The Myth of the Magic Bullet

Among recent calls for law enforcement reform, proposals for police body cameras have become the policy du jour. But, as Cato policy analyst Matthew Feeley warns in “Watching the Watchmen: Best Practices for Police Body Cameras” (Policy Analysis no. 782), “By themselves, body cameras are not a police misconduct panacea.” Feeley argues that, without proper policies in place, body cameras could easily violate citizens’ privacy and prove a much more costly and complex tool than generally realized. While acknowledging that there cannot be any one-size-fits-all set of body camera policies for every police department, Feeley outlines several best practices to help agencies deal with the “unique challenges” body cameras pose, in terms of privacy, costs, and accountability. He tackles questions like who should have access to the footage, under what circumstances it should be released, and what information should be redacted, given that body cameras will inevitably capture sensitive personal information.

WEALTH INEQUALITY’S EFFECT ON GROWTH

In their research brief, “Does Wealth Inequality Matter for Growth? The Effect of Billionaire Wealth, Income Distribution, and Poverty” (Research Briefs in Economic Policy no. 36), Sutirtha Bagchi of Villanova University and Jan Svejnar of Columbia University pursue what they call a “central question” of the social sciences: does inequality in control over a society’s resources help or hinder economic growth? Bagchi and Svejnar contribute a number of new findings, including that it is wealth inequality, rather than income inequality or poverty, that is significantly related to economic growth. They also discover that the source of inequality matters—politically connected wealth inequality, where the wealthy obtain their status through cronism, appears to have a statistically significant, negative relationship with economic growth, while politically unconnected wealth inequality does not.

NO FREE LUNCH FOR EITC

The earned income tax credit (EITC), an anti-poverty program that encourages recipients to work, has gained bipartisan support...
in recent years. It is primarily a spending program, which has grown massively over the course of the last few decades and is projected to provide $69 billion in benefits to 28 million recipients in 2015. But, as Cato’s director of tax policy studies Chris Edwards and adjunct scholar Veronique de Rugy write in “Earned Income Tax Credit: Small Benefits, Large Costs” (Tax and Budget Bulletin no. 73), “Alas, there is no free lunch with subsidy programs.” They find that the EITC has “a high error and fraud rate, and for most recipients it creates a disincentive to increase earnings.” Meanwhile, it imposes a $60 billion cost on other taxpayers. Edwards and de Rugy unpack how the program encourages people to reduce their working hours, while also finding the program extremely complex and “an easy target” for fraud.

**CONSUMERS AND FUEL ECONOMY**

It is often believed that consumers undervalue energy efficiency. This is problematic for those who propose a gasoline tax as a more market-friendly way to limit greenhouse gas emissions, as opposed to regulatory schemes like fuel economy standards. In “Do Consumers Recognize the Value of Fuel Economy?” (Research Briefs in Economic Policy no. 38), James M. Sallee of the University of California–Berkeley, Sarah West of Macalester College, and Wei Fan of the Wei Fan RV1 Group present unique research to counter these assumptions. They examine data on used-vehicle purchases, comparing the prices of cars that are identical except for their odometer readings. They repeat this experiment at different times of the year, to account for variations in the price of gasoline. “What is clear from our results, in conjunction with the existing literature, is that the assumption that consumers place a zero value on fuel economy is indefensible,” they write.

**A GAME OF CHICKEN**

For quite some time, the United States and South Africa were embroiled in a heated dispute over chickens. It all began 15 years ago, when South African authorities accused American poultry farmers of “dumping” chicken meat in South Africa by selling it at unfairly low prices. They imposed antidumping tariffs, which required American producers to pay extremely high duties. This, in turn, effectively blocked them out of the market. Only in June did the countries finally come to slightly better terms, establishing an import quota of chicken that the U.S. can sell in South Africa before the duties kick in. “The dispute aptly demonstrates the need for new international rules to rein in abusive antidumping practices,” writes Cato trade policy analyst K. William Watson in “Antidumping Fowls Out: U.S.—South Africa Chicken Dispute Highlights the Need for Global Reform” (Free Trade Bulletin no. 62).

**COMPULSORY LICENSING AND INVENTION**

Do policies that weaken intellectual property rights discourage invention? On the one hand, some—like pharmaceutical firms—claim that weakening intellectual property rights discourages invention by making it more difficult for investors to recoup their investments in research and development. But at the same time, weaker intellectual property rights allow other inventors to build on patented ideas. In “Does Compulsory Licensing Discourage Invention? Evidence from German Patents after World War I” (Research Briefs in Economic Policy no. 37), Joerg Baten of Eberhard-Karles University, Nicola Bianchi of Northwestern University, and Petra Moser of New York University examine how inventors respond to compulsory licensing—a means of weakening intellectual property rights by allowing developing country governments to license foreign-owned patents to local firms without the consent of foreign patent owners.

**THE TROUBLE WITH QE**

In an attempt to counter the 2007–09 recession, the Federal Reserve implemented the Large Scale Asset Purchase program, better known as quantitative easing (QE). This was supposed to stimulate the economy by reducing yields on particular assets. In “Requiem for QE,” (Policy Analysis no. 783), Daniel L. Thornton, the former vice president of the Federal Reserve Bank of St. Louis, examines the consequences of this strategy, arguing that “Ultimately, QE did little good and likely sowed the seeds for future economic problems.” He makes that case that quantitative easing had unintended consequences, including redistributing income away from people on fixed incomes and toward wealthier investors.

“Other problems may yet materialize,” he warns. “Had QE occurred earlier and focused on increasing the overall supply of credit, the financial crisis of 2007–08 and the subsequent recession might have been less severe,” Thornton writes.

**UNCERTAIN TIMES**

In the wake of the global financial crisis, concern has grown over the effect of economic policy uncertainty on the economy. In “Measuring Economic Policy Uncertainty” (Research Briefs in Economic Policy no. 39.), Scott R. Baker of Northwestern University, Nicholas Bloom of Stanford University, and Steven J. Davis of the University of Chicago develop an index of economic policy uncertainty and use it to examine the evolution of this uncertainty over time. Their index, built from newspaper archive data, reflects the frequency with which terms like “economic” and “uncertainty” appear together in leading newspapers, along with terms like “congress” or “deficit.” They then use the indices to assess the effects of policy uncertainty on the economy.