

# Dictatorship in the 21st Century

In the 20th century, brutal rulers terrorized their citizens, killed or imprisoned thousands, and deliberately publicized their brutality to deter opposition. But in recent years, a less bloody form of authoritarianism has been spreading. So explain Sergei M. Guriev and Daniel Treisman in “**Information Autocrats**” (Cato Institute Research Brief in Economic Policy no. 183). In this new era of dictatorship, illiberal leaders have managed to concentrate power without resorting to mass murder. The key to such regimes, instead, is the manipulation of information. Through manipulation of information, such regimes can more closely mimic democracy while still ruthlessly entrenching themselves in power.

## ANTI-TRUST?

Economists have developed a vast empirical literature on how cultural traits like generalized trust in other people affect economic output. For many, this distinction between “high trust” and “low trust” societies may even be the defining difference between liberalism and authoritarianism, and eroding levels of social trust in the West have sparked alarms. Alex Nowrasteh and Andrew C. Forrester challenge that narrative in “**Trust Doesn’t Explain Regional U.S. Economic Development and Five Other Theoretical and Empirical Problems with the Trust Literature**” (Cato Institute Working Paper no. 57). As they explain, the alleged correlation between trust and economic output does not hold up when examined on the regional level within the United States.

## ENERGY COSTS

Are consumers sensitive to energy costs when buying appliances? Conventional wisdom says no, that this so-called shrouded cost requires government intervention

to make it apparent through labels and mandates. In “**Are Consumers Attentive to Local Energy Costs? Evidence from the Appliance Market**” (Cato Institute Research Brief in Economic Policy no. 184), Sébastien Houde and Erica Myers find otherwise. They show that the evidence strongly contradicts the idea that consumers are unresponsive to appliance operating costs when making purchasing decisions.

## PRODUCTIVE FORMS

One crucial question for any business is its choice of legal form—that is, how to incorporate and whether to subject itself to corporate income taxes or whether to become a pass-through whose income and losses flow to shareholders and are taxed as individual income. In “**Incorporation and Productivity**” (Cato Institute Research Brief in Economic Policy no. 187), Robert J. Barro and Brian Wheaton consider whether there are productivity advantages to one or the other. They find that the gap between the two types of incorporation has been falling, as the differential tax treatment has lessened in effect over recent decades.



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## DISCRIMINATORY SHARING

Discrimination has become an important issue in the recent development of sharing-economy marketplaces. Previous studies raise serious concerns over racial discrimination on Airbnb, showing that guests with African American-sounding names are 16 percent less likely to be accommodated relative to guests with white-sounding names. In “**Reducing Discrimination in the Sharing Economy with Reviews: Evidence from Field Experiments on Airbnb**”

(Cato Institute Research Brief in Economic Policy no. 188), Ruomeng Cui, Jun Li, and Dennis J. Zhang conduct a series of experiments aimed at finding ways to improve marketplace design and reduce discrimination.

## TRADEMARKS

As the U.S. economy shifts toward service- and technology-based industries, firm value is increasingly accounted for by intangible assets such as intellectual property (IP). But the positive incentives of IP protections must be weighed against the negative monopoly costs of such policies. In “**The Strategic Effects of Trademark Protection**” (Cato Institute Research Brief in Economic Policy no. 189), Davidson Heath and Christopher Mace consider the effects of the Federal Trademark

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Dilution Act of 1995, which was in effect until the Supreme Court struck it down in 2003. They find that this increase in trademark protections resulted in lower product quality and reduced innovation.

## WORLD TRADE

Until recently, the World Trade Organization (WTO) dispute settlement process had been a remarkably quick and effective arbitration method for international trade disputes. Unfortunately, while it still compares admirably to other international dispute mechanisms, cases do take much longer to complete today than at the start of the WTO in 1995. That is the finding of James Bacchus and Simon Lester in



BACCHUS

“Trade Justice Delayed Is Trade Justice Denied: How to Make WTO Dispute Settlement Faster and More Effective” (Cato Institute Free Trade Bulletin no. 75), in which they propose a series of reforms to increase the pace.

## VOTE WITH YOUR FEET

Do potential movers find legalized marijuana an attractive local amenity or something to stay away from? That’s the question asked by Diego Zambiasi and Steven Stillman in “The Pot Rush: Is Legalized Marijuana a Positive Local Amenity?” (Cato Institute Research Brief in Economic Policy no. 190). They find that the evidence is strong that states such as Colorado have been winning new residents in part because people prefer states with legalized marijuana over states that have not yet taken that step.

## GIG ECONOMY

People prefer a stable and predictable path of consumption when transitioning from a period of high income to one of low income. This preference acts as motivation for government policies such as unemployment insurance and credit availability. But how does the availability of the gig economy, such as Uber, affect this? In “Gig Labor: Trading Safety Nets for Steering Wheels” (Cato Institute Research Brief in Economic Policy no. 191), Vyacheslav Fos, Naser Hamdi, Ankit Kalda, and Jordan Nickerson show that laid-off employees with access to Uber are less likely to rely on unemployment insurance and untapped credit. ■



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