

2/1998 Compensating for Damages with the "Dedicated-Portfolio Approach" and Comparison with the "Discount-Rate Approach"

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Both the "discount-rate approach" and the "dedicated-portfolio approach" can be used to calculate compensatory lump-sum awards in personal injury or commercial litigation. The former dominates litigation and research, and it is claimed that the latter can be used only when future nominal damages are certain. The paper investigates whether the situation and the claim are justified. It studies the "dedicated-portfolio approach", compares it with the "discount-rate approach", investigates which approach conforms better to the purpose of compensatory damages, and considers whether there are conditions under which one approach is more useful in the litigation process than the other.