Fiscal Federalism

One of the key feedback loops of responsible government comes from the fiscal need to balance revenue against political responsibility for increased taxes. In “Restoring Responsible Government by Cutting Federal Aid to the States” (Policy Analysis no. 868), Chris Edwards outlines the advantages to be had by cutting federal transfer payments to state and local governments and how such payments break this crucial link.

SUBCONTINENTAL ECONOMICS

India’s economic reforms since 1991 have largely been a tale of private-sector success, government failure, and institutional erosion. Prime Minister Narendra Modi’s government has proven to be, at best, an incremental reformer rather than the agent of radical change many had hoped for. In “A Reform Agenda for the Next Indian Government” (Policy Analysis no. 869), Cato’s Swaminathan S. Anklesaria Aiyar outlines a path forward to liberate markets, improve institutional governance, and raise standards of living after the May 2019 parliamentary elections.

NIXON SHOCK

The collapse of the Bretton Woods System on August 15, 1971, sent shock waves throughout the global economy. While much attention has been paid to the aftereffects of President Nixon’s actions, less has been focused on what caused the instability in the Bretton Woods System preceding it. In “The Imbalances of the Bretton Woods System, 1965–1973: U.S. Inflation, the Elephant in the Room,” (Research Briefs in Economic Policy no. 164), Michael D. Bordo examines the underappreciated role of increasing inflation in the United States and how it caused the imbalances in global trade that led Nixon to close the gold window, levy tariffs, and impose wage and price controls.

IMMIGRATION AND PUBLIC OPINION

Does immigration reduce support for redistributive policies and the welfare state? In “Immigration and Preferences for Redistribution in Europe” (Research Briefs in Economic Policy no. 165), Alberto Alesina, Elie Murard, and Hillel Rapoport find that the answer is yes, but with important qualifications. Preexisting political affiliations have a strong effect on the phenomenon, with those on the center and right far more affected than those on the left, as do regional variations in where immigrants concentrate in their new nation.

NEED JOB, WILL TRAVEL

How can people in the West best alleviate global poverty? It turns out that one of the easiest and simplest methods is not foreign aid, but allowing labor mobility. We know that within developed economies such as the United States, labor mobility is one of the key drivers of economic mobility. In “Alleviating Global Poverty: Labor Mobility, Direct Assistance, and Economic Growth” (Research Briefs in Economic Policy no. 157), Lant Pritchett of the Harvard Kennedy School of Government shows how the same is true across international borders and estimates the size of the potential gains to be had.

CENSORSHIP BY ANY OTHER NAME

On both the left and the right, calls have grown for the government to take on some or all of the responsibility for content moderation policies on major social media sites. In “Why the Government Should Not Regulate Content Moderation of Social Media” (Policy Analysis no. 865), Cato’s John Samples outlines both the constitutional and the practical cases against this expansion of the government’s role. Within the strictures of the First Amendment, there is very little the government could do in this realm, and there are good reasons to doubt that the government could effectively replace private norms in a competitive marketplace.

PATHWAYS TO LEGALIZATION

A critical element of any future immigration reform will be the legalization of currently illegal immigrants, a fact that has repeatedly been a stumbling block for Congress. In an attempt to chart a viable path to reform, Cato immigration analysts Alex Nowrasteh and David Bier offer three concrete proposals in “Three New Ways for Congress to Legalize Illegal Immigrants” (Immigration Research and Policy Brief no. 12). These options include a tiered system that would allow immigrants to opt out of a path to eventual citizenship, rolling legalization based on length of time in the country without a set cutoff date, and a plan to slow so-called “chain migration” by limiting legalized immigrants’ ability to sponsor family members from abroad.

AMERICAN BRAIN DRAIN

The United States trains a large share of the world’s PhD scientists. In some fields, foreign nationals represent the majority of those graduating with doctoral degrees from American universities. In “The Impact of Permanent Residency Delays on STEM PhDs: Who Leaves and Why” (Research Briefs in Economic Policy no. 158), Shulamit Kahn and Megan MacGarvie examine why the “stay rate” of Chinese and Indian nationals obtaining doctorates in the United States has been declining. The authors find that bureaucratic delays, quota caps on EB-2 visas for advanced degree holders, and other
aspects of America’s clunky immigration system play a large role in the decline, as do increased economic opportunities in students’ home nations.

**TRUST AND ANTITRUST**

William McKinley, elected president in 1896, was generally friendly toward business interests and did not attempt to use the Sherman Antitrust Act to challenge the wave of mergers then under way. His assassination in September 1901 presents a unique opportunity to study the effects of a change in the president’s attitude toward antitrust laws. Using this grim natural experiment, Richard B. Baker, Carola Frydman, and Eric Hilt find, in “Political Discretion and Antitrust Policy: Evidence from the Assassination of President McKinley” (Research Briefs in Economic Policy no. 159), that Teddy Roosevelt’s ascension to the Oval Office had a noticeable effect on stock market returns.

**SELF-MEDICATION**

Self-medication is notoriously risky, often fueling alcoholism and other types of addiction. However, too often this practice has been treated as an irrational error in judgment rather than a rational response to certain conditions and the lack of available help from the medical system. In “Rational Self-Medication” (Research Briefs in Economic Policy no. 160), Michael E. Darden and Nicholas W. Papageorge examine how responsive self-medication rates are to the availability of more effective medications. They find that the introduction of SSRI antidepressants did cause a significant decline in rates of alcoholism.

**BARRIERS TO ENTRY**

Over the past six decades, occupational licensing in the United States has increased its coverage from around 5 percent of the U.S. labor force to close to 25 percent. In “How Much of a Barrier to Entry Is Occupational Licensing?” (Research Briefs in Economic Policy no. 161), Peter Q. Blair and Bobby W. Chung examine the effects of these barriers on employment. They find that occupational licensing reduces the labor supply by an average of 17 to 27 percent, a remarkably large and underappreciated effect of these laws.

**TERRORIZED**

The risk of terrorism has been one of the major drivers of the debate over immigration policy, with restrictionists urging stricter controls on immigration to stop attacks by foreign nationals. In “Terrorists by Immigration Status and Nationality: A Risk Analysis, 1975–2017” (Policy Analysis no. 866), Alex Nowrasteh updates his previously published catalog of terrorist incidents to quantify these risks.

**DRIVERS OF BACKLASH**

What motivates political backlash against waves of mass migration? In “Gifts of the Immigrants, Woes of the Natives: Lessons from the Age of Mass Migration” (Research Briefs in Economic Policy no. 162), Marco Tabellini examines the era of mass migration in the early 20th century. His findings show little correlation between migration and depressed wages, supporting the theory that the political backlash culminating in the Immigration Acts of 1921 and 1924 was driven primarily by cultural concerns.

**RUNGS ON THE LADDER**

Recent years have seen a resurgence of arguments for substantial increases in the minimum wage and denial of the negative effects on employment from such laws. In “Making Sense of the Minimum Wage: A Roadmap for Navigating Recent Research” (Policy Analysis no. 867), Jeffrey Clemens examines the research underlying this push and finds it fatally flawed in many respects. By overstating and misinterpreting empirical evidence, progressive advocates of minimum-wage hikes have carried their arguments far beyond what the data support.

**SUPPLY AND DEMAND**

Thomas Hobbes famously posited that the state serves a crucial role in avoiding situations in which life is “nasty, brutish, and short.” In the modern era, black markets for illegal contraband such as drugs provide a real-world test case of this theory. In “Scarcity without Leviathan: The Violent Effects of Cocaine Supply Shortages in the Mexican Drug War” (Research Briefs in Economic Policy no. 163), Juan Camilo Castillo, Daniel Mejía, and Pascual Restrepo examine the market for illegal drugs, which falls outside the state’s usual role in preventing violence and mediating disputes. In studying the Mexican cocaine trade, the authors find that bouts of scarcity in black markets are associated with increased violence.

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