

1. Record Nr.	UNINA9910969850003321
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Titolo	The Size of Government and U.S.-European Differences in Economic Performance // Gerwin Bell, Norikazu Tawara
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2009
ISBN	9786612843129 9781462337613 1462337619 9781452702650 1452702659 9781451872392 1451872399 9781282843127 1282843125
Edizione	[1st ed.]
Descrizione fisica	1 online resource (53 p.)
Collana	IMF Working Papers
Altri autori (Persone)	TawaraNorikazu
Disciplina	332.1
Soggetti	Economic development - Political aspects Economic stabilization - Econometric models Demand and Supply of Labor: General Fiscal Policy Income economics Labor Economics Policies Labor economics Labor Economics: General Labor market policy Labor market Labor markets Labor supply Labor Labour Macroeconomics Manpower policy Marginal effective tax rate Public finance & taxation Tax administration and procedure Tax policy Taxation Taxation, Subsidies, and Revenue: General

Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	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 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
Sommario/riassunto	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.