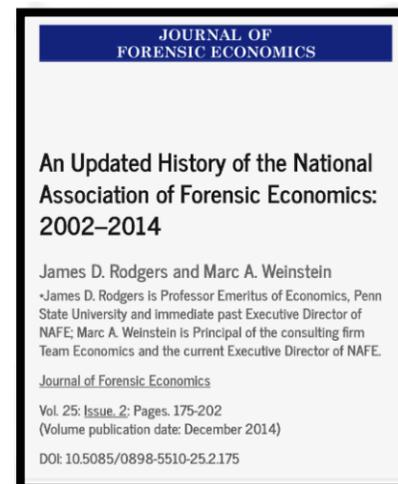
Shortly thereafter, I was retained on the defense in a seat belt case and Jim was the Plaintiff's Economist. I felt so good about myself professionally that I was asked by Defense Counsel to critique Jim's report and provide my own opinions on this matter.



To my dismay, Jim's report stunk! I was so upset by what I saw, and I was immediately depressed that my role model would produce such a bad report. I kept it to myself for several years and after the case resolved, I brought the report to a meeting and confronted Jim about his work. I was so nervous, but I had to ask him about it. When I discussed the report with Jim, he explained to me that his client provided him Exhibits A through G, and his opinions were based on the documents provided. He noted that I had been provided Exhibits A through Z and his opinions would have been consistent with mine had he been provided the complete information I was presented. He further noted that I did a really good job, which was the

ultimate honor to hear. I consistently reference that lesson he taught me, which is that your opinions can only be based on the information provided.

Jim and I became close over the next ten to twelve years and he asked me personally to succeed him as the Executive Director of the National Association of Forensic Economics effective January 3, 2014, in Philadelphia, Pennsylvania. He also wanted to co-author an article in the *Journal of Forensic Economics* with me titled "An Updated History of the National Association of Forensic Economics: 2002 through 2014" (Volume 25, Issue 2 in December 2014). I was so honored to succeed Jim as Executive Director of NAFE and grateful to be invited to write a paper with him.

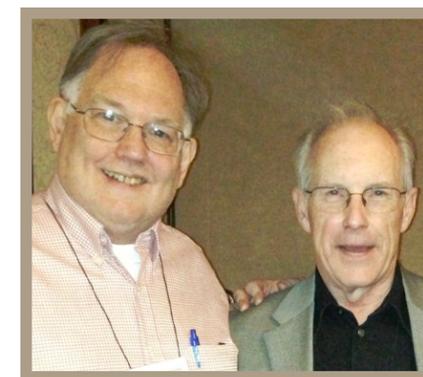


Jim's witty, intellectual voice with that thick Texas twang has been in my head for the past twenty years. I always looked forward to seeing him at meetings. We often had lunch alone prior to the start of a conference to catch up and discuss life. He provided me guidance on many cases, was the consigliere for all issues NAFE related, and was my good friend. I will miss him dearly.

Remembering Jim Rodgers

From: Remarks made at the Virtual Eastern Meetings, 2022

written by Gary Skoog



Jim was an early NAFE Vice President, the 9th President, and a winner of the Past President's award. He served as Past President, and continued to serve NAFE by taking on the considerable duties of Executive Director. He gave years of wise counsel at Board Meetings.

This is not the place to discuss his many peer-reviewed papers, but two of which I very much appreciated were his paper on Estimating Losses of Social Security Benefits (we shouldn't use

7.65% or 6.2%) and his hedonics paper "How Do You Compensate a Dead Person?" He had working papers in these areas early on, and so he helped to settle our practices.

Jim was one of those people I very much looked forward to talking with — at our conferences, or on the telephone. He delighted in commenting on papers at our conferences, always enlivening the session and providing insight. It was a shame that his travel to meetings in recent years had been limited.

Jim and I had a continuing wager on the winner of the Michigan — Penn State football game each year. The stakes were a drink purchased for the winner at upcoming meetings, usually the ASSA. We never settled up — we just kept the tab open. What's life without a little fun and frivolity?

If we had a Hall of Fame in Forensic Economics, Jim would be voted in during the first year of eligibility, just like the baseball giants Babe Ruth, Ty Cobb, Walter Johnson, Christy Mathewson and Honus Wagner.

Jim taught me to enjoy India Pale Ale, and if he were here, he would hoist an Arrogant Bastard, one of his favorites.

Jim, I miss you terribly, but thanks for the good times and memories I will always treasure.



Meeting & Regional Updates

International Meeting

ALLONS-Y!

International Conference of the National Association of Forensic Economics

NAFE Meeting Date: May 28, 2022

Location: Quebec City, Quebec, Canada

Hotel: Chateau Frontenac

Meeting Organizers:

Jack Ward & Steve Shapiro

Meeting Information:

The International Meeting of the National Association of Forensic Economics is set to kick off on May 28 in Quebec City, Canada. After a two-year hiatus it will be a pleasure to meet in such a beautiful, historic city in a beautiful, historic hotel. Please check future issues of *The Forecast* for photos from this meeting — the first in-person NAFE meeting since 2020.

Please contact Jack Ward at ward@johnward.economics.com or Steve Shapiro at sshapiro@analyticresources.com if you would like more information.

Western Meeting

Looking forward to seeing you virtually for the Western Meeting!

Independent NAFE sessions to be held in lieu of sessions with the WEAI

Meeting Dates: July 1, 2022

Conference Registration:

Registration is free. Watch for registration information via email.

Meeting Organizer:

Stephanie Rizzardi
Vice President — Western Region

I look forward to seeing you on July 1st — virtually — for the NAFE Western meeting!

We have a great line up of papers and presentations!

Our program will now be held virtually via a platform independent of the WEAI. This means, of course, that you will not have to pay registration fees to the WEAI unless you planned to attend other sessions which are not part of the NAFE program. So, if you have already registered through the WEAI and paid registration fees you may request a refund of those fees through Julie Barie at WEAI. Julie's email is julie@weai.org. Please let me know if you have any problem requesting a refund.

Please remember to mark your calendar for July 1st! A program agenda will be shared shortly.

Please contact Stephanie Rizzardi at srizzardi@rizzardieconomics.com if you would like more information.

Midwestern Meeting

Call for Paper & Discussants

59th Annual Conference of the Missouri Valley Economic Association

Meeting Dates: October 6–8, 2022

Location: St. Louis, MO

NAFE Session Date: TBD

Conference Information:

<https://www.mvea.net/annual-conference.html>

Hotel:

Hyatt Regency St. Louis at the Arch — St. Louis, MO

Hotel Reservations:

<https://www.hyatt.com/en-US/group-booking/STLRS/G-MVE9>

Meeting Organizer:

Dwight Steward
Vice President — Midwest Region

If you would like to submit a paper to present at NAFE's session at the upcoming MVEA meeting, or if you have a session proposal, please contact Dwight Steward, Midwestern VP, at dsteward@employstats.com. Deadline for submissions is August 5, 2022.

Please check future issues of *The Forecast* for updates regarding NAFE's sessions at the MVEA as more information becomes available.

Southern Meeting

Call for Papers, Discussants & Session Proposals

92nd Annual Meeting of the Southern Economic Association

Meeting Dates: November 19–21, 2022

Location: Fort Lauderdale, FL

Conference Information:

<https://www.southerneconomic.org/conference/>

Hotel:

Fort Lauderdale Marriott Harbor Beach Resort & Spa

Hotel Reservations:

<https://www.southerneconomic.org/hotel-information/>

Meeting Organizer:

Nikanor Volkov
Vice President — Southern Region

Planning has begun for the NAFE sessions at the SEA conference in Fort Lauderdale. NAFE intends to hold three sessions. If you are interested in joining us and have a topic you might like to present or a proposal for a session, please contact Southern VP Nikanor Volkov at volkov_ni@mercer.edu.

National Meeting

Special NAFE session in honor of James Rodgers announced

2023 ASSA Annual Meeting

Meeting Dates: January 6–8, 2023

Location: New Orleans, LA

NAFE Sessions: January 6–7, 2023

Conference Information:

<https://www.aeaweb.org/conference/>

Hotel: TBD

Meeting Organizer:

Constantine Boukidis & Michael O'Hara
Vice Presidents — At-Large

Jerome and I thank everyone for participating in our ASSA/NAFE sessions (January 8 & 9, 2022). We also appreciated your compliments. We're glad to have met or exceeded your expectations. The meetings were at the end of Jerome's term as an At-Large NAFE Vice-President, and he has been replaced by Michael J. O'Hara. It was a pleasure working with Jerome for the last 2 years and I am very much looking forward to working with Michael as we plan next year's national meeting.

Our "special sessions" continue to be popular. Thanks to Josefina Tranfa-Abboud for organizing and chairing the "Women in Economics: Women in the Economics Profession" capstone session at this year's meeting.

We are planning to stick with the format we have used for the last few national meetings. We'll open with a "special session." This year, in honor of James Rodgers, our special session will be devoted to Jim's publications, discussions and mentoring. This session will be led by Steve Shapiro and Jack Ward and chaired by Kevin Cahill. This special session will be followed by three regular or "traditional" sessions.

Also, there are a few spots available in the other three sessions to present or discuss a paper, so please reach out to Ntino at cboukidis@jsheld.com or Michael at mohara@unomaha.edu with your proposal.

We would also like to continue offering a session on issues relating to race, gender and/or ethnicity. For the 2022 meeting, the session organized by Josefina was a joint session with the Committee for the Status of Women in the Economics Profession. Maybe there's a women's or Hispanic group we can partner with for this purpose.

Ntino will again be taking the lead in organizing our 2023 meeting, with assistance from Michael. They will be reaching out and following up with those who indicate they want to participate in the conference as either a session chair, presenter or discussant.

Again, we are proud to serve our members, and thank you for your continuing support and assistance in staging these conferences that benefit all who attend and participate.

The 2023 ASSA annual meeting will be held January 6–8 (Friday, Saturday, Sunday), 2023 in New Orleans, with NAFE sessions planned for January 6 and 7.

Please contact Constantine (Ntino) at cboukidis@jsheld.com or Michael at mohara@unomaha.edu if you would like to participate.

Eastern Meeting

Call for Papers, Session Chairs & Discussants for 2023

49th Annual Eastern Economic Association Conference

Meeting Dates: TBD

Location: TBD

NAFE Sessions: TBD

Conference Information: TBD

Hotel: TBD

Meeting Organizer:

Robert Baumann
Vice-President — Eastern Region

If you would like to submit a paper to present at NAFE's sessions at the 2023 EEA meeting or serve as a session chair or discussant, or have a session proposal please contact NAFE Eastern Region VP Robert Baumann at rbaumann@holycross.edu.

At this time the Eastern Economic Association has not provided any special information regarding the 2023 meeting or a link to hotel registration. Please check future issues of *The Forecast* for additional information as it becomes available.

the FORECAST

A Newsletter of the National Association of Forensic Economics
Volume 36 • Issue 1 & 2 • Winter/Spring 2022



MARK YOUR CALENDARS!

Be sure to save the dates for these upcoming NAFE meetings and sessions
– This information is subject to change –

Please watch for email announcements, contact NAFE meeting organizers, and check meeting websites (if available) for information about possible changes to and cancellations of NAFE sessions.

2022

NAFE INTERNATIONAL MEETING
Quebec City, Canada – May 28, 2022

WESTERN MEETING
Virtual Sessions – July 1, 2022

MIDWESTERN MEETING
St. Louis, MO – October 6–8, 2022
NAFE Sessions: TBD

SOUTHERN ECONOMIC ASSOCIATION
Fort Lauderdale, FL – November 19–21, 2022
NAFE Sessions: TBD

2023

AMERICAN ECONOMIC ASSOCIATION – ASSA
New Orleans, LA – January 6–8, 2023
NAFE Sessions: January 6–7, 2023

NAFE EASTERN MEETING
Location: TBD – Meeting Dates: TBD

Look for meeting details inside

