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The Pathology of Privilege: The Economic Consequences of Government Favoritism

Mercatus Research, July 2012

50 Pages

Posted: 17 Aug 2012

Last revised: 18 Oct 2014

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Date Written: July 9, 2012

Abstract

The financial bailouts of 2008 were but one example in a long list of privileges that governments occasionally bestow upon particular firms or particular industries. At various times and places, these privileges have included (among other things) monopoly status, favorable regulations, subsidies, bailouts, loan guarantees, targeted tax breaks, protection from foreign competition, and noncompetitive contracts. Whatever its guise, government granted privilege is an extraordinarily destructive force. It misdirects resources, impedes genuine economic progress, breeds corruption, and undermines the legitimacy of both the government and the private sector.

Keywords: crony capitalism, rent seeking, privilege, unproductive entrepreneurship**JEL Classification:** H1, H2, P1, P5[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2499149_code794801.pdf?abstractid=2130566&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2499149_code794801.pdf?abstractid=2130566&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2499149_code794801.pdf?abstractid=2130566&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2499149_code794801.pdf?abstractid=2130566&mirid=1&type=2)

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