12.1 | Defining Government's Proper Role in the Economy

The question of government's proper role in encouraging growth is one of the oldest in economics. It was a primary concern of Adam Smith in *The Wealth of Nations*. The proposed answers have ranged from a vision of minimal government interference (*laissez-faire*) to complete government ownership of the means of production.

The Case for Government Intervention in the Economy

The starting point for most analyses of government intervention in the economy is **market failure**, the idea that in some circumstances unfettered markets will not produce an efficient outcome. Although market failure can take many forms, we focus here on four types: public goods, externalities, monopoly, and coordination failure.

The simplest form of market failure occurs when there are particular goods, called **public goods**, that the private market cannot supply—most commonly because there is no practical way to charge those who benefit from the use of such goods. The classic example of a public good is national defense. Other public goods that are relevant for determining economic growth include the rule of law (which we consider in Section 12.2), infrastructure such as airports and highways, the standardization of weights and measures, and a stable currency.

A second reason for government intervention in the economy is **externalities**: the incidental results of some economic activity that affect people who do not control the activity and are not intentionally served by it. In Chapter 8, we already saw an example of government policy motivated by externalities: The creation of a new technology often involves large externality benefits to people other than the inventor. Because the inventor does not take these *positive externalities* into account—and instead compares only her private benefit from making an invention to her cost in creating it—the amount of invention is naturally lower than the socially optimal amount. Such positive externalities are the reason that governments play a role in supporting R&D through both direct spending and patent protections that raise the fraction of an invention's social benefits received by the inventor. A second example of a policy that is motivated by externalities is education. When a person chooses how much education to pursue, he weighs the private costs of an education against the benefits that he will receive. But it is often argued that education provides benefits to society beyond those that the individual receives: An educated person helps improve the quality of life of those around him. Because people ignore these external benefits, the quantity of education that individuals will decide on for themselves will be lower than the socially optimal amount, so the government has a role to play in encouraging education. Similarly, in the case of *negative externalities*, such as pollution, a private firm will tend to produce more than the socially optimal quantities. Government regulation is required to limit this externality.

A third form of market failure that can motivate government economic policy is the existence of **monopolies**, single firms that are the sole suppliers of a particular commodity. An industry such as electricity transmission is often viewed as a *natural monopoly* because it would be impractical for several companies to string electric wire to every house. In such a case, there is a role for government regulation to prevent the monopolist from charging an inefficiently high price.

The private market can also potentially fail in cases requiring the coordination of activities by many firms or many people. Some potential **coordination failures**—and the need for a government to correct them—are obvious. It is useful for everyone to drive on the same side of the road, and even the most diehard free marketer would have little objection to letting the government announce which side it should be. But coordination failure may also be more subtle. Consider a case where firms are reluctant to invest in one industry—say, a bicycle factory—because they fear there will be no raw materials for them to purchase, while firms are reluctant to invest in a second industry—say, steel production—because they fear there will be no market for their output. It is often argued that in such cases, government planning can break the logjam and further the process of economic development.

Despite its prominence in this discussion, market failure is not the only reason that governments become involved in the economy. Another motivation for government to take a hand in economic matters concerns not the total quantity of output but rather the way that output is distributed among the citizens of a country. Governments may view **income redistribution**—the transfer of income from rich to poor, from working-age adults to the elderly, or from the general population to members of some favored group—as one of their proper roles.

The Case Against Government Intervention in the Economy

Few economists would argue that there should be *no* government intervention in the economy. Rather, it is a question of degree. For many economists, the reasons for government intervention are not sufficient to justify the degree of intervention that we observe. As a result, they argue, government intervention, at the margin, reduces economic welfare.

The case against government intervention starts with the observation that, although proper government policy can theoretically fix any market failure, in practice it often fails to achieve its goals. When government tries to take the place of private firms, the resulting enterprises tend to operate inefficiently

because they lack the incentives (specifically, profit) that motivate private firms. Similarly, in cases where industries are regulated as natural monopolies, often such regulation effectively preserves the absence of competition. In general, the success of any government intervention depends crucially on the ability and the honesty of the officials entrusted to carry it out. When these qualities are lacking, the resulting **government failure** can be worse than any market failure that government policy was designed to correct. Recognizing the difficulty that governments have when they try to intervene in the economy suggests that, whenever possible, the role of government should be defined as narrowly as possible.

Critics also argue that many fewer market failures exist than the proponents of activist government policy believe. In the case of public goods, the debate centers on the question of whether some of the goods that governments supply could have been supplied privately if government had not taken over their provision. In much of the world, functions previously performed by the government are being **privatized**, that is, handed over to the private sector. In various countries, privatized activities have included the building of roads and telephone networks and the operation of jails. A parallel trend has been the **deregulation** of industries (removing them from government supervision). In the United States, for example, the deregulation of telephones, airlines, and trucking led to steep declines in the prices paid by consumers.

The issue of income redistribution presents some of the most difficult questions regarding the proper role of government. For other issues, the costs and benefits of intervention can be measured in the same terms—for example, the inefficiency of monopoly versus the inefficiency of government regulation. In the case of income redistribution, however, the benefits of such a policy (a greater degree of equality) are of a different nature than the costs of the policy (a lower degree of efficiency). This so-called **equity-efficiency trade-off** will be at the heart of our examination of income inequality in Chapter 13. However, critics of big government point out that much of the income that governments redistribute does not flow from rich to poor. Rather, it is redistributed among people in the same income groups, who are at different stages of their life cycles, as when taxes are taken from working-age adults and transfers are paid to the elderly. Critics argue that these redistributions have a large effect on the efficiency with which the economy operates (for reasons that we consider below) but do little or nothing to improve equity.

Swings of the Pendulum

While there has never been a consensus about government's proper role in the economy, either among economists or among those who govern, the 20th century saw two broad swings of the pendulum in the intellectual analysis and

the practice of government intervention. Beginning around World War I, the idea that the government could play a decisive, active role in furthering economic development gained ground throughout the world. The most extreme example is the Soviet Union, where a series of Five Year Plans, including government ownership of factories and forced collectivization of agriculture, sparked impressive economic growth during the 1920s and 1930s. The economic collapse of the Great Depression, which seemed to be evidence of coordination failure on a massive scale, inspired forceful government intervention in the workings of the economy. The fascist states of Germany and Italy imposed strong controls over the market, with the apparent result that these countries were able to shake off the effects of the Depression more rapidly than their neighbors. Even in the United States, where politicians had long been hostile to government interference in the economy, President Franklin Roosevelt's New Deal program to promote economic recovery represented an unprecedented degree of government meddling in the economy, including price controls, purchases of surplus agricultural output, and direct job creation through public works. The Great Depression also inspired the theories of John Maynard Keynes, which provided an intellectual foundation for activist monetary and fiscal policies designed to maintain full employment.

Following World War II, governments in Western Europe developed elaborate welfare states providing nationalized health care, public housing, and generous unemployment insurance and old-age pensions. In the developing world, the newly independent governments that emerged with the end of colonialism pursued a model of state-led industrialization and economic planning.

The last two decades of the 20th century witnessed a shift away from government control of the economy. This shift has been most pronounced among the communist and former communist countries, which have moved decisively toward a market system. In the industrialized world, there has been a wave of deregulation and privatization of some functions of government, along with reduction in the generosity of welfare-state benefits. In the developing world, in response to the problems of economic planning that are discussed below, there has been a turning away from state-led industrialization. Whether this change in the direction of economic policy will produce the promised increase in growth remains to be seen.

12.2 | How Government Affects Growth

Having traced some of the theoretical arguments about what role government should play in the economy, we now look at how governments have affected growth in practice. We focus on three particular aspects of government action: the maintenance of the rule of law, the overall size of government, and the practice of planning.

Rule of Law

One of the most important public goods that governments provide is the rule of law. Consider for a moment the myriad ways in which a developed economy relies on laws in order to function. Firms that sign contracts with each other—for delivery of merchandise, for repayment of a loan, and so on—rely on the existence of courts that will enforce those contracts. Inventors rely on the enforcement of patent laws. Even more fundamentally, owners of private property depend on courts and police to enforce their ownership. As we saw in Chapter 10, a well functioning financial system, which is reliant on the rule of law, contributes to economic efficiency through its role in optimally allocating capital.

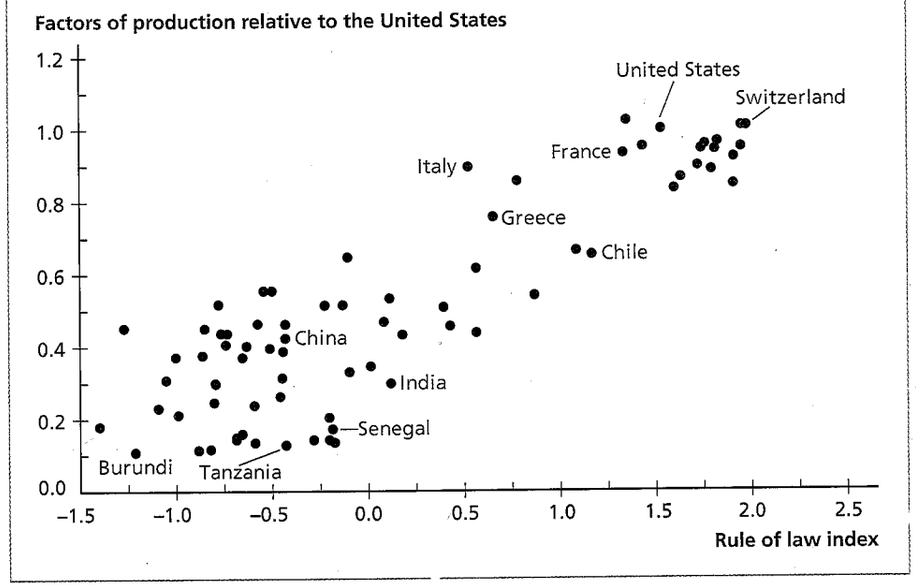
The rule of law cannot be taken for granted in most of the world. In many countries, judicial systems are weak, and legal cases are as likely to be settled on the basis of who has better political connections as on legitimate legal claims. Douglass North, who won the Nobel Prize in economics in 1993, concluded, "The inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World."[3]

The former Soviet Union provides one of the best examples of the importance of rule of law. With the fall of communism, the legal structure surrounding basic economic activity became highly uncertain. The line between legitimate business and organized crime blurred, as assets formerly owned by the government in trust for the citizenry as a whole rapidly found their way into the hands of a well-connected few. (The Russian slang term *biznesman* carries the connotation of someone who engages in semilegal, slimy transactions.) In this legally unstable environment, income per capita in the Russian Federation fell by 12% in the decade following the 1991 breakup of the Soviet Union.

In an environment where the rule of law is weak, we would expect that factors of production would not be accumulated and that economic activity would be plagued by inefficiency. For both these reasons, output would decline. The available data are consistent with these predictions. The data we use measure rule of law as a composite of the enforceability of contracts, the effectiveness and predictability of the judiciary, and the incidence of crime. Sources for this information include surveys of businesspeople and citizens, as well as compilations of opinions of experts at nongovernmental organizations, think tanks, and risk-rating agencies. The data are scaled to have a mean of 0 and range from –1.63 (Zimbabwe) to 1.98 (Switzerland). Figure 12.1 shows the relationship between the rule of law and the composite measure of accumulation of

[3]North (1990), p. 54.

FIGURE 12.1
Rule of Law and Factor Accumulation, 2005



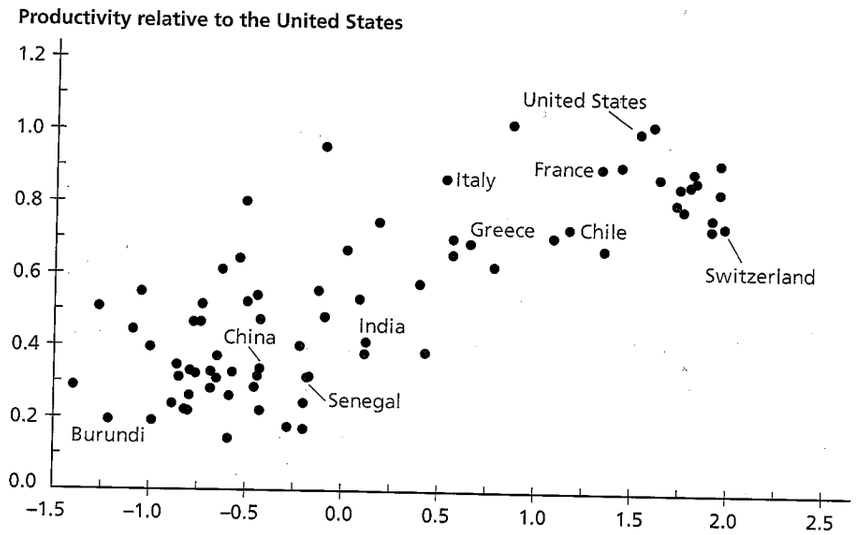
Source: Kaufmann, Kray, and Mastruzzi (2007). Data are scaled to have a standard deviation of 1.

physical and human capital that we constructed in Chapter 7; Figure 12.2 shows the relationship between the rule of law and the productivity measure that we derived in Chapter 7. In both cases, there is a strong positive correlation, and the figures show that the channels of factor accumulation and productivity are of roughly equal importance in explaining the effect of the rule of law on income per capita. The exceptions to the general trend in these data are also interesting. For example, India has both low factor accumulation and low productivity, considering its level of the rule of law, while Italy has higher factor accumulation and higher productivity than would be expected, given its level of the rule of law.

Taxation, Efficiency, and the Size of Government

One of the most important ways in which government affects the state of the economy is by its sheer size. Big government—that is, government that spends a lot of money—requires big government revenue. With the exception of a few countries including Saudi Arabia, where a natural resource (oil) is the primary source of revenue, governments raise funds by taxing citizens and businesses. These taxes in turn affect the efficiency of economic activity.

FIGURE 12.2
Rule of Law and Productivity

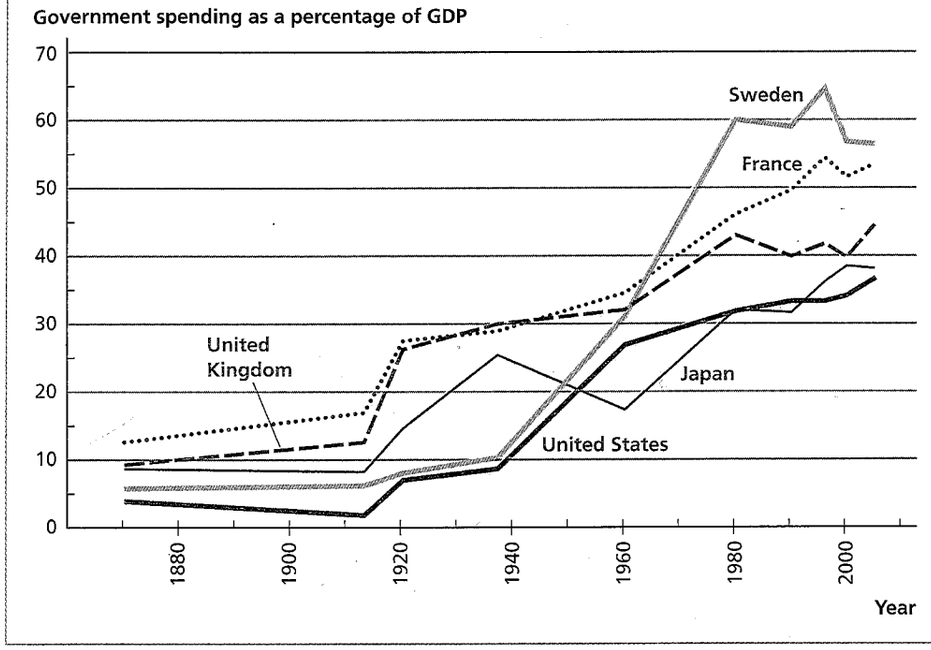


Source: Kaufmann, Kray, and Mastruzzi (2007). Data are scaled to have a standard deviation of 1.

In 1883 the German social scientist Adolph Wagner theorized that the size of government would inevitably increase as countries became wealthier, because a more developed economy requires more complex regulation and because many public goods provided by the government are of the type where desired spending rises more than proportionally with income. **Wagner's law** has been borne out over the last century, as revealed in Figure 12.3, which shows government spending as a percentage of GDP in five of the richest countries in the world. In the United States, for example, government spending as a share of GDP grew from 3.9% in 1870 to 36.6% in 2005. In Sweden, government spending peaked at two-thirds of GDP in 1996 but has declined since. Among the industrialized countries of the OECD, the average share of government spending in GDP was 43% in 2005.

Examining the size of government in poorer countries reveals a second striking fact: Although these countries tend to have smaller governments than do the richest countries, their governments are much larger than were rich-country governments at a comparable stage of economic development. For example, among the countries in the World Bank's Middle East and North Africa grouping, government employment over the period 1996–2000 averaged 25% of total employment. Average GDP per capita in that group of countries in 1997 was $4,580. The United States had reached the same level of GDP per capita in the first decade of the 20th century, but

FIGURE 12.3
Growth of Government Spending, 1870–2005



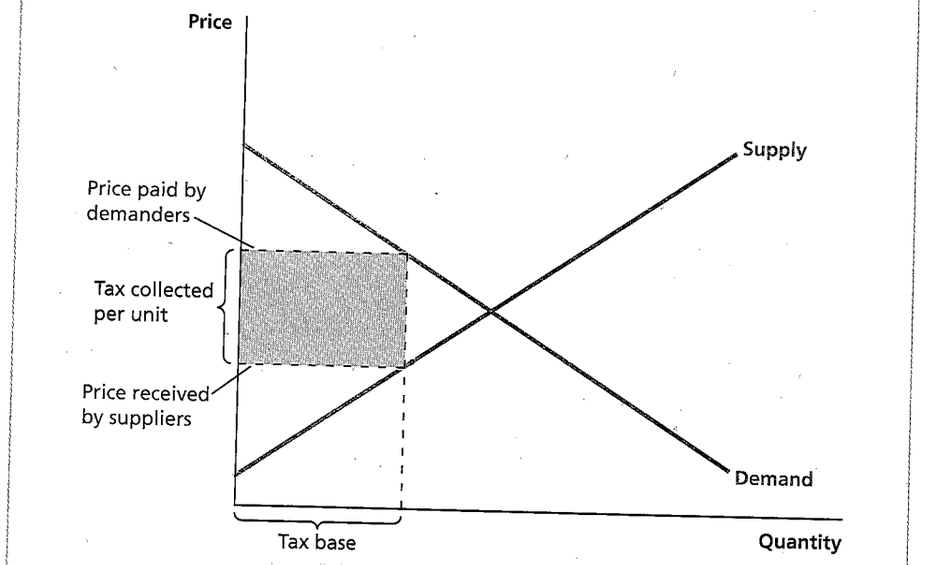
Source: "The Future of the State," *The Economist*, September 20, 1997, *OECD*.

by 1929 (the earliest year for which data are available), total government employment in the United States was only 6.5% of total employment.

The increase in government spending has been funded by an equally large increase in the taxes that governments collect. Taxes are relevant for economic growth because they directly affect the efficiency with which output is produced. The relationship between efficiency and taxation can be illustrated using a simple diagram of supply and demand such as Figure 12.4. Consider the market for some good, in which there is an upward-sloping supply curve and a downward-sloping demand curve. The good in question could be anything that is taxed: for example, it could be labor if we are thinking of an income tax, or it could be gasoline or some other commonly taxed commodity. In the absence of taxes, the equilibrium price and quantity of the good would be determined by the intersection of the supply and demand curves. The effect of a tax is to place a wedge between the price that a supplier receives and the price that a demander pays. As the figure shows, the imposition of the tax will also lower the quantity of the good that is purchased; this quantity is called the **tax base**. The total revenue collected by the tax is equal to the tax base multiplied by the per-unit tax. This total revenue is represented by the shaded rectangle in Figure 12.4.

FIGURE 12.4

Effect of a Tax



The larger is the gap between the price received by suppliers and the price paid by demanders—that is, the larger is the tax imposed in a given market—the smaller will be the number of transactions that will take place. In other words, raising the tax rate will lower the tax base. This is the source of the inefficiency associated with taxes: When taxes are high, some of the potential transactions between buyers and sellers will not take place, and these transactions would have made both groups better off. No tax will be collected on these forgone transactions, but by discouraging transactions, the tax made the potential buyers and sellers worse off.[4] The size of this inefficiency grows with the size of the tax. Because higher taxes shrink the tax base, increases in revenue collected when tax rates rise are not proportional to increases in tax rates. Indeed, once tax rates are high enough, further increases in the tax rate will not raise any revenue at all, because they will be more than offset by reductions in the tax base.

The analysis of Figure 12.4 raises a question about the real world: How inefficient are the taxes that are actually levied? There is no consensus among economists about the exact size of tax distortions, but it is clear that they can be significant. One recent estimate for the United States is that the marginal

[4]Readers who have studied microeconomics will recognize the inefficiency discussed here as "deadweight loss."

dollar of government revenue is associated with one dollar's worth of lost output. This means that the "cost" of one more dollar of government spending is actually two dollars: one dollar of taxation and one dollar of lost output.[5]

The fact that taxes cause inefficiency in the economy does not mean that there should be no taxes. As we have seen, government provides public goods without which the economy could not function at all. These public goods are paid for by taxation. Thus, even if the government were solely concerned with maximizing GDP per capita, the optimal choice of public goods and taxation involves a trade-off between the costs and benefits.

However, not all of the money that governments collect as tax revenue goes toward supplying public goods. Increasingly one of the major functions of government is to make transfers of income to people. The largest transfers are old-age pensions; other transfers include unemployment benefits and welfare payments to the poor. In the United States, such transfers now amount to 12.2% of GDP, and their share of GDP has more than doubled since the 1960s.

Planning and Other Industrial Policies

Economic planning occurs when the government takes responsibility for some or all of the decision making in an economy. The heyday of economic planning came in the decades after World War II, when governments in newly independent countries in the developing world experimented with various policies to improve their backward conditions. The motivations for government intervention in the economy, which we explored in Section 12.1, were viewed by many economists as being especially salient in the developing world. Several policy tools were common during this period:

- *State enterprises*—These were corporations owned by the government but functioning somewhat like private companies. Policy-makers thought it was particularly important that the government control the "commanding heights" of the economy—areas such as banking and heavy industry. In many countries, state enterprises produced more than half of manufactured output.
- *Marketing boards*—Many countries compelled farmers to sell their crops to a state marketing enterprise. Government planners thought that by pooling the output of all the farmers, the marketing board could get better prices on the international market.
- *Trade restrictions*—Governments imposed tariffs and quotas on imports, justifying these actions with the so-called infant industry argument: that local firms needed temporary protection from the vicissitudes of world markets in order to develop into first-class competitors.

[5]Feldstein (1997).

THE OTHER PATH

Imagine that you're an entrepreneur in Lima, Peru. You'd like to start a small business: nothing fancy, just a sewing shop. You rent a small factory, buy a few sewing machines, and hire workers. Are you all set to become a respectable member of the Lima business community?

Not quite. If you want to operate your business legally, you first must jump a few bureaucratic hurdles. Be prepared to deal with seven separate government agencies, many of them more than once. You'll have to get 11 different permits, licenses, certificates, and so on. Expect to be solicited by bureaucrats for bribes 10 times to speed the process. Even if you try to avoid paying up, you'll have to comply with at least two of these extortions, or the whole process will grind to a halt. To fulfill every regulation will take 289 days from start to finish, or about 10 months. Between the fees you will pay and the potential wages you will forgo going from one office to the next, the cost of your odyssey will be $1,231, or 32 times the Peruvian monthly minimum wage. These were the findings of the Liberty and Democracy Institute, a Peruvian research center, when it tried to open such a factory to demonstrate the difficulty of starting up a legal business in Peru.

Discouraged in your entrepreneurial endeavor, what will you do? Most likely, you will try to start your business informally, outside the established legal framework. You might rent a small room off an alley and put no sign out front to advertise your business. You will probably employ fewer than 10 people. You may parcel out piecework for laborers to do at home. Through these ploys, you will hope to avoid the prying eyes of government inspectors and tax authorities. And you won't be alone in your efforts. The Liberty and Democracy Institute estimates that 42.6% of all housing in Lima has been built informally. Likewise, 95% of the vehicles used in public transit in Lima are informal. In Peru as a whole, 61.2% of all hours worked are devoted to informal activities, and the informal sector accounts for 38.9% of Peru's GDP.*

The situation in Peru is not unusual. Worldwide, the underground economy is estimated to be worth $9 trillion per year. In rich countries, it is roughly 15% of GDP, while in the developing world, it averages roughly one-third of GDP. Some of the activity in the underground economy is criminal (for example, drug dealing), but much of it is legal activity that is simply carried out "off the books" and out of sight of government officials.†

While conducting business informally may be the best option available to many entrepreneurs, it leads to several sorts of inefficiencies. Informal firms cannot sign legally enforceable contracts or receive financing from banks. Informal firms must remain small in order to avoid detection—so they cannot take advantage of economies of scale.

*De Soto (1989). All of the figures cited are for 1984.

†"The Shadow Economy," *The Economist*, August 28, 1999.

In almost all cases, the policies failed. State enterprises, for example, were woefully inefficient. The managers of these enterprises, facing neither competition from other firms nor pressure from shareholders to produce profits, had little incentive to strive for efficiency in production. The hiring policies of the enterprises were often dictated by the desire to provide jobs for the

PLANNING IS NOT ALWAYS A FAILURE

Economists with a free-market orientation don't like economic planning, so they are intellectually satisfied when they see it fail. Unfortunately for these economists, there are several cases in which planning has functioned spectacularly well.

The most successful economic planning post–World War II has occurred among the East Asian "Tigers," most notably South Korea and Taiwan. In both countries, government engaged in heavy-handed industrial policies that seemed to promote some of the fastest growth of output ever observed.

The actual policies used in South Korea and Taiwan were not very different from those discussed on pp. 351–354. The Korean government created public enterprises in steel and petrochemicals, for example, in order to launch new industries in areas where private enterprises were reluctant to undertake new ventures. South Korea also directed investment into industries that government bureaucrats thought appropriate. The Taiwanese government allowed foreign firms to sell products in Taiwan only if they promised to transfer technologies to Taiwanese firms. Both countries liberally used tariffs to protect infant industries.

The ways that Korea and Taiwan differed from most of the rest of the world seem to have been in the execution of these policies, rather than in the policies themselves. The public enterprises that the Korean government created operated as autonomous, profit-seeking entities and in many cases were quickly moved into the private sector. And unlike many other countries, Korea and Taiwan were efficient in weaning their infant industries from protection. In Korea, the government insisted that to maintain protection of their domestic market, protected industries export a growing share of their output. This requirement forced protected industries to bring their level of productivity up to the world level within a short period of time. In Taiwan, the government similarly eliminated tariff protection from industries that failed to meet targets for productivity growth. In one notable incident, a Taiwanese bureaucrat not only threatened to remove tariff protection for the domestic light bulb industry if the quality did not improve, but also ordered the public destruction of 20,000 low-quality bulbs.*

Why did planning succeed in these cases when it failed in so many others? One lesson of these successes is that, not surprisingly, planning works best when administered by an efficient, honest bureaucracy. Those who are skeptical about the value of planning can also take comfort in the fact that Korea and Taiwan had many advantages in addition to their industrial policies—high rates of saving and human capital accumulation, and relatively egalitarian income distributions, for example—so it is not clear exactly how much planning contributed to their successes.†

*Romer (1992).

†Westphal (1990).

well connected. The increase in efficiency that results when firms are no longer owned by the government is the key motivation for privatization. A study of 170 firms that were privatized in Mexico in the 1980s and 1990s found that the cost per unit of output fell by an average of 23% following privatization. Firms that were privatized also went from making losses on average to being profitable. Most strikingly, the average number of employees at firms that were privatized

fell by half, while the volume of output produced rose—evidence of a good deal of wasted employment.[6]

Marketing boards, which were initially supposed to raise farmers' income, ended up doing just the opposite as government officials could not resist the temptation of the revenues that passed through their hands. In Ghana, for example, the share of revenue farmers received from sales by the cocoa marketing board fell from 77% in 1948 to 20% in 1979. In Zimbabwe in 2007, police were manning roadblocks throughout the country and conducting raids on farms to enforce the law that all grain be sold to the country's Grain Marketing Board (GMB). Not only did the GMB pay lower prices than the black market, but GMB payments were often delayed by several months, during which time rampant inflation eroded their value. There were also widespread accusations that officials of the GMB were diverting official purchases of grain into the black market for their personal profit.

Trade restrictions also were usually counterproductive. In theory, infant industry protection should have been offered only to industries where a country had a chance of someday being a competitive producer. In practice, governments protected any industry with enough political clout—and often all industries indiscriminately. Further, most of the "infant" industries that were protected never managed to grow up. Facing no pressure from foreign competition, they remained inefficient.

A final problem with industrial policies was that in an economic environment dominated by state controls, private entrepreneurs found that the easiest way to make profits was by securing the favor of government bureaucrats who decide on the allocation of investment and imports.[7] Rent seeking is an unproductive activity that reduces the efficiency of production.

12.3 | Why Governments Do Things That Are Bad for Growth

As discussed in the introduction to this chapter, economic analyses of government behavior proceed from two perspectives: the normative (asking what governments should do) and the positive (asking why governments do the things they actually do). The analysis in the previous section has been primarily normative: We considered what actions governments can take to affect the growth rate of output. We also saw that governments often do not act in a fashion that maximizes growth.

In this section, we take a positive approach to government behavior. Specifically, we ask why governments do things that are bad for growth and why they fail to do things that are good for growth.

[6]La Porta and Lopez–De Silanes (1999).
[7]Krueger (1990).

Some Other Goal

One reason that governments do things that are harmful for growth is that they are pursuing some other goal. Spending taxpayer money on national defense, the arts, or foreign aid, for example, may lower economic growth (because of the distortionary effect of taxation) but can still be viewed as being in the national interest.

Another possible goal of government that can result in lower economic growth is the reduction of pollution. Over the last several decades, governments throughout the world have introduced regulations limiting the discharge of pollution into the air and water by factories, automobiles, and so on. These regulations have forced the installation of hundreds of billions of dollars' worth of new equipment such as catalytic converters on automobiles. Because anti-pollution regulations raise the amount of input used without raising the quantity of output produced, they reduce economic efficiency. However, governments view this reduction in efficiency as a price worth paying for a cleaner environment. Indeed, as we will see in Chapter 16, another way to view this issue is that reducing pollution only appears to be inefficient because we do not measure output properly. If we explicitly take into account the costs of pollution, then a government policy that reduces the production of goods but also reduces the amount of pollution produced may no longer seem inefficient.

Finally, the most important example of a policy goal that may impede economic growth is one that we already have touched on, and a subject to which we will return in the next chapter: income equality. Governments that redistribute income from rich to poor face an equity-efficiency trade-off. Reducing inequality (raising equity) lowers economic efficiency and thus reduces economic growth. This is a price that many governments are willing to pay.

Corruption and Kleptocracy

A second reason that governments do things that are bad for growth is that those who staff the government are acting in their own self-interest rather than in the interest of the country they are governing. Government corruption takes many forms, from a tax inspector who accepts a bribe to overlook income on which he is supposed to collect taxes, to a mayor who trades city contracts for cash payments, all the way up to a president who grants a lucrative monopoly to his son. When corruption reaches to the highest levels of government, it is labeled **kleptocracy**, meaning "rule by thieves."

Although corruption has existed as long as there have been governments, economists have only recently focused on it as an important factor in economic development. As evidence of this change in focus, the word *corruption* was mentioned in the abstracts of published economics articles three times as many times in 2000 as during the entire decade of the 1980s. Further, before 1990, some economists argued that a certain amount of corruption could be beneficial. In their view, many