I Get a Kick out of EU

As any wine connoisseur can tell you, the word “champagne” means different things to different people. Some—including France’s official Comité Champagne—define “champagne” as only coming from Champagne, France. Others use the word more broadly to refer to a particular type of white sparkling wine. But if the European Union (EU) has its way in international trade negotiations, that broader definition will be banned. The EU advocates for strict protection for “geographical indications” (GI), under which American companies would be forced to invent new names for products such as champagne, port, sherry, parmesan, and gorgonzola. In “Reign of Terroir: How to Resist Europe’s Efforts to Control Common Food Names as Geographical Indications” (Policy Analysis no. 787), Cato trade analyst K. William Watson warns against importing the “culture of privilege and cartel status enjoyed by Europe’s traditional food and wine producers” to the United States.

BANKING AND DEVELOPMENT

“Understanding the importance of financial institutions is crucial for both developed and developing economies,” Scott L. Fulford of Boston College writes in “How Important Are Banks for Development? National Banks in the United States, 1870–1900” (Research Briefs in Economic Policy no. 44). “As developed countries seek the appropriate balance for financial regulation, whether by increasing capital requirements or by putting restrictions on certain activities, it is vital to understand the likely cost of regulations.” To contribute to this goal, Fulford measures the effect of national banks between the years 1870 and 1900—a time of rapid economic growth, where national banks were, as he writes, “by far the most important financial institutions.”

JAPAN: PACIFIST NO MORE?

Thanks to Japan’s recent national security reforms, the country can now legally cooperate with the United States in defensive military operations. Some have interpreted this move as an abandonment of the pacifist principles which the country has followed since World War II. But, according to Jennifer Lind, an associate professor at Dart-
mouth College, this claim is “misguided.” “These reforms are only the most recent recalibration of Japan’s postwar grand strategy,” she writes in “Japan’s Security Evolution” (Policy Analysis no. 788). While Japan has historically preferred to “buck-pass” to the United States, Lind argues that Tokyo has gradually improved its own military capabilities and taken on a stronger role in the alliance. “The recent security reforms represent continuity, rather than change, in a pattern in which Japan relies upon the United States for its security but contributes more to the alliance when its security environment worsens,” Lind writes.

CULTURE IN THE KUBA KINGDOM
Most of us suspect that state institutions may shape or effect culture—but how? And can these effects be proven? In “The Evolution of Culture and Institutions: Evidence from the Kuba Kingdom” (Research Briefs in Economic Policy no. 46), Sara Lowes of Harvard University, Nathan Nunn of Harvard University, James A. Robinson of the University of Chicago, and Jonathan Weigel of Harvard University find that institutions do impact culture—and they may in fact impact them negatively. They examine Central Africa’s 17th-century Kuba Kingdom as a case study, finding that living under the Kuba state was associated with more rule breaking, more theft, and more cheating. This shows, they write, that state laws and institutions can “undermine intrinsic motivation” and crowd out beneficial cultural norms.

IMMIGRATION AND INEQUALITY
In “Inequality Attributable to Housing Value and Immigration” (Working Paper no. 37), Ryan H. Murphy of Southern Methodist University and Cato immigration policy analyst Alex Nowrasteh examine whether immigrants affect economic inequality by bidding up real-estate rental prices. They find that about 30.1 percent of housing value in 2010 is attributable to immigrants in urban areas—a “modest impact” that falls into the lower end of past estimates. “The effect is at least an order of magnitude too small for immigration to be the key catalyst driving economic inequality,” they write, concluding that there are likely many more efficient options for addressing rising inequality than restricting immigration.

Bribes and Firm Value
Corruption comes with a cost: according to the World Bank, corruption negatively impacts economic growth by $2.6 trillion per year, or 5 percent of global GDP. In order to counter corruption, some countries have adopted regulations that penalize the use of bribes. Opponents of this regulation argue that bribery is indispensable in certain areas and industries, and regulations place regulated firms at too great a competitive disadvantage. In “Bribes and Firm Value” (Research Briefs in Economic Policy no. 49) Stefan Zeume of the University of Michigan studies whether the use of bribes creates value, and researches the implications of the UK Bribery Act of 2010, which imposed severe penalties on firms and managers caught using bribes. He finds that bribes do create value, facilitating doing business in certain regions and industries—and that, consequently, regulating some firms does indeed harm them while advantaging their unregulated competitors.

Curtailing Curfews
In America, gun violence takes a particularly large toll on young people. As a consequence, juvenile curfews have become a popular proposal in many cities. But do they actually keep young people safe? In “Keep the Kids Inside? Juvenile Curfews and Urban Gun Violence,” (Research Briefs in Economic Policy no. 47) Jillian B. Carr of Purdue University and Jennifer L. Doleac of the University of Virginia examine the effect of juvenile curfews in Washington, D.C., and discover that in fact, the curfew ultimately increased the number of gunfire.

Wages of Ageism
Many countries use age-dependent minimum wage systems, making younger workers cheaper than their elders and supposedly helping to ease them into the workforce. Past studies have claimed positive effects from this system—but in “Happy Birthday, You’re Fired! The Effects of Age-Dependent Minimum Wages on Youth Employment Flows in the Netherlands” (Research Briefs in Economic Policy no. 48), Jan Kabátek of the University of Melbourne, by examining how this system plays out in the Netherlands, finds that there are in fact negative consequences to distorting the market in this way. Among other problems, it incentivizes employers to discriminate against their own employees on the basis of age, so that they replace their older employees with cheaper, younger labor, and fire workers when they approach the threshold for higher wages.