NATIONAL CENTER FOR POLICY ANALYSIS

Executive Alert®

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IN THIS ISSUE

NCPA Senior Fellow Thomas R. Saving speaks with former New York Sen. Daniel Patrick Moynihan during a meeting of the President's Commission to Strengthen Social Security. **See related story on page E-1.**

Driving to Work

As urban America has evolved to decentralized clusters of residential housing and employment, thanks to the automobile, the poor have often been left behind in inner-city areas with few job opportunities. A solution frequently proposed to get inner-city residents to places where there are jobs is mass transit, including multibillion dollar light rail projects.

However, researchers at the City University of New York have identified a more effective solution to the mobility problems of the poor: the car. They found that, even in an area with easy access to transit buses and subways, access to a car is a decisive factor in promoting the economic self-sufficiency of the poor.

Looking for the most important factors in achieving economic self-sufficiency for low income families, the researchers surveyed 400 households in the Edgemere and Arverne Houses, adjoining public-housing projects in the borough of Queens that are poorer than most of New York City's projects.

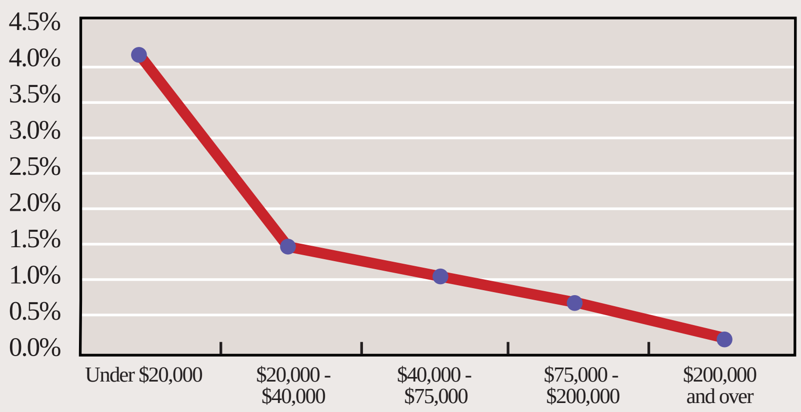
According to their study, published in the *Journal of Urban Affairs*, the two most important factors determining economic self-sufficiency were whether adults in the household had some work experience and whether they had a car.

- Just 28 percent of the childless households without a car and work experience were economically self-sufficient.
- Having some work experience (but no car) more than doubled their likelihood of self-sufficiency.
- Having a car (but no work experience) boosted the chances of self- sufficiency to 74 percent.
- Having both work experience and a car boosted their chances of self-sufficiency to 94 percent.
- Some work experience combined with access to a car boosted the chances of households with children even more dramatically, raising the rate of self-sufficiency from 3 percent to 52 percent.

What is true in New York City is even more likely to be true elsewhere. A report by the federal government's Transit Cooperative Research Program said that "most transit systems were not designed to serve suburban trips and instead are oriented around urban travel or suburb-to-city commuting." The report concluded "automobiles are the most efficient mode of transportation" to get poor people to where jobs are.

Source: Samuel R. Staley and Leonard C. Gilroy, "Driving Forces...Cars As Life Rafts For the Urban Poor," Bridge News Service, August 7, 2001.

TAX COMPLIANCE COSTS AS A PERCENT OF INCOME



Source: Tax Foundation.

Should the Capital Gains Tax Rate Be Zero?

Neither proponents nor opponents of cutting the capital gains tax rate argue from a position of principle. The real question is: Are gains in the value of assets income like any other form of income — such as wages, dividends, rent and interest? Or are they not income?

For most of American history, the question was moot, because the definition of income is important only if income is taxed. However, during the Civil War, Congress instituted an income tax and the question of taxing capital gains arose.

■ In the case of *Gray v. Darlington* in 1872, the U.S. Supreme Court ruled that capital gains are not income.

■ Even after the 16th Amendment authorized an income tax, several Supreme Court decisions indicated that capital gains are not income.

■ But then, in a series of decisions beginning in 1921, the Court stated definitively that capital gains are taxable as income.

Since capital losses were fully deductible against gains in the period from 1917 to 1921, taxation of capital gains netted little revenue for the federal government, and may even have lost it money. Because income tax rates were so high, up to 73 percent in 1921, there was a lock-in effect as investors held on to appreciating assets until they had losses to offset the income tax. So in 1921 Congress created a preferential tax rate on capital gains of 12.5 percent.

Since then, the debate has centered mainly on whether or not capital gains should be taxed as ordinary income. Proponents of this approach depend primarily on the definition of income developed by economists Robert M. Haig and Henry Simons, which defines income as all consumption during the course of a year plus the change in net worth.

The Haig-Simons definition suggests gains should be taxed as they accrue, whether or not the asset is actually sold! However, Haig-Simons supports the full deductibility of losses in capital value, and the adjustment of capital gains for inflation. If these two adjustments were allowed, most capital gains would disappear.

■ Indeed, from 1917 to 1921, when capital losses were fully deductible from ordinary income, the federal government had negative revenue from the capital gains tax.

■ Economist Robert Eisner found there were no real capital gains whatsoever from 1946 to 1977.

Supporters of a lower rate would greatly strengthen their case if they argued that capital gains should not be taxed at all as a matter of principle.

Source: Bruce Bartlett, "Why the Capital Gains Tax Rate Should Be Zero," NCPA Policy Report No. 245, August 2001, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

A Taxing Problem

The complexity of the U.S. income tax is imposing continually higher costs on taxpayers, so high that just simplifying the code would have the effect of a substantial tax cut.

■ The nation will spend 4.6 billion hours in 2001 on just the paperwork requirements that taxpayers must meet.

■ That is the equivalent of a work force of over 2.2 million people, more than work in the auto industry, the computer manufacturing industry, the airline manufacturing industry and the steel industry combined.

■ The dollar equivalent is $140 billion in compliance costs for 2001, according to a cautious estimate that excludes many substantial costs that are part of the overall compliance burden.

If tax simplification could be achieved, the resulting "tax cut" would be progressive because the burden of complying with the tax code falls disproportionally on low- and middle-income taxpayers. For example:

■ Taxpayers with less than $50,000 of adjusted gross income pay almost 60 percent of the total compliance cost for individuals.

■ The cost of compliance for taxpayers whose adjusted gross income is less than $20,000 averages more than 4 percent of their adjusted gross income.

The estimate does not include the productive value people might have added to the economy if they had been working instead of filling out forms because estimating this "opportunity cost" is difficult and speculative. The costs of the Internal Revenue Service, the Tax Court and all the litigation taxpayers pay for when in dispute with these institutions are also excluded.

Source: Scott Moody, "The Cost of Tax Compliance," statement before the Subcommittee on Oversight of the U.S. House Ways and Means Committee, July 17, 2001, updated from "The Cost of Complying with the U.S. Federal Income Tax," Tax Foundation Background Paper No. 35, November 2000, Tax Foundation, 1250 H Street, N.W., Suite 750, Washington, D.C. 20005, (202) 783-2760.

Stock Market Risk

Is investing the Social Security surplus in the financial markets inherently risky? Returns on both stocks and bonds fluctuate widely — and at times wildly — from day to day and even from year to year. However, over longer investment periods this volatility is dramatically reduced — often to a few percentage points.

Social Security uses a worker's highest 35 earning years to calculate benefits. An analysis of portfolios holding the Standard & Poor's 500 stocks and top-rated corporate bonds finds that in any of the ninety-five 35-year periods ending between 1906 and 2000:

- The average annual real rate of return for an all-stock portfolio was 6.4 percent, with the lowest being 2.7 percent.
- The average annual real rate of return for a portfolio of 60 percent stocks and 40 percent bonds was 5.1 percent, with the lowest being 2.0 percent.
- By contrast, nearly all young people entering the labor market can expect a return on the Social Security taxes they pay of less than 2 percent.

A number of Social Security reform proposals call for workers to contribute 2 percent of earnings to personal retirement accounts over their work lives. Based on historical stock market data, the analysis estimates that if workers are in 100 percent stock market portfolios prior to retirement:

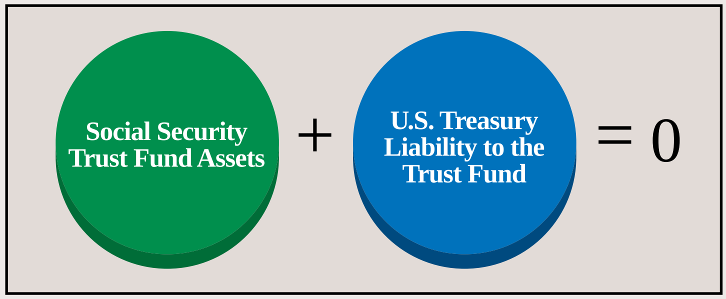
- During retirement, a private annuity would be expected to equal 43 percent of currently promised Social Security benefits.
- The annuity could equal from 85 percent of the Social Security benefits in the best-case scenario to 17 percent in the worst-case scenario.

How do these potential variations in the size of the annuity affect the pension benefit the retiree actually receives? Every serious proposal limits the downside risk to the retiree. For example, under one proposal, the annuity would offset Social Security benefits dollar for dollar — so retirees would not face any risk.

Under another proposal, retirees would be guaranteed a minimum benefit equal to the current system's promises. In addition, retirees would get an extra benefit equal to 25 percent of their private annuity.

Source: Liqun Liu, Andrew J. Rettenmaier and Zijun Wang, "Social Security and Stock Market Risk," NCPA Policy Report No. 244, July 2001, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

SUMMING OVER THE GOVERNMENT'S ACCOUNTS, THE BALANCE IS ZERO



The Value of IOUs

Social Security is a pay-as-you-go program. All payroll tax revenues are spent — the very minute, the very hour, the very day they are received by the U.S. Treasury. Most of these revenues are spent on benefits for current retirees. Any additional amount is spent in other ways. But there is no funding of future benefits. No money is being stashed away in bank vaults. No investments are made in real assets.

In the United States, payroll tax collections have exceeded benefit payments since the mid-1980s, and will continue to do so until 2016, when Social Security will begin running deficits.

- In 2001, the government will collect $604.3 billion from workers and spend $438.9 billion on benefits, leaving a Social Security surplus of $165.4 billion.
- At the end of 2001, the accumulated value of all the previous years' surpluses will total more than $1.2 trillion.
- By 2016, the accumulated value of all the previous years' surpluses will total more than $5.4 trillion.

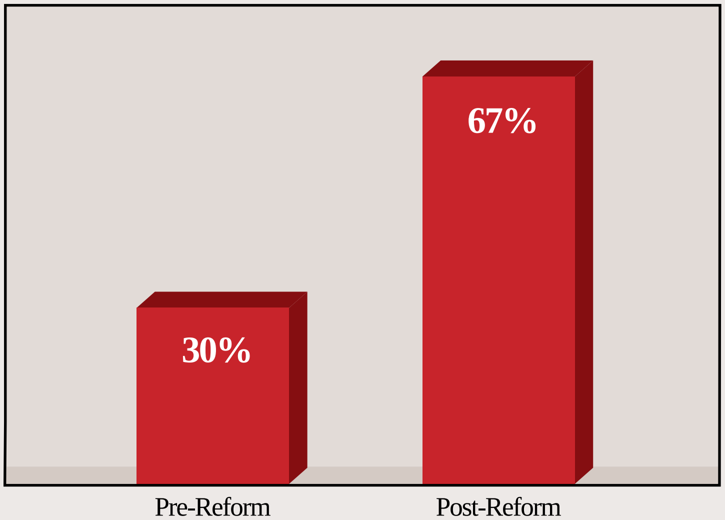
Technically, these surpluses are credited to the Social Security trust fund, which holds an equivalent amount of special-issue bonds. However, the trust fund exists only within the U.S. Treasury. The special-issue bonds cannot be sold on Wall Street or to any foreign investor. And they cannot be used to pay benefits.

The issuer of the bonds (the U.S. Treasury) and the holder of the bonds (the Social Security trust fund) are the same entity. As a result, the bonds are actually nothing more than IOUs the government writes to itself. On paper, the trust fund has enough IOUs to pay Social Security benefits for about 28 months on any given day. In reality, it cannot pay anything. Every asset of the trust fund is a liability of the Treasury. Summing over all government accounts, the balance is zero. For the Treasury to write a check, it must first tax or borrow.

Beginning in 2016, payroll tax collections will not be enough to pay all Social Security benefits. Since the Social Security trust fund holds only IOUs, the government will thereafter have to raise taxes, cut benefits or borrow to pay all promised benefits.

Source: Matt Moore and John C. Goodman, "Straight Talk about the Social Security Trust Fund," Brief Analysis No. 366, August 10, 2001, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

PERCENT OF EDUCATION SPENDING IN NEW ZEALAND GOING TO THE CLASSROOM



Source: Children First America.

School Choice in New Zealand

New Zealand has maintained a comprehensive school choice system for more than a decade. The results are instructive for the school choice debate in the United States.

Before reforms were implemented, the centralized bureaucracy of the Ministry of Education made all the rules and controlled all the expenditures related to education policy in New Zealand. Parents had little influence and there was little accountability.

Today, education in New Zealand is still fully funded by the central government from general income and consumption tax revenues, and every child is still entitled by law to a tax-supported education until completion of secondary school.

- Now parents have the right to choose any school for their child — public or private — at taxpayer expense.
- The Ministry of Education only passes block grants to schools based on student enrollment and serves as auditor of school performance; the Ministry has been reduced to about half its former size.
- Each school now has a Board of Trustees — made up of parents with students at the school — which puts spending decisions into the hands of parents at the school campus level.
- As a result, 67 cents of each education dollar is spent in the classroom, which is more than double the pre-reform amount.

Private schools can get state funding equivalent to that for public schools, but they must agree to teach the core curriculum. They must also agree to teach students for the required number of days each school year. In exchange, private schools maintain the right to keep their special character, typically religious education or ethics.

Since the implementation of education reform in New Zealand, parents have played a dominant role in the educational choices of their children, learning has improved and classroom size is down.

Source: Matthew Ladner and Maurice McTigue, "School Choice in New Zealand: Sixteen Years of Unprecedented Success," May 2001, Children First America, P.O. Box 330, Bentonville, Ark. 72712, (501) 273-6957.

Learning to Read

The National Institutes of Health, Harvard University's School of Education and the Carnegie Foundation for the Advancement of Teaching, as well as other experts, agree that youngsters follow a definite process in learning how to read that can be applied in the classroom — using phonics programs, for example. But that knowledge is not reaching classroom teachers. As a result, only 32 percent of the nation's fourth-graders read at grade level — and the gap between the worst and best readers is widening.

The ability to read is vital to a child's future progress.

- Thirty-three years of study by the National Institutes of Health have found that of the 10 percent to 15 percent of children who will eventually drop out of school, more than 75 percent will report reading difficulties.
- Only 2 percent of children getting special education for reading problems will complete a four-year college program.
- Half of adolescents and young adults with criminal records have difficulty reading.

About 5 percent of children learn to read and write with ease, 20 percent to 30 percent more learn to read relatively easily, and about 60 percent have difficulty. Experts say there were probably the same proportion of children 40 years ago who had reading problems. But reading wasn't as crucial to employment then as it is in today's age of high technology.

"School dropouts, teenage pregnancy, poor academic achievement, crime — all of these are downstream consequences of not learning to read," says NIH researcher G. Reid Lyon.

Perhaps most chilling of all is that some states now use their fourth-grade reading failure rates to predict the size of prisons they will need a decade in the future.

*Source: Tamara Henry, "Lawmakers Move to Improve Literacy, the 'New Civil Right,'" **USA Today**, June 11, 2001.*

Are the Young Becoming More Disabled?

As a group, the health of the elderly population is improving, but there is some evidence that the health of the young is deteriorating. Disability rates among the elderly have fallen in recent years, but increasing disability rates among the young may translate into higher disability rates for tomorrow's elderly. (A disability is a condition that limits one or more functions of daily life, and there are degrees of disability.)

Based on data from the National Health Interview Survey, researchers found that from 1984 to 1996:

- The rate of disability among those in their 40s rose by one full percentage point, or almost 40 percent.
- Asthma rates have grown significantly for all groups younger than age 65, and by almost three percentage points among those in their 20s and 30s.
- Diabetes rates have increased by 70 percent for those in their 30s; 40 percent for those in their 40s; 30 percent by those in their 50s; 17 percent by those in their 60s; and 10 percent for those older than 70.

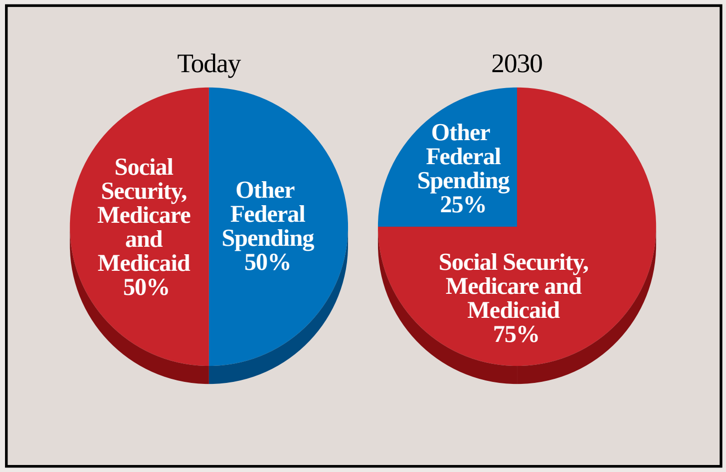
The percentage increases in diabetes are heavily skewed toward the young, in large part because of the growth in obesity among the younger age groups. But the growth in asthma alone appears more than enough to explain the change in disability.

Self-reported health status also suggests that the young have been growing sicker while the old have been growing healthier. From 1990 to 1996, the proportion of the population reporting excellent or very good health fell significantly for people younger than age 50, was constant for those ages 50 to 60, and rose for those older than 60.

The growth in disability among the young could be the result of real deterioration in underlying health status. However, there is indirect evidence to support the hypothesis that changes in disability insurance eligibility requirements resulting in more generous disability benefits could induce more people to report disability. This incentive would be much stronger for the young.

Source: Darius Lakdawalla, Dana Goldman and Jay Bhattacharya, "Are the Young Becoming More Disabled?" NBER Working Paper No. W8247, April 2001, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, Mass. 02138, (617) 868-3900.

ESTIMATED MAKEUP OF FEDERAL SPENDING*



** Assumes no increase in tax rates.*
Source: General Accounting Office, March 2001 analysis.

Can Medicare Survive?

In 2016, the same year Social Security outlays are expected to exceed tax revenues, Medicare hospital outlays will exceed payroll tax revenues. In their current forms, the outlook for Medicare is bleaker than that for Social Security.

Medicare's Hospital Insurance, or Part A, is financed through payroll taxes, and Supplementary Medical Insurance, or Part B, covering outpatient services, is financed 75 percent from general revenues and 25 percent from beneficiary premiums.

For the first eight months of fiscal year 2001, Medicare spending was running 7.5 percent higher than for the same period in fiscal year 2000. The Medicare trustees now estimate spending in the long-term will grow one percentage point above per capita gross domestic product (GDP) each year — about one percentage point faster than previous projections.

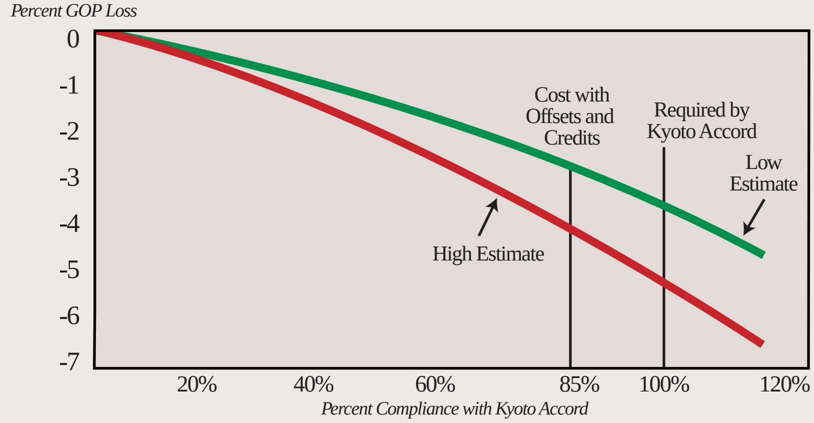
- Under the old (intermediate) assumptions of the trustees, total Medicare spending would consume 5 percent of GDP by 2063.
- But total Medicare spending has already reached 2.5 percent of GDP, and is expected to grow to 5 percent of GDP by 2035 and to 8 percent in 2075.

By 2030, Social Security, Medicare and Medicaid will consume more than three-quarters of total federal revenue — without including outpatient prescription drug coverage.

Source: David M. Walker, Comptroller General, "Medicare: New Spending Estimates Underscore Need for Reform," Testimony Before the Committee on the Budget, U.S. House of Representatives, July 25, 2001, GAO-01-1010T, General Accounting Office, Washington, D.C.

Cost of the Kyoto Treaty

COST TO U.S. OF REDUCING CO_2 EMISSIONS



Source: Stephen P. Brown, "Global Warming: Some Economic Implications," Policy Report No. 224, National Center for Policy Analysis.

President Bush has given three reasons for rejecting the Kyoto Protocol for the control of greenhouse gas emissions: scientific uncertainty, high economic costs to the United States and unfairness because developing countries are not required to reduce their emissions. The protocol would require the United States to reduce its annual greenhouse gas emissions by about 40 percent between 2008 and 2012 — to 7 percent below their 1990 level.

■ Bush granted that global mean temperature has risen approximately 1 degree Fahrenheit over the past 150 years and that the concentration of carbon dioxide (CO_2) has risen more than 30 percent.

■ However, a report Bush requested from the National Academy of Sciences found that the science linking human activities to global warming is uncertain, and that the impact of any actions to prevent climate change could not be predicted with any confidence.

By contrast, credible economic forecasts of the costs of the protocol all conclude that it would hurt the U.S. economy. For example:

■ The Energy Information Administration, the official forecasting arm of the Department of Energy, said meeting the greenhouse gas limits would increase gasoline prices by 52 percent and electricity prices by 86 percent, and reduce Gross Domestic Product by 4.2 percent.

■ Economist Stephen Brown of the Dallas Federal Reserve Bank found in a study for the National Center for Policy Analysis that, under the most optimistic assumptions, meeting the Kyoto commitments would reduce U.S. GDP by 3 percent to 4.3 percent, representing a loss of $921 to $1,320 per person, per year, by 2010.

Even if implemented, the Kyoto Protocol would have at best a negligible effect on global warming.

■ Developing countries, which produce nearly half of all greenhouse gases, are exempt from the protocol's requirements.

■ The United Nations estimates that exempted countries will contribute 76 percent of total greenhouse gas emissions within the next 50 years.

Source: H. Sterling Burnett, "Reality and Climate Change Policy," Brief Analysis No. 367, August 15, 2001, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

Is Earth's Temperature Self-Regulating?

Thin, high cirrus clouds may help regulate global temperature and serve as a counter to global warming, theorize a team of scientists led by Richard Lindzen of the Massachusetts Institute of Technology.

An examination of the behavior of high cirrus clouds over a large section of the western tropical Pacific Ocean indicates that cirrus clouds operate much as the "iris" of an eye regulates the admission of light. The clouds open in response to rising surface temperature, permitting cooling. The clouds close when the surface temperature cools to retain heat.

■ High cirrus clouds decrease in thickness by about 22 percent per one degree Celsius increase in sea surface temperature; conversely, the clouds thicken when the sea surface temperature is lower.

■ That is because thick clouds reflect more sunlight back into space and help mitigate surface warming; thin clouds, conversely, don't deflect as much sunlight but are efficient in trapping heat at the surface.

■ Most intriguing, a 22 percent decrease in cirrus cloud cover also leads to a significant decrease in sea surface temperature of about 1.1°C.

According to some climate model forecasts, a doubling of carbon dioxide in the atmosphere would lead to a 1.2°C temperature increase. But the existence of the atmospheric heat "vent" should change that prediction to between 0.57° and 0.83°C.

The study's authors say these findings require climate modelers to scale back by as much as two-thirds the projected warming resulting from a doubling of carbon dioxide.

*Source: John Carlisle, "Natural Heat Vent May Counter Global Warming," National Policy Analysis No. 336, May 2001, National Center for Public Policy Research, 777 N. Capitol Street, N.E., Suite 803, Washington, D.C. 20002, (202) 371-1400; based on Richard S. Lindzen, Ming-Dah Chou and Arthur Y. Hou, "Does the Earth Have an Adaptive Infrared Iris?" **Bulletin of the American Meteorological Society**, March 2001.*

Why Test Emissions?

Amendments to the Clean Air Act in 1990 require a number of states with particularly high levels of pollution to conduct more comprehensive, or "enhanced," auto emissions inspections and to submit an evaluation of the effectiveness of their programs to the Environmental Protection Agency (EPA) every two years. But the National Academy of Sciences finds that for the vast majority of car owners emissions testing is a waste of time and money.

- Utilizing cleaner technologies, newer cars almost never fail the emissions tests — with 99 percent of 1995 model-year cars passing in Arizona, for example.
- Just 10 percent of cars built before 1990 contribute up to half of emissions.
- As it stands now, 10 percent of vehicles required to undergo emissions testing never show up for inspection, while 10 percent to 27 percent of vehicles failing inspection never end up passing the test.
- Because many cars with high emission rates are owned by low-income families, most states have a repair-cost waiver limit, and simply give owners a waiver of the requirement to pass if repair bills exceed a certain limit.

Rather than subjecting the overwhelming majority of owners of clean cars to the hassles of testing, recent model cars should be exempted from testing, and on-road pollution detectors could be used to identify the small number of cars emitting pollutants. Advocates of this approach say it would free up millions of dollars to help the poor with the costs of repair.

*Source: **Evaluating Vehicle Emissions Inspection and Maintenance Programs**, Committee on Vehicle Emission Inspection and Maintenance Programs, Board on Environmental Studies and Toxicology, Transportation Research Board, National Research Council (Washington, D.C.: National Academy Press, 2001).*

DDT Redux

Government has moved from one extreme to the other regarding the pesticide DDT, first overusing it and then prohibiting any use of the pesticide. The controversy over DDT is rooted in the violation of property rights during government spraying programs in the 1950s and 1960s,

Widespread DDT spraying eliminated mosquito-borne malaria in developed countries. However, blanketing millions of acres of agricultural and residential properties with DDT was an uncompensated trespass that deprived owners of the full value of their property. It also endangered several species of birds.

If the government had been held liable for damages — as private individuals would have been — the program would have been halted, tragic consequences might have been avoided, and pesticides would not have become subject to political decisions.

Today, in reaction to those government spraying programs and the perceived environmental damage they caused, DDT has nearly been banned worldwide.

- However, today malaria kills a child every 30 seconds and causes hundreds of million of people to suffer every year.
- DDT is the most effective pesticide against malaria, and decades of use have proven it has no ill effects on humans and only a minor impact on the environment.
- But international organizations such as the World Bank, UNICEF and Roll Back Malaria spend billions of dollars each year for ineffective and costly methods of fighting a disease that was nearly eradicated 50 years ago.

Today, individuals in developing countries are being denied healthy lives because of the federal government's overuse of DDT in agriculture. Markets and the rule of law would have created the flexibility that politicized decision-making doesn't allow.

Source: Roger E. Meiners and Andrew P. Morriss, "Pesticides and Property Rights," PERC Policy Series No. 22, May 2001, Political Economy Research Center, 502 S. 19th Avenue, Bozeman, Mont. 59718, (406) 587-9591.

Tinkering with Nature

The planting of genetically modified (GM) crops on the nation's farms is reducing the use of pesticides — something that should appeal to environmental activists as well as farmers and consumers.

To estimate changes in pesticide use resulting from the decision to plant GM or non-GM crops, researchers from the U.S. Department of Agriculture measured the differences within the same year between pesticide use for GM and non-GM crops, the differences from year to year, and estimated differences in pesticide use between two years.

Using data from 1996 through 1998 and a measure called "acre treatments," the number of acres multiplied by the number of applications per year, the researchers found:

- Overall estimated reductions in pesticide use resulting from planting GM crops ranged from nearly 7 million to 19 million acre treatments.
- Reductions in pounds of active pesticide ingredients used ranged from 0.3 million pounds in 1997 (comparing GM and non-GM crops in the same year) to 8.2 million pounds between 1997 and 1998 (using year-to-year comparisons).

*Source: Beatrice Trum Hunter, "Biotech Reduces Pesticide Use," **Consumers' Research**, April 2001.*

COPS Doesn't Help

Some $8.5 billion has been spent on Community Oriented Policing Services (COPS) since 1993, but COPS has been ineffective. Nationally, violent crime has fallen, but the fall began three years before the COPS program was introduced, and the reduction in violent crime can be accounted for by other factors.

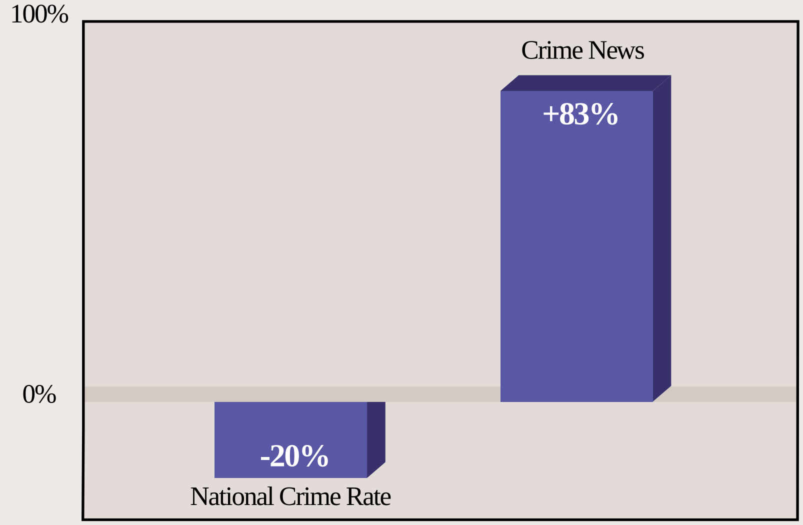
The Heritage Foundation's Center for Data Analysis examined the effects of COPS grants on violent crime rates in all counties for which complete data were available from 1995 to 1998. The 752 counties represent approximately 143 million people, or 53.8 percent of the average total population of the U.S. Total grants to these counties amounted to $2.267 billion. After accounting for socioeconomic factors that might affect crime rates, the researchers found:

- The per capita amount of COPS hiring and redeployment grants — the major component of the COPS program — going to a county did not have a statistically measurable effect in reducing local violent crime rates.
- By contrast, a per capita increase of $1 in miscellaneous COPS grants — a minor component of the program used to fund specific actions such as targeting domestic violence and gang activities — was associated with a reduction in violent crime of almost 16.2 incidents per 100,000 residents.

Furthermore, a $1 per capita increase in state and local police expenditures reduces violent crime by 1.3 incidents per 100,000 residents.

Source: David B. Muhlhausen, "Do Community Oriented Policing Services Grants Affect Violent Crime Rates?" CDA Report No. 01-05, May 25, 2001, Center for Data Analysis, Heritage Foundation, 214 Massachusetts Avenue, N.E., Washington, D.C. 20002, (202) 546-4400.

CRIME AND NETWORK CRIME NEWS COVERAGE
(1990-98)



Sources: Center for Media & Public Affairs and U.S. Department of Justice.

The News about Crime

The news media — particularly television — have proven to be a poor vehicle for discerning crime trends. Their portrayal of crime is out of whack with reality.

- Crime dropped nationally by 20 percent from 1990 to 1998, but crime news on network television increased by 83 percent during the same period.
- Homicides were down 32.9 percent, while homicide coverage on network news was increasing by 473 percent.

An analysis of numerous studies of news media reporting finds that what is included — or not included — in the news presents the public with a false picture. For example:

- Most studies that examine race and crime find the proportion of crime committed by people of color (usually African-Americans) is over-reported and that black victims are under-represented.
- In news coverage blacks are most often shown as the perpetrators of violence against whites, whereas in reality whites are six times as likely to be homicide victims at the hands of other whites.
- When youths are covered by the news media, they are usually shown in the context of crime — 40 percent of the time in newspaper stories and 48 percent in network news segments about young people, according to a 1993 study.

Source: Lori Dorfman and Vincent Schiraldi, "OFF BALANCE: Youth, Race & Crime in the News," April 2001, Berkeley Media Studies Group, 2140 Shattuck Avenue, Suite 804, Berkeley, Calif. 94704, (510) 204-9700; and Justice Policy Institute, 1622 Folsom Street, San Francisco, Calif. 94103, (415) 621-5661.

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