

Preface

Economists and policymakers aspire to improve living standards and eradicate poverty around the world. While a great deal of progress has occurred in recent decades, countless individuals in developing countries continue to struggle to make ends meet, while many developing countries are experiencing some degree of stagnation in terms of economic growth. Although numerous factors influence economic growth and poverty across nations, the editors and authors of this book firmly believe that the 'rules of the game,' or institutions, are the primary determinants of economic outcomes. While resources, location, climate, population, and numerous other factors that vary across locations impact economic outcomes as well, it is the formal and informal institutions that determine the relative rewards to different activities in society, and ultimately drive differences in economic outcomes.

The determinants of economic development and growth have received a great deal of attention in recent years. Although many authors have contributed valuable insights in this area, two lines of research serve as the inspiration for this book. First, *Institutions, Institutional Change, and Economic Performance* by Douglass C. North (1990) provides the initial discussion of the impact of the institutional environment on economic outcomes. His work offers an overview of the ways in which formal and informal rules shape behaviors and relationships in society. Second, *Entrepreneurship: Productive, Unproductive, and Destructive* by William J. Baumol (1990) highlights the relationship between institutions and entrepreneurial action. Baumol notes that while entrepreneurs exist in all locations around the world, they will be drawn to productive, unproductive, or even destructive activities, depending on the relative rewards from various activities. These two insightful lines of research provide the foundation for understanding the impact of policies on economic outcomes.

The editors and authors of this book aim to provide scholars, policymakers, students, and voters with a basic framework to examine the impact of policies on economic outcomes. Utilizing the foundation developed by North and Baumol, this book specifically explores the impact of public policy on the relative rewards to productive and unproductive behaviors. Examples of both policies that enhance productivity and policies that

deter growth are explored, clearly illustrating the impact of public policy for readers. While the authors readily recognize that there are no one-size-fits-all policy approaches to resolve challenges in diverse locations around the world, they conclude that providing individuals with the freedom to pursue productive entrepreneurial ventures while discouraging unproductive and destructive activities is the key to economic progress. Mitigating poverty and sustaining economic growth are challenging goals. However, the protection of property, freedom of choice, the ability to trade freely, and a competitive environment can provide the foundation for entrepreneurial individuals to best utilize their talents to improve economic outcomes across developed and developing nations alike.