

TERMITES OF THE STATE

What role do democratic governments play in market economies? And what role should they play? Using a multidisciplinary approach, yet still based on economic theory, this book answers these questions by presenting a detailed and profound analysis of the economic role of the state in modern economies and in democratic societies. It shows how urbanization, technological developments, globalization, and the growing complexity of systems – the “termites of the state” – have been creating growing stress for societies and for economies. Populism and growing income inequality are just two recent manifestations of this stress. Written by internationally recognized economist Vito Tanzi, this book should be of keen interest to any instructor, student, or general reader of economics and public policy.

An economist of international renown, Vito Tanzi served for twenty years as Director of the Fiscal Affairs Department of the International Monetary Fund in Washington, DC, with which he was affiliated for nearly three decades. Dr. Tanzi is the author or editor of more than twenty-five books, including *Government versus Markets* (2011) and *Public Spending in the 20th Century* (2000, with Ludger Schuknecht). A former Undersecretary for Economy and Finance of the Italian government, he was President of the International Institute of Public Finance (IIPF) from 1990 to 1994. Dr. Tanzi is known for the Tanzi effect, or Olivera-Tanzi effect, which refers to the diminished real value of tax revenues in periods of high inflation due to collection lags. He has served as a consultant to the World Bank and the United Nations and previously taught at George Washington University and American University.

TERMITES OF THE STATE

Why Complexity Leads to Inequality

VITO TANZI



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This book is based on a lot of reading, a lot of thinking, and a lot of observing. It is impossible for an author, and especially for one at an advanced age who has spent many years in a full and busy professional life, not to be influenced by his or her past work. As a consequence, consciously or subconsciously, it is difficult not to plagiarize one's own past work. Therefore, this book has been influenced in various places by my two previous books on the economic role of the state, and by many academic papers, published over a half-century, dealing with what governments do or try to do in the economies of countries. Some but not all of these papers have been cited in the book. The two previous books, from different perspectives, dealt with the economic role of state. They were *Public Spending in the 20th Century: A Global Perspective* (Cambridge University Press, 2000), coauthored with Ludger Schuknecht; and *Government versus Markets: The Changing Economic Role of the State* (Cambridge University Press, 2011).

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