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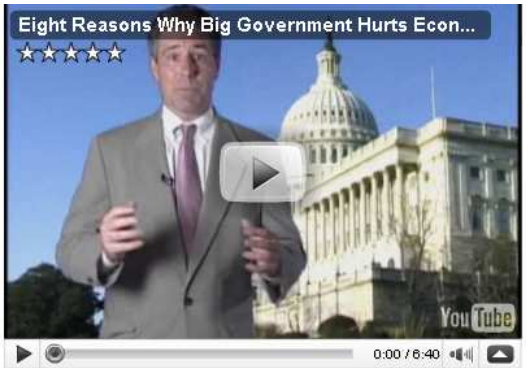
Why Big Government Undermines Economic Growth

By **Mark J. Perry**|Aug 17, 2009, 2:18 PM|Author's Website

In this new video, Dan Mitchell (Cato Institute) explains how and why excessive government spending undermines economic growth.



The chart below displays empirical evidence that confirms the material presented in the video, it's reprinted from the 1998 study The Size and Functions of Government and Economic Growth by James Gwartney, Robert Lawson and Randy Holcombe. The graph shows that as the size of government (share of GDP) increases for OECD countries, economic growth (real GDP) suffers. Economic growth is more than 4 times greater (6.6% vs. 1.6%) in the countries with the lowest government spending (<>60%).

Exhibit 4: Size of Government and the Annual Growth of Real GDP for OECD Countries: 1960-1996