# What Governments Do Economically

Economics

The economic functions of the state, stated neutrally.

*Function and instrument.*

| Function | Addresses | Instruments |
|---|---|---|
| **Allocation** | Market failure | Regulation, tax, public provision |
| **Redistribution** | Distribution of income | Transfers, progressive tax |
| **Stabilisation** | Cycles and shocks | Fiscal and monetary policy |

**Disagreement about the state's size is usually a disagreement about redistribution, not about allocation or stabilisation.**