Soak the Rich?

Taxing the wealthy is a hot issue among Democratic candidates for president. Sen. Elizabeth Warren (D-MA) is proposing an annual wealth tax on the richest households, while other candidates are proposing higher taxes on incomes, estates, capital gains, and corporations. In “Taxing Wealth and Capital Income” (Tax and Budget Bulletin no. 85), Chris Edwards examines current U.S. taxes, which are more progressive than often supposed, as well as the history of wealth taxes in Europe, where they have been found to be unproductive and often unworkable.

CLASS-SIZE WARFARE

One of the most hotly debated topics in education policy is class size, with the conventional wisdom holding that fewer students per teacher will equate to better results. But is that really the case? In “Does Class Size Matter? How, and at What Cost?” (Research Briefs in Economic Policy no. 175), Desire Kedagni, Kala Krishna, Rigissa Megalokonomou, and Yingyan Zhao examine the data and find that the emphasis on class size is often misplaced, and that the correlation is not nearly as strong as often alleged.

GAME THEORY

Sometimes firms comply with a regulation by “gaming” the measure targeted by policy rather than by changing their behavior. That is, they chase the regulatory metric used rather than the underlying good desired. In “Who Benefits When Firms Game Corrective Policies?” (Research Briefs in Economic Policy no. 176), Mathias Reynaert and James M. Sallee find that the economic impacts of this kind of gaming aren’t straightforward, and that sometimes consumers benefit even when they and regulators are being deceived, depending on the specific policy in question.

ENDING THE FOREVER WAR

The war in Afghanistan has become America’s longest war, not because U.S. security interests necessitate it, nor because the battlefield realities are insurmountable, but because of simple political and bureaucratic inertia. That is the finding of John Glaser and John Mueller in “Overcoming Inertia: Why It’s Time to End the War in Afghanistan” (Policy Analysis no. 878), in which the authors lay out a path forward to finally bring the war in Afghanistan to a close.

LEGALIZE IMMIGRATION

Central Americans are crossing illegally and often relying on asylum claims at the border because this is virtually the only way for them to enter the United States. After numerous failed attempts to deter the flow or restrict asylum, the most realistic and humane way to control the border is for Congress and the administration to channel future immigrants into an orderly legal structure for coming to the country. That is the conclusion of “Legal Immigration Will Resolve America’s Real Border Problems” (Policy Analysis no. 879), by David Bier, Cato immigration policy analyst.

MEASURING POVERTY

There are reasons to be simultaneously concerned and skeptical about reports of high and rising rates of extreme poverty in the United States. Different measurements and studies have found contradictory results about the numbers of Americans living on less than a few dollars a day. In “The Use and Misuse of Income Data and Extreme Poverty in the United States” (Research Briefs in Economic Policy no. 177), Bruce D. Meyer, Derek Wu, Victoria R. Mooers, and Carla Medalia examine the question of which measures should be relied on when answering this question.

IMMIGRANT CRIME RATES

Immigrant criminality is an important public policy concern because some American voters believe that illegal immigrants have a higher crime rate than American citizens. In “Criminal Immigrants in Texas in 2017: Illegal Immigrant Conviction Rates and Arrest Rates for Homicide, Sex Crimes, Larceny, and Other Crimes” (Immigration Research and Policy Brief no. 13), Cato Director of Immigration Studies Alex Nowrasteh uses Texas Department of Public Safety data to measure the rate at which individuals were convicted and arrested by crime and immigration status in Texas in 2017. The results show that illegal immigrants commit these crimes at lower rates than American citizens, in line with Nowrasteh’s previous research.

BANKING DEREGULATION IN CHINA

Does banking deregulation lead to positive effects? Recent deregulation in China provides the opportunity to examine that question in “Rise of Bank Competition: Evidence from Banking Deregulation in China” (Research Briefs in Economic Policy no. 178). Haoyu Gao, Hong Ru, Robert Townsend, and Xiaoguang Yang find that following a deregulation in the form of lowered barriers to entry, banks entering into deregulated cities increased their lending amounts significantly.

HOMESCHOOLING AND SCHOOL CHOICE

The relationship between homeschoolers and the broader school-choice movement
has been contentious at times, with worries that the expansion of private school options could undermine the movement for nontraditional homeschooling. In “Homeschooling and Educational Freedom: Why School Choice Is Good for Homeschoolers” (Briefing Paper no. 124), Kerry McDonald lays out the history behind the growth of homeschooling and makes the case that the expansion of school choice benefits homeschoolers too.

CREDIT CARD REGULATIONS

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act) was enacted with the objective of protecting consumers and establishing fair and transparent practices in the credit card market. The CARD Act restricts, among other things, consumer credit card issuers’ ability to increase interest rates on outstanding balances. In “Does Price Regulation Affect Competition? Evidence from Credit Card Solicitations” (Research Briefs in Economic Policy no. 179), Yiwei Dou, Geng Li, and Joshua Ronen find that these restrictions have decreased competition and made consumer credit supply less elastic.

DRINKING WATER AND UNINTENDED CONSEQUENCES

Starting in 1999, with help from international organizations, Bangladesh began a massive campaign to discourage the use of backyard wells for drinking water because of their high levels of arsenic contamination. In “Throwing the Baby Out with the Drinking Water: Unintended Consequences of Arsenic-Mitigation Efforts in Bangladesh” (Research Briefs in Economic Policy no. 180), Nina Buchmann, Erica M. Field, Rachel Glennerster, and Reshmaan N. Hussam found this had a deadly unintended consequence: increasing diarrheal diseases from fecal contamination, which the wells were far less prone to.

AUDITING AUDITS

Public-sector audits are meant to ensure that policies are executed as intended by policymakers. For audits to be effective, however, they should not distort the choices of those who are subject to the audit. Using evidence from Chile’s public procurement process, Maria Paula Gerardino, Stephan Litschig, and Dina Pomeranz make the case that a poorly structured audit system can have negative unintended consequences in “Can Audits Backfire? Evidence from Public Procurement in Chile” (Research Briefs in Economic Policy no. 181).

CONTROLLED CHOICE

Controlled choice is a method of assigning students to schools when school boards want to promote diversity, particularly economic diversity. In “The Problems with Economic Integration and Controlled Choice” (Policy Analysis no. 880), David J. Armor explains how the claimed benefits are not being delivered by these plans.

CLEARING THE SYSTEM

Severe systemic shocks have real and immediate costs, but one controversial benefit is that they clear the system of its least-efficient firms. In “Do Financial Crises Cleanse the Banking Industry? Evidence from U.S. Commercial-Bank Exits” (Research Briefs in Economic Policy no. 182), Laima Spokeviucite, Kevin Keasey, and Francisco Vallascas find that this creative destruction can be seen in both the savings and loan crisis of the mid-1980s and the global financial crisis of 2007–2010.