



Americans for a Modern Economy

Request for Proposal

What is AME: Americans for a Modern Economy is committed to ensuring that local, state and federal policies reflect changing technologies that are reshaping the way consumers, businesses and communities operate in the 21st century economy. We work with consumer advocates, businesses, think tanks, economic experts, and others to raise awareness and inform discussions about the current and future policy challenges of new technology. We serve as a resource for lawmakers to help them develop modern policy solutions that benefit all Americans by expanding consumer freedom, allowing businesses to best serve their customers and preserving free market competition.

Background: For traditional brick and mortar companies, the modern “online” economy has brought incredible market disruption. For elected officials and regulators trying to ensure that policy frameworks keep pace, the challenges are equally or even more daunting. As businesses are re-examining their relationship to consumers and how to best deliver products, value and service to an ever-evolving customer base, so too are policy makers trying to balance technological progress, business environment fairness and consumer protection. With such rapid change comes uncertainty regarding what the future will look like. But the guardrails of the traditional economy are going through tremendous transformation. Whether it’s the tax system, the regulatory regime, or the very definitions of work, workers and workplaces, the entire playing field is going under dramatic change.

Project Overview:

Most public policies provide exemptions for certain businesses in recognition of the cost of compliance. Exemptions are typically based on the number of employees or total receipts at the firm or establishment level, although measures such as annual sales, market capitalization, and net income are also used. Business exemptions are popular and acceptable elements of public policy because compliance with certain regulations can be extremely costly. But the current network of exemptions is unnecessarily inconsistent, arbitrary, and unfair. Despite the variety of exemption policies currently on the books, the bright-line nature of virtually every one of them fails to recognize variation in business models across industries. Some firms that qualify for an exemption might actually be able to comply, while others that do not qualify for an exemption might struggle to comply and might even eventually go out of business. Especially important in the current situation is that employment size thresholds for exemption policies create very clear and direct incentives for firms near the threshold to reduce their workforce in order to receive an exemption. The possibility that exemption policies might reduce hiring or cause job losses makes an economic analysis of exemption policies even more critical in the current economic environment.

Even though prior studies have shown that compliance costs are inversely related to firm size, it does not necessarily follow that any measure of firm size is independently suitable as a metric for use in exemption rules. Data on establishment employment size reveal that regulations that use employment thresholds for exemption policies will have uneven applicability across sectors and across geographic areas. An important lesson from aggregate data is that employment is not necessarily correlated with other measures of size, namely receipts and payroll. In other words, an apparent lack of variation from the overall employment size distribution in certain industries

masks what is often substantial variation in receipts or payroll size. Further, data from the IRS shows that the concentration of profits among the largest businesses (in terms of total receipts) varies significantly by sector. This highlights the fact that exemptions based on total business receipts will exempt many highly profitable businesses in certain sectors and place undue burden on less-profitable businesses in other sectors.

Americans for a Modern Economy wishes to procure an updated study of the economics of size-based exemption policies, specifically to consider updated standards including, but not limited to, profits per employee. This new study must critically evaluate current and potential exemption standards on the basis of such things as transparency, accountability, fairness, and efficiency. It must also provide detailed information on the size distribution of firms within major industry groups in order to illuminate the likely applicability of various exemption standards. The report should be designed to inform the ongoing policy debate about how to improve exemption standards in order to enhance growth opportunities and competitiveness of America's businesses.

Report Outline:

Audience: The report would be written for a broad audience, including but not limited to elected officials, policy makers, opinion leaders and other stakeholders but could also be targeted for subsequent publication in an academic journal.

Timetable: Research and reporting of findings should be within three months of commencement.

Budget: Resources allocated to this research could be in the range of \$40,000-\$50,000.

Applicant Qualifications: Prospective research candidates should meet one or more of the following criteria:

- Doctorate / PHD in Economics or related field;
- Affiliation with major, accredited university;
- Affiliation with applicable think tanks or other non-governmental organizations;
- Prior or current service as an elected official; and
- Prior or current service as policy maker in comparable issue areas.

Process for Selection: Prospective candidates are asked to send curriculum vitae, samples of appropriate applicable research, and an outline of their research approach. Additionally, samples of appropriate applicable work products such as articles, blog posts, media quotes, etc. are encouraged. The AME team will review all submissions and contact individuals as appropriate. Please make submissions or research outlines and qualifications to info@americansforamoderneconomy.

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Americans for a Modern Economy (AME) is a consumer advocacy group focused on modernizing antiquated regulations and laws governing the U.S. economy. For more information on Americans for a Modern Economy, please visit americansforamoderneconomy.org.