Can Taxes and Spending Be Reformed?

Focusing on the implications of the Better Budget Control Act (BBCA), Cato's director of budget and entitlement policy Romina Boccia highlights the potential limitations of the BBCA, such as its reliance on discretionary spending caps and the likelihood of Congress overriding them. **"How a Better Budget Control Act Would Limit Spending and Control Debt"** (Briefing Paper no. 156) suggests that constitutional amendments or spending limits tied to gross domestic product growth could provide more effective long-term solutions for fiscal responsibility and debt reduction.

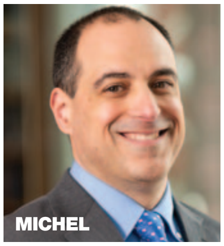
Cato's director of tax policy studies Adam N. Michel indicts the complexity of Americans' tax filing experience and details **"Four Ways to Simplify Taxpaying"** (Briefing Paper no. 151). First, child tax credits should be harmonized. Second, the many education credits should be consolidated. Third, Congress needs to simplify savings programs. And fourth, itemized deductions should be eliminated, with the increased revenue used to lower top-marginal tax rates.

Adjunct scholar Joseph Bishop-Henchman highlights the costs that accompany additional funding to the IRS through the 2022 Inflation Reduction Act in **"Transforming the Internal Revenue Service"** (Policy Analysis no. 942). The analysis provides 10 reform suggestions, including significant tax reforms by Congress and providing clarity to taxpayers by making the IRS more efficient, disciplined, and accountable.

THE RISKS OF CBDCS

In **"Poll: Only 16% of Americans Support the Government Issuing a Central Bank Digital Currency,"** the majority of respondents expressed concerns about privacy invasion, increased government surveillance, and potential cybersecurity risks associated with a government-issued digital currency. The survey, conducted by Cato's vice president and director of polling Emily Ekins, and research associate Jordan Gygi, suggests that there is a significant lack of public support for a central bank digital currency and that more education and discussion are needed.

"Central Bank Digital Currency: Assessing the Risks and Dispelling the Myths" (Policy Analysis no. 941), by policy analyst Nicholas Anthony and vice president and director of Cato's Center for Monetary and Financial Alternatives Norbert Michel, examines how central bank digital currencies (CBDCs) fail to provide unique benefits and displace the role of private financial institutions, and it argues that Congress should explicitly prohibit the Federal Reserve and Treasury from issuing a CBDC in any form.


MICHEL

THE FUTURE OF REGULATING CRYPTO

In **"Regulatory Clarity for Crypto Marketplaces Part I: Decentralized Exchanges"** (Briefing Paper no. 154), Cato's director of financial regulation studies Jennifer Schulp and policy analyst Jack Solowey recognize the advantages offered by decentralized exchanges and argue that clear and well-defined regulations can support their responsible development and expansion. "Regulatory Clarity for Crypto Marketplaces Part II: Centralized Exchanges" (Briefing Paper no. 155) focuses on the need for clear and adaptable regulations that protect investors, prevent fraud, and foster innovation. Schulp and Solowey acknowledge the benefits of centralized exchanges, such as liquidity and user-friendly interfaces, while urging regulators to strike a balance between oversight and market freedom.

PARTISAN EVERYTHING

"The Political Polarization of Corporate America" (Research Briefs in Economic Policy no. 326) focuses on the makeup of executive teams and finds that they became more partisan between 2008 and 2020, with like-minded executives matching with each other and politically misaligned executives leaving firms. Comparing executive departures with abnormal stock returns, the authors

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. NW, Washington, DC 20001. www.cato.org • 202-842-0200

find that greater political similarity in the executive suite is likely not in the interest of shareholders.

THINK OF THE CHILDREN


HUDDLESTON

Jennifer Huddleston, technology policy research fellow, analyzes recent youth online **safety proposals in her study "Would New Legislation Actually Make Kids Safer Online?"** (Briefing Paper no. 150). Although inspired by good intentions, current proposals have significant unintended consequences for parents, teenagers, and all online users. Policymakers should instead empower and educate parents and young people to make responsible choices with technology.

DOES MONEY SOLVE MURDERS?

Bolstering public confidence in vaccinations Using data on 50 of the largest cities in America between 2007 and 2017, David Bjerk in **"Does Greater Police Funding Help Catch More Murderers?"** (Research Briefs in Economic Policy no. 327) finds no evidence that greater police budgets increase homicide clearance rates. Clearance rates vary widely, from less than 45 percent to above 75 percent; rates also vary widely based on the age, gender, and race of the victim, with the lowest rates for adult minority male victims.

REDUCING INNOVATION

In **"The Impact of Regulation on Innovation"** (Research Briefs in Economic Policy no. 328), researchers analyze the effects of French labor regulations on larger firms and find that previous research focusing on reductions in patents has significantly underestimated the cost of the regulation. So many French firms cluster just below the employee-size threshold that the regulations are equivalent to a tax on profit of about 2.6 percent that reduces total innovation by about 5.8 percent—equivalent to cutting the annual growth rate from 1.7 to 1.6 percent.

BORDER BACKLOGS

America's legal immigration system is second only to the tax code in its complexity. **"Streamlining to End Immigration Backlogs"** (Policy Analysis no. 943) by Cato's associate director of immigration studies David Bier reveals the extent of the dysfunction and outlines how to reverse the most critical inefficiencies. He finds there is a great need for an immigration agency coordinator and single filing platform, forms that aren't needlessly long, longer employment authorization, and other improvements.

SHORTAGE OF HEALTH CARE WORKERS


SINGER

The number of medical school graduates exceeds the number of residency positions, which is contributing to the shortage of health care professionals. Senior fellow Jeffrey A. Singer and research associate Spencer Pratt contributed **"Expand Access to Primary Care: Remove Barriers to Assistant Physicians"** (Briefing Paper no. 152) to discuss the licensing restrictions stopping U.S. and international medical school graduates from providing physician services.

TRADE AND TARIFFS

Misconceptions about trade deficits and the ability of tariffs to "fix" them are persistent. In **"Balance of Trade, Balance of Power"** (Policy Analysis no. 944), adjunct scholar Daniel Griswold and professor of economics Andreas Freytag explain the causes and consequences of a trade deficit and how it points to national strength, and they conclude by recommending policy steps to build on the nation's underlying commercial and geopolitical strengths.

"Local Labor Market Effects of the 2002 Bush Steel Tariffs Progress" (Research Briefs in Economic Policy no. 332) analyzes the consequences of the Bush steel tariffs on employment and wages in steel-consuming industries. The brief argues that while the tariffs did benefit the steel industry, they resulted in overall job losses and increased costs for other sectors.

FINANCE INDUSTRY IS NOT SO SPECIAL

The growth and share of the U.S. economy that the financial sector constitutes are often mischaracterized as nefariously unique, and these estimates tend to influence policymaking. **"The Growth of Finance Is Not Remarkable"** (Research Briefs in Economic Policy no. 329) compares finance to other "high-skill" industries that demonstrate similar labor compensation trajectories.

THE MYTH OF FINANCIAL PRIVACY

Financial privacy in the United States has been in disrepair for more than 50 years, and it's getting worse. **"The Right to Financial Privacy"** (Policy Analysis no. 945) from policy analyst Nicholas Anthony discusses the unrivaled access the government has to the lives of all Americans and provides suggestions for rethinking how financial privacy is treated in the United States.

INEFFICIENCIES OF MINIMUM WAGE LAWS

Contrary to popular perception, **"Low Wages Aren't a Growing Problem"** (Research Briefs in Economic Policy no. 330) argues that policies aimed at increasing minimum wages or implementing other labor market regulations have unintended consequences and may not be the most effective solution for addressing poverty and income inequality. The brief presents evidence that the share of workers earning low wages has remained relatively stable over time. ■