The Menu Police

The so-called "menu mandates" of Obamacare, requiring restaurants and other establishments to include nutritional information on their menus, are set to go into effect next year. These rules would affect chain restaurants, movie theaters, grocery store salad bars—even vending machines. In **"Menu Mandates and Obesity: A Futile Effort"** (Policy Analysis no. 789), Cato adjunct scholar Aaron Yelowitz of the University of Kentucky highlights the paltry impact that similar state- and local-based menu mandates have had on obesity in the past. Yelowitz estimates, for example, that the mandates would only reduce the weight of a 5'10" male adult by half a pound. "For virtually all groups explored, the long-run impact on body weight is essentially zero," he writes.

Meanwhile, these mandates have serious costs—determining the caloric content of every single menu item is time-consuming and costly, and a dispute over the numbers could easily open restaurants to legal trouble.

SOCIAL SECURITY STRESS

Uncertainty about future benefits can have serious negative consequences for individuals' lives, leaving them incapable of properly planning for their futures. In **"The Welfare Cost of Perceived Policy Uncertainty: Evidence from Social Security"** (Research Briefs in Economic Policy no. 49), Erzo F. P. Luttmer and Andrew A. Samwick of Dartmouth College find that uncertainty over welfare programs for the elderly, including Social Security and Medicare, results in a significant cost to recipients' welfare. Politicians, including the last three presidents, constantly tout their plans to reform Social Security, leaving individuals ever in doubt as to the future of their benefits. Luttmer and Samwick suggest that reducing uncertainty by implementing clear rules would be far preferable to the status quo.

THE 99 PERCENT

To what extent do marginal tax rates matter for individual decisions to work and invest? And do these rates affect only the wealthy? In **"Marginal Tax Rates and Income: New Time Series Evidence,"** (Research Briefs in Economic Policy no.

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. Correspondence should be addressed to *Cato Policy Report*, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. www.cato.org • 202-842-0200

50), Karel Mertens of Cornell University presents new evidence that they matter significantly, across income brackets. Similar studies in the past only found evidence that these tax rates affect the top 1 percent of earners. Mertens's results suggest that in fact there are statistically significant effects on lower income groups, as well. He also finds that marginal tax rate cuts lead to increases in GDP and declines in the unemployment rate.

UNCERTAINTY AND THE GREAT RECESSION

Policy uncertainty appears to have dire effects on the economy, including its ability to recoup after a recession. In **"Economic Policy Uncertainty and the Credit Channel in the United States: Evidence over Several Decades"** (Research Briefs in Economic Policy no. 51), Michael D. Bordo of Rutgers University and John V. Duca and Christoffer Koch of the Federal Reserve Bank of Dallas observe that "following the Great Recession, bankers complained that delays in implementing financial reform under the Dodd-Frank Act created regulatory policy uncertainty that restrained lending, which, in turn, slowed the recovery." The authors test this theory, finding that policy uncertainty does significantly slow U.S. bank credit growth and therefore may have negatively affected bank lending in the United States—which in turn may have exacerbated the economy's weak recovery from the recession.

A ROADMAP FOR DEREGULATION

In the wake of the financial crisis, Congress passed, with wide bipartisan support, the Jumpstart Our Business Start-ups Act, or JOBS Act of 2012, which rolled back financial sector regulations with the aim of helping small businesses. What are the actual implications of this unexpected piece of bipartisan agreement? In **"A Walk Through the JOBS Act of 2012: Deregulation in the Wake of Financial Crisis"** (Policy Analysis no. 790), Cato's associate director of financial regulation studies Thaya Brook Knight takes a careful look at the legislation and how it might be

improved upon. The JOBS Act did make it easier for small businesses to seek funding through investors, for example, but other measures in the law remain lacking, like its provisions for crowdfunding—a potentially powerful means of raising money, which remains tightly restricted. Nevertheless, Knight concludes, "the mere existence of deregulatory legislation aimed at small business and financial innovation is encouraging and can serve as a template for other deregulatory attempts going forward."

THE RIGHT TO OFFEND

Violent responses to controversial speech, including the *Charlie Hebdo* attack, have left some questioning the principles of free expression. In **"Hate Speech Laws: Ratifying the Assassin's Veto,"** (Policy Analysis no. 791.), First Amendment lawyer Robert Corn-Revere of Davis Wright Tremaine LLP warns that "The United States faces a choice. Should it defend the right to offend, or opt instead to champion a right not to be offended?" Corn-Revere delves into historical precedent surrounding the First Amendment, weighing it against the more restrictive European approach to speech. Corn-Revere acknowledges that the principles of free speech may be at times difficult to defend, when we happen to find the speech distasteful or objectionable. "Yet," he maintains, "our First Amendment jurisprudence recognizes that these protections will not long endure if we abandon them simply because the speech is outrageous or seemingly worthless."

DISTORTING THE LABOR MARKET

Programs like Medicare and Social Security transfer resources to older people and tax their labor. In **"Government Old-Age Support and Labor Supply: Evidence from the Old-Age Assistance Program,"** (Research Briefs in Economic Policy no. 52) Daniel K. Fetter of Wellesley College and Lee M. Lockwood of Northwestern University investigate how this can be expected to distort the labor supply. They look specifically at the affects of Old Age Assistance (OAA), finding that the program significantly reduced labor force participation among older individuals. They conclude that programs like Social Security may have similarly driven "a significant share" of the last century's decline in late life labor. "A simple extrapolation suggests that the expansion of Social Security from 1940–1960 would be expected to have reduced labor force participation among men aged 65–74 by 9.5 percentage points, 70 percent of the actual decline," they write.

HOW SUBSIDIES HURT THE ENVIRONMENT

In **"The Environmental Cost of Global Fuel Subsidies,"** (Research Briefs in Economic Policy no. 53), Lucas W. Davis of the University of California, Berkeley, explores the positive effects of doing away with fuel subsidies. "Removing fuel subsidies helps balance government budgets, but it also

yields enduring benefits in the form of reduced emissions of carbon dioxide and other externalities," he writes. Davis estimates that current subsidies incur a staggering $44 billion in external costs every year, including $8 billion from carbon dioxide emissions, $7 billion from local pollutants, $12 billion from traffic congestion, and $17 billion from accidents. ■