The Feudal System Lives

Growth-management laws regulate how people can use their land, in the name of "controlling urban sprawl." These laws supposedly protect farms and open space, save energy, reduce air pollution, and reduce urban service costs. In **"The New Feudalism: Why States Must Repeal Growth-Management Laws"** (Policy Analysis no. 802), Cato senior fellow Randal O'Toole contends that these laws, which take development rights from rural landowners, "effectively create a 'new feudalism.'" They spike median home prices, and dramatically increase home price volatility, making homeownership a risky investment. They also slow regional growth and exacerbate income inequality. "Growth management results in huge transfers of wealth from renters and future homebuyers to people who owned homes at the time the growth-management rules were put into effect," he writes.

WINNING HEARTS AND MINDS

The United States employs various strategies when intervening in foreign countries—from "top-down" deployment of overwhelming firepower to "bottom-up" initiatives like civil assistance programs, aimed at winning hearts and minds. In **"Nation Building through Foreign Intervention: Evidence from Discontinuities in Military Strategies"** (Research Briefs in Economic Policy no. 61), Melissa Dell of Harvard University and Pablo Querubin of New York University examine several different strategies used during the Vietnam War and their relative impacts. They find that bombing in Vietnam backfired, inspiring more Vietnamese to participate in Viet Cong activities. It also weakened local government and noncommunist civic society. Meanwhile, the areas where soldiers employed the "hearts and minds" tactics were attacked less by the Viet Cong and were less likely to have a Viet Cong presence.

THE PROBLEM WITH APPRENTICESHIPS

As students face crippling loans for college degrees that many of them do not want or need, Americans are increasingly interested in alternative forms of gaining job skills, including apprenticeships. But, as Gail Heriot of the University of San Diego School of Law writes in **"Apprenticeships: Useful Alternative, Tough to Implement"** (Policy

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Analysis no. 805), apprenticeships come with a unique set of policy challenges. There must be a way to deal with the problem of the "runaway apprentice," for example, where the apprentice leaves his employer before he has worked long enough to have made his employer's time investment in training him worthwhile. Germany has answered this by imposing strict union and licensing requirements on apprentices—a model with obvious drawbacks, particularly in excluding competition. Heriot warns that implementing apprenticeships in the wrong way could have serious negative consequences.

THE DANGERS OF CARBON PRICING

In **"The Case against a U.S. Carbon Tax"** (Policy Analysis no. 801), Robert P. Murphy of the Institute for Energy Research and Pat Michaels and Paul C. Knappenberger of the Cato Institute's Center for the Study of Science tackle the "serious problems" with calls for a federal carbon tax or other "carbon price." The authors make the case that carbon taxes cause more economic damage on labor or capital than generic taxes. In Australia, they note, the carbon tax was a short-lived experiment, being thrown out after public protests over electricity price hikes and a struggling economy, while in British Columbia, the carbon tax has not produced significant reductions in gasoline purchases.

INDIA: SUCCESSES AND FAILURES

In just 25 years India has transformed from a poor, slow-growing country into a potential global superpower with the third-largest GDP in the world. In **"Twenty-Five Years of Indian Economic Reform"** (Policy Analysis no. 803), Cato research fellow Swaminathan S. Anklesaria Aiyar analyzes the economic reforms that made this growth possible, as well as government failures that have held it back. India suffers from extremely poor institutions, including an inefficient and corrupt police force, a similarly corrupt political structure, and an abysmal education system—half of government schools are not even teaching students. Although India has seen many private sector successes, he concludes, it needs still more reforms and a significant shoring up of its institutions for the market to fully flourish.

'BAN THE BOX'?

Many criminal justice reform advocates back the "ban the box" movement—calling for employers to delay asking about an applicant's criminal record until late in the hiring process. But in **"Does 'Ban the Box' Help or Hurt Low-Skilled Workers? Statistical Discrimination and Employment Outcomes When Criminal Histories Are Hidden"** (Research Briefs in Economic Policy no. 62), Jennifer L. Doleac of the University of Virginia and Benjamin Hansen of the University of Oregon find that this policy could harm low-income minority job applicants. When employers cannot know which candidates have criminal backgrounds, they are likely to attempt to guess which could be ex-offenders, and avoid interviewing them. And since young, low-skilled black and Hispanic men are the most likely to have been incarcerated, employers may respond to "ban the box" laws by avoiding interviews with minorities.

TAXING AWAY INVENTIONS

What do the inventors of the telephone, Kraft Foods Inc., video games, PET scanners, rechargeable lithium batteries, and some of Microsoft's most profitable products all have in common? All of them were immigrants. In **"Taxation and the International Mobility of Inventors"** (Research Briefs in Economic Policy no. 63), Ufuk Akcigit of the University of Chicago, Salomé Baslandze of the Einaudi Institute for Economics and Finance, and Stefanie Stantcheva of Harvard University investigate how tax policies affect the migration choices of inventors, who tend to be highly mobile. They find that so-called "superstar" inventors—those with the most abundant and valuable innovations—are significantly affected by tax rates when choosing where to locate—meaning tax hikes could cause the best and brightest to flee.

THE TRUTH ABOUT GLASS-STEAGALL

Many have blamed America's financial crisis on the partial repeal of the Glass-Steagall Act, which imposed the separation of commercial and investment banking in the 1930s. In 2016 both Republican and Democrats were pushing for reinstatement of Glass-Steagall on the campaign trail. But in **"The Repeal of the Glass-Steagall Act: Myth and Reality"** (Policy Analysis no. 804), international financial regulatory expert Oonagh McDonald refutes the claims that repealing Glass-Steagall caused the financial crisis, or that bringing it back would prevent future crises. Instead, she argues, commercial bank failures were largely driven by credit losses on real estate loans, and Glass-Steagall would not have prevented this.

THE MYTH OF THE 'MYOPIC' HOME BUYER

Consumers react to price changes—but not to *all* price changes. They're more responsive to changes in the actual price of a product than to its shipping and handling, or the sales tax, for example. In **"Are Home Buyers Myopic? Evidence from Housing Sales"** (Research Briefs in Economic Policy no. 64) Erica Myers of the University of Illinois researches housing sales for oil- and gas-heated homes to investigate what this means for government strategies for trying to reduce greenhouse gas emissions—how do consumers respond to fuel incentives imposed by taxes or cap-and-trade programs? Do they "undervalue" future fuel costs, as is sometimes claimed? She finds that home buyers are indeed paying attention to fuel prices, suggesting that pollution pricing could create incentives to reduce the amount of energy people choose to consume. ■