

Termites of the State

Why Complexity Leads to Inequality

Vito Tanzi

In *Termites of the State*, renowned public economist Vito Tanzi presents a sweeping account of the industrialized world's economic development during the 20th century to today. In the tradition of grand economic histories, Tanzi connects the biggest issues of the modern world including extreme gaps in income distribution; increasing complexity of government actions and regulations; and asymmetry of access to information and to political influence between the elite and the rest of society. Part one covers the growth of state intervention since the early 20th century - a time before income taxes, central banks or social welfare programs. Part two investigates how and why laws and regulations have expanded in industrialized economies. Part three, building from this foundation, explains the forces behind the precipitous rise in global inequality. With a talent for clear, non-technical writing, Tanzi has produced an important book that will be of interest to any instructor, student, or general reader of economics and public policy.

Part I. Changes in the Economic Role of the State in the 20th Century: 1. The age of Laissez Faire; 2. The role of the state between the world wars; 3. The coming of the welfare state; 4. When economists thought they had found Nirvana: welfare policies; 5. When economists thought they had found Nirvana: stabilization policies; 6. Barbarians at the gates: challenges to Nirvana; 7. General rules to guide governments; 8. Giving more freedom to markets; 9. A minimum economic role of the state?; 10. Implications of excessive government withdrawal; Part II. Complexity and the Rise of Termites: 11. The growth of termites; 12. Termites in regulations; 13. An inventory of policy tools; 14. A closer look at regulations; 15. Modernity and growing market termites; 16. The allocation role in modern economies; 17. Public goods and intellectual property; 18. The state and its economic objectives and institutions; 19. The state and the distribution of income; 20. Market operations and income distribution; 21. Poverty, inequality and government policy; 22. Market manipulations and economic outcomes; 23. Termites in the stabilization role; 24. Modern government role and constitutional guidelines; 25. The quality of the public sector and the legal framework; 26. The quality of public institutions; Part III. Equity and Inequality: 27. Wealth creation and government role; 28. Recent concerns about inequality; 29. How should governments intervene?; 30. Intellectual property and income distribution; 31. Historical background on intellectual property; 32. Tax rates, tax structures and tax avoidance; 33. Summing up of past developments; 34. Why worry about income distribution?; References; Index.

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