

Would the TPP Advance Free Trade? A Scorecard

The controversial Trans-Pacific Partnership agreement between the United States and 11 other countries is the largest U.S. trade agreement in history. Ultimately, the TPP is not truly “free” trade—it is managed trade, including both liberalizing measures and protectionist rules. In “Should Free Traders Support the Trans-Pacific Partnership? An Assessment of America’s Largest Preferential Trade Agreement” (Working Paper no. 39), Cato scholars Dan Ikenson, Simon Lester, Scott Lincicome, Daniel Pearson, and K. William Watson present a chapter-by-chapter analysis of the TPP from a free trader’s perspective, scoring all the deal’s provisions on a scale of 0 (protectionist) to 10 (free trade.) Ultimately they find that the TPP is net liberalizing.

INEQUALITY MYTHS

Economic inequality is a hot topic this election cycle—but, Cato’s Michael Tanner writes in “Five Myths about Economic Inequality in America” (Policy Analysis no. 797), “Many of the most common beliefs about the issue are based on misperceptions and falsehoods.” While economist Thomas Piketty famously claimed that income inequality is at an all-time high in America, for example, Tanner shows that Piketty and others exclude key factors in their analyses, and thus “considerably” overstate inequality. It’s also demonstrably false that “the rich stay rich; the poor stay poor”—nor, Tanner shows, does more inequality mean more poverty.



TERRORISM AND IMMIGRATION

Many Americans assume that immigrants and refugees pose a grave threat of terrorism. How accurate are these fears? In “Terrorism and Immigration: A Risk Analysis” (Policy Analysis no. 798), Cato immigration analyst Alex Nowrasteh presents the first terrorism risk analysis of the visa categories that foreign-born terrorists used to enter the United States. “Including those murdered in the terrorist attacks of September 11, 2001 (9/11), the chance of an American perishing in a terrorist attack on U.S. soil that was committed by a foreigner over the 41-year period studied here is 1 in 3.6 million per year,” he finds. He also demonstrates that the type of visa impacts the risk—the chance of an American being killed by a refugee is extremely low, for example, compared to the chance of being murdered by someone on a tourist visa.

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LESSONS FROM LEGALIZATION

Over the last four years, four U.S. states have legalized marijuana for recreational use, and more states passed such measures in the 2016 election. Critics argue that permitting recreational use increases drug use and crime, while harming public health and lowering teen educational achievement. In



ANGELA DILLS

“Dose of Reality: The Effect of State Marijuana Legalizations” (Policy Analysis no. 799), Cato’s Jeffrey Miron, along with Angela Dills of West-

ern Carolina University and Sietse Goffard of Harvard University, demonstrate that, in fact, state marijuana legalizations have had minimal effect on marijuana use and related outcomes.

CHINA’S EVOLVING LIBERALIZATION

In **“The Genesis and Evolution of China’s Economic Liberalization”** (Working Paper no. 38), Cato vice president for monetary studies James A. Dorn tells the story of how China’s pro-market reforms, beginning in 1978 under Deng Xiaoping, persevered and succeeded despite great obstacles. “What is striking is that many of the reforms began at the local level and were motivated by the desire for greater economic freedom,” he writes. If the government were to completely get out of the way of these spontaneous reforms, he predicts, China could become a flourishing free market economy.

THE IRONIC CASE FOR FREE SPEECH

On American college campuses, free speech is under attack—dissenting voices are stifled or chased off campus, while students feel entitled to “safe spaces” to protect them from ideas they find distasteful. Nevertheless, in **“Freedom of Speech under Assault on Campus”** (Policy Analysis no. 796), Daniel Jacobson of the University of Michigan contends that these trends ironically lend support to two classical liberal argu-

ments in favor of free speech—both the utilitarian argument and the argument from natural rights. Jacobson argues, for example, that the negative consequences of stifling speech on campus, such as encouraging cognitive biases, merely bolster the utilitarian argument for free speech.

A RISKY COMMITMENT?

As China grows in power and Taiwan neglects its own defense investments, should the U.S. continue to bolster its risky security commitment to Taiwan? In **“A Costly Commitment: Options for the Future of the U.S.-Taiwan Defense Relationship”** (Policy Analysis no. 800), Cato policy analyst Eric Gomez contends that the United States should step down from its defense commitment, ideally through an incremental process that gives Taiwan time to shore up its defense and preserves peace with China. “In the long term, the U.S. security commitment to Taiwan is neither beneficial nor advantageous for the United States,” he writes.

IMMIGRANTS AND HOUSING VALUES

In **“U.S. Immigration Levels, Urban Housing Values, and Their Implications for Capital Share”** (Working Paper no. 37) Cato’s Alex Nowrasteh and Ryan H. Murphy of Southern Methodist University examine the understudied question of to what extent increases in urban housing values are attributable to immigration. They find that in most urban counties in the United States, increased immigration has had only a small affect on the level of real estate prices.

IS GEOGRAPHIC EXPANSION A RISK?

In **“Does the Geographic Expansion of Banks Reduce Risk?”** (Research Briefs in Economic Policy no. 59), Martin Goetz of Goethe University, Luc Laeven of the European Central Bank, and Ross Levine of the University of California-Berkeley find that, contrary to many theories, geographic expansion *reduces* risk when banks expand

into economically dissimilar local economies. This is important for a number of reasons, including that regulatory agencies have both adopted and are considering regulations such as geographic concentration limits to control bank risk.

HOUSING AND INCOME CONVERGENCE

At one point in time both janitors and lawyers in New York would have made more money than janitors and lawyers in the Deep South, even after adjusting for housing costs. Today, that has changed—the skyrocketing price of housing in New York means that while lawyers still earn more in New York than in the Deep South, janitors earn less. In **“Why Has Regional Income Convergence in the U.S. Declined?”** (Research Briefs in Economic Policy no. 57) Peter Ganong of the University of Chicago and Daniel Shoag of Harvard University connect rising housing prices thanks to land-use regulations to the convergence of per capita incomes across U.S. states, which has declined just as the population flow from poor to rich states has halted.

THE COST OF TAX FEARS

Since the Great Recession the U.S. economy has failed to recover at the expected rate. One possible explanation for this is that, in light of the government’s hefty debts and fast-paced spending, households and businesses began operating under the assumption that a higher taxes regime would soon be imposed. In **“Fiscal Sentiment and the Weak Recovery from the Great Recession: A Quantitative Exploration”** (Research Briefs in Economic Policy no. 58), Finn E. Kydland of the University of California, Santa Barbara, and Carlos E. J. M. Zarazaga of the Federal Reserve Bank of Dallas examine this hypothesis, finding that in fact it can account for a good deal of the sluggish recovery, although only if the expectation is that the higher taxes will fall on capital income. ■