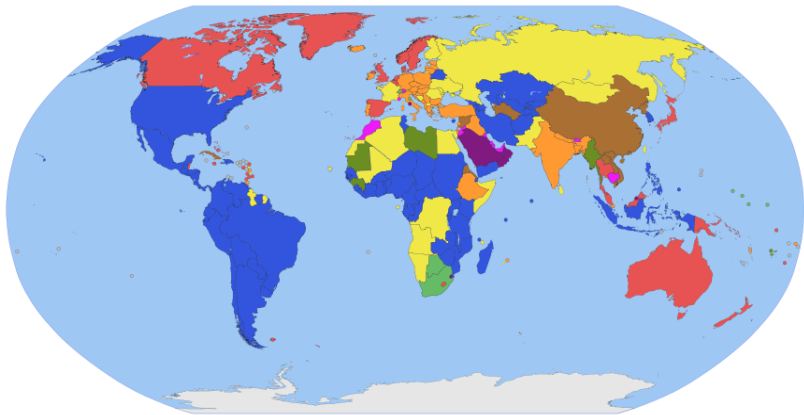

Economic Development

Government

November 2010



Governments by type



Definition (Government)

The system used for controlling a country

©Cambridge Dictionary

Role of Government

Adam Smith (1755)

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes and a tolerable administration of justice; all the rest being brought about by the natural course of things.

Role of Government

- ▶ Property rights and coordination failures

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 - ▶ ownership, side of driving, production chains

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 - ▶ (Pigouvian) taxes, environmental Kuznets curve, education

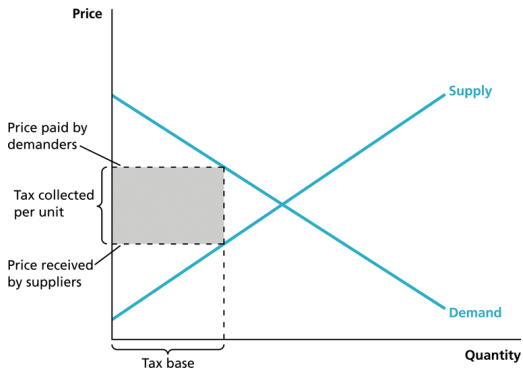
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- ▶ Redistribution (¿Robin Hood?)

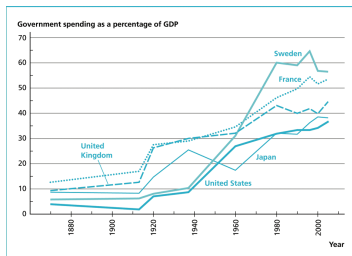
Taxation



Size of Government

Fact (Wagner's Law)

The size of government tends to increase as countries become wealthier

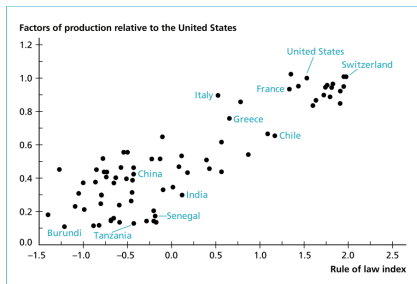


Source: "The Future of the State," *The Economist*, September 20, 1997, OECD.

Rule of Law

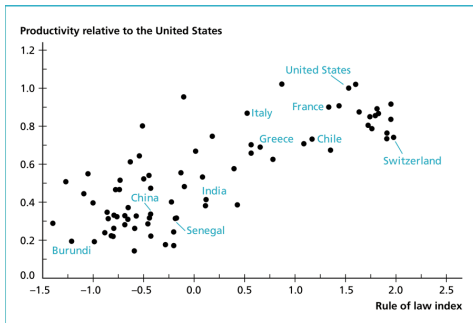
- ▶ A public good that does not need (much) taxation
- ▶ Effects the economy in myriad ways
 - ▶ e.g. Somalia

Rule of Law and Accumulation



Source: Kaufmann, Kray, and Mastruzzi (2007). Data are scaled to have a standard deviation of 1.

Rule of Law and Usage



Source: Kaufmann, Kray, and Mastruzzi (2007). Data are scaled to have a standard deviation of 1.

Quality of Government

- ▶ Policy and Governance
 - ▶ Good policy and good governance
 - ▶ Bad policy and good governance
 - ▶ Good policy and bad governance
 - ▶ Bad policy and bad governance

Fact (Failed State)

A state in which the government has minimal capacity to pursue policies, or lacks effective authority over a significant part of its internationally recognised territory.

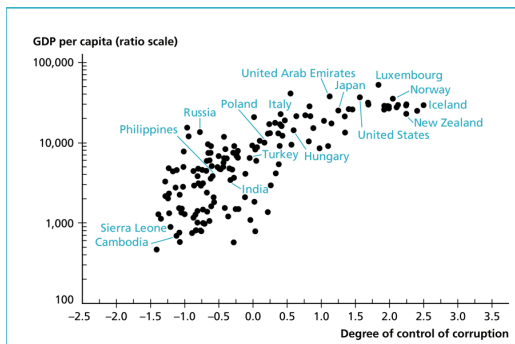
Quality of Government

- ▶ Corruption
- ▶ Kleptocracy
- ▶ Self-preservation

Corruption

Definition

Misuse of public office for private gain.



Source: Kaufmann, Kray, and Mastruzzi (2007).

Kleptocracy

Definition (Kleptocracy or Ruling Thieves)

Situation in which government is used to enrich country's rulers.

Fact (Roving Bandits vs. Stationary Bandits)

Mancur Olson's theory of state.

Kleptocracy and Self-Preservation

- ▶ Increasing the pie (Trujillo's plantations)
- ▶ Self-preservation

Example (Mobutu to Rwandan President)

I told you not to build any roads... Building roads never did any good. I have been in power in Zaire for thirty years, and I have never built one road. Now they are driving down them to get you.

Example

Russian Czar, Industrialisation and Urbanisation, Crimean War, 1917 Revolution

Example

Ras Tafari Haile Selassie I and popular education

Competition in Government

Europe vs. China (Zheng He vs. Columbus)

