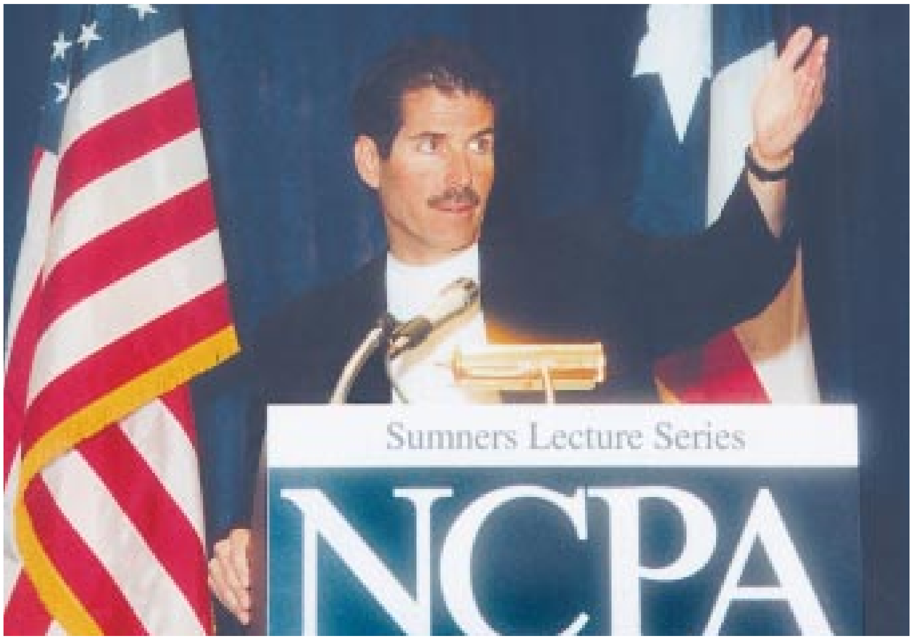
NATIONAL CENTER FOR POLICY ANALYSIS

Executive Alert®

VOL. 14, NO. 3 ALL THAT'S NEW IN THE WORLD OF IDEAS MAY/JUNE 2000

IN THIS ISSUE



ABC News correspondent John Stossel pans the media's crisis mentality at a Sumner Lecture Series luncheon. **See related story and photos on page E1.**

Counting on the Census?

The Census Bureau will produce two sets of numbers for 2000: an unadjusted set based on the traditional headcount and an adjusted set based on a huge post-census sample survey. The Supreme Court has ruled that the adjusted numbers cannot be used for apportioning Congress but can be used for other purposes, including redistricting and federal grant allocations.

Proponents of sampling maintain that large numbers of Hispanics, blacks, American Indians and Asians were missed by the traditional method in the 1990 census, with the undercount resulting in a loss of federal funds to minorities. However, the debate over the significance of the undercount has been highly distorted, even misleading.

- In fiscal year 1998, the General Accounting Office studied the allocation of $185 billion that relied on census figures and found that only $449 million, or 0.33 percent of the money, would have been distributed differently as a result of adjusting the 1990 census.
- The reason is that population is only one of several factors in most federal grant formulas, and many programs designed to help distressed communities actually reduce funding when population increases.

Adjusting census numbers would not necessarily benefit all undercounted minorities equally. The 1990 postcensus survey apparently found proportionally more Hispanics in the barrios of the Southwest than blacks in the cities of the Northeast and Midwest. Furthermore, although all sides in the debate have assumed that adjustment would help Democrats and hurt Republicans, that is far from certain.

Adjustment advocates, the Census Bureau and news media reports emphasize a consensus favoring adjustment reached by three panels, not all of whose members were statisticians or even social scientists, that were convened by the National Academy of Sciences. Almost no mention is made that other statisticians have strenuously opposed adjustment. It is virtually certain that the complicated system used for adjustment would introduce new errors into the count. In 1990 one such error in the post-census survey (not used in the official count) added one million people to the undercount estimate, and the error went undiscovered for more than a year.

Source: Peter Skerry, "Counting on the Census?" Policy Brief No. 56, March 2000, Brookings Institution, 1775 Massachusetts Avenue, N.W., Washington, D.C. 20036, (202) 797-6000.

Roth MSAs

Congress could make it much easier for the elderly to self-insure for prescription drug costs and other medical expenses not paid by Medicare or private insurance by allowing senior citizens to turn their Roth IRAs into Roth MSAs.

Roth IRAs (Individual Retirement Accounts) differ from ordinary IRAs in that deposits are made with after-tax instead of before-tax dollars. Both accounts grow tax-free; but since taxes on Roth IRAs are paid before the initial deposit, withdrawals are tax-free after age 59 1/2.

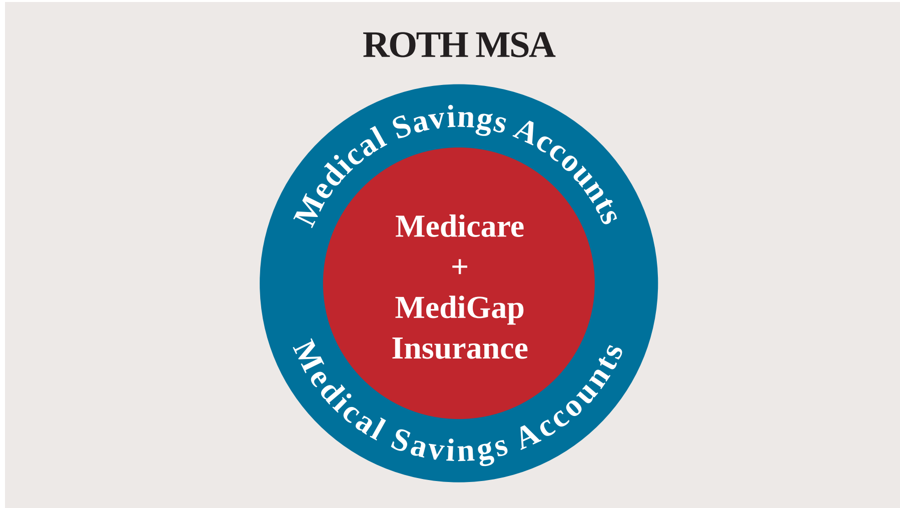
And while seniors with ordinary IRAs must stop making deposits and begin making minimum withdrawals when they reach age 70 1/2, they can contribute up to $2,000 a year to Roth IRAs at any age, and they are not required to withdraw funds at any time.

An ideal use for a Roth IRA is to turn it into a Roth MSA. For seniors who have only Medicare coverage, the Roth MSA could be used to pay expenses not paid by Medicare. For those who have both Medicare and Medigap insurance, the Roth MSA could be used to pay expenses not paid by either. Roth MSAs could wrap around virtually any form of insurance, including a Medicare HMO.

Some relatively minor changes to current law would be needed, such as allowing seniors to make deposits even if they are retired (under current law, the deposit cannot exceed wage income) and allowing withdrawals for health care purposes any time after the account is established (current law requires a five-year wait).

Allowing Roth IRAs to be used as Roth MSAs would significantly help senior citizens who face out-of-pocket expenses for prescription drugs.

Source: John C. Goodman, "Prescription Drugs for Seniors: The Roth IRA Solution," Brief Analysis No. 315, March 16, 2000, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.



New York's Medicaid: Out of Control

New York, the nation's third most populous state, spends almost as much on Medicaid as California and Texas, the two most populous states, combined, even though California and Texas have a combined total of 7.4 million Medicaid recipients compared to New York's 3.1 million.

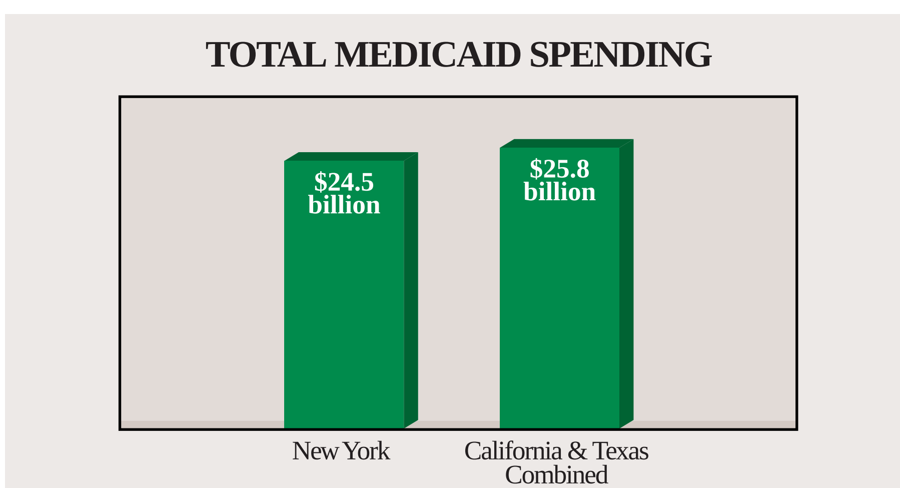
New York spent $24.5 billion on Medicaid in 1997, the latest year for which complete statistics are available, compared to $25.8 billion in California and Texas combined. Medicaid spending in New York is more than twice the national average and at least 50 percent more per capita than Connecticut, the next worst state for Medicaid spending. An average family of four New Yorkers pays more than $5,000 per year in direct and indirect taxes to support the program.

About two-thirds of New York's Medicaid spending goes to health care for the needy. The rest pays for nursing home care and home health care for the elderly. New York spends far more than other states on both categories of patients.

- New York spends $4,200 per hospital patient, while California and Texas average spending $2,391 per hospital patient.
- New York spends $40,035 per nursing home patient, compared with the average of $15,781 in California and Texas.

New York does not have a notably older or sicker population than other states. What it does have is a health-care provider lobby with political clout.

Source: "Medicaid: Wreaking Havoc in Health Care," Special Report, December 1999, Public Policy Institute of New York State, Inc., 152 Washington Avenue, Albany, N.Y. 12210, (518) 465-7511.



Source: Public Policy Institute of New York State.

Health Care and the Internet

The growth of the Internet and the vast amount of information it makes available are helping to demolish the argument made by some that people do not have the necessary expertise or desire to manage their own health care dollars. Health information is some of the most popular content on the Internet.

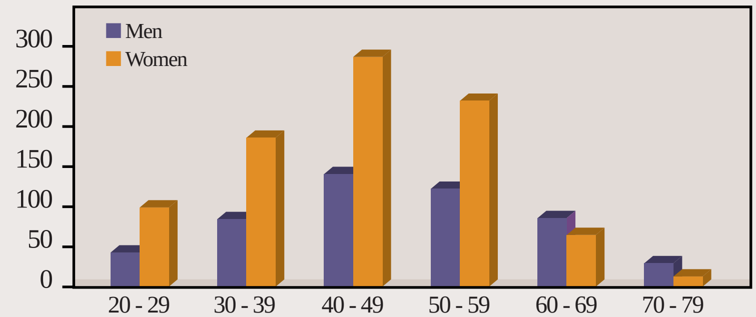
- An estimated 15,000 to 20,000 Web sites provide health information.
- According to a recent Harris Poll, in one year 70 million Americans went online to search for information about health.
- Women are taking advantage of Web resources, being almost twice as likely to search for health information as men.
- In a survey by Health on the Net Foundation, 90 percent of health information seekers said they found the information they were seeking.

People with rare or unusual diseases or medical conditions now look for innovative or experimental approaches being tried in other parts of the country or abroad. Online support groups allow diverse people to connect and share information with others, and information about the thousands of clinical studies currently being conducted enables patients to post online inquires about participation.

In the traditional doctor-patient relationship, patients relied on a physician for virtually all their information. But when Sapient Health Network surveyed its online support groups, people said their support groups not only were more cost-effective but also provided more in-depth information on the illness and more help in locating other medical resources.

Source: Devon Herrick, "Patient Power and the Internet," Brief Analysis No. 317, March 31, 2000, National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, (972) 386-6272.

WHO'S USING THE INTERNET FOR HEALTH CARE INFORMATION



Source: Health on the Net Foundation Oct/Nov 99 Survey. Age distribution of 1,352 people who reported using health content from Web sites, e-mail and newsgroups.

Health Care Spending by the Elderly

Elderly Americans spend 19 percent of their income on out-of-pocket medical expenses, with one-third of the outlay going for prescription drugs. By comparison, the Department of Health and Human Services reported that the elderly spent 11 percent of their income on out-of-pocket medical expenses in 1965, the year Medicare was enacted.

Data from the 1995 Medicare Current Beneficiary Survey (the latest available) show:

- Seniors in the lowest-fifth income level — many of whom are on Medicaid — spend 32 percent of their total income on out-of-pocket costs for health care, compared with less than 9 percent for those in the top tier.
- Those whose self-reported health status was "poor" spend 29 percent, compared to 15 percent for those in "excellent" self-reported health.
- Seniors age 85 and older average paying 22 percent, compared to 17 percent for those ages 65 to 74.

The cost burden is also affected by the type of insurance coverage an elderly person has.

- Seniors who bought supplemental insurance (Medigap) policies spent 25 percent of their total income on out-of-pocket medical expenses.
- Those relying solely on fee-for-service Medicare spent 23 percent.
- Those with employer-sponsored coverage averaged 16 percent.
- Those in Health Maintenance Organizations (HMOs) averaged 14 to 15 percent.

Source: Stephen Crystal et al., "Out-of-Pocket Health Care Costs Among Older Americans," ***Journal of Gerontology: Social Sciences****, Vol. 55B, No. 1, January 2000.*

Dying On Waiting Lists

British Prime Minister Tony Blair recently heard about specific problems with the National Health Service in a face-to-face meeting with doctors, nurses and NHS managers. Peter Wilde, director of cardiothoracic services for the United Bristol Healthcare NHS Trust, reported:

- In Bristol, 700 patients were on the waiting list for heart surgery, and 100 had been waiting for more than a year.
- Twenty patients waiting for heart surgery had died within the six months prior to the meeting.

The prime minister also was told that the NHS was placing emphasis on minor operations because of the pressure to cut waiting lists. One staff member explained that "10 minor operations from a number-crunching point of view look better than one major heart operation."

Source: Roger Dobson, "Blair Tackled on Heart Deaths," ***British Medical Journal****, March 11, 2000.*

Public School Spending Grows

The National Education Association says on its web site, "Funding has not kept pace with dramatic increases in enrollment or with the rising costs of educating a diverse student body with varied needs." However, according to statistics from the U.S. Department of Education, between 1960 and 1996 (the last year for which complete data are available):

- Real spending per pupil in public schools more than tripled, from just under $2,000 to just over $6,000 (measured in 1996 dollars).
- The number of pupils per teacher declined from 26 to 17.
- Salaries for instructional staff increased from $25,206 to $39,451 (also measured in 1996 dollars).

*Source: Michael W. Lynch, "Just Send Money," **Reason**, April 2000.*

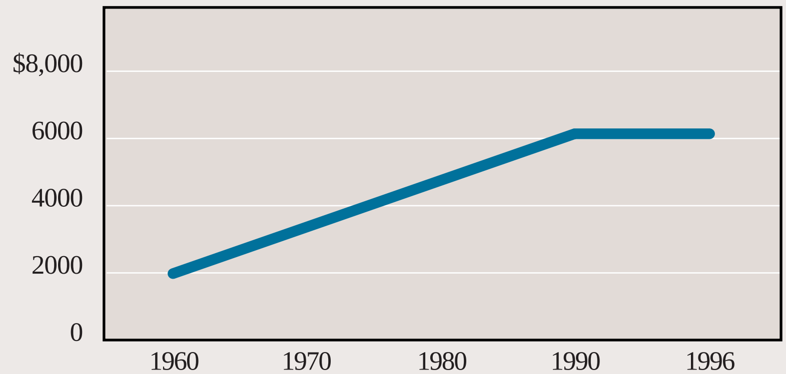
School Choice

School choice, including the use of tax-funded vouchers to attend private schools, is gaining acceptance. For example:

- In its annual poll, the Joint Center for Political and Economic Studies found that support for school choice among blacks is at an all-time high, 60 percent, including two-thirds of baby boomers and over 70 percent of those under age 35.
- An annual nationwide poll by Phi Delta Kappa, a professional association of educators, found that support for vouchers had risen from 45 percent in 1994 to 51 percent in 1999.
- Among parents of public school students, the Phi Delta Kappa survey found that support for vouchers has risen from 48 percent in 1994 to 60 percent in 1999.

Source: Nina Shokraii Rees, "School Choice 2000 Annual Report," Backgrounder No. 1354, March 30, 2000, Heritage Foundation, 214 Massachusetts Avenue, N.E., Washington, D.C., 20002, (202) 546-4400.

TOTAL PER-PUPIL SPENDING IN U.S. PUBLIC SCHOOLS
(In constant 1996 dollars)



Source: U.S. Department of Education.

Private Help for the Disadvantaged

Title I, the federal program designed to meet the educational needs of economically disadvantaged children and improve student achievement, funds remedial reading and math instructional programs. Despite spending more than $120 billion over 30 years, Title I has done virtually nothing to raise academic achievement of the children it attempts to help. The U.S. Department of Education administers the program, which funnels federal money into school districts under a complicated and convoluted eligibility formula.

In light of the failure of its traditional programs, the Education Department has shifted its focus away from individualized instruction to programs designed to reform an entire school. These schoolwide programs are being emphasized with little research evidence backing their superiority. Furthermore, schoolwide programs make measuring individual achievement difficult.

However, since the early 1990s several urban school districts around the nation have contracted with private remedial education companies such as Sylvan Learning Systems to work in the public schools using Title I and other public education funds. The students who are sent to Sylvan are among the worst performing of Title I students, yet they have made significant learning improvement. For example:

- 75 percent of the students in the Sylvan program began the 1997-98 school year with California Achievement Test (a national standardized test) reading scores below the 25th percentile.
- Over the one-year period, the students who began with reading scores below the 25th percentile averaged a gain four times greater than the acceptable federal level of reading progress.

Although Sylvan has been the largest private provider of Title I services to public schools, other providers such as Kaplan Learning Services also have shown significant gains in student achievement in their public school programs.

The most striking difference between public Title I programs and public school contracts for private remedial education programs is the focus of the private programs on assessing the individual low-performing student to determine what kind of remedial help the student needs.

Source: Lisa Snell and Lindsay Anderson, "Remedial Education Reform: Private Alternatives to Traditional Title I," Policy Study 266, January 2000, Reason Public Policy Institute, 3415 S. Sepulveda Boulevard, Suite 400, Los Angeles, Calif. 90034, (310) 391-2245.

Airport Privatization

One reason today's airline service leaves much to be desired is that airline entrepreneurs seeking to compete with established airlines have difficulty obtaining gates. Typically, U.S. airports sign long-term gate-lease agreements with the major incumbent airlines, assuring a revenue stream to pay off the bonds they issue to build terminal facilities. But usually the agreements give those incumbents what amounts to veto power over any terminal expansions.

By contrast, at most of the more than 100 privatized airports elsewhere in the world, the gates remain under the control of the airport company and are allocated hour by hour to individual airlines as needed.

- At many European airports, and at the privately run Terminal 3 in Toronto, the signs at each gate are electronic and can be changed in moments from one airline's name to another.
- That is how gates will be managed at the new International Arrivals Terminal at JFK in New York — a $1 billion project being developed and operated by a private consortium including the for-profit company that owns and operates Amsterdam's Schiphol Airport.
- The consortium is taking the entire risk of keeping the gates occupied, because it wants the management flexibility to get the most value out of each gate.

One way to shift to a new management philosophy for U.S. airports would be to privatize them, turning them into corporate entities charged with making a profit and paying ordinary business taxes on those profits. The existing government owner would be the sole shareholder at the outset but would be free to sell some or all of its shares (i.e., to privatize) if and when it decided that it made sense to do so.

Source: Robert Poole Jr., "More Airline Competition — Yet Another Reason for Airport Privatization," e-brief No. 104, December 1999, Reason Public Policy Institute, 3415 S. Sepulveda Boulevard, Suite 400, Los Angeles, Calif. 09934, (310) 391-2245.

Making Money from Cigarettes

In the 1990s more than 40 states filed lawsuits against the tobacco industry, claiming increased health care costs due to cigarette smoking. Under a settlement, it is estimated that the states will receive $233 billion in payments from the tobacco industry over the next 25 years.

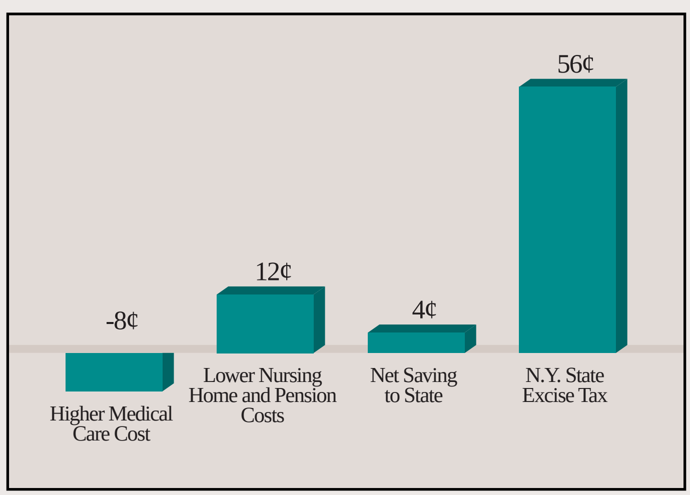
However, although cigarette smoking increases costs associated with health care, it also decreases nursing home and pension costs because smoking leads to earlier death. The savings exceed smoking-related health care costs in every state. When state excise taxes on cigarettes are added, the net effect is a huge windfall for the states, even without the money from the lawsuits.

- For example, in New York State, which has the highest medical care costs associated with smoking, 8 cents per pack, the nursing home cost savings offset is almost as great, and the net insurance cost savings is 4 cents per pack for total savings of 12 cents per pack; in addition, the medical costs are dwarfed by the state excise tax of 56 cents per pack.
- Even Virginia's excise tax of 2.5 cents per pack, the lowest in the nation, roughly equals the state's smoking-related medical care costs of 2.8 cents per pack — and the nursing home and net insurance cost savings associated with smoking, 12 cents per pack, are more than quadruple the medical care costs.
- Cigarettes are self-financing in every state, with an average net cost saving of 8 cents per pack before considering the effects of state excise taxes.

The net cost savings to the federal government from cigarette smoking is 46 cents per pack. This figure is higher than for the states because of reduced Social Security costs in addition to the federal savings on nursing home and retirement pension costs.

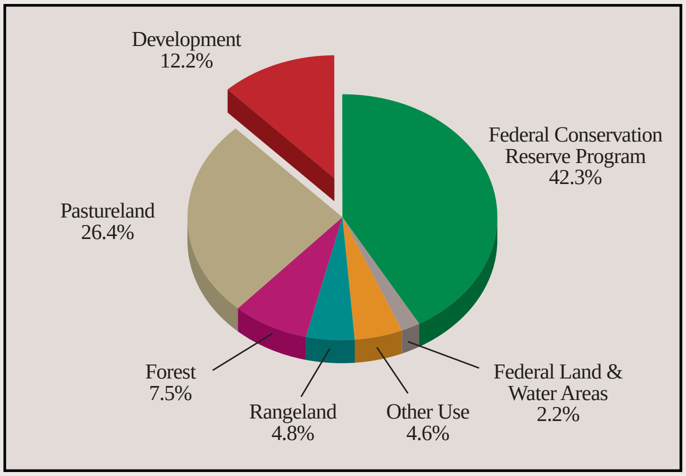
*Source: W. Kip Viscusi, "The Governmental Composition of the Insurance Costs of Smoking," **Journal of Law and Economics**, Vol. XLII, October 1999.*

EFFECTS OF SMOKING ON NEW YORK STATE
(Per pack of cigarettes)



*Source: W. Kip Viscusi, "The Governmental Composition of the Insurance Costs of Smoking," **Journal of Law and Economics**, Vol. XLII, October 1999.*

WHERE CROPLAND WENT, 1982-97



Source: Preliminary data, U.S. Department of Agriculture, Natural Resources Inventory, December 1999.

Development No Threat To Farms

Proponents of more expansive government land use policies — from local and state "smart growth" advocates to Vice President Al Gore — conjure up images of cropland being gobbled up by urbanization at the rate of up to 10 acres an hour. However, contrary to claims about "urban sprawl," most farmland conversion is to nonurban uses such as forests, pasture, rangeland and recreation.

- From 1982 through 1997, 72 million acres of cropland was converted to other uses, but development accounted for only 12.2 percent.
- Of the land converted, 42.3 percent went into the federal conservation reserve program, which in effect pays farmers to take land out of production.
- Even in urban areas, most former agricultural land is being converted to open spaces, greenbelts and parks supported by homeowners seeking to maintain the semirural nature of their neighborhoods.

While agriculture doesn't face a significant threat from sprawl, government policies do encourage the inefficient conversion of land to nonagricultural uses. Farmland and open spaces could be preserved by market-oriented approaches to land use such as:

- Full-cost pricing and privatization of infrastructure to reflect the full costs of land development.
- Greater use of private land trusts and conservation easements to purchase the future development rights of farmland and open spaces.
- Repeal of estate taxes to allow family farms to pass to the next generation and repeal of targeted business-specific subsidies and tax credits that distort market real estate prices.
- Elimination of one-size-fits-all zoning rules that discourage mixed uses and mixed-density housing.

Source: Samuel R. Staley, "The 'Vanishing Farmland Myth' and the Smart-Growth Agenda," Policy Brief No. 12, January 2000, Reason Public Policy Institute, 3415 S. Sepulveda Boulevard, Suite 400, Los Angeles, Calif. 90034, (310) 391-2245; and preliminary data, U.S. Department of Agriculture, Natural Resources Inventory, December 1999.

EPA Finances Anti-Sprawl

The legal authority of the Environmental Protection Agency over urban land-use planning is tenuous at best. Yet under two grant-making programs — the Transportation Partners program and the Smart Growth Network — the agency gives millions of dollars to nonprofit lobbying groups to build public support for the war on sprawl. With the support of these organizations, the EPA hopes to use federal funding and regulatory authority to dramatically change the lifestyles of most Americans.

To date, few of the grants have gone for what might be considered legitimate work to solve congestion and air pollution problems. Most have gone to organizations whose sole purpose is to lobby federal, state or local governments or to provide assistance to other groups doing such lobbying.

- Since 1995, the EPA has given more than $6 million to antiautomobile groups with the goal of reducing vehicle travel.
- Groups seeking to redesign cities and suburbs to force people to consume less land have received more than $2 million in grants in the past three years.

This funding by the EPA subverts local public input by creating the appearance of a grassroots movement against sprawl when in fact much of the "movement" is supported by a federal agency seeking increased funding and power over local governments.

Ostensibly, the EPA's goal is to reduce air pollution by reducing the amount of driving that people do. However, the policy proposals it is supporting — and for which it is providing financial support to lobbying groups — continue to be contentious matters of debate within the urban planning, environmental and economic professions.

Source: Peter Samuel and Randal O'Toole, "Smart Growth at the Federal Trough: EPA's Financing of the Anti-Sprawl Movement," Policy Analysis No. 361, November 24, 1999, Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, D.C. 20001, (202) 842-0200.

Unintended Consequences

The Americans with Disabilities Act (ADA) was intended to remove barriers to employment of people with disabilities by banning discrimination and requiring employers to accommodate disabilities. However, studies show that the act has had the unintended consequence of leading to less employment of disabled workers. In the five years after enactment of the ADA (1991-1995), the employment rate for all men aged 18 to 65 declined compared to the five years before enactment (1985-1990). However, an analysis of employment data finds:

- Employment of men with disabilities fell by 10.9 percentage points following the enactment of the ADA, while employment of nondisabled men fell by 3.1 percentage points, a difference of almost 8 percentage points.

- The ADA caused lower employment regardless of age, educational level and type of disability.

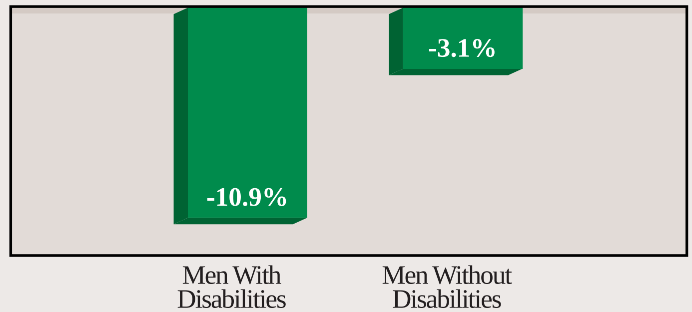
- Those most affected were young, less-educated and mentally disabled men.

Although employers can be and are sued for discriminatory hiring, most litigation under the ADA arises when employees are fired. The two most common violations alleged in charges filed with the Equal Employment Opportunities Commission have involved discharge, layoff or suspension, or failure to provide reasonable accommodation. Thus firms may have responded to the prospect of litigation by reducing their hiring of the disabled.

*Source: Thomas DeLeire, "The Unintended Consequences of the Americans with Disabilities Act," **Regulation**, Vol. 23, No. 1, 2000, Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, D.C. 20001, (202) 842-0200.*

CHANGE IN EMPLOYMENT RATES OF MEN AFTER ENACTMENT OF ADA, 1985-90 VS. 1991-95

(Percentage points)



*Source: Thomas DeLeire, "The Unintended Consequences of the Americans with Disabilities Act," **Regulation**, Vol. 23, No. 1, 2000.*

Deregulated Cable Rates Fall

When rate controls on cable television service to more than 60 million U.S. households came off on April 1, 1999, the consensus was that consumers soon would pay more. However, according to the Bureau of Labor Statistics, exactly the opposite has happened: deregulated cable has been better for consumers than regulated cable.

- When cable TV rates were reregulated in 1992 under the Cable TV Protection and Competition Act, they rose 2.39 percent annually, adjusted for inflation.

- Since deregulation last year, real rates have declined about 0.75 percent on an annualized basis.

Opponents of dropping cable rate controls argued that until cable subscribers have choices, regulation was required as a short-term palliative. But as economists say is often the case under price controls, cable companies found loopholes in the regulations — from adding "service charges" to filling their menus with shopping channels, which pay to be carried on cable systems — and thus were able to raise effective rates.

*Source: Thomas Hazlett, "Surprise, Surprise," **Barron's**, February 28, 2000.*

Gorging on Regulations

Looking at the federal budget alone does not reveal the full story of the cost of government. The budget does not show the cost to the public of complying with health, safety, environmental and economic regulations. New regulations cover everything from slip-and-fall hazards to dealing with imported reptiles and amphibians to new clean air requirements. Agencies publish these regulations daily in the Federal Register.

- In 1999 the Register published 4,684 final rules in 71,161 pages, the highest page count since the Carter administration.

- Federal departments, agencies and commissions are at work on another 4,538 rules, of which 137 are expected to have compliance costs of at least $100 million each

- The Transportation Department and the Environmental Protection Agency account for 539 and 456 of the new rules, respectively.

Congress makes excessive regulatory agency lawmaking possible by delegating legislative power to the agencies. One suggestion for reform is to require a congressional vote for major rules whose costs cannot be quantified. However, Congress obviously likes the fact that delegation allows agencies to take the heat.

*Source: Clyde Wayne Crews, "Jump, Jive an' Reform Regulation," CEI Monograph, February 29, 2000, Competitive Enterprise Institute, 1001 Connecticut Avenue, N.W., Suite 1250, Washington, D.C. 20036, (202) 331-1010; and "Gorging on Regulations," **Washington Times**, April 26, 2000.*

Juvenile Crime and Families

A growing body of research shows that the breakdown of the family unit is significantly associated with many of society's ills, including juvenile crime. Yet surveys by the Justice Department's Office of Juvenile Justice and Delinquency Prevention (OJJDP) have never included family structure data specific enough to aid states and local governments in dealing with juvenile crime. Now the OJJDP is about to make the same mistake again in a new survey — the Census of Juveniles in Residential Base.

Limited data from Wisconsin, the only state to look at juvenile crime by family structure, strongly suggest that this is a significant oversight. The Wisconsin study found:

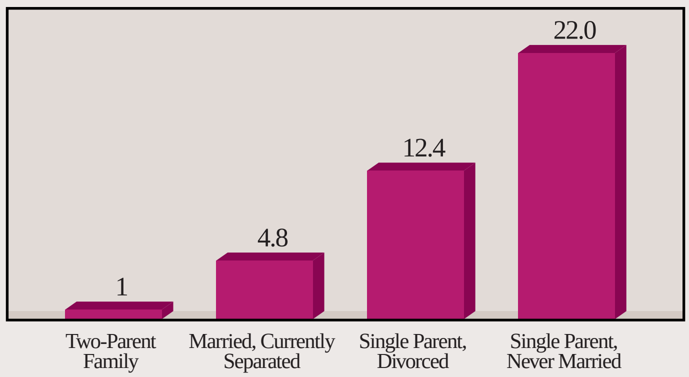
- Juveniles from never-married, single-mother families (the weakest family structure by most social science measures) are as much as 22 times more likely to be incarcerated as those from the strongest family structure, the always-married, two-parent family.
- Compared with the always-married, two-parent family, the rate of incarceration is five times higher among families with married-but-separated parents and 12 times higher among divorced-single-parent families.

Congress ordered the OJJDP in 1993 to focus on the role of race in juvenile crime after complaints that African-Americans were being locked up at rates disproportionate to their numbers in the population as a whole. However, other research has shown that although there is a large disparity between the crime rates of whites and blacks, when researchers control for marriage, the rates of crime for whites and blacks in each family group are very similar.

Congress required the study of race and juvenile crime in 1993 and could require that the new OJJDP survey gather specific data on family structure.

Source: Patrick F. Fagan, "Congress's Role in Improving Juvenile Delinquency Data," Backgrounder No. 1351, March 10, 2000, Heritage Foundation, 214 Massachusetts Avenue, N.E., Washington, D.C. 20002, (202) 546-4400.

JUVENILE INCARCERATION IN WISCONSIN BY HOUSEHOLD TYPE, 1993
(Probability Compared with Two-Parent Family)



*Source: Heritage Foundation calculations, based on Wisconsin Department of Health and Social Services and **Current Population Survey**, 1993.*

Crime Costs Exceed $1 Trillion a Year

The net burden of crime in the United States is more than $1 trillion per year when opportunity costs for criminals and victims, fear of victimization and the cost of private deterrence are considered in addition to the direct costs.

The effects of crime (and their resulting costs) can be grouped into the following categories:

- Crime-induced production — the allocation of resources to the drug trade or operation of correctional facilities — accounts for $400 billion annually.
- Opportunity costs — including the loss of active criminals' and inmates' potential productivity and the cost of crime prevention — are about $130.3 billion annually.
- Risks to life and health because of violent crime represent a burden of $574 billion annually.

In addition, transfers of goods and money resulting from fraud and theft amount to $603 billion, but these do not necessarily impose a net burden on society.

The net losses from crime represent an annual per capita burden on Americans of an estimated $4,118. This estimate includes factors ranging from the value of the life of a murder victim to the more mundane chore of locking doors and locating keys. A fuller understanding of the true costs of crime — beyond victims' losses and the cost of law enforcement — can help guide public policy debates on the marginal costs of crime prevention programs.

*Source: David A. Anderson, "The Aggregate Burden of Crime," **Journal of Law and Economics**, October 1999.*

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