

Executive Alert

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ALL THAT'S NEW IN THE WORLD OF IDEAS

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NCPA Policy Chairman Pete du Pont speaks at a Washington news conference releasing an NCPA backgrounder on welfare reform with the American Legislative Exchange Council. See related stories on pages 2 and E1.

Speed Doesn't Kill

When Congress was considering repealing the mandatory 55-miles-per-hour highway speed limit in 1995, then-Transportation Secretary Federico Pena said it "simply means that more Americans will die and be injured on our highways." After repeal, Judith Stone, president of Advocates for Highway Safety, predicted 6,400 more highway fatalities a year and millions more injuries. Ralph Nader described repeal as an "assault on the sanctity of human life."

But in 1996, the first year of higher speed limits, the nation's traffic fatality rate was 1.76 per 100 million vehicle miles traveled — the lowest on record. In the 27 states with higher speed limits in effect for at least six months of 1996, there were 46 fewer deaths despite an increase in the number of miles traveled. For the nation as a whole, total fatalities

rose by 109, or 0.25 percent, from 1995, but motorists traveled an additional 46 million miles. In 1996:

- Fatalities were down in 30 states and stayed the same in Rhode Island.

Two of the three states retaining the 55 mph limit had increases in traffic deaths.

- California raised its speed limit to 70 mph and fatalities fell to their lowest level since 1961.
- Of the three states retaining a 55 mph limit, Hawaii experienced a 14 percent increase in traffic deaths and New Jersey a 6 percent increase; deaths decreased by 2 percent in the third state, Connecticut.
- The absolute number of deaths directly related to speeding fell by 258 nationally — but tripled in New Jersey.

- The traffic injury rate rose 0.7 percent nationally, from 141 to 142 per 100 million vehicle miles traveled.

One reason the death rate failed to increase nationally is that an estimated 70 percent of U.S. highway drivers were routinely exceeding the speed limit when it was 55 mph. Average highway speeds have risen by only an estimated two miles per hour on highways with the new limits.

Another significant contribution to the lower death rate was the 29 percent drop in alcohol-related traffic fatalities from 1995 to 1996. In 1996, 40.9 percent of all traffic fatalities were alcohol-related, compared to 52.2 percent in 1995.

Source: Stephen Moore, "The Calamity That Never Occurred," MediaNomics, October 1997, Media Research Center, 113 S. West Street, Second Floor, Alexandria, VA 22314, (703) 683-9733; National Highway Traffic Safety Administration; and Accident Facts, 1997 edition, National Safety Council.

REDUCTIONS IN WELFARE CASES (1993-97)

Best Records		Worst Records	
Wyoming	-73%	Hawaii	+36%
Idaho	-62%	D.C.	-2%
Wisconsin	-58%	Alaska	-4%
Oregon	-52%	California	-5%
Colorado	-51%	Connecticut	-9%
Mississippi	-50%		

Source: U.S. Department of Health and Human Services

Making Welfare Work

Welfare reform that emphasizes putting welfare recipients to work is the most successful public policy initiative of this century. According to the Department of Health and Human Services (HHS), between January 1993 and July 1997:

- Alabama reduced its welfare rolls by 48 percent.
- Indiana, Oklahoma, South Carolina and Tennessee reduced theirs by 49 percent.
- Mississippi's cases declined by 50 percent, Colorado's by 51 percent, Oregon's by 52 percent and Wisconsin's by 58 percent.
- Wyoming's cases dropped by 73 percent.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) ended the 61-year-old cash entitlement program known as Aid to Families with Dependent Children (AFDC). In the first 11 months after the bill went into effect, total welfare caseloads dropped by almost 2 million, leaving some 10.2 million people still on welfare.

Some states were reluctant to join the welfare-to-work movement and have little to show for their efforts. Nationwide, the average decline in welfare rolls

was about 24 percent from January 1993 to July 1997. However:

- The decline was only 9 percent in Connecticut, 4 percent in Alaska and 5 percent in California.
- The rolls dropped by a mere 2 percent in Washington, D.C.
- In Hawaii, there was a 36 percent increase.

Because of political and economic differences between the states, there is no single model for welfare reform. Even so, there are similarities among the successful states, including first and foremost a serious effort to move welfare recipients into jobs, preferably private-sector jobs.

Like the states that have succeeded in reforming welfare, those that have failed have much in common. For example, in Hawaii, which has the worst record:

- The state's liberal welfare rules permit eligible persons to receive benefits the first day they enter a welfare office.
- Welfare recipients were receiving a welfare compensation package in 1995 with an annual pretax wage equivalent of \$36,650, or \$17.62 per hour.

Source: Merrill Matthews Jr., "Making Welfare Work: Lessons from the Best and Worst State Welfare Reform Programs," NCPA Backgrounder No. 143, December 4, 1997, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, TX 75243, (972) 386-6272.

Children vs. Government

Both President and Mrs. Clinton have asserted that more government intervention is needed to deal with a crisis in day care. But government is the cause of many of the problems parents face, including arbitrary, cost-increasing regulations at the local level and discriminatory tax laws at the federal level.

Day-care facilities are subject to a great deal of state and local regulation, much of it discouraging child care providers or driving them underground. One study found that regulation in Milwaukee County, Wis., imposed home improvement costs averaging \$936 per provider.

Local governments often prohibit day care altogether. Even where day care is permitted, local governments often inhibit it (along with many other home-based businesses) through zoning restrictions that extend even to licensed family day-care homes with six or fewer children. In DeKalb County, Ga., according to William T. Gormley of the Brookings Institution, a family day-care provider who wishes to care for just one child must get a zoning permit, which requires inspections by a building inspector, an electrical inspector and a plumbing inspector.

Parents are much more capable than regulators at evaluating day-care facilities and choosing those that fit their needs and budgets. One parent of each child sees a day-care facility twice a day; government officials see them at most a few times a year.

Since 1952 provisions have existed in the tax code to allow for exclusions, deductions or tax credits for day care. However, the current system is highly arbitrary. A simpler and fairer solution would be to let everyone deduct an amount of child care expenses up to a certain limit (say, \$5,000 per family) from his or her adjusted gross income.

Source: David R. Henderson, "Day Care: Children vs. Government," NCPA Brief Analysis No. 248, November 11, 1997, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, TX 75243, (972) 386-6272.

Tax Rates and Growth

The economic growth record of nations during the 15-year period 1982 through 1996 provide evidence of the relationship between growth and tax rates.

- The few small countries that taxed personal income at a flat rate experienced real annual economic growth during the 15 years of 2.1 percent, compared to the 1.1 percent for all countries.
- Real annual economic growth in the average country with highly progressive income tax codes was minus 0.2 percent during the period.
- Countries with mildly progressive systems averaged real annual economic growth of 1.4 percent.

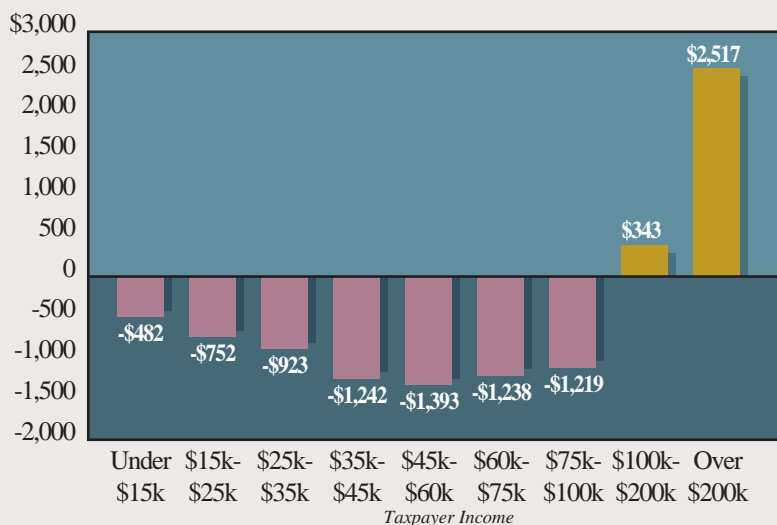
Nations also found that reducing their tax rates resulted in economic growth. For example:

- Uganda, where annual per capita economic growth averaged minus 4.4 percent from 1965 to 1983, reduced its top tax rate in several steps from 78 percent in 1985 to its present 35 percent in 1993 — and experienced average growth of 2.9 percent from 1983-96, while Africa's economy as a whole shrank.
- New Zealand, which grew less than 1 percent annually from 1980 to 1989, has averaged 3 percent growth since it established low rates in 1989.
- India, with average growth of 1.4 percent from 1965 to 1984, reduced its top tax rate in stages from 75 percent in 1984 to 35 percent in 1993, and its economy grew at a 3.3 percent rate from 1984 to 1996.

An examination of 86 countries finds that 80 percent have flat corporate income tax codes and half have flat capital gains taxes, but fewer than one in five countries has a flat personal income tax.

Source: Gregory Fossedal and Merrick Carey, "It's a Flat, Flat, Flat Tax World," February 25, 1997, *Alexis de Tocqueville Institution*, 1611 N. Kent Street, Suite 901, Arlington, VA 22209, (702) 351-4969.

NET TAX CUTS/TAX HIKES (1997-2002)



Source: Tax Foundation.

Who Benefits?

The Taxpayer Relief Act passed in 1997 will cut taxes by an average of \$764 per individual income tax filer over the next five years. Middle-income earners with children will benefit most from the cuts, while tax filers with adjusted gross incomes of more than \$100,000 will see their tax bills rise.

The tax cuts — net of tax increases — amount to \$95.3 billion over the next five years and \$275.4 billion over a 10-year period. Thus the cuts amount to about 1.4 percent of the more than \$19 trillion in total revenue the federal government expects to collect.

Almost 90 percent of the net benefits will go to filers with annual incomes of less than \$60,000. On average:

- Tax filers with adjusted gross incomes under \$15,000 will receive a tax cut of \$482.
- Those earning between \$35,000 and \$100,000 will see the greatest tax relief — more than \$1,200 over a five-year period.
- Tax bills will increase \$343 for those earning \$100,000 to \$200,000

and \$2,517 for those earning \$200,000 or more.

Roughly 80 percent of the average filer's tax cut will come from the per-child tax credit and the educational tax incentives. However, these are phased out for upper-income taxpayers, while the child credit is largely refundable for low-income tax filers with no tax liability.

Due to the impact of estate and capital gains tax reforms included in the new law, over a 10-year period tax filers in all income groups may see tax cuts:

- For instance, those earning between \$35,000 and \$100,000 could see decreases of more than \$3,000.
- Filers with incomes of \$200,000 or more could see tax cuts of \$15,000 or more.

When the total legislation is considered, those with incomes of less than \$60,000 will receive 76.5 percent of the net benefits over a 10-year period.

Source: Patrick Fleenor, "Bottom Line on the Taxpayer Relief Act of 1997," *Special Report No. 71*, and "Taxpayer Relief Act of 1997 Spreads the Wealth," *Tax Features*, both September 1997, Tax Foundation, 1250 H Street, NW, Suite 750, Washington, DC 20005, (202) 783-2760.

High Marks for Home Schoolers

The number of children being home schooled in the United States today totals an estimated 1.23 million, about equal to public school enrollment in Georgia or New Jersey, the states with the ninth and 10th largest numbers attending public schools.

In what is believed to be the largest, most comprehensive study of home schooling ever done, researchers surveyed 5,402 home school students from 1,657 families for the 1994-95 and 1995-96 academic years. Among their findings:

- Home-educated students, on average, outperformed public school students across all subjects by 30 to 37 percentile points on nationally normed standardized achievement exams.

- Home schoolers' test scores tend to increase the longer they are home schooled, going from the 59th percentile for those home schooled for one year to the 92nd percentile for those home schooled for seven years.

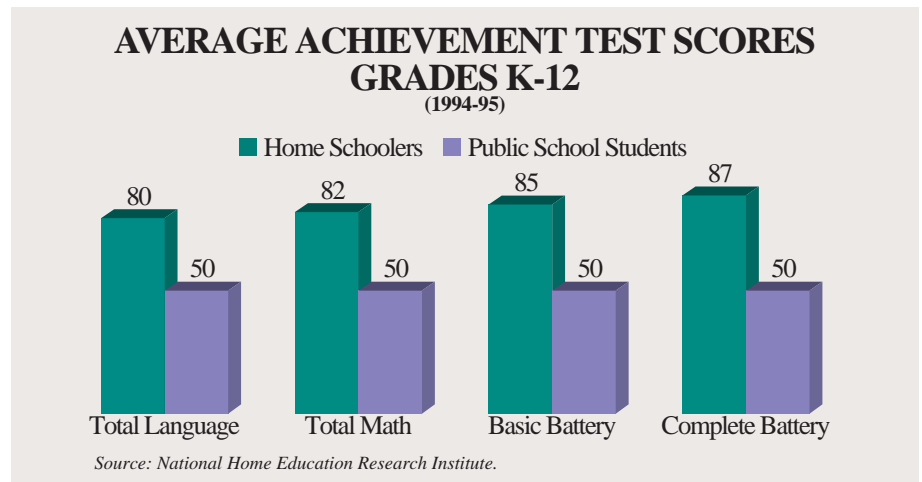
In home education, educational attainment of the parents appeared to have little relationship to academic achievement.

- Test scores of students whose parents had ever held a teaching certificate averaged only 3 percentile points higher than those whose parents hadn't — in the 88th percentile versus the 85th percentile.

- Children's scores remained between the 80th and 90th percentile whether their mothers held a college degree or did not complete high school.

By comparison, a parent's level of education does affect children's performance in public schools. For instance, in eighth-grade math, public school students whose parents are college graduates score at the 63rd percentile, whereas students whose parents have less than a high school diploma score at the 28th percentile.

Remarkably, students taught at home by mothers who never finished high school score a full 55 percentile points higher than public school students



from families with comparable educational backgrounds.

Home-schooling parents reported spending an average of \$546 per student per year, not counting forgone wages, whereas the average per-pupil expenditure by public schools was \$5,325, excluding capital costs.

Source: Brian Ray, Strengths of Their Own: Home Schoolers Across America: Academic Achievement, Family Characteristics, and Longitudinal Traits, Salem, Ore., National Home Education Research Institute, 1997.

Competition Pays Dividends

Public schools in some areas of the country recognize the need to compete with local charter and voucher schools to attract parents and students. Charter schools, which are taxpayer-funded but free from much of the red tape of other public schools, are so far the most prevalent form of school choice.

In Mesa, Ariz., public school officials — alarmed by the flight of students to 19 local charter schools — recently took out full-page newspaper ads touting the virtues of the region's public schools. Every student there who opts for a charter school education takes \$4,000 in state money with him.

Advertising aside, choice advocates argue that competition generated by charters can lead to more concrete and fundamental reforms among public schools. In recent years, some public schools have made such key changes as beefing up math and science classes and lengthening the school day.

- After public schools in Lansing, Mich., lost 5 percent of their student base last year — at \$6,000 per student — to the more than 100 charter schools in the area, public school officials announced tough new goals such as higher grades

and reduced dropout rates, added more all-day kindergarten programs — and won back 345 students from charter schools this year.

- Milwaukee public school officials — faced with the possible loss of 5,000 to 15,000 students to voucher schools — announced a flurry of reforms, restaffed six poorly performing schools and opened a charter school and eight specialized schools.

- But when a state court ruling last year halted Milwaukee's voucher program pending a challenge from the state teachers' union, public school reforms slowed to a crawl.

Milwaukee school board member John Gardner says that the public schools' response "just proves we need more competition."

In Holland, Mich., school officials sent letters to parents who enrolled their children in two area charter schools and asked them to rethink their decision. They also revamped a school-system newsletter to tout school improvement efforts. "As a result of charter schools, public schools are having to significantly change the way they communicate with the public," admitted the Holland public schools superintendent.

Source: Laura M. Litvan, "School Choice Spawns Reforms," Investor's Business Daily, November 11, 1997.

Prison Labor's Economic Impact

Operating the nation's prisons costs taxpayers about \$30 billion a year. Yet, despite a long-standing consensus in favor of gainful employment for convicts, which could help pay for their stay in prison, idleness remains the norm behind bars.

An inmate working full-time at an average wage of \$7 per hour could earn \$14,000 in gross annual income. Eighty percent of the income earned by prisoners who currently work is customarily used to reduce the financial burden on taxpayers and to compensate victims. Thus about \$11,000 per prison worker would be available. The remainder could help prisoners' families, pay personal expenses and be set aside as savings for the prisoner's use after release.

An important benefit of prisoner work is that it reduces the recidivism rate. A federal Post-Release Employment Project (PREP) study confirms that employed prisoners do better than those who do not work.

After release to halfway houses, participants in the PREP study were 24 percent more likely to get a full-time or day labor job than those who had not worked in prison. Those who had worked also earned more and were more likely to move on to better-paying jobs.

- Only 6.6 percent of those who worked in prison had their parole revoked or were charged with committing a new crime during their first year of supervised release.

- The recidivism rate was more than 50 percent higher for the group who had not worked in prison.

Besides the indirect benefits of reducing the cost to taxpayers and reducing the recidivism rate, prisoner work has two direct economic benefits. First, prison industries must purchase materials from businesses outside the prison, thus creating a demand for the services of other workers. Second, prisoners have the potential to produce valuable goods and services consumers want to buy.

Source: Morgan O. Reynolds, "The Economic Impact of Prison Labor," NCPA Brief Analysis No. 245, November 17, 1997, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, TX 75243, (972) 386-6272.

Right-to-Carry

Since 1986, the number of states in which it is legal to carry concealed weapons has grown from nine to 31, representing 49 percent of the country's population.

Opponents of these laws predicted a sharp decline in public safety, but they were wrong.

Criminals commit 10 million violent and 30 million property crimes a year. In choosing their crimes, criminals weigh the prospective costs of the crime against the benefits. The possibility of a concealed weapon tilts the odds against the criminal and in favor of the victim. A survey of 1,847 felons in 10 states found them more concerned about meeting an armed victim than running into the police.

This concern is well-founded. Victims use handguns in self-defense an estimated 1.9 million times each year, according to a survey conducted by Florida State University criminologist Gary Kleck. Studies have found that robbery and rape victims who resist with a gun reduce their chance of injury by half compared to those who do not resist.

Economists John Lott and David Mustard of the University of Chicago examined data from all 3,054 U.S. counties between 1977 and 1992 and found

that:

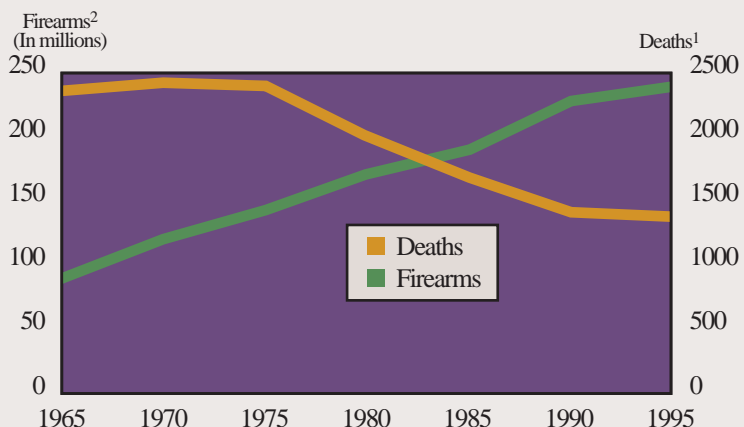
- Concealed handgun laws reduce murder by 8.5 percent, rape by 5 percent and severe assault by 7 percent.
- Had right-to-carry prevailed throughout the country, 1,600 fewer murders, 4,200 fewer rapes and 60,000 fewer severe assaults would have been committed during those 15 years.

The deterrent effect of concealed handgun laws proved highest in counties with high crime rates. For example, FBI statistics show that in counties with populations of more than 200,000 (where violent crime rates usually are highest), laws allowing concealed carry produced a 13 percent drop in the murder rate and a 7 percent decline in rapes.

Widespread gun availability was supposed to lead to a "wild west" mentality with more shootings and deaths as people vented their anger with pistols instead of fists. Yet FBI data show that, as a share of all homicides, killings resulting from arguments declined. The Lott-Mustard study found no increase in accidental shootings in counties in which authorities must issue a permit to all who meet the criteria. Nor have other studies.

Source: Morgan O. Reynolds, "No Smoking Guns: Answering Objections to Right-to-Carry Laws," NCPA Brief Analysis No. 265, November 17, 1997, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, TX 75243, (972) 386-6272.

FIREARM OWNERSHIP AND ACCIDENTAL FIREARM DEATHS



Sources: ¹National Safety Council; and ²Gary Kleck, Point Blank, 1991, and data on manufacture, imports and exports of firearms.

Declining Health Insurance

Even though the percentage of workers who have access to private health insurance coverage through the workplace — either through their own employment or through that of a family member — has risen during the past decade, the percentage who have employment-based coverage is falling.

- In the decade from 1987 to 1996, the proportion of all workers with access to employer-provided health insurance grew from 81.8 percent to 82.2 percent.

- But the percentage of those offered access who took it slipped from 93.2 percent to 89.1 percent.

One explanation for this decline is the increasing cost of employment-related insurance.

- Health insurance premiums increased by 90 percent between 1987 and 1993, while wages and salaries rose only 28 percent.

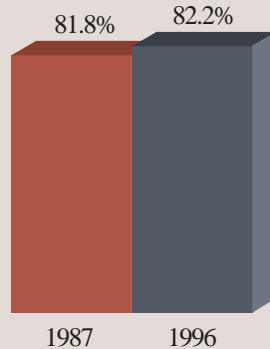
- The required contribution to premiums by employees also increased.

Workers under age 25 and those whose wages are less than \$7 per hour are most likely to decline employer-offered insurance. While the rates of acceptance were similar by age and wage level in 1987, they are now 15 to 20 percent lower for young and low-wage workers relative to others.

Analysts at the Employee Benefits Research Institute report that a typical worker today contributes \$1,596 a year for subsidized family coverage by a health maintenance organization. A worker insuring only himself or herself pays an average of \$396 annually. For someone making \$7 an hour, the contribution for the family policy is 11 percent of the worker's total wages.

Source: Philip F. Cooper and Barbara Steinberg Schone, "More Offers, Fewer Takers for Employment-Based Health Insurance: 1987 and 1996," Health Affairs, November-December 1997.

WORKERS WITH ACCESS TO EMPLOYEE-PROVIDED HEALTH INSURANCE



WORKERS WITH ACCESS WHO ACCEPTED EMPLOYEE-PROVIDED HEALTH INSURANCE



Source: Philip F. Cooper and Barbara Steinberg Schone, "More Offers, Fewer Takers for Employment-Based Health Insurance," Health Affairs, November-December 1997.

Mice and Humans

When the Secretary of Health, Education and Welfare announced in 1959 that a herbicide used in cranberry bogs could cause cancer, cranberries disappeared from Thanksgiving dinners that year. Since then, tests conducted with laboratory animals have raised questions about a number of substances.

Yet an increasingly sophisticated understanding of cancer has raised growing doubts about how confidently we can infer human health effects from animal test results and about the legal and statutory requirements based on such test results. For example:

- In 1977 the Food and Drug Administration declared the artificial sweetener saccharin a carcinogen, based on laboratory tests in which rats developed tumors after long exposure to the equivalent of 1,000 cans of diet soda per day.

- Subsequent research demonstrated that only the sodium and calcium salts of saccharin caused cancer in the rats — and then only when ingested in massive doses.

- Further, the tumors in rats appear linked to physiological factors that humans do not share.

The high doses of substances given in the laboratory animal tests violate the scientific principle that the dose makes

the poison. Vitamin A, for example, is necessary in small quantities for vision but in much higher doses is toxic to the liver and heart.

Epidemiological studies have identified a relatively small number of chemicals as human carcinogens. Yet thousands of products and billions of dollars in environmental cleanup and pollution-abatement costs, insurance premiums, product modifications and legal fees depend on regulatory decisions based on animal testing. For example:

- The substance most frequently found at Superfund and other waste sites is the solvent trichloroethylene (TCE), which could cost \$100 billion to reduce to mandated levels.

- Although from World War II until 1980 hundreds of thousands of workers were exposed to TCE, the Environmental Protection Agency has found no compelling epidemiological evidence that it is a human carcinogen.

- Yet TCE is classified as dangerous to humans based on a study of one highly susceptible species of mouse plus an erroneous assumption that the mice metabolize TCE in the same way as humans.

Source: "Of Mice and Mandates: Animal Experiments, Human Cancer Risk and Regulatory Policies," July 1997, American Council on Science and Health, 1995 Broadway, Second Floor, New York, NY 10023, (212) 362-7044.

Consumer Protection Backfires

Despite new evidence that the rising cost of premiums is causing more people to abandon health insurance, more than 200 members of Congress have cosponsored legislation that would make health insurance even more expensive. Among the goals of the Patient Access to Responsible Care Act (PARCA) are to:

- (1) Assure access to emergency room and urgent care services.
- (2) Permit greater access to specialists.
- (3) Prohibit direct and indirect payments that might induce a health care provider or group to deliver fewer services.
- (4) Require health maintenance organizations (HMOs) to offer patients a "point of service" option so they can go to physicians who are not part of the HMO's network.
- (5) Reimburse all providers at the same rate. (To discourage the use of "out-of-network" doctors, HMOs often pay them less or charge health plan members who use them higher deductibles and co-payments.)
- (6) Speed up administrative responses to ensure timely access to health care services.
- (7) Allow patients greater access to non-traditional providers such as chiropractors and acupuncturists.

The actuarial firm Milliman & Robertson analyzed the impact of several provisions. Because of the variables, Milliman & Robertson provided a "best estimate" for the nationwide average increase in health insurance premiums and a range of premium increases that an individual enrollee might experience.

According to the analysis, health insurance premiums would increase by an average of 23 percent nationally. The National Center for Policy Analysis calculates that since the average cost of a family HMO membership was \$5,304 in 1996, PARCA could drive up the cost to about \$6,524 a year. The average cost for an individual could go from \$1,848 to \$2,273.

The study estimates that the lowest

increase would be in the 7 percent range and the highest about 39 percent, or about \$7,373 for a family's HMO plan. Thus an employer with the standard mix of individual and family policies could face an additional \$30,000 per year to keep employees insured. An individual could experience a premium increase ranging anywhere from 3 to 90 percent, meaning an annual HMO premium of \$5,304 could rise to \$10,078.

According to a recent analysis by the Congressional Budget Office (CBO), a 1 percent increase in the cost of health

insurance increases the number of uninsured people by 200,000. Thus a 23 percent premium increase nationwide could produce an additional 4.6 million uninsured people — an increase of more than 10 percent in the uninsured population. If Milliman & Robertson's upper-range estimate proves more accurate, nearly 8 million more people could become uninsured — about a 20 percent increase.

Source: Merrill Matthews Jr., "Can We Afford Consumer Protection? An Analysis of PARCA," NCPA Brief Analysis No. 249, November 24, 1997, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, TX 75243, (972) 386-6272.

EFFECTS OF FEDERAL REGULATION OF PRIVATE HEALTH INSURANCE¹

Nationwide Average Premium Increase

Provision of Emergency Room and Urgent Care Services with Limits on Prior Authorization	0.5%
Elimination of Prior Authorization for Specialty Referrals	0.2%
No inducement to Reduce Services*	9.5%
Mandatory Point-of-Service Option	0.3%
Equivalent Reimbursement Rates In and Out of Network*	5.5%
Administrative Requirements*	2%
Elimination of Limits on Certain Benefits*	5.5%
Adverse Selection against Rate Increases	4.5%
Composite Effect**	23%

¹ Based on provisions in Patient Access to Responsible Care Act (PARCA); midpoint estimate of premium increases.

* Depends heavily on interpretation of PARCA.

** This effect is not additive or multiplicative due to the overlap of PARCA's various provisions.

Source: Milliman & Robertson.

Chemicals and Breast Cancer

There is no evidence that exposure to the so-called environmental estrogens DDT and PCBs cause breast cancer. Women with high blood levels of these chemicals are not at higher risk of breast cancer than women with low blood levels.

Those are the findings of the largest, most definitive study to date, conducted by the Harvard School of Public Health. DDT, a pesticide, and PCBs, a class of industrial chemicals, were once widely used but were banned in the 1970s. Both have been shown to have adverse impacts on wildlife.

The theory linking the chemicals to breast cancer had been fueled by a small study in 1994 by Dr. Mary S.

Wolff, a chemist at Mount Sinai School of Medicine. Larger studies in Mexico and Europe did not find a correlation, but they reportedly had design flaws that made them less than definitive. In the Harvard study:

- More than 32,000 women gave a blood sample in 1989-90.
- Researchers obtained information about blood levels of DDT and PCBs in 240 women who subsequently developed breast cancer and compared them to a control group of 240 women without the disease.

Comparisons between countries lead the researchers to believe that environmental and lifestyle factors account for differences in the incidence of breast cancer.

Source: David J. Hunter et al., "Plasma Organochlorine Levels and the Risk of Breast Cancer," *New England Journal of Medicine*, October 30, 1997.

Privatizing Air Traffic Control

The U.S. air traffic control system, owned and operated by the Federal Aviation Administration (FAA), needs major restructuring.

- The system currently uses failure-prone equipment such as 1960s-era mainframe computers, equipment dependent on vacuum tubes and obsolete radar technology.

- The FAA maintains safety margins by artificially increasing the space between flights, imposing ground holds and using other techniques that reduce system capacity.

- The airlines alone waste \$3 billion a year in fuel and crew time due to delays — and wasted passenger time is estimated at several billion dollars more.

In the last quarter-century, at least 16 countries have moved part or all of their air traffic control systems into the private sector. Some countries have converted their equivalents of the FAA into free-standing corporations that provide both air traffic control and safety regulation.

- In its first year under a commercialized system, German air traffic control reduced delays by 25 percent.

- User charges shrank by 30 percent in New Zealand and by 15 percent in Australia after commercialization in those countries.

Canada offers a model for setting up a stand-alone air traffic control corporation. Unlike other countries, the Canadian government sold the system to a non-profit corporation controlled by its users and operators. Canada's airline ticket tax is being phased out over a two-year period, to be replaced by user fees that will be the sole revenue source for the new corporation.

Source: Robert W. Poole Jr., "Commercializing Air Traffic Control," Regulation, Summer 1997, Cato Institute, 1000 Massachusetts Avenue, NW, Washington, DC 20001, (202) 842-0200.

Transit Pork

The Intermodal Surface Transportation Efficiency Act (known as ISTEA and pronounced "ice tea"), passed in 1991 and recently extended for six months, is expected to come up for reauthorization early in 1998. The act, which allocates billions of dollars from the federal gasoline tax, is supposed to improve the nation's traffic flow. Instead it might better be titled the "Urban Immobility and Pork-Barrel Act."

- Except for a few provisions allowing more toll roads and experiments with congestion pricing, ISTEA sticks with the command-and-control, central plan-

Costs and Benefits

A law adopted in 1996 requires the Office of Management and Budget (OMB) to begin reporting in 1997 on the costs and benefits of federal regulatory programs. The OMB's first effort raises as many intriguing questions as it answers.

- The report concludes that its best estimate of total regulatory costs in 1997 is \$279 billion.

- However, the OMB elected not to include tax paperwork (roughly \$150 billion, the value of more than 5 billion hours of taxpayers' and accountants' time) and "transfer payments" (also about \$150 billion, the value of price increases to consumers resulting from government regulations) in its estimate.

- In its report on the government's regulatory program in 1991 and 1992, the OMB did include both — and estimated the total cost of regulation in 1990 at between \$484 billion and \$508 billion.

The 1996 law required the OMB to estimate the costs and benefits of each rule costing over \$100 million. But the OMB presented estimates for only 21 regulations, and those estimates were provided by the agencies that issued regulations. Furthermore, no attempt was made to present costs and benefits for major regulations established prior to 1997.

ning process that has caused most transportation problems in the first place.

- Rather than promote efficiency, ISTEA's funding system places cities in competition with one another to get federal dollars for expensive transportation systems that rarely meet local needs.

- ISTEA promotes mass transit such as light rail and subways, but these systems carry only a fraction of commuters and cost from 10 to 100 times more per mile to build than roads.

Source: Randal O'Toole, "ISTEA: A Poisonous Brew for American Cities," Policy Analysis No. 287, November 5, 1997, Cato Institute, 1000 Massachusetts Avenue, NW, Washington, DC 20001, (202) 842-0200.

The law also called for OMB to recommend reform or elimination of any regulation found to be inefficient, ineffective or not of sound use of, the nation's resources. Its report termed economic regulation in general as inefficient because costs are imposed with only nominal benefits, but it made no recommendations for reforming or eliminating any specific regulation.

Source: Thomas D. Hopkins, "OMB's Regulatory Accounting Report Falls Short of the Mark," Policy Study No. 142, November 1997, Center for the Study of American Business, Washington University, One Brookings Drive, St. Louis, Mo., (314) 935-5360.

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