

Why Tuition Rises

As the cost of college continually escalates, some claim that a dip in direct subsidies to public institutions is to blame. In “Not Just Treading Water: In Higher Education, Tuition Often Does More than Replace Lost Appropriations” (Policy Analysis no. 810), Neal



McCluskey, the director of Cato’s Center for Educational Freedom, dismantles these claims. In fact, while per pupil and local appropriations for public colleges have declined in the last 25 years, total state and local spending has gone up. In the aggregate, schools have seen large net revenue increases. He goes on to tackle other possi-

ble explanations for rising tuition but contends that they, too, fall short of explaining the sharp tuition increases. Ultimately McCluskey suggests that the real culprit here may in fact be federal aid, which encouraged state policymakers to cut appropriations and let the federal government make up the difference.

HOW BROTHELS REDUCE CRIME

Does prostitution increase or decrease sex crimes? Unfortunately, data on both sex crimes and prostitution are rare, leaving these questions largely unanswered until now. In “The Effect of Indoor Prostitution on Sex Crimes: Evidence from New York City Recession” (Research Briefs in Economic Policy no. 70) Ricardo Ciacci of the European University Institute and Maria Micaela Sviatschi of Columbia Uni-

versity use a unique data set on prostitution and crime in New York City to survey the effect of indoor prostitution establishments (e.g., prostitution solicited at a strip club or escort service, as opposed to outdoor solicitation on a street corner). They find that the presence of an indoor prostitution establishment in a given precinct led to a 0.4 percent daily reduction in sex crimes per precinct, seemingly because potential sex offenders prefer to attend indoor prostitution establishments rather than commit sex crimes.

UNCERTAIN TERRITORY

While some have proposed economic and policy uncertainty as a significant cause of the Great Recession, others counter that such a theory could not explain the varying geographic distribution of job losses. In “Uncertainty and the Geography of the

CATO POLICY REPORT is a bimonthly review published by the Cato Institute and sent to all contributors. It is indexed in PAIS Bulletin. Single issues are \$2.00 a copy, ISSN: 0743-605X. ©2017 by the Cato Institute. Correspondence should be addressed to *Cato Policy Report*, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. www.cato.org • 202-842-0200

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Great Recession” (Research Briefs in Economic Policy no. 69), Daniel Shoag of Harvard University and Stan Veuger of the American Enterprise Institute construct a measure of policy uncertainty at the state level and find both that local uncertainty appears to have increased local unemployment and that these patterns of uncertainty and unemployment are, in fact, consistent with the geographic pattern of the recession, suggesting that uncertainty’s role in the recession should not be discounted.

ON POLICE, A RACIAL DIVIDE

In “**Deep Racial Divide in Perceptions of Police and Reported Experiences, No Group Is Anti-Cop**” (Public Opinion Brief no. 1), Cato’s Emily Ekins reveals the dramatic results of a new Cato Institute/YouGov survey of public attitudes toward the police, which finds that minorities are far less confident than whites that police use appropriate force, are impartial, and are competent and held accountable. Only 17 percent of African Americans think that the justice system treats all Americans equally, for example, compared with 49 percent of white Americans. Yet at the same time, ultimately no group is “anti-cop,” and regardless of race, Americans oppose reducing the number of police in their communities.

LESSONS FROM CHINA

In a world of fiat money, most major central banks have abandoned monetary targeting in favor of setting interest rates to achieve long-run price stability and full employment. There is, however, an exception: China, which does use money growth targets. In “**Monetarism with Chinese Characteristics**” (Working Paper no. 42) Cato’s Jim Dorn



contrasts monetary policymaking at the Federal Reserve with that employed by the People’s Bank of China, critiques financial repression in China, and offers some lessons learned from China’s system, whose use of monetary targets has helped prevent severe inflation and recession. At the same time, however, he argues that China must allow privatization and the free flow of capital and information, along with implementing the rule of law, if the country is to truly prosper.

THE POWER OF UNIONS

In 2011, Wisconsin passed a landmark law limiting the bargaining power of public sector unions. This provides a unique opportunity to study the effects of unions, since it is sometimes argued that they don’t signifi-

cantly impact wages but instead primarily lobby for better working conditions or other benefits. In “**The Effects of Public Unions on Compensation: Evidence from Wisconsin**” (Research Briefs in Economic Policy no. 71), Andrew Litten of the University of Michigan finds that reducing union power in turn reduced total teacher compensation by 8 percent, or \$6,500, and that the highest-paid teachers were benefiting the most from unionization.

THE ‘HOW’ OF FISCAL ADJUSTMENTS

When designing fiscal policy, scholars debate what most impacts a fiscal adjustment: is it the “when” of an adjustment—whether it occurs during an economic expansion or recession; or is it the “how”—whether the adjustment comes from spending cuts or from tax increases. In “**Is It the ‘How’ or the ‘When’ That Matters in Fiscal Adjustments?**” (Research Briefs in Economic Policy no. 72), Alberto Alesina of Harvard University, Gualtiero Azzalini of New York University, Carlo Favero and Francesco Giavazzi of Bocconi University, and Armando Miano of Harvard University create a model to test this question and find that the “how” matters more—fiscal adjustments based on spending cuts are much less costly than those based on tax increases. ■