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Nota di contenuto	<p>Contents; I. Introduction; II. The Basic Model; Tables; 1. GDP Level Accounting relative to the U.S; III. The Economic Effects of Government; A. The Base Case; B. The Welfare Effect of Government in International Perspective; Figures; 1. Key Parameters of the Baseline Model by Country, 1970-2001; C. Assessing the Fit of the Model; 2. Incremental Welfare Improvement for Different Tax Policies; D. Different Preference Structures; 3. Goodness of Fit over the Period 1970-99; IV. A Role for Efficiency-Enhancing Government; A. Frictions in the Labor Market; 4. Goodness of Fit of the Friction Model</p> <p>B. Labor Market Frictions, Productivity, and Policy 2. Calibrated Vacancy Cost and Match Productivity (1990-99); 3. Bivariate Relations between Labor Market Policies and Efficiency; 5. OLS Regression of Labor Market Efficiency Indicators and Policies; V. Concluding Remarks; References; Appendices; I. Labor Supply in Balanced Growth Models; II. Analysis of Welfare Effects of Different Government Size; III. Introducing Risk Aversion and Capital; IV. Calibrating Labor Market Search Frictions for European Countries Using a Search Model</p>
Sommario/riassunto	<p>An influential strand of recent research has claimed that large governments in European countries explain their weaker long-term economic performance compared to the U.S. On the other hand, despite these alleged costs, large governments have been popular with electorates. This paper seeks to shed light on this apparent inconsistency; it confirms an adverse effect of taxes on labor supply, but also finds evidence of efficiency-increasing government intervention. However, and especially in the core "Rhineland-model" European countries, actual government policies often depart from such efficient interventions, pointing to the possibility that voters prefer redistribution even at the cost of allocational efficiency.</p>