

Index

- Absolute poverty, 216
- Accrual accounting, 293
- Administrative capability of governments, 66–68
- Advertising, 116–17
- The Affluent Society* (Galbraith), 45
- Afghanistan, legal rules in, 100
- Aggregate concept of growth, 311
- Aggregate demand, stabilization policies and, 239, 240
- Airbus, 347
- Akerlof, George A., 94, 116
- Alesina, Alberto, 240–41, 286
- Alibaba, 347
- Allocation of resources
 - in China, 188
 - income redistribution versus, 220, 224
 - in Italy, 188
 - role of government, 187–88, 211–12
- Alphabet, 377
- Altruism, 312
- Amazon, 347, 377
- American Action Forum, 109, 126, 127, 281
- American Economic Association, 99
- American Enterprise Institute, 60–61, 79, 394–95
- American Road and Transportation Builders Association, 234
- Amgen, 377
- Apple Computers, 331, 334, 347, 377
- Argentina
 - economic planning in, 27
 - income inequality in, 221
 - influence of conservatives in, 395
 - regulations in, 173
- Aristotle, 218, 305
- Armani, 347
- Arrow, Kenneth, 3, 4, 7–8, 56, 111
- Asymmetry
 - in exchanges, 94
 - in financial sector, 330–31
 - in information, 108, 114–15, 148–49, 165–66, 331–32
 - in stabilization policies, 62
- Athletes, 204–5, 351–53
- Attorneys
 - implementing regulations and, 333
 - intellectual property and, 366
 - legal rules and, 252–53
- Australia
 - executive compensation in, 364
 - federalism in, 284
 - influence of conservatives in, 395
 - marginal tax rates in, 376
 - public institutions in, 291, 292
 - public spending in, 121–22
 - supply-side economics in, 77
 - tax administration in, 289
- Austria
 - executive compensation in, 364
 - marginal tax rates in, 376
- Austrian School, 64, 69, 111, 313–14
- Authorizations, 137, 144–45
- Automobile industry, 115, 116
- Balanced budget rules, 73
- Bank of England, 113–14, 156
- Bank of Italy, 5
- Banks. *See* Financial institutions
- Barro, Robert, 61–64
- Barroso, José Manuel, 113–14
- Barter, 92
- Basic goods, 48
- Basic minimum income, 212, 392
- Basic needs, 45–46, 49, 351
- Bastiat, Frederic, 210
- Basu, Kaushik, 399
- The Beatles, 53
- Becker, Gary, 34, 85
- Beckert, Sven, 325
- Beethoven, Ludwig van, 203

428

Belgium
 marginal tax rates in, 376
 public spending in, 23, 53
 welfare policies in, 214
 Bentham, Jeremy, 1, 312
 Berlusconi, Silvio, 395
 Bernanke, Ben, 156
 “Betterment taxes,” 194
 Beveridge, William, 41–43
 Bhutan, “happiness” in, 311–12
 “Birth lottery,” 341, 349, 353
 Bismarck, Otto von, 20, 22, 219
 “Black swans,” 79
 Blair, Tony, 113, 395
Bloomberg, 38, 298, 342, 350, 355–56
 Bloomberg, Michael, 142
 Boeing, 377
 Bonuses, 82–83, 85–86
 Boskin, Michael, 378–79
 Brazil
 bureaucracy in, 234
 Constitution, 269–71
 corruption in, 120
 economic planning in, 27
 federalism in, 284
 income inequality in, 221
 Multiyear Plan, 234
 regulations in, 173
 welfare policies in, 212
 Breyer, Stephen, 274–75
 British Petroleum oil spill, 172–73
 Brookings Institution, 370
 Brynjolfsson, Erik, 356–57
 Bubbles, 330–31
 Buchanan, James
 generally, 7–8, 60–61, 394
 on constitutions, 266, 272
 on countercyclical policy, 62
 on discretion, 71
 on fiscal rules, 71–72
 on informal norms, 286
 on legal rules, 252
 on limited role of government, 85, 313–14
 on “political market,” 334
 in School of Public Choice, 5, 6
 on sovereign debt, 64
 Buffet, Warren, 379
 Bulgaria, Gini coefficient in, 317
 Bureaucracy
 legal rules and, 253–54
 public institutions and, 297–98
 Bureaucratic state, 22
 Burke, Edmund
 generally, 7–8
 on constitutions, 270

Index

 on income redistribution, 215, 219, 300, 312–13
 on role of government, 160, 189
 Bush, George W., 84–85, 375

 Cable, Don, 363, 364
 Cajolement. *See* Nudges
The Calculus of Consent (Buchanan), 266
 Cambodia, income inequality in, 306
 Cambridge University, 26–30
 Cameron, David, 98
 Campbell, John, 128, 156, 170
 Canada
 federalism in, 284
 influence of conservatives in, 395
 marginal tax rates in, 376
 public spending in, 162
 regulations in, 173
 supply-side economics in, 77
 Canon Inc., 347
 “Carried trade,” 87
 Cash accounting, 292–93
 “Casino capitalism,” 84, 108, 115
 Catholic socialism, 18
 Catholicism, 28, 218
 Cato Institute, 332
 Central banks
 European Central Bank, 244
 evolution of, 35
 monetary policy and, 188
 stabilization policies and, 243, 244
 in US, 49, 188, 244
 Certifications, 137, 193
 Challenges to welfare policies
 administrative capability of governments
 and, 66–68
 by Austrian School, 64
 conservative challenges, 60–61, 388
 in Ireland, 60
 by Italian School, 63, 65
 libertarian challenges, 60–61
 in New Zealand, 60
 Ricardian equivalence hypothesis, 62–64
 in UK, 60, 61
 in US, 60, 61
 Charity versus welfare policies, 50, 214–15
 Cheap credit, 107–9
 Chernow, Ron, 358
 Chetty, Raj, 391
 Chicago School, 62, 69, 79, 110, 313–14
 China
 allocation of resources in, 188
 “fake goods” in, 149
 Food Safety Law, 149–50
 Gini coefficient in, 317
 growth in, 311, 386–87

- income inequality in, 221, 227, 306, 322
- intellectual property in, 347, 358
- mislabeling of fish in, 149–50
- Cicero, 71
- Cisco Systems, 347
- Citibank, 113–14, 334
- Civic associations, 130, 154
- Civil rights, 161
- Clark, Colin, 245
- Clinton, Bill, 52, 84–85, 395
- Coase, Ronald, 60–61, 183–85, 313–14, 394
- Coase Theorem, 121, 183–85
- Coca-Cola, 325, 377
- Colbert, Jean-Baptiste, 291
- Colm, Gerhard, 2
- Communism, 1–2
- Community versus individual rights, 98
- Complexity
 - “crony capitalism” and, 111–12
 - of exchanges, 92–94
 - financial crises and, 156
 - of financial instruments, 106–108
 - of financial sector, 329–31
 - of income tax, 379–82
 - of legal rules, 329, 332–34
 - normative approach to role of government and, 110
 - of regulations, 170–72, 278
 - of statutes, 274–75
 - of taxation, 367–68, 379–82
- Composers, 203, 349
- Computer technology, 106
- Confidence Men* (Suskind), 9
- Conscription, 136
- Conservatives
 - challenges to welfare policies, 60–61, 388
 - common elements of beliefs, 395–98
 - on government intervention, 317–18
 - on growth and income redistribution, 227
 - income inequality and, 394–95
 - influence on liberal governments, 395
 - on limited role of government, 99–100, 259
 - regulations, opposition to, 160, 278
- Constitutions
 - overview, 265
 - adaptation to change, 265–66
 - in authoritarian regimes, 266–68
 - in Brazil, 269–71
 - Buchanan on, 266, 272
 - Burke on, 270
 - economics and, 270–72
 - in EU (proposed), 271
 - fiscal rules in, 272
 - general principles, 268–69
 - in India, 270
 - in Italy, 248–50, 266–71
 - in Latin America, 250, 271
 - majoritarianism in, 266
 - minority rights in, 266
 - modernization of, 271
 - Musgrave on, 266
 - in Pakistan, 270
 - problems with, 268
 - rule of law in, 265
 - Smith on, 270
 - in Soviet Union, 266
 - in Switzerland, 272
 - in US
 - generally, 99, 250, 270
 - amendment of, 250
 - Bill of Rights, 43–44
 - general principles, 268
 - intellectual property and, 176, 193, 362
 - slavery and, 249–50
 - workers’ rights and, 250
- Consumer protection in financial markets, 116
- Consumer protection regulations, 148–50
- Contingent liabilities, 137–41
- Contracts, 92–94, 308
- Coolidge, Calvin, 24–25
- Corporate welfare, 161
- Corporations
 - entrepreneurs and, 308
 - income tax for, 376–77
 - marginal tax rates for, 376–77
 - social responsibilities of, 398
 - taxation of, 161
- Corporatism, 27, 231
- Corruption, 120, 124, 280, 296–97
- Cotton industry, 325
- Countercyclical policies, 61–62, 238. *See also* Stabilization policies
- Coxe, Tench, 357–58
- Credit, ease and cheapness of, 107–9
- Criminal law, 95–96, 100
- Criminal organizations, 97–98
- “Crony capitalism,” 27, 70, 111–12, 137, 343
- Cross-border externalities, 185–86
- Cryan, John, 364
- Current fashionable thinking, 10
- Deaton, Angus, 46, 48, 227, 264
- Debt. *See* Sovereign debt
- Deconstruction of administrative state, 86
- Defense spending
 - lobbyists and, 178–79
 - as public good, 175–78
 - in US, 178
- Deficits, 72

430

Democracy
 income inequality and, 400
 income redistribution and, 223
 legal rules and, 134
 regulations and, 134
 welfare policies and, 384
 Demsetz, Harold, 151
 Denmark
 executive compensation in, 364
 ex post income distribution in, 118
 income redistribution in, 210
 marginal tax rates in, 376
 public spending in, 122
 taxation in, 371, 381
 Dependency, income redistribution and, 209–10
 Dependent workers
 income inequality and, 221, 316, 387
 increase in, 384–85
 marginal tax rates for, 373
 regulations and, 23
 in US, 250
 Depreciation, 308
 Deregulation
 overview, 87–88
 economic freedom and, 86
 income redistribution and, 197
 potential for future crises and, 108, 109
 in US, 82
 Deutsche Bank, 364
 Dickens, Charles, 358–59
 Direct government intervention, 32–33,
 36, 230
 Discretion, 71, 151–52
 Dishonesty, effect on market, 79, 83
 Djokovic, Novak, 351–53
 Dorfman, Robert, 3
 Drones as externality, 165
 Drucker, Peter, 82
 Duesenberry, James R., 3, 319
 Du Pont, Pierre, 307
 Dutch Republic, welfare policies in, 50
 Dynamic scoring, 76
 Eastern Europe
 Gini coefficient in, 317
 laissez faire in, 35
 taxation in, 381–82
 Easy credit, 107–9
 Eckstein, Otto, 2–5
 Economic aristocracy, 117–18
 Economic freedom
 deregulation and, 86
 economic planning and, 159
 income redistribution and, 159–60
 regulations, effect of, 130–31

Index

Economic growth. *See* Growth
 Economic planning. *See also specific country*
 overview, 25–28
 economic freedom and, 159
 Hayek on, 159
 “Economic Possibilities for our Grandchildren”
 (Keynes), 29
 Economics. *See also specific topic*
 constitutions and, 270–72
 legal rules and, 252–53
 supply-side economics, 33, 74–78, 395, 397
Economics of Our Patent System
 (Vaughan), 359
The Economist, 77, 203, 343, 355–56,
 361, 366
 Education
 entrepreneurs and, 309
 income redistribution and, 193
 as public good, 180–81
 in US, 208
 Efficient market hypothesis, 86–87
 Einaudi, Luigi, 269, 342
 Eisenhower, Dwight, 4, 40, 178
 Elizabeth I (England), 215
 Elmore, Bartow, 325
 Employment
 entrepreneurs and, 309
 quotas, 145–46
 role of government, 189–90
 stabilization policies and, 237
 unemployment compensation, 237–38
 “The End of Laissez Faire” (Keynes), 31–32
 Energy industry, 17, 167, 283–84
 Enron, 127–28, 172–73
 Entertainment industry, 345, 348, 353
 Entitlements, 50–51
The Entrepreneurial State (Mazzucato), 196
 Entrepreneurs
 corporations and, 308
 desires of, 308–9
 education and, 309
 employment and, 309
 government, relationship with, 309–10
 historical background, 306–7
 income tax and, 308
 infrastructure and, 309
 laissez faire and, 307–8
 obstacles to, 307–8
 public resources and, 310
 referee, government as, 310
 Smith on, 307
 taxation and, 309
 in UK, 307
 in US, 307
 Environmental regulations, 147, 182, 183

- Envy
 income inequality and, 319–21
 poverty and, 216–18
 Equitable growth, 310, 312
 Esping-Anderson, Costa, 47
 Ethical values of market, 398
 European Central Bank, 244
 European Commission, 113
 European Monetary Union, 5, 69, 72, 260, 273
 European Union
 Constitution (proposed), 271
 “fake goods” in, 149
 intellectual property in, 347
 mislabeling of fish in, 149–50
 occupational licensing in, 125–26
 regulations in, 276
 Exchanges, 91–94
 asymmetry in, 94
 complexity of, 92–94
 contracts in, 92–94
 Friedman on, 114–15
 Hayek on, 93, 112–15
 individuals, role of, 112–13
 information in, 93, 112–13
 Executive compensation
 in Australia, 364
 in Austria, 364
 bonuses, 82–83, 85–86
 in Denmark, 364
 directors, role of, 364–65
 in financial institutions, 168–69
 income inequality in, 82–83, 85–86, 105–6
 increase in, 387, 398
 intellectual property and, 348, 363–64
 in Japan, 364
 in Norway, 364
 performance-based compensation, 363–64
 in Sweden, 364
 in UK, 364
 in US, 169, 363, 364
 Ex post income distribution, 118, 119
 Expropriation, 136
 Externalities
 balancing of, 164
 Coase Theorem and, 183–85
 correcting or reducing through regulations, 147, 281–82
 cross-border externalities, 185–86
 drones as, 165
 environmental regulations and, 182, 183
 federalism and, 183–84
 global government and, 120–21
 guns as, 165
 income inequality and, 321
 inter-institutional externalities, 290
 legal rules and, 255
 poverty and, 216–17
 public goods and, 181–82
 regulations and, 164
 smoking as, 164
 urbanization and, 91, 163–64
 Facebook, 347
 “Fake goods,” 149
 Fascism, 23, 231, 266–67
 Fashion industry, 345
 Federalism
 in Australia, 284
 in Brazil, 284
 in Canada, 284
 externalities and, 183–84
 legal rules and, 260
 regulations and, 125, 126, 173, 284–85
 in US, 260, 284
The Federalist Papers (Madison), 249
 Fees, 142
 Financial crises
 complexity and, 156
 government intervention and, 156
 Great Depression, 22, 26, 31, 253
 Great Recession, 76, 109, 318
 moral hazard and, 156–57
 Southeast Asian financial crisis (1997–1998), 109, 243–44
 2007–2008 Financial Crisis. *See* 2007–2008 Financial Crisis
 Financial institutions
 executive compensation in, 168–69
 financial penalties against, 158, 169–70
 influence on governments, 113–14
 regulations and, 126, 155, 157
 rents and, 119
 sanctions against, 157
 “shadow banking,” 108, 119, 242, 329–30
 “too big to fail” and, 84, 119, 168, 169
 in UK, 157
 in US, 126, 157
 Financial instruments, complexity of, 106, 107, 108
 Financial sector
 abuses in, 331
 asymmetry in, 330–31
 complexity of, 329–31
 function of, 330
 rents and, 330
 securitization in, 330
 “shadow financial sector,” 243
 transaction activity in, 330
The Financial Times, 217, 352
 Financial versus real investment, 106–7

432

Fine, Sidney, 18
 Fines, 142
 Finland
 Gini coefficient in, 317
 marginal tax rates in, 376
 Fiscal councils, 72–73, 272
 Fiscal drag, 61
 Fiscal policy, stabilization policies and, 237
 Fiscal rules, 71–72, 272
 Fiscal tools, 38
 Fischer, Stanley, 113–14
 Fisher, Irving, 46–47
 Fishing industry, 149–50
 Flat taxes, 381–82
 Fogel, Robert William, 67–68
 Food industry, 114–15, 167
Forbes, 38, 203, 342, 350
 Forte, Francesco, 272
 “Fracking,” 167, 283–84
 France
 authorizations in, 137, 145
 Cour des Comptes, 290
 economic planning in, 27
 ex post income distribution in, 118
 “fake goods” in, 149
 financial accountability in, 291
 French Revolution, 89, 305
 income inequality in, 306
 marginal tax rates in, 376
 occupational licensing in, 125–26
 public spending in, 23–24, 53
 regulations in, 279
 wealth tax in, 342
 welfare policies in, 43, 214
 France, Anatole, 400
 Francis (Pope), 28, 81
 Frazer Institute, 60–61, 173
 Free rider problem, 175–76
 Free trade, 396–97
 Friedman, Milton
 generally, 7–8, 60–61, 394
 on basic minimum income, 212
 on countercyclical policy, 61–62
 on deficits, 72
 on information in exchanges, 114–15
 on irrationality, 141–42
 on Keynes, 70
 on limited role of government, 85, 313–14
 on market, 34
 on taxation, 367–68
 Fundamental law of regulations, 278–79
 Galbraith, John Kenneth, 3, 45–48
 Gangs, 97–98
 Gates, Bill, 196, 326, 356–57

Index

Geithner, Tim, 113–14, 156
 General Electric, 377
General Theory (Keynes), 46–47
 Genetically modified food, 182–83
 Germany
 authoritarian government in, 23
 economic planning in, 27
 “fake goods” in, 149
 Gini coefficient in, 317
 laissez faire in, 18
 marginal tax rates in, 376
 reforms in, 22
 “revolving door policies” in, 335–36
 unions in, 231
 welfare policies in, 218, 219
 welfare states in, 20
 Gini, Corrado, 19
 Gini coefficient. *See also specific country*
 generally, 19, 209
 changes in, 316
 income redistribution and, 219–21, 224, 317
 public spending and, 228–29
 taxation and, 368–69, 371, 382
 tax avoidance and, 331
 Ginsburg, Ruth Bader, 251
 Global government, 121, 260–61
 Globalization
 consumer protection and, 149
 income redistribution and, 205, 385–86
 legal rules and, 261–62
 recessions and, 237
 taxation and, 378
 tax avoidance and, 369–70
 2007–2008 Financial Crisis and, 237
 Global public goods, 120–21
 Goldman Sachs, 113–14, 334
 Goldwater, Barry, 60–61
 Google, 331, 347, 348
 Government failures
 causes of, 69, 73–74
 identification of, 65
 income inequality as, 225
 market failures versus, 313
 market fundamentalism and, 86
 socialism and, 73–74
 Government intervention
 conservatives on, 317–18
 in cotton industry, 325
 debate regarding, 326–27
 direct government intervention, 32–33, 36, 230
 financial crises and, 156
 growth and, 313–14
 Hayek on, 226
 indirect government intervention, 33, 36, 58

- Internet and, 325–26
 libertarians on, 317–18
 non-neutral nature of, 324
 positive effects of, 324
 private income, effect on, 326
 referee, government as, 327
 Smith on, 226, 325
 2007–2008 Financial Crisis and, 156
- Governments
 administrative capability of, 66–68
 financial institutions, influence of, 113–14
 income redistribution and. *See* Income redistribution
 limited role of. *See* Limited role of government
 role of. *See* Role of government
- Graeber, David, 170
- Great Depression, 22, 26, 31, 253
- Great Recession, 76, 109, 318.
See also 2007–2008 Financial Crisis
- Great Wall of China, 136
- Greece
 contingent liabilities in, 140
 economic problems in, 69, 106
 sovereign debt in, 241
- Greed, 312
- “Green budgets,” 293
- Greenspan, Alan, 37, 84
- Growth
 advantages of high growth, 311
 aggregate concept of, 311
 in China, 311, 386–87
 decline in, 227
 effect of regulations on, 158–59
 equitable growth, 310, 312
 government intervention and, 313–14
 income redistribution and, 227, 228
 in India, 386–87
 marginal tax rates and, 227–28, 369
 regulations, effect of, 158–59, 228
 relative poverty and, 226–27
 role of government, 7, 189–90
 social consciousness and, 312
 stabilization policies and, 237
- Guns as externality, 165
- Hagen, Jurgen von, 286
- Haig-Simons principle, 377–79, 397
- Hamburger, Tom, 275
- Hamilton, Alexander, 249, 357–58
- Hammurabi Code, 333
- Hand, Learned, 380
- Hansen, Alvin, 3, 42
- “Happiness,” 311–12
- “Happy Birthday” (song), 355–56
- Harberger, Arnold, 394
- Harley-Davidson, 355–56
- Harvard Business Review*, 363
- Harvard University, 3
- Hausmann, Ricardo, 325
- Hawley, Ellis W., 87
- Hayek, F.A.
 generally, 7–8, 60–61, 394
 in Austrian School, 64
 on Beveridge, 42–43
 on corporatism, 231
 on economic planning, 26–27, 159
 on government intervention, 226
 on income inequality, 227
 on information in exchanges, 93, 112–15
 on limited role of government, 85, 259, 313–14
 on stabilization policies, 189
 on unions, 231
- Health care
 information in, 166
 limited role of government and, 98
 as public good, 180–81
 resistance to changing policies, 222–23
 in US, 208, 222–23, 298
- Hegel, G.W.F., 99, 305–6
- Heller, Walter, 56
- Hemingway, Ernest, 399
- Hicks, John, 378
- High net worth individuals (HNWIs)
 marginal tax rates for, 373–75
 taxation of, 368
 tax avoidance by, 370, 382
- Hitler, Adolf, 2–3, 27
- Hobbes, Thomas, 7–8, 90
- Hollande, François, 113–14
- Hong Kong
 public spending in, 121–22
 taxation in, 381
- Hoover, Herbert, 24–25
- Hoover Dam, 241, 256
- Housing
 mortgage crisis, 107–8, 116, 140–41
 as public good, 180–81
- Hugo, Victor, 358–59
- Hull, Cordell, 25
- Human capital, income redistribution and, 193
- Hume, David, 71
- IBM, 347, 377
- “Idea factories,” 344–45
- “Image rights,” 347–49
- Immigration, 262
- Implementing regulations, 333
- Import duties, 15–16, 34

Incentives

- income redistribution and, 306
- intellectual property and, 362–63, 365
- in Italy, 381
- marginal tax rates and, 83
- as policy tool, 135
- public spending as disincentive, 74–75
- social norms versus, 398
- tax incentives, 135, 380–81

Income effect, 372–73

Income inequality

- generally, 205–6
- overview, 315
- in Argentina, 221
- in bonuses, 82–83, 85–86
- in Brazil, 221
- in China, 221, 227, 322
- conservatives and, 394–95
- “crony capitalism” and, 343
- debate regarding, 322
- democracy and, 400
- dependent workers and, 221, 316, 387
- economic aristocracy and, 117–18
- envy and, 319–21
- in executive compensation, 82–83, 85–86, 105–6
- ex post income distribution and, 118, 119
- externalities and, 321
- in France, 306
- Gini coefficient. *See* Gini coefficient
- as government failure, 225
- Hayek on, 227
- importance of, 393
- increase in, 316
- in India, 221, 227
- intellectual property, effect of, 343–45
- justification of, 105, 117
- Keynes on, 320
- lack of confidence caused by, 387
- legal rules and, 257, 323
- “luck” and, 321–23
- market fundamentalism and, 342–43
- middle class and, 206–7
- national governments, limitations of, 393–94
- negative effects on, 389
- “new aristocracy” resulting from, 399
- Pareto Welfare Criterion and, 318–19
- progressive taxes, and decline in, 343–44
- psychological effects of, 319–21
- public spending and, 228–29
- relative income hypothesis, 319
- removal of conditions of, 118–19
- role of government, 317
- in Russia, 306, 322
- “safety nets,” 207–8
- Smith on, 305, 306, 320, 321

- social acceptance of, 398
- social costs of, 206, 305–6
- spending habits and, 216–17
- taxation and, 368–69, 382
- in UK, 315
- undesirable effects of market on, 322
- unions, and decline in, 342
- urbanization and, 206
- in US, 161–62, 208–9, 221, 224, 227, 315–16, 389, 391–92
- working class and, 206–7

Income redistribution

- allocation of resources versus, 220, 224
- athletes and, 204–5
- basic minimum income, 212
- Burke on, 215, 219, 300, 312–13
- certifications and, 193
- composers and, 203
- debate regarding, 209, 219, 317
- democracy and, 223
- in Denmark, 210
- dependency and, 209–10
- deregulation and, 197
- economic freedom and, 159–60
- education and, 193
- effects on, 191–92
- explicit government actions, 192, 200–1.
- See also* Public spending; Taxation
- ex post income distribution, 118, 119
- general policies, 191
- Gini coefficient and, 219–21, 224, 317
- globalization and, 205, 385–86
- growth and, 227, 228
- historical background, 209, 218–19
- human capital and, 193
- incentives and, 306
- influences on, 220–21
- infrastructure and, 192–93
- institutions responsible for, 224
- intellectual property and, 203–4
- inventors and, 203
- investment activity and, 194
- “invisible hand of government,” 199
- legal rules and, 257
- limited role of government and, 98, 160–61
- market and, 37–38
- as market failure, 111
- market rules and, 194
- market versus, 191
- mechanism of, 210–11
- monetary policy and, 197
- Musgrave on, 220
- “nanny states” and, 209–10
- natural distribution in market and, 198, 326
- non-explicit government actions, 191, 198–200

- opposition to, 200
- performers and, 204–5
- politics and, 219, 221–22
- “poverty traps” and, 209–10
- prior to taxing and spending, 191, 198–200
- progressive taxes and, 228
- proposal regarding, 210–11
- protection of property and, 193–94
- public institutions and, 299
- regulations and, 278
- research and, 194–97
- resistance to changing policies and, 222–23
- role of government, 187, 189, 190, 202
- specific policies, 191
- taxation and, 223–24
- technology and, 385–86
- in US, 200
- value added taxes and, 207, 211, 212
- welfare policies and, 45–46, 48
- in welfare states, 224, 383
- Income tax
 - “architecture,” changes in, 135, 367, 377–79
 - avoidance. *See* Tax avoidance
 - complexity of, 379–82
 - for corporations, 376–77
 - entrepreneurs and, 308
 - evasion, 295–96, 333–34
 - marginal tax rates. *See* Marginal tax rates
 - negative income tax, 212
 - progressive taxes, 52–53, 228, 343–44
 - reduction in, 87
 - revenue growth and, 385
 - stabilization policies and, 238
 - tax expenditures and, 207
 - in US, 19, 24–25, 208
- India
 - Constitution, 270
 - corruption in, 120
 - growth in, 386–87
 - income inequality in, 221, 227
 - mislabeling of fish in, 149–50
- Indirect government intervention, 33, 36, 58
- Individualism, 89, 312–13
- Individualist governments, 65
- Individual versus community rights, 98
- Industrial Revolution, 16–17, 346, 357
- Inequality. *See* Income inequality
- Informal norms, 285–86
- Information
 - asymmetry in, 108, 114–15, 148–49, 165–66, 331–32
 - in exchanges, 93, 112–13
 - in health care, 166
 - legal rules and, 254–55
 - in new markets, 165–66
 - on prices, 167–68, 331–32
 - public institutions and, 296
- Infrastructure
 - entrepreneurs and, 309
 - income redistribution and, 192–93
 - legal rules and, 256
 - limited role of government and, 96
 - in UK, 316–17
 - in US, 234, 316–17
- The Inside Job* (documentary), 337
- Institute for Health Metrics and Evaluation, 390
- Institute of Economic Affairs, 60–61, 79, 394–95
- Institutions. *See* Public institutions
- Intangible property, 94–95, 308
- Intellectual property
 - overview, 341
 - athletes, 204–5, 351–53
 - attempts to extend protection of, 355–56, 359–60
 - attorneys and, 366
 - basic needs and, 351
 - in China, 347, 358
 - composers, 203, 349
 - discovery, effect on, 365
 - entertainment industry, 345, 348, 353
 - in EU, 347
 - executive compensation and, 348, 363–64
 - fashion industry, 345
 - forms of, 347–48
 - government protection of, 94–95, 193–94, 203–4, 308, 356, 358–60, 366
 - historical background, 355
 - “idea factories,” 344–45
 - “image rights,” 347–49
 - incentives and, 362–63, 365
 - income inequality, effect on, 343–45
 - income redistribution and, 193–94, 203–4
 - Industrial Revolution compared, 346, 357
 - inventors, 203
 - in Japan, 347, 358
 - laissez faire and, 359
 - marginal tax rates and, 353–54, 357
 - monopolies and, 345–47, 356, 365
 - patents, 347, 359, 361
 - in pharmaceutical industry, 365–66
 - piracy and, 360
 - rents and, 353
 - role of government, 354
 - social value of, 361–62
 - in South Korea, 347
 - technology and, 356–57
 - theft of, 357–58
 - trade agreements and, 354
 - traditional societies compared, 360–61
 - in UK, 357–58
 - in US, 176, 193, 204, 347, 357–58, 362
 - wealth creation and, 349–51

- Intergovernmental Panel on Climate Change, 316
- Inter-institutional externalities, 290
- International Monetary Fund, 7, 8, 109, 113–14, 296–97, 315–16
- Internet, 325–26
- Inventors, 203
- Investment activity, income redistribution and, 194
- “Invisible hand of government,” 199
- “Invisible hand of market,” 66, 312–13
- Iran hostages, 100–1
- Ireland
 - bubbles in, 331
 - challenges to welfare policies in, 60
 - contingent liabilities in, 138, 140
 - famine in, 218
 - influence of conservatives in, 395
 - marginal tax rates in, 376
 - public spending in, 121–22, 162
 - supply-side economics in, 77
- Irrationality
 - consumer protection and, 148–49
 - effect on market, 79, 83
 - Friedman on, 141–42
 - nudges and, 141–42
 - recessions and, 236
- Islam, 218
- Italian School, 5–6, 63, 65, 178
- Italy
 - allocation of resources in, 188
 - authoritarian government in, 23
 - bureaucracy in, 234
 - Communist Party, 1–2
 - Constitution, 248–50, 266–71
 - Constitutional Commission of Eighteen, 267–68
 - corporatism in, 231
 - corruption in, 120
 - Corte dei Conti, 161, 234, 290, 381
 - economic planning in, 27
 - fascism in, 23, 231, 266–67
 - financial accountability in, 291
 - incentives in, 381
 - influence of conservatives in, 395
 - “Keynesian Revolution” in, 269
 - Labor Charter of 1927, 248
 - marginal tax rates in, 376
 - privatization in, 33–34
 - public ownership in, 135
 - public spending in, 23
 - regulations in, 279
 - sovereign debt in, 241
 - unions in, 23, 231
 - welfare policies in, 214
 - women’s suffrage in, 20
- Japan
 - economic planning in, 27
 - executive compensation in, 364
 - “fake goods” in, 149
 - intellectual property in, 347, 358
 - marginal tax rates in, 376, 377
 - sovereign debt in, 241
- Jefferson, Thomas, 249–50
- Jensen, Michael, 363
- Johnson, Lyndon B., 43, 56, 58, 229
- Journal of Financial Economics*, 363
- Jouvenel, Bertrand de, 45
- Judges, legal rules and, 251
- Justice systems, 295–96
- Kahneman, Daniel, 79
- Keen, Andrew, 325–26
- “Keepers of the gate,” 336
- Kennedy, John F., 2–3, 55–58, 239
- Keynes, John Maynard
 - generally, 7–8
 - on capitalism, 28–30
 - on corporatism, 231
 - countercyclical policy, 61–62
 - decline in influence of, 86–87
 - Galbraith and, 46–47
 - on income inequality, 320
 - on laissez faire, 31–32
 - on market, 37, 38
 - on “new wisdom,” 399–400
 - pessimism of, 28–30
 - on public works, 241
 - on Soviet Union, 27–30, 78
 - on stabilization policies, 70–71, 189, 237
 - on taxation, 245
 - on unions, 230–31
 - on US, 47
 - on welfare states, 383
 - on workers’ rights, 19
- “Keynesian Revolution,” 2, 41, 42, 56, 269, 383
- King, Melvyn, 113–14, 156, 338
- Klein, Lawrence, 42
- Klein, Naomi, 29
- Kornai, Janos, 26
- KPMG International, 376
- Krugman, Paul, 240–41, 342–43
- Kuznets, Simon, 3
- Lady Gaga, 351–52
- Laffer Curve, 74–76, 363, 373–74, 377, 379, 394–95, 397
- Laissez faire, 15–21
 - abandonment of, 43
 - criticism of, 3
 - in Eastern Europe, 35

- energy and, 17
- entrepreneurs and, 307–8
- in Germany, 18
- government and, 65
- Industrial Revolution and, 16–17
- intellectual property and, 359
- Keynes on, 31–32
- in Latin America, 33
- resurgence of, 33–35
- role of state, 15–16, 19–20
- trade and, 17
- in UK, 31
- in US, 17–19, 30, 31
- workers' rights and, 18, 19
- Landis, James, 57–58
- Lange, Oskar, 26
- La Porta, Rafael, 263–64
- Larosiére, Jacques de, 64
- Latin America
 - constitutions in, 250, 271
 - laissez faire in, 33
 - public institutions in, 290
- Laudato Si'* (Francis), 28, 81
- Law and Economics, 183–85
- Law of public expenditure growth, 51, 87
- Laws. *See* Statutes
- le Bon, Gustave, 28
- Legal rules. *See also* Policy tools
 - overview, 132, 247
 - adaptation to change, 248, 259–60, 327, 328
 - arbitrariness of, 247–48
 - attorneys and, 252–53
 - backward-looking nature of, 338
 - Buchanan on, 252
 - bureaucracy and, 253–54
 - changes in, 251–52
 - complexity of, 329, 332–34
 - constitutions. *See* Constitutions
 - democracy and, 134
 - economics and, 252–53
 - expertise required for, 257–58
 - externalities and, 255
 - federalism and, 260
 - general principles versus, 340
 - global government and, 260–61
 - globalization and, 261–62
 - government rules versus social principles, 327–28
 - immigration and, 262
 - income inequality and, 257, 323
 - income redistribution and, 257
 - inconsistent application of, 332
 - individual versus community in, 262
 - informal norms, 285–86
 - information and, 254–55
 - infrastructure and, 256
 - judges and, 251
 - market fundamentalism and, 133–34
 - in modern society, 248
 - moral rules versus, 333
 - national scope of, 260
 - in pre-modern societies, 134
 - problems with, 338–40
 - public goods and, 255
 - quality of public sector, 263–64
 - regulations. *See* Regulations
 - role of government, changes in, 258–59
 - self-regulation of market, 94, 133–34
 - spontaneous generation of, 133–34
 - stabilization policies and, 255–56
 - statutes. *See* Statutes
 - urbanization and, 254
 - weakness of, 70
- Legitimization of market, 85–86
- Lenin, V.I., 322
- Leontief, Wassily, 3, 46–47
- Leo XIII (Pope), 20
- Lex mercatoria*, 99–100, 328
- Liberals
 - on growth and income redistribution, 227
 - regulations and, 160
- Libertarians
 - challenges to welfare policies, 60–61
 - on government intervention, 317–18
 - “libertarian paternalism,” 141–42
 - on limited role of government, 99–100, 259
 - regulations, opposition to, 153–54, 278
 - on safety-related regulations, 147
- Life expectancy, 390–91
- Limited role of government
 - generally, 85
 - Buchanan on, 85, 313–14
 - conservatives on, 99–100, 259
 - criminal law and, 95–96
 - Friedman on, 85, 313–14
 - Hayek on, 85, 259, 313–14
 - health care and, 98
 - income redistribution and, 98, 160–61
 - infrastructure and, 96
 - libertarians on, 99–100, 259
 - market fundamentalism and, 80, 159
 - ministrant functions, 98–99
 - nudges and, 97
 - protection of property and, 94–96
 - public spending and, 96
 - Smith on, 99
 - social contract and, 89–91
 - social needs and, 96–97
 - in UK, 98
 - urbanization, effect of, 97
 - in US, 98

- Lincoln, Abraham, 328, 340
- Lobbyists
- defense spending and, 178–79
 - former government employees as, 113, 173
 - genetically modified food and, 182–83
 - power of, 336–38
 - problems with, 339
 - regulations and, 171, 173, 280
 - restrictions on, 119
- Locke, John, 7–8
- Lopokova, Lydia, 27–28
- Louis XIV (France), 291
- Lucas, Robert, 38, 85, 160–61, 313–14, 378–79, 394
- “Luck,” income inequality and, 321–23
- Luxemburg, marginal tax rates in, 376
- Maastricht Stability and Growth Pact, 273
- Machiavelli, Niccolò, 183
- Madison, James, 202, 249–50
- Mafia, 97–98
- Maginot Line, 338
- Mandated disclosures, 127–28
- Mao Zedong, 322
- Marat, Jean-Paul, 160
- Marginal tax rates. *See also specific country*
- for corporations, 376–77
 - for dependent workers, 373
 - empirical importance of, 371
 - growth and, 227–28, 369
 - for higher wage workers, 373
 - for high net worth individuals (HNWIs), 373–75
 - incentives and, 83
 - income effect and, 372–73
 - intellectual property and, 353–54, 357
 - loopholes and, 377
 - for lower wage workers, 372–73
 - “poverty traps” and, 209–10
 - reduction in, 201, 367, 371, 375–77
 - reputational motive and, 374–75
 - substitution effect and, 372–73
- Market distortion, 167
- Market-enhancing regulations, 150–51
- Market failures
- government failures versus, 313
 - identification of, 41, 49–50
 - income redistribution as, 111
 - normative approach to role of government and, 110–11
 - public spending and, 121–22
- Market fundamentalism
- generally, 39
 - faith in, 78
 - government failures and, 86
 - income inequality and, 342–43
 - legal rules and, 133–34
 - limited role of government and, 80, 159
 - public spending and, 35–36
 - regulations and, 158, 160
 - in UK, 35–36
 - in US, 35–36
- Market manipulations
- overview, 226
 - government correction of markets, 226, 229–30
 - by individuals, 231–32
 - “shadow control,” 232
 - “termites of the state,” 232
- Market-ruled society, 80–81
- Marx, Karl, 218–19, 322
- “Mathism,” 79
- Mazzucato, Mariana, 196
- McAfee, Andrew, 356–57
- McKinsey Global Institute, 391
- Meckling, William, 363
- Memoire sur le paupérisme* (Tocqueville), 210
- Mercantilism, 70, 123
- Messi, Lionel, 352
- Mexico
- economic planning in, 27
 - Gini coefficient in, 317
 - regulations in, 282
- Microsoft, 347
- Middle class, income inequality and, 206–7
- Milanovic, Branko, 227
- Mill, John Stuart, 147, 212, 312, 342
- Minimal role of state. *See* Limited role of government
- Minimum wages, 145–46
- Ministrant functions, 98–99
- “Misery index,” 61
- Mises, Ludwig von, 64, 70–71, 258
- Mitterrand, François, 342
- Modernity, problems of, 153
- Modigliani, Franco, 3
- Mokyr, Joel, 346
- Monetary policy
- central banks and, 188
 - importance of, 395–96
 - income redistribution and, 197
 - stabilization policies and, 238, 242, 244
- Monopolies
- intellectual property and, 345–47, 356, 365
 - market distortion and, 167
 - natural monopolies, regulations and, 147
 - “too big to fail” and, 79–80
- Monopolistic governments, 65
- Montesquieu, 218, 305
- Moral hazard, 138, 156–57, 255–56
- Moral rules versus legal rules, 333

- Morris, Charles R., 357–58
 Mortgage crisis, 107–8, 116, 140–41
 Mundell, Robert, 394
 Musgrave, Richard
 generally, 3–5, 7–8
 on constitutions, 266
 on import duties, 15–16
 on income redistribution, 220
 on public goods, 176–77
 on regulations, 278
 on role of government, 110, 162, 168, 187, 189
 in School of Public Choice, 5, 6
 Mussolini, Benito, 5, 27, 248, 252, 266–67, 279
 Myrdal, Gunnar, 10, 20–21, 51–52, 64, 111, 118
- “Nanny states,” 209–10
 Napoleon, 267–68
 “National champions,” 74, 245–46
 National Rifle Association, 275
 Natural monopolies, regulations and, 147
 Negative income tax, 212
 Netherlands, marginal tax rates in, 376
 “New aristocracy,” 399
 “New wisdom,” 399–400
 New Zealand
 challenges to welfare policies in, 60
 influence of conservatives in, 395
 marginal tax rates in, 376
 public institutions in, 291, 292
 public ownership in, 136
 public spending in, 121–22, 162
 regulations in, 174
 supply-side economics in, 77
 “Nirvana error,” 151
 Nitti, F.S., 28
 Non-basic goods, 48
 Non-basic needs, 45–46
 Normative approach to role of government
 generally, 3–4, 313–14
 complexity and, 110
 market failures and, 110–11
 politics and, 111
 in US, 110
 North, Douglass C., 265
 Norway
 executive compensation in, 364
 public spending in, 162
 welfare policies in, 50
 Nozick, Robert, 7–8, 60–61, 98
 Nudges, 36, 65, 97
 Nuisance regulations, 144–45
- Obama, Barack, 9, 98, 196–97, 208, 275
 Occupational licensing, 124–26
- Occupy Wall Street, 29
 Oceana (NGO), 149–50
 Oil crisis, 6–7
 Olson, Mancur, 71, 130, 183, 339
 “On Liberty” (Mill), 147
 Oracle, 347
 Organization of Economic Co-operation and Development (OECD), 149, 241–42, 278, 296–97
 Outsourcing, 112
- Pacioli, Luca, 291
 Pakistan, Constitution, 270
 Panama Papers, 370
 Pareto, Vilfredo, 28, 37, 63, 318–19
 Pareto Optimum, 217–18
 Pareto Welfare Criterion, 318–19
 Patents, 347, 359, 361
 Paternalistic governments, 65
 Paternalistic regulations, 36
 Peacock, Alan, 5, 6, 60–61, 313–14
 Pensions
 resistance to changing policies, 222–23
 in US, 222–23
 Performance-based compensation, 363–64
 Performers, 204–5
 Persson, Torsten, 286
 Peru, Gini coefficient in, 317
 Pharmaceutical industry, 115–17, 158, 365–66
 Pharmaceutical Research and Manufacturers of America, 171
 Phillips curve, 61
 Pigou, A.C., 184, 185
 Piketty, Thomas, 340–42
 “Piñata capitalism,” 115
 Piracy, 360
 Plato, 302, 305
 Plutarch, 218, 302
 Policy tools
 overview, 142–43
 authorizations, 137, 144–45
 certifications, 137
 conscription, 136
 contingent liabilities, 137–41
 expropriation, 136
 fees and fines, 142
 nudges, 141–42. *See also* Nudges
 public ownership, 135–36
 regulations, 141. *See also* Regulations
 rezoning, 136
 tax expenditures, 135
 tax incentives, 135
 tax levels, 135
 tax structures, 135
 “Political market,” 334

- Populism, 74, 340, 387–88
 Posner, Richard A., 129, 184–85
 Poterba, James M., 286
 Poverty
 absolute poverty, 216
 envy and, 216–18
 externalities and, 216–17
 relative poverty, 216, 226–27
 “Poverty traps,” 209–10
 Prada, 347
 Prices
 controls on, 145–46
 information on, 167–68, 331–32
 Prince, 351–52
 Privatization, 33–34, 85, 397
 Production, 45
 Productivity, effect of regulations on, 158–59
 Progressive taxes, 52–53, 228, 343–44
Project Syndicate, 325
 Property
 criminal law and, 95–96
 government protection of, 94–96, 193–94, 202, 308
 intangible property, 94–95, 308
 intellectual property. *See* Intellectual property
 protection of, 94–96, 193–94, 202
 real property, 95, 308
 tangible property, 94
 Protection of property, 94–96, 193–94, 202
 Proudhon, Pierre-Joseph, 218–19
 Psychological effects of income inequality, 319–21
Psychologie du Socialisme (le Bon), 28
 Public assistance. *See* Welfare policies
 Public employees, 232–33, 235, 291–92
 Public goods
 overview, 175
 defense spending as, 175–78
 education as, 180–81
 externalities and, 181–82
 free rider problem, 175–76
 global public goods, 120–21
 health care as, 180–81
 housing as, 180–81
 legal rules and, 255
 Musgrave on, 176–77
 NASA as, 179
 public spending, necessity of, 176–77
 pure public goods, 175, 177–78
 quasi-public goods, 180–81
 research as, 179–80
 Samuelson on, 175–77
 in UK, 180
 welfare as, 181
 Public institutions. *See also specific country*
 overview, 287
 accrual accounting and, 293
 audits, 290–91
 bureaucracy and, 297–98
 cash accounting and, 292–93
 corruption and, 296–97
 efficiency of, 299
 enforcement mechanisms, 289–91
 evaluation of public services, 293–95
 factors affecting, 287
 financial accountability, 291
 first-generation reforms, 300–1
 holistic approach to, 290
 income redistribution and, 299
 information and, 296
 inter-institutional externalities, 290
 justice systems, 295–96
 “market-augmenting” nature of, 299
 output, focus on, 291–92
 performance, focus on, 291–92
 recommendations regarding, 299
 role of government and, 298–300
 second-generation reforms, 300–1
 spillovers, 290
 synergy in, 289
 tax administration, 287–89
 transparency and, 296–97
 weakness in, 69–70
 Public interest, 131
 Public ownership, 135–36
 Public private partnerships, 106, 112, 137–38
 Public sector compensation, 83, 129–30
 Public spending. *See also specific country*
 apparatus responsible for, 188, 233
 as disincentive, 74–75
 Gini coefficient and, 228–29
 historical overview, 23–24, 35–36
 income inequality and, 228–29
 increases in, 384
 law of public expenditure growth, 51, 87
 limited role of government and, 96
 market failures and, 121–22
 market fundamentalism and, 35–36
 optimal level, 220
 public goods, necessity in, 176–77
 stabilization policies and, 240–41, 244
 value added taxes and, 53
 welfare policies and, 51, 53, 232–33
 Public works, stabilization policies and, 241
 Pure public goods, 175, 177–78
 Putnam, D., 261
 Puviani, Amilcare, 39, 52
 Pyramids, 136

- Quality of public sector, 263–64
 Quantitative easing, 109, 197, 244
 Quasi-fiscal regulations, 151
 Quasi-public goods, 180–81
- Rakoff, Jed S., 252–53
 Rational expectations, 62, 86–87, 394–96
 Rationing, 145–46
 Reagan, Ronald, 33, 40, 59, 61, 71–72, 77, 87, 358, 375, 377–78, 398
 Real property, 95, 308
 Real versus financial investment, 106–7
 Recessions
 overview, 236
 causes of, 236–37
 globalization and, 237
 irrationality and, 236
 Redistribution of income. *See* Income redistribution
 “Red tape,” 124, 228, 253–54, 297–98
 Referee, government as, 310, 327
 Regulations. *See also specific country*
 overview, 144
 abuse of, 124
 adaptation to change, 282
 banks and, 126
 civic associations and, 130, 154
 complexity of, 170–72, 278
 conservative opposition to, 160, 278
 consumer protection regulations, 148–50
 correcting or reducing externalities through, 147
 corruption and, 124, 280
 creation of, 277
 debates regarding, 154, 170
 demand, effect on, 128–29
 democracy and, 134
 dependent workers and, 23
 deregulation
 overview, 87–88
 economic freedom and, 86
 income redistribution and, 197
 potential for future crises and, 108, 109
 in US, 82
 discretion and, 151–52
 economic freedom, effect on, 130–31
 economic impact of, 276–77
 essential regulations, 280–81
 evolution of, 123, 124
 excessive regulations, 279
 externalities and, 164, 281–82
 failure of, 171–73
 federalism and, 125, 126, 173, 284–85
 financial institutions and, 126, 155, 157
 fundamental law of, 278–79
 growth, effect on, 158–59, 228
 implementing regulations, 333
 income redistribution and, 278
 institutional reforms, 173–74
 liberals and, 160
 libertarian opposition to, 153–54, 278
 lobbyists and, 171, 173, 280
 mandated disclosures, 127–28
 market-enhancing regulations, 150–51
 market fundamentalism and, 158, 160
 as mercantilism, 123
 Musgrave on, 278
 natural monopolies and, 147
 negative effects of, 124, 128
 “nirvana error,” 151
 nuisance regulations, 144–45
 occupational licensing and, 124–26
 opposition to, 123, 129, 153–55, 160, 170, 278, 282–83
 as policy tool, 141
 politics and, 278–80
 productivity, effect on, 158–59
 public interest and, 131
 quasi-fiscal regulations, 151
 recommendations regarding, 283
 “red tape,” 124, 228
 rents and, 124–25
 review of, 172, 284
 safety-related regulations, 146–47
 scientific studies and, 281
 second-best regulations, 145–46
 “single window” system, 284–85
 social costs of, 282
 social regulations, 146
 urbanization, effect of, 130
 Regulatory budget, 284
 Regulatory capture, 129, 172–73
 Relative income hypothesis, 319
 Relative poverty, 216, 226–27
 Religious trust in market, 37, 78, 396
 Rent control, 145–46
 Rents
 “crony capitalism” and, 112
 financial institutions and, 119
 financial sector and, 330
 intellectual property and, 353
 regulations and, 124–25
 Reputational motive, 374–75
Rerum Novarum (Leo XIII), 20
 Research
 income redistribution and, 194–97
 as public good, 179–80
 in US, 194–97
 Rezoning, 136

Ricardian equivalence hypothesis, 62–64,
 86–87, 394–95
 Ricardo, David, 63
The Road to Serfdom (Hayek), 26–27
 Rockefeller, Jay, 335
 Role of government
 overview, 1–11
 allocation of resources, 187–88, 211–12.
 See also Allocation of resources
 Burke on, 160, 189
 employment and, 189–90
 growth and, 7, 189–90
 income inequality and, 317
 income redistribution, 187, 189, 190, 202.
 See also Income redistribution
 intellectual property and, 354
 legal rules, changes in, 258–59
 limited role. *See* Limited role of government
 Musgrave on, 110, 162, 168, 187, 189
 normative approach to
 generally, 3–4, 313–14
 complexity and, 110
 market failures and, 110–11
 politics and, 111
 in US, 110
 public institutions and, 298–300
 Samuelson on, 110, 400
 stabilization policies, 187, 189, 211–12. *See also*
 Stabilization policies
 tutorial role, 65, 141–42, 162, 189–90
 Romney, Mitt, 379
 Ronaldo, Cristiano, 351–52
 Roosevelt, Franklin D., 4, 22, 24–25, 31, 43–45,
 47, 48, 82, 157, 253
 Roosevelt, Theodore, 18
 Rousseau, Jean-Jacques, 7–8, 89, 218, 305
 Rubin, Robert, 84
 Rule of law, 247–48, 265
 Rules. *See* Legal rules
 Russia. *See also* Soviet Union
 corruption in, 120
 income inequality in, 306, 322
 taxation in, 381–82
 “Safety nets,” 207–8
 Safety-related regulations, 146–47
 Samsung Electronics, 347
 Samuelson, Paul
 generally, 3, 56
 on discretion, 71
 on disincentives, 48–49
 on fiscal rules, 272
 on public goods, 175, 176–77
 on role of government, 110, 400
 Sandel, Michel, 34, 80–81

Scalia, Antonin, 251, 274–75, 345, 359
 Scandinavia
 labor participation in, 47
 marginal tax rates in, 376
 public spending in, 53
 regulations in, 174
 welfare policies in, 43, 214
 Schlesinger, Arthur M., Jr., 32
 School of Public Choice, 5–6, 62, 69, 72, 110,
 313–14, 396
 Schumpeter, Joseph, 111
 Scienza delle Finanze (Italian School), 5–6, 63,
 65, 178
 Second-best regulations, 145–46
 Securitization, 330
 Self-regulation of market, 94, 133–34
 Seligman, Edwin, 380
 Sen, Amartya, 7–8, 159–60, 299–300
 Seneca, 102
 “Shadow banking,” 108, 119, 242, 329–30
 “Shadow financial sector,” 243
 “Shadow fiscal policy,” 38–39
 “Shadow governments,” 202
 Sharapova, Maria, 351–53
 Shiller, Robert J., 116
 Silicon Valley, 344–45
 Simons, Henry C., 119
 Singapore
 public spending in, 121–22, 162
 regulations in, 174
 taxation in, 381
 Sinn, Hans-Werner, 20, 108
 Slavery, 249–50, 265–66
 Smith, Adam
 generally, 7–9, 12, 189
 on constitutions, 270
 on dishonesty, 79
 on entrepreneurs, 307
 on government intervention, 226, 325
 on income inequality, 305, 306, 320, 321
 individualism and, 89
 “invisible hand of market,” 66, 312–13
 on limited role of government, 99
 on mercantilism, 70, 123
 on social consciousness, 312
 on specialization, 91–92
 Smoking as externality, 164
 Social consciousness, growth and, 312
 Social contract, 89–91
 Social costs of income inequality, 206
 Socialism
 government failures and, 73–74
 public ownership and, 135
 types of, 28
 Socialization of loss, 83–84

- Social programs. *See* Welfare policies
 Social regulations, 146
 Social responsibilities of corporations, 398
 “Soft budgets,” 71, 138
 Solow, Robert, 3, 56
 Sony, 347
 Sorensen, Theodore, 2–3
 Southeast Asian financial crisis (1997–1998), 109, 243–44
 South Korea
 intellectual property in, 347
 public spending in, 121–22, 162
 Sovereign debt
 Buchanan on, 64
 easy credit and, 106
 in Greece, 241
 growth in, 64
 in Italy, 241
 in Japan, 241
 size of, 109
 stabilization policies and, 241–42, 244–45
 Soviet Union. *See also* Russia
 Constitution, 266
 economic challenges from, 2–3
 economic planning in, 26
 Keynes on, 27–30, 78
 Spain
 authoritarian government in, 23
 bubbles in, 331
 contingent liabilities in, 138
 influence of conservatives in, 395
 marginal tax rates in, 376
 Specialization, 91–92
 Spending. *See* Public spending
 Spillovers, 290
 Sputnik, 2
 Stabilization policies, 55–59
 aggregate demand and, 239, 240
 asymmetry in, 62
 central banks and, 243, 244
 employment and, 237
 executive versus legislative approaches, 241
 expertise required in, 240
 fiscal policy and, 237
 growth and, 237
 Hayek on, 189
 income tax and, 238
 initial conditions and, 241–42
 Keynes on, 70–71, 189, 237
 legal rules and, 255–56
 monetary policy and, 238, 242, 244
 “national champions” and, 245–46
 problems with, 239–40
 public spending and, 240–41, 244
 public works and, 241
 role of government, 187, 189, 211–12
 skepticism toward, 395–96
 sovereign debt and, 241–42, 244–45
 stimulus and, 239–40, 242
 structural policies and, 238–39
 taxation and, 56–57, 238, 240–41
 in UK, 59
 in US, 55–59
 value added taxes and, 240
 Stalin, Josef, 266, 267
 Standard and Poor, 106
 Starbucks, 334
 Statutes
 overview, 273
 complexity of, 274–75
 excessive volume of, 273
 legal inconsistency, 273–74
 length of, 274–75
 problems with, 273–75
 recommendations regarding, 275
 simplification of, 275–76
 in US, 276
 “Stealth taxes,” 144
 Steiner, Arthur H., 267
 Stigler, George, 60–61, 85, 129, 184, 313–14, 394, 400
 Stimulus, 239–40, 242
 “Stress tests,” 108
 Strikes, 19
 Strindberg, August, 302
 Structural policies, stabilization policies
 and, 238–39
 Subsidies, 33
 Substitution effect, 372–73
 Summers, Larry, 84, 378–79
 Supply-side economics, 33, 74–78, 395, 397
 Surrey, Stanley, 135, 380
 Suskind, Ron, 9
 Sweden
 ex post income distribution in, 118
 executive compensation in, 364
 influence of conservatives in, 395
 marginal tax rates in, 376
 public spending in, 162, 190
 taxation in, 190, 371, 381
 Switzerland
 Constitution, 272
 “fake goods” in, 149
 fiscal rules in, 71
 public spending in, 121–22, 162
 Systemic risk, 155, 168
 Tabellini, Guido, 286
 Tacitus, 102

- Taiwan, public spending in, 121–22
 Tangible property, 94
 Tanzi, Vito, 1–11
 Taxation. *See also specific country*
 administration of, 287–89
 apparatus responsible for, 188, 233
 “architecture,” changes in, 135, 367, 377–79, 397
 avoidance. *See* Tax avoidance
 “betterment taxes,” 194
 collection of, 188
 complexity of, 367–68, 379–82
 of corporations, 161
 efficiency of, 188
 entrepreneurs and, 309
 evasion, 295–96, 333–34
 fees and fines, 368
 flat taxes, 381–82
 Friedman on, 367–68
 Gini coefficient and, 368–69, 371, 382
 globalization and, 378
 Haig-Simons principle, 377–79
 of high net worth individuals (HNWIs), 368
 income inequality and, 368–69, 382
 income redistribution and, 223–24
 income tax. *See* Income tax
 increases in, 384
 Keynes on, 245
 loopholes, 331, 333–34
 marginal tax rates. *See* Marginal tax rates
 negative income tax, 212
 progressive taxes, 52–53, 228, 343–44
 rates, 135
 reduction of, 77, 87
 social contract and, 90–91
 social costs of, 189
 stabilization policies and, 56–57, 238, 240–41
 statutory rates versus effective rates, 367–68, 377
 “stealth taxes,” 144
 tax expenditures, 52–53, 134, 135, 232–33, 380–81
 tax incentives, 135, 380–81
 value added taxes
 income redistribution and, 207, 211, 212
 public spending and, 53
 revenue growth and, 385
 stabilization policies and, 240
 voluntariness of, 90–91
 wealth tax, 341–42
 welfare policies and, 45, 48–49
 Tax avoidance
 Gini coefficient and, 331
 globalization and, 369–70
 by high net worth individuals (HNWIs), 370, 382
 rise in, 379
 tax competition, 370, 378
 tax evasion versus, 333–34
 tax havens, 369–70, 378
 tax planning, 368, 369, 381
 “Taxman” (song), 53
 Taylor, Fred M., 26
 Ten Commandments, 79, 328
 “Termites of the market,” 119–20, 199
 “Termites of the state,” 119–20, 198, 199, 232, 264, 314
 Thatcher, Margaret, 33, 59, 64, 77, 87, 98, 180, 398
The Theory of Moral Sentiments (Smith), 312, 321
The Theory of Public Finance (Musgrave), 176–77, 187
 Think tanks, 336–38, 394–95
 “Third Way,” 395
 Tinbergen, Jan, 82, 381
 Tobin, James, 4, 56, 272
 Tocqueville, Alexis de, 7–8, 89, 210, 400
 “Too big to fail”
 financial institutions and, 84, 119, 168, 169
 monopolies and, 79–80
 moral hazard and, 138, 156–57
 Trade, 34
 Trade agreements, 354
 Traditional justice, 100
 Transaction activity in financial sector, 330
 Transparency, public institutions and, 296–97
 Transparency International, 120, 297
 Truman, Harry, 43
 Trump, Donald, 129, 150, 316–17, 335, 340, 345
 Tullock, Gordon, 313–14
 Tutorial role of government, 65, 141–42, 162, 189–90
 2007–2008 Financial Crisis
 generally, 333
 deregulation and, 109
 easy credit and, 107–8
 globalization and, 237
 government intervention and, 156
 Southeast Asian financial crisis (1997–1998) compared, 243–44
 Ukraine, Gini coefficient in, 317
 Unemployment compensation, 237–38
 Unions
 decline in, 398
 in Germany, 231
 government control of, 23
 Hayek on, 231
 historical background, 19
 importance of, 23
 income inequality and decline in, 342

- in Italy, 23, 231
- Keynes on, 230–31
- in US, 342
- United Kingdom
 - Beveridge Report, 41–43, 50
 - Brexit, 279
 - challenges to welfare policies in, 60, 61
 - economic planning in, 27
 - entrepreneurs in, 307
 - executive compensation in, 364
 - financial institutions in, 157
 - income inequality in, 315
 - infrastructure in, 316–17
 - intellectual property in, 357–58
 - laissez faire in, 31
 - limited role of government in, 98
 - marginal tax rates in, 376, 377
 - market fundamentalism in, 35–36
 - Poor Laws, 50
 - progressive taxes in, 53, 343–44
 - public goods in, 180
 - public ownership in, 135
 - regulations in, 279
 - “revolving door policies” in, 335–36
 - stabilization policies in, 59
 - supply-side economics in, 76–78, 395
 - taxation in, 53, 371
 - welfare policies in, 214, 219
 - welfare state in, 41–42
 - women’s suffrage in, 20
- United States
 - administrative capability of governments in, 67–68
 - Affordable Care Act, 208, 213, 274–75
 - Agriculture Department, 126, 127, 194–95
 - Aid to Dependent Children, 207
 - authorizations in, 145
 - balanced budget rules in, 73
 - bureaucracy in, 233
 - Census Bureau, 391–92
 - central bank in, 49, 188, 244
 - challenges to welfare policies in, 60, 61
 - Children’s Health Insurance Program, 213
 - Child Support Program, 213
 - Clean Air Act, 276
 - Clean Energy Act, 276
 - Clean Water Act, 276
 - Code of Federal Regulations, 126–27, 172, 277
 - Community Health Centers, 213
 - Congressional Budget Office, 72–73, 180–81, 380
 - Constitution
 - generally, 99, 250, 270
 - amendment of, 250
 - Bill of Rights, 43–44
 - general principles, 268
 - intellectual property and, 176, 193, 362
 - slavery and, 249–50
 - workers’ rights and, 250
 - Consumer Financial Protection Bureau, 128
 - consumption in, 316
 - contingent liabilities in, 138, 140–41
 - corporate taxation in, 161
 - Council of Economic Advisors, 56
 - Credit Card Accountability Responsibility and Disclosure Act of 2009, 128
 - Declaration of Independence, 43–44, 99
 - Defense Advanced Research Project Agency (DARPA), 194–95
 - Defense Department, 334
 - defense spending in, 178
 - dependent workers in, 250
 - deregulation in, 82
 - Dodd-Frank Wall Street Reform and Consumer Protection Act, 109, 126, 128
 - Economic Opportunity Act of 1964, 213
 - Economic Report of the President (1962), 56, 71
 - education in, 208
 - entrepreneurs in, 307
 - Environmental Protection Agency, 183, 276, 277, 281
 - executive compensation in, 169, 363, 364
 - ex post income distribution in, 118
 - “fake goods” in, 149
 - Fannie Mae, 138, 140–41
 - federalism in, 260, 284
 - Federal Register, 126–27, 277
 - Federal Reserve Bank, 49, 244
 - Federal Reserve System, 19, 113, 334
 - fees and fines in, 142
 - financial institutions in, 126, 157
 - financial penalties in, 169–70
 - “fireside chat,” 43–45, 48, 50
 - Food and Drug Administration, 276
 - food stamps, 206, 213, 221
 - Freddie Mac, 138, 140–41
 - Full Employment Act of 1948, 49
 - Gini coefficient in, 317, 391–92
 - Government Accountability Office (GAO), 290
 - guns in, 165
 - Head Start, 213
 - Health and Human Services Department, 127, 213
 - health care in, 208, 222–23, 298
 - income inequality in, 161–62, 208–9, 221, 224, 227, 315–16, 389, 391–92
 - income redistribution in, 200

- United States (*cont.*)
 income tax in, 19, 24–25, 208
 infrastructure in, 234, 316–17
 intellectual property in, 176, 193, 204, 347, 357–58, 362
 Internal Revenue Service, 276, 372
 Joint Economic Committee, 2
 Justice Department, 126, 169–70
 “Keynesian Revolution” in, 42, 56
 laissez faire in, 17–19, 30, 31
 Landis Report, 57–58
 life expectancy in, 390–91
 limited role of government in, 98
 Low Income Home Energy Assistance Program, 213
 marginal tax rates in, 375–77
 market fundamentalism in, 35–36
 Medicaid, 166, 180–81, 213, 221
 Medicare, 166, 213
 “military-industrial complex” in, 178
 National Aeronautics and Space Administration (NASA), 179, 194–95
 National Ambient Air Quality Standards (NAAQS), 277, 281
 National Institutes of Health, 194–95
 National Strategic Computing Initiative, 196–97
 New Deal, 4, 22, 32, 67–68, 207
 normative approach to role of government in, 110
 occupational licensing in, 125–26
 Outdoor Recreation Review Commission, 3
 Patent and Trademark Office, 347
 Pension Protection Act of 2006, 128
 pensions in, 222–23
 populism in, 74
 Progressive Era, 18, 223
 progressive taxes in, 52–53, 343–44
 protection of property in, 202
 public ownership in, 135, 136
 public spending in, 23–24, 40–41, 77–78, 190
 regulations in, 173, 276, 277, 279
 research in, 194–97
 “revolving door policies” in, 335–36
 Safe Drinking Water Act, 276
 “safety nets” in, 207–8
 safety-related regulations in, 146–47
 “Second Bill of Rights,” 43–45
 Securities Act of 1933, 57
 Securities and Exchange Commission, 84–85, 276
 Securities Exchange Act of 1934, 57
 Sixteenth Amendment, 24
 slavery in, 249–50, 265–66
 stabilization policies in, 55–59
 statutes in, 274–75, 276
 stimulus in, 239–40
 Supplemental Nutrition Assistance Program, 126, 316
 supply-side economics in, 76–78, 395
 Supreme Court, 251, 253, 267–69
 taxation in, 52–53, 190, 367, 368, 371, 380
 tax expenditures in, 232–33, 380–81
 tax reduction in, 77, 87
 Treasury Department, 127, 334
 unions in, 342
 upward mobility in, 391
 “War on Poverty,” 43, 48, 56, 58, 229, 388
 welfare policies in, 43–45, 212–14
 Women, Infants and Children (WIC), 213
 Universal welfare programs, 214
 Upward mobility, 391
 Urban Institute, 368
 Urbanization
 externalities and, 91, 163–64
 income inequality and, 206
 legal rules and, 254
 limited role of government, effect on, 97
 regulations, effect on, 130
 U.S. Tax Foundation, 233
 U.S. Tax Policy Center, 372
 Value added taxes
 income redistribution and, 207, 211, 212
 public spending and, 53
 revenue growth and, 385
 stabilization policies and, 240
 Vaughan, Floyd L., 359
 Venice (Republic), welfare policies in, 50
 Verizon, 377
 Vermeulen, Freck, 363, 364
 Vivaldi, Antonio, 203
 Volcker, Paul, 157
 Wagner, Adolph, 218, 278–79
 Wallstein, Peter, 275
Wall Street Journal, 394–95
 Walt Disney, 347
 Wapshott, Nicholas, 42
 Washington Consensus, 39, 81–82, 84–85, 230, 395
 Wealth creation. *See* Entrepreneurs
The Wealth of Nations (Smith), 189, 312, 320
 Wealth tax, 341–42
 Weber, Max, 70, 71, 73
 Weingast, Barry, 265
 Welfare policies
 abuses in, 214
 in Belgium, 214

Index

447

- benefits of, 54, 384
- Beveridge Report and, 41–42
- in Brazil, 212
- challenges to. *See* Challenges to welfare policies
- charity versus, 50, 214–15
- democracy and, 384
- in Dutch Republic, 50
- economic problem and, 45, 47
- entitlements, 50–51
- fiscal expansion and, 49
- in France, 43, 214
- in Germany, 218, 219
- goals of, 49–50
- historical background, 218
- income redistribution and, 45–46, 48
- in Italy, 214
- in Norway, 50
- opposition to, 388
- public good, welfare as, 181
- public spending and, 51, 53, 232–33
- resistance to changing, 222–23
- in Scandinavia, 43, 214
- skepticism toward, 396
- taxation and, 45, 48–49
- tax expenditures and, 52–53
- in UK, 214, 219
- universal welfare programs, 214
- in US, 43–45, 212–14
- Welfare states
 - generally, 231, 388
 - in Germany, 20
 - income redistribution in, 224, 383
 - Keynes on, 383
 - rise of, 32–33
 - in UK, 41–42
- Williams, Serena, 351–52
- Wilson, Woodrow, 18, 24–25, 98–99
- Women's suffrage, 20
- Woodward, Llewellyn, 66
- Workers' rights, 18, 19, 23, 250
- Working class, income inequality and, 206–7
- Working hours, 146
- World Bank, 145, 224, 284, 294, 296–97
- World Trade Organization, 34, 276, 360
- Wuthnow, Robert, 339
- Zuckerberg, Mark, 326, 356–57