Center for Policy Research News & Research

Faculty in the Media

Consumer Reports

Tom Dennison (PAIA) was quoted in the *Consumer Reports* story, "How Big Healthcare Mergers Like CVS and Aetna Could Affect You." [Read more](#)

CBS: MoneyWatch

Shannon Monnat (Sociology) was interviewed for the *CBS MoneyWatch* article, "Could your Pharmacy Replace your Doctor?" [Read more](#)

The Atlantic

Len Burman (PAIA) was interviewed for *The Atlantic's* article "The United States Is Already a Low-Tax Country." [Read more](#)

Times Union

John Yinger's (Economics/PAIA) research was cited by the *Times Union* for their article "School Officials Document Rise in Disabilities." [Read more](#)

In This Issue

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Badi Baltagi: The Brazilian Wage Curve: New Evidence from the National Household Survey

In their recent article, Badi H. Baltagi of the Center for Policy Research, Bartlomiej Rokicki of the University of Warsaw, and Kênia Barrerio de Souza of the Universidade Federal de Minas Gerais, use data from the Brazilian National Household Survey for the period of 2002-2009 to examine the Brazilian wage curve. Previous research has used the same study, but many use a different econometric approach, cover a different time period, or consider only part of the labor market. The authors' research found that there is a wage curve for Brazil; unemployment rates declined in the 1990s as compared to the 1980s; and that less educated informal workers and men are more sensitive to regional unemployment rates.

Baltagi and his co-author's research differ from previous studies in three ways. First, the authors estimate the Brazilian wage curve using rich individual data and not averages from across other regions. Second, they analyze results for different groups in the labor market. Finally, they examine gender-specific unemployment rates and how the results differ across formal and informal sectors. The authors found evidence of a Brazilian wage curve with an elasticity of -0.0,8 and that males in Brazil are more responsive to local unemployment rates than females. They also found that the wage curve is different in the case of formal and informal workers. Unemployment elasticity for informal workers is high, -0.251, and statistically significant.

These results show that informal and low-paid workers are one of the most vulnerable populations in Brazil. This is especially true for males, whom the authors argue are less risk averse than females and pursue less stable jobs with higher unemployment elasticity. Although women participate in the informal market at higher rates than males, the work that women choose is more stable.

To learn more, see *Empirical Economics* (2017) Vol. 53, Issue 1, pp. 267-286.

Len Burman: Is U.S. Corporate Income Double Taxed?

Corporate income is typically assumed to be subject to two levels of taxation– at the company level through the corporate income tax, and at the individual level through taxation of dividends and capital gains. This assumption has motivated political proposals to dramatically cut corporate tax rates and the academic argument that individuals should bear the tax burden directly. However, most corporate income is not taxed at the individual level: Recent research has estimated that the share of U.S. corporate stock held by individuals in taxable accounts fell from 80 percent in 1965 to only 24 percent in 2015. In their recent article, Leonard Burman of Syracuse University's Center for Policy Research, Kimberly Clausing (Reed College), and Lydia Austin (Tax Policy Center) update these estimates using recently released data, discuss the causes of these dramatic changes, and discuss policy implications.

Based on the latest available data, individuals held about 27 percent of corporate stock in taxable accounts in 2015. The authors use two alternative methodologies and data sources to test the robustness of the estimates. They posit that the downward trend in taxable share of domestic equity is driven by three factors: (1) globalization of capital markets; (2) shift of retirement savings into IRAs and defined contribution pension plans; and (3) growth of investment in pass-through entities, which are not subject to corporate income tax. Larger demographic trends may have also contributed, as the boomer generation has moved into retirement.

These findings have important implications for tax reform. The authors argue that since the corporate tax represents the only level of domestic tax for most equity, a corporate-level tax is an indispensable component of capital income taxation. Without a corporate tax, corporate profits would go untaxed in the U.S. Finally, the authors give suggestions for further research, such as examining the lower effective tax rates of S-corporations, which, as stated above, are not subject to corporate income tax.

To learn more, see *National Tax Journal* (2017) Vol. 70, Issue 3, pp. 675-706.

Alfonso Flores-Lagunes: Going Beyond LATE: Bounding Average Treatment Effects of Job Corps Training

Government-sponsored job training programs are an essential tool to improve the job prospects of economically disadvantaged citizens and reduce their dependence on safety net programs. The Job Corps training program is the main training program targeted at disadvantaged youth - youths ages 16 to 24 who are economically disadvantaged and in need of additional educational or vocational training. In the mid-1990s, the U.S. Department of Labor funded the National Job Corps Study to assess the program's effectiveness. The study is randomized and divides the population of Job Corps-eligible youth into those assigned to participate in the program and those assigned to be embargoed from the program for three years. Due to non-compliance with the random assignment, previous research has focused on the effect of making the program available to eligible youth (i.e., the randomization) or the effect of job training for those who comply with their randomized assignment, a group that represents approximately 69% of the youth eligible for Job Corps training.

CPR researcher Alfonso Flores-Lagunes, Xuan Chen (Renmin University of China), and Carlos A. Flores (California Polytechnic State University at San Luis Obispo) derive a new way to measure the effectiveness of Job Corps training in their recently published article, "Going beyond LATE: Bounding Average Treatment Effects of Job Corps Training." The researchers provide new inference on the average effects of actual participation in this program on the full population of eligible youth and on those who actually participated in the program. They assessed the effectiveness of Job Corps training for those populations on three important outcomes: weekly earnings, employment, and the yearly amount of public benefits received. Their results imply that the average effect of Job Corps on the eligible youth is an increase of at least 11.6 percent on weekly earnings, 7.2 percent on employment, and a decrease of at least 9.9 percent on yearly dependence on public benefits. Stronger effects are found for Job Corps participants. These figures represent a lower bound of the impacts, which can be even higher. In terms of earnings, their results are consistent with the findings that the effect of Job Corps training is comparable to the estimated returns of one additional year of schooling.

The researchers also estimate the effects of Job Corps on those who are eligible for the program but decide not to participate, which account for over one-quarter of eligible youth. They estimate that their average weekly earnings would improve by at least 5.8 percent and the probability of employment would improve by at least 4.2 percent. These findings are relevant to policy makers, first, to show the value of the $1.5 billion program, and to suggest that administrators work to encourage all eligible populations to participate. The authors suggest making Job Corps more accessible for individuals with children and providing more information on the benefits of Job Corps.

To learn more, see *Journal of Human Resources* (forthcoming) doi:10.3368/jhr.53.4.1015.7483R1.

Emily Gutierrez: Do State Employment Eligibility Verification Laws Affect Job Turnover?

Since 2008, eight states have passed laws requiring all employers to use E-Verify, a federal database, to verify an employee's eligibility to work legally in the United States. The primary goal of these laws is to reduce the number of unauthorized immigrants in each state by making it more difficult for them to work there. Previous research has shown these laws to be successful in achieving this goal, but there are mixed results on how universal E-verify mandates affect the labor market overall. Potential unintended consequences of the laws include reduced job turnover, decreased job mobility, and reduction in employment and earnings, particularly among unauthorized immigrants.

In their recent article, "Do State Employment Eligibility Verification Laws Affect Job Turnover," Emily Gutierrez, a current CPR graduate associate and Ph.D. student in PAIA, Pia Orrenius (Federal Reserve Bank of Dallas), and Madeline Zavodny (University of North Florida), examine the impact of universal E-Verify laws on job turnover, employment, and earnings. They use data from the Quarterly Workforce Indicators (QWI) to explore the effect of the law on industries that traditionally hire large numbers of unauthorized workers. Previous data used to examine the impact of E-Verify laws on job turnover came from household surveys. The authors argue that the QWI gives a more comprehensive picture of turnover from the employer perspective.

The results indicate that there are significant effects on labor markets in states with universal E-Verify laws. Specifically, the laws reduce employment and job turnover for Hispanics overall. The reductions increase as the likely share of unauthorized Hispanic workers falls. However, there is little evidence of an effect on average earnings among Hispanic workers. Additionally, there are few estimated effects for non-Hispanic white or black workers. This is not surprising as E-Verify laws are less likely to directly impact non-Hispanic workers. When examining the impact across industries, the effects on total employment and turnover are mixed, but there is some indication that there are overall positive effects for non-Hispanic workers employed in sectors that tend to employ large numbers of unauthorized workers. In concluding their study, Gutierrez, Orrenius and Zavodny argue there is evidence that mandatory E-Verify laws might trap workers in their existing jobs. However, the data are also consistent with more job stability as a result of E-Verify laws. They argue that policy makers ought to carefully consider the benefits and the costs, including the possibility of reduced labor market efficiency, associated with this policy.

To learn more, see *Contemporary Economic Policy* (2017) doi:10.1111/coep.12251.

Colleen Heflin: The Role of Social Positioning in Observed Patterns of Material Hardship

More than fifty years after the War on Poverty began, researchers and policy makers have focused on the country's progress in meeting the needs of low-income households. Pundits on the right argue that poverty remains high, while pundits on the left argue that the official poverty measure does not accurately reflect progress, as it does not include the value of many social programs. The supplemental poverty measure, which includes the value of social programs, shows that public expenditures have helped make substantial declines in deep poverty. However, direct measures of material hardship, such as food insecurity, are often overlooked.

In her recent article, "The Role of Social Position in Observed Patterns of Material Hardship," CPR researcher Colleen Heflin uses data from the 2008 Survey of Income and Program Participation (SIPP) at two points in time

(2010 and 2011) to determine whether difference among demographic groups are associated with one-time or repeated experience of material hardship. The 2008 survey is the first SIPP to measure adult well-being twice, which allows for analysis of change over time. The paper explores four areas of hardship: home, medical, essential expense, and food. Heflin found that experiences of material hardship are not concentrated in one group repeatedly, but are highly dynamic with many people entering and exiting periods of hardship. However, there are different demographic risk factors for experiencing different types of hardship.

For example, single female households and non-family households have a higher risk of each form of hardship. Veterans, as a group, appear to be advantaged. Households with a member who has a disability are at a higher risk of reporting each form of hardship and report hardship with greater frequency. This suggests that current policy does not adequately support households with a member who has a disability. Heflin also found that households in metropolitan counties were more likely to report repeated and one-time hardship in food insecurity and essential expenses, perhaps explained by the higher cost of living associated with metropolitan areas. There were also consistent differences across racial and ethnic groups.

Finally, although the SIPP does present longitudinal data, there are limitations for its use. It is likely that the population reporting hardship is larger than reflected in this study and some portion likely experience hardship over a longer time frame that can be observed. However, these findings can help researchers identify populations who are at risk of specific forms of material hardship. The measures of material hardship documented here provide a more direct and nuance picture of the experiences of households in the United States.

To learn more, see Social Problems (2017) Vol. 64, pp. 513-531.

Yilin Hou: Road to Local Property Taxation: China's Policy Process for Adoption and Issues in Tax Design

CPR researcher Yilin Hou's forthcoming book, "Road to Local Property Taxation: China's Policy Process for Adoption and Issues in Tax design," addresses the issue of designing a local property tax for a transitional economy and the strategies for implementation. Hou argues that the real property tax should be an inherent part of any country's tax system. However, in China, adopting a property tax would not simply be introducing a new tax, but would require a reshuffling of the country's intergovernmental fiscal relations.

The book focuses on three major issues regarding the adoption of a local property tax in China. First, Hou conducts an empirical analysis to show the current inequity and inefficiency of the education financing system in China. Second, Hou examines the institutional obstacles hindering the adoption of a local property tax in China, specifically property rights and use rights. Third, Hou proposes an analytical framework for evaluating property design in any political context, in particular at the local level. Finally, the book offers an empirical study to show that a broad-base, low-rate local property tax is affordable and results in more net benefits for low-income families. Hou ends the book on an optimistic note with possible strategies for China's adoption of a local property tax.

To learn more, see *Road to Local Property Taxation: China's Policy Process for Adoption and Issues in Tax Design* (2017) Cambridge, MA.: Lincoln Institute of Land Policy.

Shannon Monnat: More than a Rural Revolt: Landscapes of Despair and the 2016 Presidential Election

The role of the rural vote was a popular storyline in the aftermath of the 2016 Presidential election. Many journalists argued that Donald Trump's victory was due to rural voters' frustrations with political insiders after years of neglect. However, Donald Trump's rural advantage in the 2016 election was not a new trend; historically rural areas have favored republican candidates. The underperformance of Hillary Clinton in the Industrial Midwest, particularly in small urban and rural counties, was the difference-maker in the 2016 Presidential election. When examining this electoral shift, it is important to understand the major economic, social, and health declines that have occurred over the past three decades in the Industrial Midwest. These areas are not the poorest places in America, but are generally worse off today than they were a generation ago.

In their recent article, Shannon Monnat of CPR and David Brown (Cornell) examine the role that economic and social conditions played in the electoral shift in rural and small city America, and give suggestions for further research. Monnat and Brown define Trump's over-performance as the percentage difference in the share of votes received by Trump in 2016 vs. Romney in 2012. They identify several characteristics that predicted Trump's over-performance. It is difficult to disentangle what was the strongest indicator, but economic distress, health distress, and social distress were all strong predictors. It is not possible to ascertain who voted for Trump in these geographic areas, just that he performed well in these "landscapes of despair". In their article, the authors describe four counties that illustrate their findings: Luzerne County, PA; Macomb County, MI; Scioto and Trumball Counties, OH. Three of these counties were won by Obama in 2008 and 2012, but in 2016 shifted to Trump, and the fourth has voted Republican in the last several elections but went even more strongly for Trump in 2016.

Monnat and Brown conclude that no single factor can explain Trump's victory, but place-level despair, as defined by several economic, social and health indicators, appears to have played a major role. Trump's populist message might have appealed to disenchanted voters who felt ignored and marginalized by the political elite. Monnat and Brown also offer suggestions for further research. First, they encourage researchers to consider the role of economic and demographic diversity on politics in rural America. They also encourage researchers to consider the interdependencies between rural and urban areas.

To learn more, see *Journal of Rural Studies* (2017) Vol. 55, pp. 227-236.

Jindong Pang and Shulin Shen: Measuring the Diffusion of Housing Prices across Space and Over Time: Replication and Further Evidence

In their recent article, CPR Graduate Assistants, Shulin Shen and Jindong Pang replicate and refine a previous empirical research on estimating how fast and how long changes in housing prices in one region affect its neighbors. The results of a spatial autoregressive model and its impulse response functions mostly match the previous research, but they improve the efficiency of the estimation.

Second, they use three different housing price indexes for California counties from 2000 to 2014 to provide additional robustness checks. Their analysis indicates that the estimated housing diffusion patterns vary with the housing price indexes.

To learn more, see *Journal of Applied Econometrics* (2017) doi: 10.1002/jae.2607.

David Popp: From Science to Technology: The Value of Knowledge from Different Energy Research Institutions

Developing new and improved clean-energy technologies is an important strategy for combating climate change. In order to meet climate policy goals, many current fossil fuels based energy sources will need to be replaced with carbon-free energy. However, clean energy technologies are usually not competitive with fossil fuels without policy support, leaving room for innovation to lower the costs of clean energy. While much of this innovation occurs in the private sector, government-funded R&D is also important, particularly for technologies further from the market. Few papers examine the effectiveness of public sector funding for clean energy. A recent paper by CPR Researcher David Popp addresses this research gap.

In his recent article, "From Science to Technology: The Value of Knowledge from Different Energy Research Institutions," Popp answers two questions: what information is most useful to the development of new technology, and which institutions produce the most valuable research. Popp uses citation data from scientific articles and patents to examine the quality of energy research output. Because the goal of clean energy research is new technology, he links publication data to patent data, which reflects the output of applied research efforts. The analysis focuses on three areas of clean energy—biofuels, solar energy, and wind— and five types of research institutions—universities, government, research institutions, private companies, and other organizations.

Using the citation data, Popp's analysis results in two important findings. First, Popp shows that highly cited academic literature is valuable to the creation of applied technology. Second, research performed at government organizations is helpful in moving alternative energy research from the basic stage to the applied stage. University research plays a larger role in biofuel and solar research, whereas wind energy has moved to a more applied stage where the most valuable inventions come from downstream institutions such as the private sector. These results are important, as identifying which investments contribute the most to quality energy research can help decision makers target funds for both the technologies and institutions where they are most likely to be successful.

To learn more, see *Research Policy* (2017) Vol. 46, Issue 9, pp. 1580-1594.

CPR Upcoming Events

March 8 - CPR Seminar Series with Ingrid Gould Ellen (New York University)

March 26 - Paul Volcker Lecture in Behavioral Economics with Raj Chetty (Stanford University)

March 27 - Paul Volcker Symposium in Behavioral Economics

March 29 - Econometrics Methods Workshop, hosted by Bill Horrace (CPR)

April 5 - CPR Seminar Series with Rajeev Darolia (University of Kentucky)

April 6-8 - Camp Econometrics XIII with keynote speaker James G. MacKinnon (Queens University)

April 12 - Jerry Miner Lecture with Susan Dynarski (University of Michigan)

April 19 - CPR Seminar Series with Marianne Bitler (UC Davis)

For more information about CPR events click here.

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