

21 世纪专业英语系列教程



财政学专业英语

主 编 崔 丹 吴 兵

English Course for Finance

Series of
English Courses
of 21st Century

哈尔滨工程大学出版社

21 世纪专业英语系列教程



财政学专业英语

English Course for Finance

主 编 崔 丹 吴 兵

副主编 朱殿勇 殷敏红 刘惠风

主 审 张铁军

哈尔滨工程大学出版社

内 容 简 介

本教材精选了有一定深度的并且能够系统地阐述财政知识领域的文章和论述,有助于大学财政学学生的专业课学习,为双语教学打好基础。

本教材由20个单元组成,包括财政概念、财政职能、财政支出、投资支出、财政收入、税收理论、税收制度、国家预算、预算管理体制等内容。每个单元均附有练习,便于深入理解课文。本书既适用于财政学专业,也适用于各类财经类专业,同时也可作为职员培训的参考书。

图书在版编目(CIP)数据

财政大学专业英语/崔丹,吴兵主编.—哈尔滨:哈尔滨
工程大学出版社,2007.1

ISBN 978-7-81073-923-8

I.财… II.①崔…②吴… III.财政学-英语-高等学校-教材 IV.H31

中国版本图书馆CIP数据核字(2007)第012447号

出版发行 哈尔滨工程大学出版社
社 址 哈尔滨市南岗区东大直街124号
邮政编码 150001
发行电话 0451-82519328
传 真 0451-82519699
经 销 新华书店
印 刷 哈尔滨工业大学印刷厂
开 本 787mm×960mm 1/16
印 张 22.5
字 数 408千字
版 次 2007年6月第1版
印 次 2007年6月第1次印刷
印 数 1—3000册
定 价 28.00元
<http://press.hrbeu.edu.cn>
E-mail: heupress@hrbeu.edu.cn

当今的中国,正日渐进入主要的工业化国家行列。随着经济持续快速的发展和人均收入水平的迅速提高,对政府服务的需求必将不断上升。本书所论述的财政原理以及以政府支出的分析,在帮助中国的政策制定者实现其提高公共部门运行效率,以解决各种与社会经济增长的有关的社会目标方面,定有裨益。本书主要介绍和阐述财政学的基本理论和基本知识,既适用于财政学专业,也适用于各类财经类专业,同时也可以作为在职干部培训的参考书。

财政学是一门综合性很强的应用学科,它涉及政治、经济以及经济改革、经济发展和政治稳定等诸多方面。本书立足于财税改革的现实基础,突出理论联系实际的特点,比较全面地介绍了财政基本范畴和基本理论,吸收了财政研究的新成果。因此,本书包括财政概念、财政职能、财政支出、投资支出、财政收入、税收理论、税收制度、国家预算、预算管理体制等内容。

本教程由哈尔滨工程大学崔丹、黑龙江生态工程学院吴兵主编。其中,崔丹编写第 10、11、12、13、14、15 单元;吴兵编写第 1、2、3、4 单元;朱殿勇编写第 16、17、18 单元;殷敏红编写第 5、6、7、8、9 单元;刘惠风编写 19、20 单元。

由于编者水平有限,错误和疏漏之处在所难免,希望读者批评指正。

编者

2006 年 10 月

Unit 1	Public Finance and Ideology	1
Unit 2	Analytic Tools of Public Finance	13
Unit 3	The Structure of Government	32
Unit 4	Government and Market	50
Unit 5	Public Finance Expenditure	70
Unit 6	Government Investment Expenditure and Cost – Benefit Analysis ...	81
Unit 7	Government Subsidies and Income Support for the Poor	94
Unit 8	Expenditures on Social Security and Social Insurance	112
Unit 9	Government and Health Care	133
Unit 10	The Study and Practice of Income Tax Policy	150
Unit 11	The Theory of Income Taxation	165
Unit 12	Taxation of Personal Income in the United States	183
Unit 13	Taxation of Corporate Income	207
Unit 14	Taxes on Consumption and Sales	229
Unit 15	Taxes on Wealth, Property, and Estates	250
Unit 16	Optimal Taxation and Government Finance	269
Unit 17	Integrating Allocation and Stabilization Budgets	279
Unit 18	Optimal Taxation and Public Policy	293

Unit 19	National Budget	303
Unit 20	Budgetary Management System	324
Glossary	342
Reference	353

Unit 1

Public Finance and Ideology

Centuries have passed, mixed feelings about government remain, and much of the controversy still centers around its financial behavior. The subject about the taxing and spending activities of government is called public finance. This term is something of a misnomer, because the fundamental issues are not financial (that is, relating to money). Rather, the key problems relate to the use of real resources. For this reason, some authors prefer the label public sector economics or simply public economics.

We focus on the microeconomic functions of government, the way government affects the allocation of resources and the distribution of income. We also will study how government policies affect the incentives of workers, investors, and corporations to engage in productive activities. In economics, however, we study the ways individuals make choices to use scarce resources to satisfy their desires. Also we study the role of markets as a means of establishing prices that influence individual choices to use resources.

Public finance is the field of economics that studies government activities and the alternative means of financing government expenditures. As we study public finance, we will learn about the economic basis for government activities. A crucial objective of the analysis is to understand the impact of government expenditures, regulations, taxes, and borrowing on incentives to work, invest, and spend income. This text develops principles for understanding the role of government in the economy and its impact on resource use and the well-being of citizens.

However, the scope of public finance is sometimes unclear. Governmental regulatory policies have important effects on resource allocation. Such policies have goals that sometimes can be achieved by government spending or taxing measures. For example, if the government wishes to limit the size of corporations, one possible policy is to impose large taxes on big

corporations. Another is to issue regulations making firms that exceed a particular size illegal. However, while corporate taxation is a subject of intense study in public finance, antitrust issues receive only tangential treatment in public finance texts and are covered instead in courses on industrial organization. While this practice seems arbitrary, it is necessary to limit the scope of the field.

Public finance economists analyze not only the effects of actual government taxing and spending activities but also what these activities ought to be. Views of how government should function in the economic sphere are influenced by ideological views concerning the relationship between the individual and the state. Political philosophers have distinguished two major approaches.

Public finance is the field of economics that studies government activities and alternative means of financing government expenditures. Modern public finance emphasizes the relationships between citizens and governments. Government goods and services are supplied through political institutions, which employ rules and procedures that have evolved in different societies for arriving at collective choices. Increasing in government goods and services require decreased private use of resources. Government goods and services are usually made available without charge for their use, and they are financed by compulsory payments (mainly taxes) levied on citizens and their activities. The distribution of tax burden itself is determined through the political interaction of citizens.

In modern mixed economies, the size of the government sector range between one-quarter and one-half of gross domestic product. A major goal in the study of public finance is to analyze the economic role of government and the costs and benefits of allocating resources to government use as opposed to allowing private enterprise and households to use those resources.

1 Organic View of Government

Society is conceived of as a natural organism. Each individual is a part of this organism, and the government can be thought of as its heart. Yang Chang-chi, Mao Tse-tung's ethics teacher in Peking, held that "a country is an organic whole, just as the human body is an organic whole. It is not like a machine which can be taken apart and put together again." The individual has significance only as part of the community, and the good of the individual is

defined with respect to the good of the whole. Thus, the community is stressed above the individual. For example, in the Republic of Plato, an activity of a citizen is desirable only if it leads to a just society. Perhaps the most infamous instance of an organic conception of government is provided by Nazism: "National Socialism does not recognize a separate individual sphere which, apart from the community, is to be painstakingly protected from any interference by the State... Every activity of daily life has meaning and value only as a service to the whole."

The goals of society are set by the state which leads society toward their realization. Of course, the choice of goals differs considerably. Plato conceived of a state whose goal was the achievement of a golden age in which human activities would be guided by perfect rationality on the other hand, Adolf Hitler viewed the state's purpose as the achievement of racial purity: "The state is a means to an end. Its end lies in the preservation and advancement of a community of physically and psychically homogeneous creatures." According to Lenin, the proletarian state has the purpose of "leading the whole people to socialism... of being the teacher, the guide, the leader of all the working and exploited people."

Because societal goals can differ, a crucial question is how they are to be selected. Proponents of the organic view usually argue that certain goals are natural for the societal organism to pursue. Pursuit of sovereignty over some geographical area is an example of such a natural goal. (Think of the Nazi drive for domination over Europe.) However, although philosophers have struggled for centuries to explain what natural means, the answer is far from clear.

2 Mechanistic View of Government

In this view, government is not an organic part of society. Rather, it is a contrivance created by individuals to better achieve their individual goals. As the American statesman Henry Clay suggested in 1829, "Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people." The individual rather than the group is at center stage.

Accepting that government exists for the good of the people, we are still left with the problem of defining just what good is and how the government should promote it. Virtually everyone agrees that it is good for individuals when government protects them from violence.

To do so, government must have a monopoly on coercive power. Otherwise, anarchy develops, and as the 17th century philosopher Thomas Hobbes noted, "The life of man (becomes) solitary, poor, nasty, brutish and short." Recent events in Somalia, in which no effective national government exists and violence is widespread, confirm Hobbes's observation. Similarly, in *The Wealth of Nations*, Adam Smith argues that government should protect "the society from the violence and invasion of other independent societies," and protect "as far as possible every member of the society from the injustice or oppression of every other member of it".

The most limited government, then, has but one function—to prevent its members from being subjected to physical coercion. Beyond that, Smith argued that government should have responsibility for "creating and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals to erect and maintain". Here one thinks of items such as roads, bridges, and sewers—the infrastructure required for society to function.

At this point, opinions within the mechanistic tradition diverge. Libertarians, who believe in a very limited government, argue against any further economic role for the government. In Smith's words, "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way". Libertarians are extremely skeptical about the ability of governments to improve social welfare. As Thomas Jefferson pungently put it, "Sometimes it is said that man cannot be trusted with the government of himself. Can he, then, be trusted with the government of others? Or have we found angels in the forms of kings to govern him? Let history answer this question."

In contrast, those whom we might call social democrats believe that substantial government intervention is required for the good of individuals. These interventions can take such diverse forms as safety regulations for the workplace, laws banning racial and sexual discrimination in housing, or welfare payments to the poor. When social democrats are confronted with the objection that such interventions impinge on individual freedom, they are apt to respond that freedom refers to more than the absence of physical coercion. An impoverished individual may be free to spend his income as he pleases, but the scope of that freedom is quite limited. Of course, between the libertarian and social democratic positions there is a continuum of views with respect to the appropriate amount of government intervention.

3 Individuals and Government

Public Finance is nothing else than a sophisticated discussion of the relationship between the individual and the state. There is no better school of training than public finance.

People's views on how the government should conduct its financial operations are heavily influenced by their political philosophies. Some people's top priority is individual freedom; others place more emphasis on promoting other aspects of the well-being of the community as a whole. Philosophical differences can and do lead to disagreements as to the appropriate scope for government economic activity.

However, forming intelligent opinions about public policy requires not only a political philosophy but also an understanding of what government actually does. Where does the legal power to conduct economic policy reside? What does government spend money on, and how does it raise revenue?

What would it be like to live in a nation without government? There would be no system of courts to administer justice. Provision of national defense and homeland security would be difficult or disorganized with no central government to maintain and supply the armed forces, and welfare that provide income support to the elderly, the unemployed, and the poor or disabled. How would police and fire protection be provided? Driving on roads and over bridges that we take for granted could also be a problem because virtually all the highways, streets, and the other public transportation infrastructure we use every day are supplied and maintained by governments or their agencies. There would be no publicly funded elementary and secondary schools. Higher education, which is heavily subsidized by both the central and local government, also would be in trouble. The system of health care depends on government programs to pay the medical bills of many of the poor, the elderly, and veterans. Institutions ranging from medical schools to public clinics and hospitals would have their operations impaired without government support.

Now that we have finished reflecting on what our life would be like without government, we can better appreciate how much we rely on government services each day. However, the role of government in society is hotly disputed because we differ in our assessments of the costs and benefits of government programs. Many people think the role of government in the

economy needs to be expanded and look to government to help solve their own problems. Others think the role of government in the economy is already excessive and would like to see its scale of influence reduced.

Governments are organizations formed to exercise authority over the actions of people who live together in a society and to provide and finance essential services. Many citizens and resources are employed in the production of government services. Individuals pay taxes and, in many cases, are recipients of income financed by those taxes. For example, Social Security pensions, unemployment insurance compensation, and subsidies to the poor are financed by taxes.

The extent to which individuals have the right to participate in decisions that determine what governments do vary from society to society. What governments do, how much they spend, and how they obtain the means to finance their functions reflect political interaction of citizens. Political institutions constitute the rules and generally accepted procedures that evolve in a community for determining what government does and how government outlays are financed. Through these mediums, individual desires are translated into binding decisions concerning the extent and functions of government.

Such democratic institutions as majority rule and representative government offer citizens an opportunity to express their desires through voting and through attempts to influence the voting of others. Under majority rule, one alternative (such as a political candidate or a referendum to increase spending for education) is chosen over others if it receives more than half the votes cast in an election. Just as economic theory is usefully applied to analysis of market interaction and individual choice, so can it be applied to political interaction and choices. Modern economics bases the study of government activity on a theory of individual behavior.

4 The Allocation of Resources

The former Soviet republics and those nations of Eastern Europe formerly dominated by Communist regimes are transforming their centrally planned economies into mixed economies. This process of transition involves privatizing government-owned resources and the introduction of free markets.

What is it about free and competitive markets that works to squeeze more out of

productive resources than has been possible in centrally planned economies? Can we rely on markets to satisfy all the desires of individuals? When do markets fail to supply useful goods and services, and when does the profit motive, which is necessary to keep a market system going, result in undesirable side effect? To answer such questions, we must first develop some norms for evaluating resource use. We must then examine how well markets achieve results that satisfy the criteria we set up to evaluate resource use. After we evaluate free market performance, we can then discuss possible defects of markets and examine how these defects give rise to demands for government goods and services.

A useful starting point for analyzing government activities is the study of the role of markets in allocating resources. Markets facilitate exchange of goods and services and inputs. Free exchange between buyers and sellers in unregulated, competitive markets often achieves outcomes that rate high in terms of the standards of economic performance used by many economists. However, markets cannot be relied upon to supply all useful goods and services, and sometimes market transactions have undesirable side effect, such as pollution. In those circumstances, government supply of goods and services through political institutions can result in net gains to citizens' well-being.

Government provision of goods and services requires labor, equipment, buildings, and land. The real cost of government goods and services is the value of private goods and services that must be sacrificed when resources are transferred to government use. When citizens pay taxes, their capacity to purchase goods and services for their own exclusive use (such as automobiles, clothing, housing, cameras, and dining out) is reduced. Resources that are thereby diverted from private use are purchased or otherwise obtained by government. Taxes also have indirect costs because they distort choices. Taxes affect prices of goods and services and the incentive to work, save, and allocate expenditures among goods and services. Taxes impair the operation of the economy by inducing individuals to make choices based not only on the benefits and costs of their actions but also on the tax advantages or disadvantages of their decisions. The distortion in resource use and loss in output that results from the effect of taxes on incentives is also part of the cost of government activity.

The resources governments obtain are used to provide citizens with goods and services, such as roads, police and fire protection, and national defense. These government goods and services are shared by all; they cannot be used by any one citizen exclusively. Other goods and services provided by government are limited in availability to certain groups, such as the aged or children, as with Social Security pensions and public schooling.

The trade-off between government and private goods and services can be illustrated with the familiar production-possibility curve. As shown in Figure 1.1, this curve gives the alternative combinations of government goods and services and private goods and services that can be produced in an economy, given its productive resources and technology and assuming that resources are fully employed. Private goods and services are those items, such as food and clothing, which are usually made available for sale in markets. Government goods and services, such as roads, schooling, and fire protection, usually are not sold in markets. At point A in Figure 1.1, MX_1 units of private goods and services are forgone by individuals so that government can provide OG_1 units of goods and services. Resources that would have been employed in producing private goods and services are used by the government to provide services and exercises its functions.

An increase in the amount of government goods and services provided per year from OG_1 to OG_2 requires a reduction in the amount of private goods available per year. In Figure 1.1, the annual amount of private goods available declines from OX_1 to OX_2 as the economy moves from point A to point B on the production-possibility curve. For example, suppose that individuals demand more environmental protection services. To make these services available, governments might raise taxes paid by firms that pollute the air or water or they could enact more stringent regulations that prevent pollution. The new regulations or taxes are likely to increase costs of production for business firms, causing the prices of products produced by these firms to increase and quantities demanded in the marketplace by consumers to decline. The new policies will result in improved environmental quality—a government-supplied

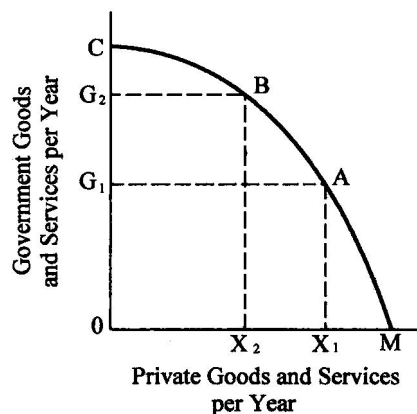


Figure 1.1 A Production-Possibility Curve

The production-possibility curve shows alternative combinations of government goods and services and private goods and services that can be produced in an economy. The curve assumes that productive resources and technology are given. An increase in government goods from OG_1 to OG_2 requires a sacrifice of $X_1 X_2$ units of private goods per year

good—but will also require that households sacrifice consumption of private goods and services to pay for the cleaner environment.

Government goods and services are, by and large, distributed to groups of individuals through the use of nonmarket rationing. This means that government goods and services are not made available to persons according to their willingness to pay and their use is not rationed by prices. In some cases, the services are available to all, with no direct charge and no eligible requirements. The provision of national defense services is one strong example of a good that is freely available to all and not rationed by prices. In other cases, criteria such as income, age, family status, residence, or the payment of certain taxes, fees, or charges are used to determine eligibility to receive benefits. For example, to receive Social Security pensions in the United States; individuals must be of a certain age (or be disabled), have worked for a certain period of time (about 10 years) while covered by Social Security, and must have paid their share of Social Security taxes during that time. Similarly, a fare must be paid to use public transportation facilities in cities. If the fares paid do not cover the full cost of operating the system, the deficit is made up by taxes levied by government. To be eligible for elementary schooling in a given school district, children must reside within the boundaries of that district.

In public finance, we study how the means of rationing the use of government goods and services and financing their resource costs affect incentives, resource use, and production possibilities.

5 The Mixed Economy, Market, and Politics

Most nations today have mixed economies. A mixed economy is one in which government supplies a considerable amount of goods and services and regulates private economic activity. In such an economy, government expenditures typically amount to between one-quarter and one-half of GDP. Taxes absorb at least one-quarter of national income in the typical mixed economy, and governments usually regulate private economic activities and use taxes and subsidies to affect incentives to use resources.

In a pure market economy, virtually all goods and services would be supplied by private firms for profit and all exchanges of goods and services would take place through markets, with prices determined by free interplay of supply and demand. Individuals would be able to

purchase goods and services freely, according to their tastes and economic capacity (their income and wealth), given the market-determined prices. In mixed economies, provision of a significant amount of goods and services take place through political institutions. This involves interaction among all individuals of the community, rather than just buyers and sellers—as is the case when goods and services are provided by markets.

In a market, buyers are not compelled to purchase something they do not want. Political decisions, however, often compel citizens to finance government services and programs, regardless of their personal preferences.

In a pure market economy, all productive resources are privately owned by individuals who decide how to use these resources. These individuals, together with others living in their households, make decisions about how to use the resources they own. Their decisions are influenced in part by market prices for goods and services. They offer their resources for sale as inputs in the marketplace.

Private business firms are organized to hire resources in input markets to produce goods and services desired by household members. The products, in turn, are sold by businesses to households in output markets.

In a perfectly competitive market economy, no seller can influence prices. Instead, prices are determined by free play of the forces of supply and demand. Given market prices, households decide to sell the resources they own, and firms decide which inputs to buy and what outputs to produce. This process is summarized as a simple circular flow diagram in Figure 1.2. Let's first look at the relationships that would exist in the economy if there were no governments. The lower loop of the diagram represents the input markets, where households sell the resources to firms for market-determined prices. The upper loop is the output market, where an array of outputs is offered for sale to households, which, in turn, pay for them with the dollars earned from the sale of their members' productive resources. The distribution of income depends on the distribution of ownership of productive resources and the prices and other financial returns that resource owners receive from employment of those resources in production. In a pure market economy, all goods and services would be produced by business.

In a mixed economy, government participates in markets as a buyer of goods and services. Figure 1.2 depicts government activities in the central portions of the diagram. Governments purchase inputs from households and acquire ownership rights of such productive resources as land and capital. Governments use these inputs to provide goods and

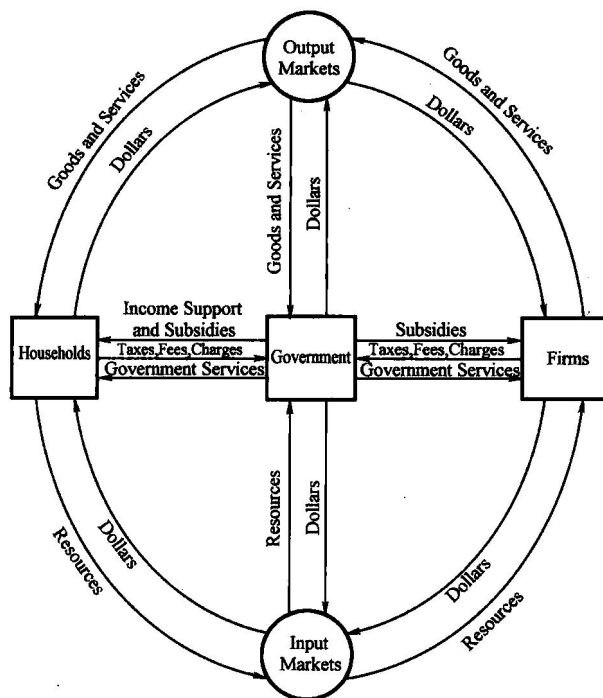


Figure 1.2 Circular Flow in the Mixed Economy

The upper and lower loops represent transactions between households and business firms in markets. Households use the income they earn from the sale of productive services to purchase the outputs of business firms. The inner loop represents transactions between households and government and between business firms and government. Governments purchase productive services from households and outputs of business firms. These purchases are financed with taxes, fees, and charges levied on persons and firms, and the inputs acquired are used to provide government services and transfers

services that are not sold to households and business firms but are made available though nonmarket rationing. However, governments do sometimes own and operate enterprises such as the postal service, railroads, liquor stores, and state lotteries.