



Executive Alert



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ALL THAT'S NEW IN THE WORLD OF IDEAS

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NCPA Senior Fellow Bruce Bartlett calls for the repeal of the death tax in a new NCPA study released at the National Press Club. See related story on page E2.

Noble Eco-Savage?

Ever since Christopher Columbus reached the New World, Western intellectuals have been fascinated by the idea that, somewhere on earth, people are living in a state of simplicity and innocence, free from the corrupting influences of Western civilization.

But the idea that native peoples are natural conservationists who live in harmony with nature is not borne out by facts. For example, big game populations have been brought to the verge of local extinction on most western Indian reservations.

Environmental activists respond by saying that native people used to live sustainably, until contact with the white man destroyed traditional ways. However the historical evidence suggests that native people have always made a massive impact on their environments, often in ways

that were damaging.

- American Indians burned forests repeatedly to create the grasslands that would be home to the animals they wanted to hunt.
- The Australian Aborigines drove to extinction many mammal species, including giant kangaroos.
- When the Maoris arrived in New Zealand they ate their way through all 12 species of giant moa birds.

The uses to which native peoples put their kill could show the same love of ostentatious display that is supposed to characterize Western consumerist societies. For example:

- Some of Hawaii's extinct birds ended up in beautiful feather capes, some of which involved feathers from 80,000 birds.
- Women of the Crow Indian tribe wore ceremonial dresses decorated with 700 elk

teeth, which meant each costume required 350 elk.

Over the years the noble savage has been conscripted into the propaganda offensive for many current Western causes, from political liberty and the abolition of private property to free love and the permissive society.

These fantasies can have serious consequences. The Kayapo Indians of Brazil and the Yuqui of Bolivia were granted land rights after being depicted as guardians of the landscape. When they began to exploit the natural resources in much the same way as anyone else, there were efforts to take the rights away on the grounds that they were not behaving like noble eco-savages.

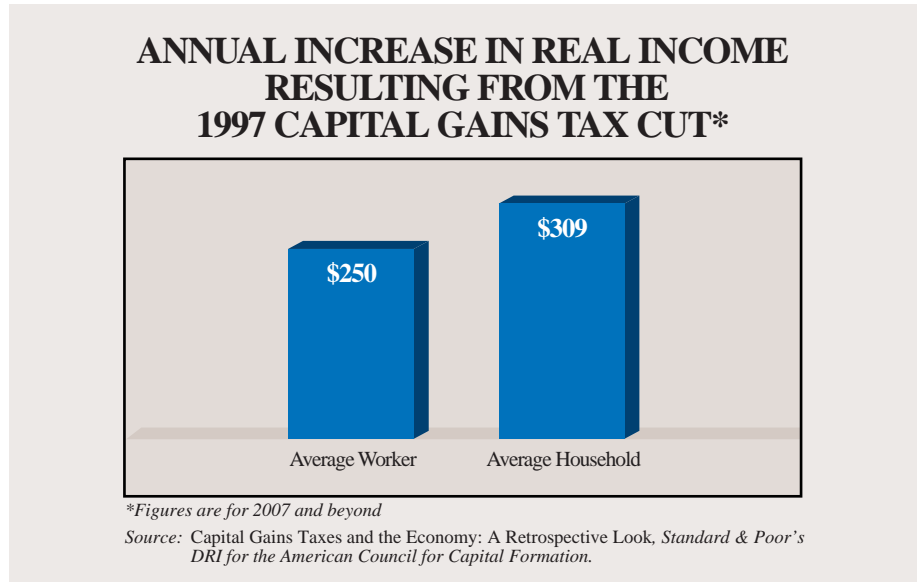
Source: Robert Whelan, "In Wild Woods: the Myth of the Noble Eco-Savage," May 1999, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB, (0171) 799-3745.

No-Cost Tax Cut

When the capital gains tax rate was cut from 28 percent to 20 percent in 1997 (18 percent on assets purchased after the year 2000), some Democrats reluctantly went along with the legislation although they argued it would cost the federal government revenue, do nothing to stimulate the economy and benefit only the rich.

However, an analysis concludes that the cut in the capital gains tax — which was estimated to reduce tax collections by \$275 billion over 10 years — will not reduce collections at all. Instead, the additional revenues from higher stock prices, greater turnover and faster growth will offset 100 percent of the revenue loss. Furthermore, the tax cut stimulated both economic growth and stock prices.

- The capital gains tax cut reduced the net cost of capital for new investment by about 3 percent, which will, other things being equal, raise business investment by 1.5 percent per year.
- Over a 10-year period the capital



stock will rise by 1.2 percent and productivity and real gross domestic product will increase by 0.4 percent relative to the baseline forecast.

- This productivity increase will cause U.S. household income to be \$309 higher each year and the average worker's real wage to be \$250 higher in 2007 and in each succeeding year.

Even with the 1997 reduction, the

capital gains tax is higher in the United States than in most other developed countries. For example, in Britain the top rate is just 10 percent, and Germany has no capital gains tax.

Source: "Capital Gains Taxes and the Economy: A Retrospective Look," June 1999, Standard & Poor's DRI for the American Council for Capital Formation, 1750 K Street, N.W., Suite 400, Washington, D.C. 20006, (202) 293-5811.

State Taxes Rise

According to new government reports, taxes are now rising as rapidly at the state level as at the federal, with double-digit tax increases last year in some states.

- The Census Bureau says the 50 states collected more than \$475 billion last year in various taxes and fees, or \$1,762 for every man, woman and child.
- This was an increase of 7 percent over 1997, even though the national economy grew only 4.9 percent in 1998.
- Overall, individual income taxes increased by 11 percent, with general sales taxes rising 6 percent.

Utah had the greatest total tax increase, 27 percent, followed by Maine (17 percent), Connecticut (15 percent) and Delaware (14 percent).

On a per capita basis, Connecticut is the most heavily taxed state, with its citizens paying \$2,869 each. New Hamp-

shire has the lowest tax burden per capita, \$851.

High-tax states like Connecticut also have high incomes, while incomes are much lower in some low-tax states like South Dakota and Alabama. A better comparison emerges from looking at taxes raised as a share of each state's taxable capacity. A new Treasury Department study does exactly this.

According to the Treasury, Connecticut is still the most heavily taxed state, but New Hampshire, despite having the lowest per capita tax collection, is among the 10 most heavily taxed states. Relative to their incomes and other taxable resources, it taxes its citizens heavily.

Source: Bruce Bartlett, Senior Fellow, National Center for Policy Analysis, April 26, 1999.

Spending Changes

The typical federal tax dollar is divided up far differently from past decades in the fiscal 2000 budget proposed by President Clinton. The biggest changes have been in how much is spent on health-related programs and on national defense.

- The federal government will be spending about 19 cents of every tax dollar on health-related programs in 2000, compared to 11.5 cents in 1989 and 9.5 cents in 1979.
- Defense spending fell from 28 cents of every tax dollar in 1979 to 26.5 cents in 1989 and to a proposed 15.5 cents in 2000.

Mandatory spending, including net interest and entitlements, now represents about 66.5 cents of every federal tax dollar. Until the late 1960s more than 70 cents of every federal dollar went to discretionary spending.

Source: Patrick Fleenor, "The President's Fiscal Year 2000 Budget," Special Report No. 81, March 1999, Tax Foundation, 1250 H Street, N.W., Suite 750, Washington, D.C. 20005, (202) 783-2760.

Making MSAs Better

In 1996 Congress created a demonstration project permitting small employers and the self-employed to establish tax-free Medical Savings Accounts (MSAs) combined with high-deductible health insurance. MSA funds are typically used to pay small and routine health care bills, while account holders rely on health insurance for more costly ones. However, Congress imposed strict limits on who can purchase MSAs and undermined their ability to work properly.

About 54,000 qualified MSA policies had been sold by December 1998, and a U.S. General Accounting Office (GAO) analysis found that almost four in every 10 people who set up MSAs were previously uninsured.

However, the restrictions have diminished the popularity of MSAs among employers and consumers and discouraged insurers from offering them. In response, 43 senators are supporting five needed MSA reforms to correct problems in the original legislation. The reforms would:

- Lift the 750,000 limit on the number of accounts that can be established and allow all employers, not just small businesses, to offer them.
- Eliminate the four-year sunset provision on MSAs so sellers will be assured of a long-term market for their new product.
- Lower the minimum deductibles on the insurance policies combined with MSAs from \$1,500 to \$1,000 for individual policies and from \$3,000 to \$2,000 for families.

- Allow people to deposit the entire amount of the insurance deductible in their MSA accounts, instead of the current limit of 65 percent of the individual deductible and 75 percent of the family deductible.

- Let both employers and employees make contributions to the MSAs, instead of requiring either employers or employees to bear the whole cost.

In addition to reducing the number of Americans without health insurance, MSAs can solve many managed care problems by restoring money and control to patients and reestablishing trust between patients and doctors.

Source: Merrill Matthews Jr., "Making Medical Savings Accounts Better," Brief Analysis No. 295, June 11, 1999, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

Mental Health Parity

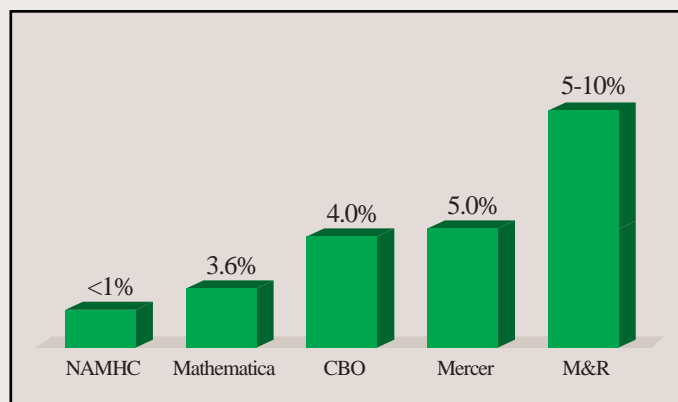
In 1996 Congress passed "mental health parity" legislation requiring employers with more than 50 employees whose health plans included mental health coverage to offer the same annual and lifetime benefits for mental health care as for standard care such as surgery and physician visits.

Mental health proponents believe that the Mental Health Parity Act of 1996 is not working as intended. They support more comprehensive mental health parity legislation.

But the vast majority of insurers and health plans cover at least a limited amount of mental health care. According to a recent employer survey published in the journal *Health Affairs*, 91 percent of small firms (10-499 employees) and 99 percent of large firms offer mental health and substance abuse coverage in their most used medical plans. Estimates of the cost of mental health parity legislation vary widely.

- A 1998 study sponsored by the National Advisory Mental Health Council (NAMHC) estimated that mental health parity would add less than 1 percent to the cost of a health insurance policy for a health maintenance organization.

HOW MUCH DOES MENTAL HEALTH PARITY INCREASE HEALTH INSURANCE COSTS?*



*Increase in the average cost of health insurance

- A 1998 study by Mathematica estimated a 3.6 percent increase across all types of health plans - from a 0.6 percent increase for HMOs up to a 5 percent increase for fee-for-service plans.

- A 1997 analysis by the actuarial firm Milliman & Robertson for the National Center for Policy Analysis concluded that mental health parity mandates tend to drive up costs by 5 percent to 10 percent.

Of those already providing mental health benefits, the benefits consulting firm William A. Mercer found that "the median amount spent on mental health and substance abuse services across all plan types in 1997 was 5 percent of total plan costs."

Source: Merrill Matthews Jr., "Do We Need Mental Health Parity?" Brief Analysis No. 297, June 30, 1999, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

Reducing Multiple Shootings

Higher arrest or conviction rates and the death penalty reduce “normal” murder rates, but laws allowing the carrying of concealed handguns are the only policy action that reduces multiple-victim public shootings. Public shootings are affected more than other violent crimes by policy on concealed handguns, and concealed carry laws reduce both the number of shootings and their severity.

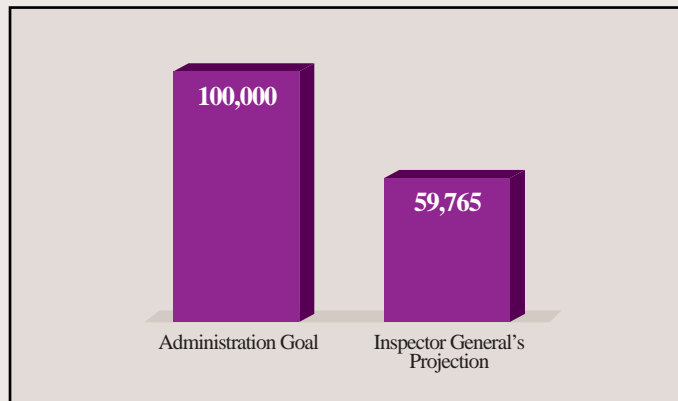
Between 1977 and 1995, 14 states adopted “shall issue” laws — which require the issuing of permits to qualified individuals who apply. The number of states without shall issue laws declined from 43 to 29, and the percentage of the U.S. population in those states fell from 91.5 to 68 percent.

- States without shall issue laws consistently account for the overwhelming majority (often over 90 percent) of deaths and injuries.
- In states with shall issue laws, multiple murders and injuries per 100,000 persons dropped sharply after the law’s passage, with such murders falling by 89 percent and injuries by 82 percent.
- The drop occurred largely during the first full year after a state enacted its law.
- Overall, the decline was so large that there were zero multiple killings in three of the eight years after the passage of a law.
- Using a narrower sample, the *New York Times* reported a decline of 91 percent in the multiple shootings rate after a state adopted a shall issue law.

The most comprehensive study of the issue indicates that laws permitting individuals to carry concealed weapons reduce overall murder rates by about 10 percent, with similar declines in other violent crimes. Contrary to a popular misconception, concealed handgun permit holders are virtually never involved in the commission of any crime, let alone murder.

Source: John R. Lott Jr. and William M. Landes, “Multiple Victim Public Shootings, Bombings, and Right-to-Carry Concealed Handgun Laws: Contrasting Private and Public Law Enforcement,” John M. Olin Law & Economics Working Paper No. 73, April 1999, University of Chicago Law School.

ADDITIONAL POLICE ON THE STREETS BY 2000



Source: Office of the Inspector General, U.S. Department of Justice.

How Many New Cops?

The Clinton administration will not meet its goal of putting 100,000 additional police officers on the nation’s streets by 2000. Based on projections by the Community Oriented Policing Services (COPS) office, only 59,765 of the additional officers will be deployed by the end of fiscal 2000. Moreover, it is questionable whether several thousand officers already “funded” under the program will ever actually materialize.

- The COPS program now counts an additional officer as funded when a grant request is approved, even

though many of the officers never actually go to work.

- One-third of the projected goal of 100,000 depends on a program to re-deploy officers from administrative duties to the streets, but 78 percent of law enforcement agencies with redeployment grants cannot demonstrate that they have redeployed officers or will do so.
- Agencies receiving grants will not be required to retain at least 31,000 of the positions through 2000.

Source: Michael R. Bromwich, Inspector General, “Management and Administration of the Community Oriented Policing Services Grant Program,” Audit Report 99-21, July 1999, Office of the Inspector General, Audit Division, U.S. Department of Justice, Washington, D.C.

Prison Population Grows

The population of state prisons has grown by 65 percent since 1990. One of the major reasons is that ex-convicts are being sent back to prison in record numbers. Most are returning because of parole violations, but others are going back for convictions on new crimes. Another reason is that inmates are serving more time before they are released.

- There were 186,659 parole violators returned to prison in 1997 (the latest year

for which data are available), an increase of more than 39 percent from 1990.

- The annual inmate release rate dropped from 37 percent in 1990 to 31 percent in 1997.
- The average state inmate released from prison in 1997 served 27 months, up from 22 months in 1990.
- Prisoners entering prison in 1997 were expected to serve an average of 43 months, up from 38 months in 1990.

Source: Allen J. Beck and Christopher J. Mumola, “Prisoners in 1998,” NCJ-175687, August 1999, Bureau of Justice Statistics, Office of Justice Programs, U.S. Department of Justice.

Win-Win Situation

Record U.S. trade deficits should not be the cause of hand-wringing. International trade benefits both exporting and importing countries. The goods that we import are the gains from trade, while exports are a cost. When we sell overseas, we are giving up goods and services that could be consumed at home.

- The “trade deficit” referred to in the news media reflects only the excess of tangible imports over exports, called merchandise trade, and misses much of international commerce.

- The much larger “balance of payments,” which includes payments for both goods and services and capital flows in and out of the country, is always in balance, with minor adjustments.

The true trade picture shows the United States to be highly competitive in the world economy and a good place to invest.

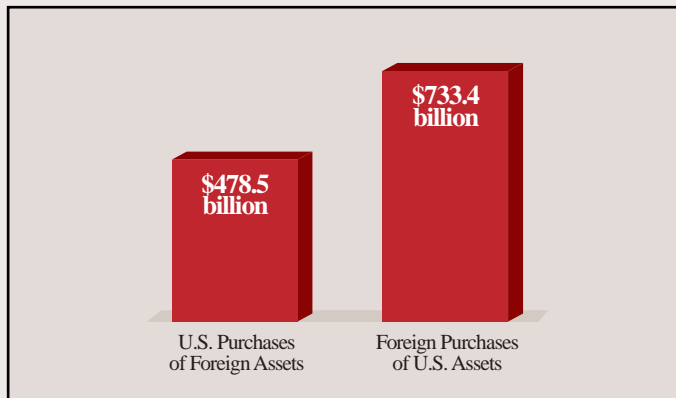
- Since the early 1980s annual capital flows into the United States for real estate, stocks, bonds and government securities have skyrocketed from \$58 billion to \$733.4 billion.

- Net of U.S. purchases of foreign assets — \$478.5 billion in 1997 — the United States had a capital inflow of \$254.9 billion in 1997.

This increasing pool of capital was attracted by the higher returns foreign investors can receive in the open U.S. economy. Thus as the trade deficit tripled between 1992 and 1997, the economy surged by 24 percent in industrial production and 27 percent in manufacturing. As a result, both the United States and the countries with which it trades are richer, have better paying jobs and produce more goods and services in their areas of comparative advantage.

Source: W. Michael Cox and Richard Alm, *Myths of Rich & Poor* (New York: Basic Books, 1999).

INTERNATIONAL CAPITAL FLOWS (1997)



Source: W. Michael Cox and Richard Alm, *Myths of Rich & Poor* (New York: Basic Books, 1999)

More Dependency in Britain

Despite British Prime Minister Tony Blair’s declaration that his government’s new welfare proposals will end the automatic right to benefits and require people to work, critics say Britain’s pervasive welfare culture limits the chances for meaningful reform.

- Some 30 million of Britain’s 59 million residents currently receive some kind of state assistance, and most people view such benefits as a right, not a privilege.

- Blair has pledged to cut \$1.6 billion a year from the \$158.9 billion a year welfare bill by eradicating waste and fraud, and \$1.2 billion a year from disability benefits programs by tightening eligibility requirements and cutting benefits to higher-income recipients.

In October the government plans to replace the Family Credit, an entitlement, with the Working Families Tax Credit, a refundable tax credit. The new program is supposed to “make work pay” — but:

- Under the old program, recipients lost 70 cents of benefits for every dol-

lar earned above a maximum allowable; under the new program, they will lose only 55 cents for each additional dollar earned.

- Child benefits are increased by nearly \$4.80, to \$23 a week for the eldest child and \$15.35 per subsequent child.

- Child care tax credits will reimburse 70 percent of child care costs up to \$160 a week for families with one child and \$240 a week for two or more children; the qualifying age for children receiving the credit is increased to 15.

- “Full-time” employment for eligibility is only 16 hours per week, unchanged from the current program.

The likely impact of these generous credits is that many recipients, especially single parents, will receive more benefits than they earn. Critics say this encourages family breakdown and creates a disincentive to improve skills or work more.

Source: David G. Green, “An End to Welfare Rights: the Rediscovery of Independence,” *Choice in Welfare* No. 49, March 1999, IEA Health and Welfare Unit, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB.

Poland's Privatized System

On April 1 Polish workers began making deposits to new individual accounts under a comprehensive Social Security reform package. Although large portions of the old system remain, the reforms offer Polish workers universal access to professionally managed individual investment accounts, allowing them to benefit from capital markets.

Persons born before January 1, 1949, remain in the old state system and receive benefits prescribed by law. Those born between January 1, 1949, and January 1, 1969, may choose between the old and the new systems. Younger workers must join the new system.

- The old payroll tax for social insurance programs, including medical benefits and pensions, was 45 percent of payroll, paid by employers.

- For workers eligible under the new system, 9 percentage points of the tax is redirected to new accounts that workers can set up with a private investment fund of their choice, closely following the Chilean model.

- In order to manage private accounts, companies must be approved by a newly created regulatory agency, the State Office for Pension Supervision; to date, 19 private companies have received licenses.

- Pension managers must meet minimum capital requirements, and if they deliver returns significantly below the industry average they may have to contribute to their customers' accounts from their own capital.

- A state guaranty fund covers any losses due to the bankruptcy of a pension plan provider/manager.

The remaining payroll tax will be used to continue a scaled-down state system. Deposits are held in workers' names, and interest is attributed to them based on the rate of growth of taxable payroll, with the amount of the pension based on the life expectancy of each worker's age cohort.

Poland retains a large state system, but the reforms represent a great step towards empowering Polish workers and their families.

Source: Krzysztof Ostaszewski, "Testimony: Poland's Pension Reform," May 25, 1999, International Center for Pension Reform, Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, D.C. 20001, (202) 842-0200.

Low Administrative Costs

Critics of allowing individuals to invest a portion of their Social Security payroll tax dollars into personal retirement accounts say the cost for administering such a program would be too high. However:

- Estimates for administering a centralized system with limited investment choices and customer service are as low as one-tenth of 1 percent of assets annually.

- Estimates for administering a program similar to existing employer-sponsored 401(k) plans are as low as three-tenths of 1 percent of assets annually.

State Street Corporation, a private financial services firm, has provided the most detailed analysis of costs. Assuming 3 percentage points of an individual's Social Security payroll tax were deposited in private accounts each year, State Street estimates that costs could range from 19/100ths to 34/100ths of 1 percent of assets over the first five years, depending on assumptions made.

Source: Government Accounting Office, "Social Security Reform: Administrative Costs for Individual Accounts Depend on System Design," GAO/HEHS-99-131, June 1999.

No Fee Problem

Some Social Security reform proposals would let workers set aside a percentage of their payroll taxes in personal retirement accounts. Concerns have been expressed that the administrative and fund management costs of such accounts would be high, leading to suggestions that the U.S. Treasury Department and Social Security Administration should collect contributions and maintain records, with only the investment of the funds privatized. However, such concerns are easily answered.

- In the first few years of any retirement account, a fixed dollar fee for administrative and management costs, say \$50 a year, might absorb a substantial portion of the earnings because accumulated contributions and investment income are small.

- A flat fee makes economic sense because it costs as much to process a \$10 deposit as a \$1,000 deposit.

- Instead of flat fees, however, many financial institutions use a sliding fee schedule that shifts some of the administrative costs from small accounts to large ones.

- Mutual funds go further, charging a

flat percent of assets with no cap, enabling them to keep the rate at a few tenths of a percent, thus undercharging small account holders at the beginning to build a lasting business relationship and recoup the costs later on.

Under any of these methods, over the life of the account the charges might be 25 to 50 basis points, or 0.25 percent to 0.5 percent of assets. Savers still would get with much higher rates of return than they now get from Social Security.

Although the Social Security Administration currently has low administrative costs, if it had to manage individual accounts, keep track of each person's contributions and investment selections, track account balances and issue statements, its costs would approximate those of the private sector.

Source: Stephen J. Entin, "Administrative Fees No Barrier to Personal Retirement Accounts," IRET Congressional Advisory No. 77, March 10, 1999, Institute for Research on the Economics of Taxation, 1300 19th Street, N.W., Suite 240, Washington, D.C. 20036, (202) 463-1400.

Equalizing School Funding

Since the early 1970s states have attempted, often under court order, to equalize the funding between wealthy and poor public school districts. However, districts with good schools have higher property values because of the demand for those schools, not because of higher spending per pupil. Because of this fact, school finance equalization schemes do not merely redistribute from richer people to poorer people or from districts with greater ability to pay to those with lesser ability. They redistribute from people who have more interest in education to people who have less.

An examination of per pupil spending and student achievement in 1972, 1982 and 1992 for each school district in the 48 continental states with a school finance equalization plan finds:

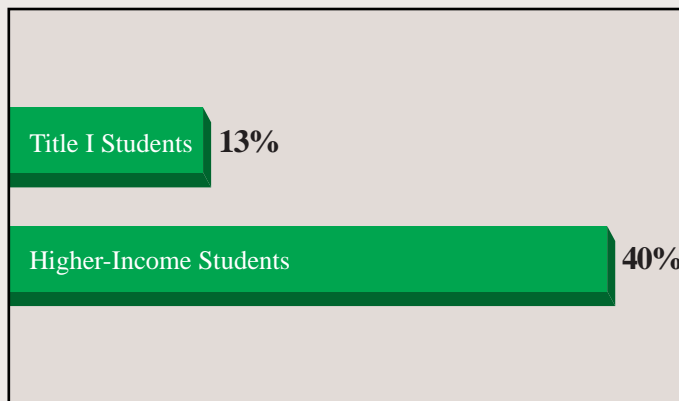
- Near equality of per pupil spending cannot be achieved without substantial decreases in the average level of spending — in other words, leveling down.
- Where financing is leveled down, more parents send their children to private schools.
- Equalizations that level down increase the high school dropout rate slightly.
- In some cases, poor districts end up with lower per pupil expenditures under equalization schemes that achieve near equality.

One sensible way to finance the public schools would be to support a per pupil spending floor through a state tax and allow school districts to use local property taxes for additional spending.

Source: Caroline M. Hoxby, "All School Finance Equalizations Are Not Created Equal," May 1998, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, Mass. 02138, (617) 868-3900.

Questioning Title I

FOURTH GRADERS SCORING "PROFICIENT" ON BETTER IN READING



National Assessment of Educational Progress Reading Test, 1998.

Source: Heritage Foundation.

Title I, first passed in 1965 and the largest single program under the federal Elementary and Secondary Education Act (ESEA), is mostly supplemental aid to poor children — nearly \$7.7 billion in the 1999 fiscal year. However, its effectiveness in closing the achievement gap of economically disadvantaged students is in question.

- A review of two longitudinal studies conducted in the late 1970s and early 1990s found that, even though Title I students improved at the same rate as nondisadvantaged students, the achievement gap was not closed or even narrowed.
- A 1999 report from a congressionally mandated national assessment that found an increase in reading and math scores among disadvantaged children was unable to link the improvements to the Title I program.

Only about half of the 11 million students covered by the program live below the poverty line, and some four million poor students are unserved because funding is targeted at the schools most in need — known as Title I schools — and not at needy students themselves.

Students from low-income households (who are eligible for the federal free or reduced-price lunch program) perform considerably worse in standardized tests than do their higher-income counterparts. Only 13 percent of fourth-grade Title I students who took the 1998 National Assessment of Educational Progress reading test scored at or above the “proficient” level, as opposed to 40 percent of higher-income students.

Source: Nina Shokrati Rees, "A Close Look at Title I, the Federal Program to Aid Poor Children," Backgrounder No. 1271, April 13, 1999, Heritage Foundation, 214 Massachusetts Avenue, N.E., Washington, D.C. 20002, (202) 546-4400.

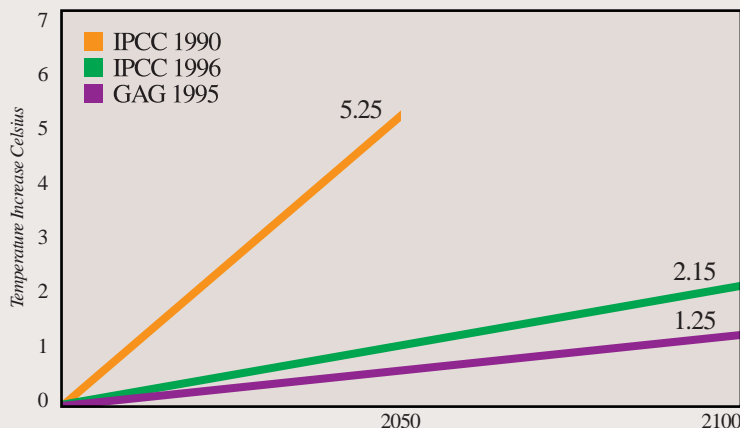
Collapsing Theory

Proponents of the theory that humans are causing a dangerous change in the earth's climate base their belief on several sets of data. For instance, ground-level temperature measurements show that the earth has warmed between 0.3 degrees and 0.6 degrees Celsius in the last century, and atmospheric carbon dioxide (CO₂), a primary greenhouse gas, has increased by approximately 30 percent over the past 150 years.

According to computer models based on such data, the earth will warm a further 0.8 degrees to 3.5 degrees C over the next century. However, the earth's surface temperature increase during the past 150 years is far less than the best climate models predicted. And as the models improve they show less warming:

- Based on models, in 1990 the Intergovernmental Panel on Climate Change (IPCC) predicted an increase in temperature between 4.5 degrees and 6.0 degrees C by 2050.
- In 1996 the IPCC predicted an increase of 0.8 degrees to 3.5 degrees C by 2100 — less than half the warming in twice the time.

MID-RANGE PREDICTED TEMPERATURE RISE: GLOBAL WARMING MODELS



Sources: Intergovernmental Panel on Climate Change, "Climate Change 1990, 1995," General Accounting Office, "Global Limitations of General Circulation Models and Cost of Modeling Efforts, 1995."

- A U.S. government survey of the global climate model literature predicted even less warming — between 0.5 degrees and 2.0 degrees C by 2100.

Yet even the improved climate models are off by more than a degree when their predictions are compared to actual temperature data.

Furthermore, a study in the October 2, 1998, issue of *Science* showed that

around 12,500 years ago global temperature rose by more than 20 degrees in approximately 50 years. And in the March 11, 1999, issue of *Nature*, scientists reported that CO₂ levels have varied greatly during the last 11,000 years.

Source: H. Sterling Burnett, "The Collapsing Scientific Cornerstones of Global Warming Theory," Brief Analysis No. 299, June 30, 1999, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

Wrong Forecasts

Just two decades ago, every environmental organization and many energy experts predicted that an inevitable and rapid decline in the availability of fossil fuels by the late 1990s would create soaring energy prices with attendant economic and social disruption. Two things were clear to those experts: oil was disappearing and demand for electricity would stabilize.

However confident those experts were in their predictions, the data gathered in the past two decades suggest that they were wrong.

- Oil prices, predicted in 1981 to rise to \$80 a barrel even after peace was restored in the Persian Gulf, remain today near the 100-year average of \$17 a barrel.
- Renewable sources, excluding large-scale hydroelectric power, account for under 1 percent of the U.S. energy supply.

- Demand for electricity, contrary to the 1980 flat-growth forecast of the Union of Concerned Scientists, has soared 70 percent since then.

- In the two decades since the estimates, gross domestic product has grown 75 percent, and traditional fossil fuels have supplied 65 percent of all net new energy, with nuclear power accounting for virtually all the rest.

Yet environmentalists and energy experts continue to issue dismal predictions for the environment and economy. They appear to be unable or unwilling to embrace technological progress - or even to accept technological innovations.

Source: Mark P. Mills, "Getting It Wrong: Energy Forecasts and the End-of-Technology Mindset," *Environmental Studies Program*, May 1999, Competitive Enterprise Institute, 1001 Connecticut Avenue, N.W., Suite 1250, Washington, D.C. 20036, (202) 331-1010.

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