

# 财政学（第9版）

[美] Harvey S. Rosen   Ted Gayer   著

Public Finance (Ninth Edition)

# 财政学（第9版）

[美] Harvey S. Rosen   Ted Gayer   著

Public Finance (Ninth Edition)

藏书章

清华大学出版社  
北京

Harvey S. Rosen, Ted Gayer

**Public Finance, 9<sup>th</sup> Ed.**

EISBN: 0-07-351135-8

Copyright © 2010 by The McGraw-Hill Companies, Inc.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including without limitation photocopying, recording, taping, or any database, information or retrieval system, without the prior written permission of the publisher.

This authorized English reprint edition is jointly published by McGraw-Hill Education (Asia) and Tsinghua University Press Limited. This edition is authorized for sale in the People's Republic of China only, excluding Hong Kong, Macao SAR and Taiwan.

Copyright © 2012 by McGraw-Hill Education (Asia), a division of the Singapore Branch of The McGraw-Hill Companies, Inc. and Tsinghua University Press Limited.

版权所有。未经出版人事先书面许可, 对本出版物的任何部分不得以任何方式或途径复制或传播, 包括但不限于复印、录制、录音, 或通过任何数据库、信息或可检索的系统。

本授权英文影印版由麦格劳 - 希尔 (亚洲) 教育出版公司和清华大学出版社有限公司合作出版。此版本经授权仅限在中华人民共和国境内 (不包括香港特别行政区、澳门特别行政区和台湾) 销售。

版权 ©2012 由麦格劳 - 希尔 (亚洲) 教育出版公司与清华大学出版社有限公司所有。

北京市版权局著作权合同登记号 图字: 01-2012-0983

本书封面贴有 McGraw-Hill 公司防伪标签, 无标签者不得销售。

版权所有, 侵权必究。侵权举报电话: 010-62782989 13701121933

#### 图书在版编目 (CIP) 数据

财政学 = Public Finance : 第 9 版 : 英文 / (美) 罗森 (Rosen, H.S.), (美) 盖尔 (Gayer, T.) 著. —北京: 清华大学出版社, 2012.4

(美国麦格劳 - 希尔教育出版公司工商管理最新教材)

ISBN 978-7-302-28249-5

I . ①财… II . ①罗… ②盖… III . ①财政学—教材—英文 IV . ① F810

中国版本图书馆 CIP 数据核字 (2012) 第 039437 号

责任编辑: 王 青

封面设计: 傅瑞学

责任印制: 杨 艳

出版发行: 清华大学出版社

网 址: <http://www.tup.com.cn>, <http://www.wqbook.com>

地 址: 北京清华大学学研大厦 A 座 邮 编: 100084

社 总 机: 010-62770175 邮 购: 010-62786544

投稿与读者服务: 010-62776969, [c-service@tup.tsinghua.edu.cn](mailto:c-service@tup.tsinghua.edu.cn)

质 量 反 馈: 010-62772015, [zhiliang@tup.tsinghua.edu.cn](mailto:zhiliang@tup.tsinghua.edu.cn)

印 装 者: 清华大学印刷厂

经 销: 全国新华书店

开 本: 203mm×260mm 印 张: 37.75

版 次: 2012 年 4 月第 1 版

印 次: 2012 年 4 月第 1 次印刷

印 数: 1~5000

定 价: 56.00 元

产品编号: 045390-01

# 出 版 说 明

为了适应经济全球化的发展趋势，满足国内广大读者了解、学习和借鉴国外先进经济管理理论和管理经验的需要，清华大学出版社与国外著名出版公司 McGraw-hill 教育出版集团合作影印出版了一系列商科英文版教材。我们所选择的图书，基本上是在国外深受欢迎并被广泛采用的优秀教材的缩减版，其主教材均是该领域中较具权威性的经典之作。在选书的过程中，我们得到了很多专家、学者的支持、帮助和鼓励，在此表示谢意！

由于原作者所处国家的政治、经济和文化背景等与我国不同，对书中所持观点，敬请广大读者在阅读过程中注意加以分析和鉴别。

我们期望这套影印书的出版对我国经济管理科学的发展能有所帮助，对我国商科的教学，尤其是商学本科的教学能有所促进。

欢迎广大读者给我们提出宝贵的意见和建议，也欢迎有关专业人士向我们推荐您所接触到的国外优秀图书。

清华大学出版社  
2012 年 2 月

中国的学生要不要使用英文版的教材，一直有争议。有人认为，我们应该使用自己编写的教材，这样才能更准确地反映我们在课堂上所要表述的观点。用国外的原版教材，有些隔靴搔痒，不能解决中国的实际问题。持不同意见的观点认为，尽管各国在管理体制上有意识、制度、文化等差异，但管理本身在国际环境下具有共同性的问题。特别是，中国的企业在经济全球化的环境下，需要更多地了解国外的管理理论与现状。在这种情况下，就需要引进一些外版的教材。一则，用于满足我们教学的部分需求；二则，更好地了解外版教材的教学服务体系；三则，为我们的师生创造英语教学的环境。

在进行 2004 年本科教指委的工作规划时，我曾特别谈及，要加强对本科教育中教书“育人”、服务于学生的使命的认识，继续优化专业课程设计，扩大精品课程建设，增加专业导向课程，尤其要加强对国际商科与经济管理学科教学进展的研究，并引进最新的教学成果，包括教材及教学资源。这一切都是为了更好地为国家与社会培养更好的人才。

为此，清华大学出版社与美国麦格劳-希尔教育出版公司合作，引进出版这套“精编版”的英文工商管理教材，也正体现这一理念。这套教材吸收国际最新教学成果，提供全方位的教学资源，并借助英语的语言媒介，将会大力提升与发展中国工商管理教学水平，提高学生使用英语语言和网络手段获得长久的终生学习的能力和兴趣，进而提高我国工商界的国际竞争力。这是一件具有重大意义的工作。

在讨论引进国际上在工商管理教学的最新成果时，基本上确定了引进本套教材及教学资源的基本格调，即对“国际最新教学成果”的几个共同认识：一是国际上教学技术的进展究竟走到了哪一步，我们就引进到哪一步。二是要注意教学技术的发展给教学及教材带来了的影响，我们要借鉴新的教学辅助手段。

最近几年，我在美国授课的过程中，注意到教学网络技术：CMS，课程管理系统。通过这个教学辅助系统，教师可以将所要讲授的课程内容简单地张贴到一个系统化的网页上，包括教学演示文件 PPT、章节提要 (Lecture Notes)、在线阅读资料，以及问答题、简答题还有课后大作业等，还可以很简单地开设自己课程的在线论坛 BBS。学生在注册后，便成为在线学生，通过该平台与教师交互，完成习题、在线提交作业，在线考试，自动出评测分析报告。这一切是以教师为中心，

完全解决了教师对于自己教学内容以及对学生及教学过程的网络化数字化管理的问题，并可多次复用、异地复用。这个在线学习系统 (BlackBoard, WebCT, eCollege) 等不同于国内各高校自己研发的以学籍管理或居于录像、课件的远程教学为中心的校园管理平台，直接解决大学的核心问题：即“大师”们对课程教学内容的管理问题，成为对教师授课最好的在线数字化辅助支持平台。

2004 年的春季学期，中国人民大学商学院 247 位教师，所有 364 门课程全面上线，2000 多名学生在线注册学习，引发了人大商学院一场真正意义上的“教学革命”。教师与学生实现了很好地沟通与互动，学生之间也有了很好地学习谈论的天地。目前，我商学院的经验，已经成为赛尔毕博支持国内院校教学上线发展的典范，成为 BlackBoard 在国内的示范教学网站。

课堂教学同网络平台结合之后，又给教学带来了新的挑战，也给教材和教材的出版商们带来了新的机遇。历史悠久的麦格劳－希尔教育出版公司积极适应这种挑战，在商科及经管教材的出版上做了战略性的调整：即将教材本身做“薄”，出版一批新型的、跨媒介的教材：将研讨性、探索性、展开式的学习内容放到网上，将动态交互性的内容放到网上；印刷版的教材从过去强调各章节内容全面，呈现教学过程、学习环节，转向到注重概念性及引导性，展现学习的核心内容。同时，他们将教材配套的教学资源做得更“全”，将更多的内容上线后全面依托网络，更加动态地呈现教学内容及教学过程；并为不同的教学平台提供完全解决方案，提供跨平台的不同版本的内容“子弹”。无论采用 BlackBoard 或 WebCT 等平台，教师们都可以从出版商处获得标准的教学资源包，为自己采用的教材轻松搭建课程网站，实现教学的在线革命。

总之，教学在革命，教学的手段也在革命。我们要看到工商管理教学在国际上的各种变化，努力跟上时代的发展变化，使我们的学生真正获得国际水准的教育。为此，我衷心地感谢这批教材的国外作者们，正是他们不懈的教学实践，为给我们学科的发展带来源源的活力；同时感谢国内外出版界的人士，感谢他们对教材、教材市场的永恒的追求，不断地帮助我们提升教学水准；衷心希望这批适应新的教学需要的国际最新教材的出版能抛砖引玉，再次带动整个工商管理教育无论是本科、高职高专教学还是 MBA、EMBA 教学的发展。

子曰：“学而时习之，不亦悦乎”。在这场教学革命中，我们有更大的勇气面临新的教学的挑战，将中国的工商管理教育推向世界一流的前列！

徐二明

# About the Authors



## HARVEY S. ROSEN

Harvey S. Rosen is the John L. Weinberg Professor of Economics and Business Policy at Princeton University. Professor Rosen, a Fellow of the Econometric Society and a Research Associate of the National Bureau of Economic Research, is well known for his contributions to the fields of Public Finance, Labor Economics, and Applied Microeconomics. From 1989 to 1991, he served as Deputy Assistant Secretary (Tax Analysis) at the US Treasury. During a second stint in Washington from 2003 to 2005, he served on the President's Council of Economic Advisers, first as a Member and then as Chairman. In this capacity, he provided advice to the White House on a wide variety of policy issues, including tax reform, Social Security, health care, energy, the federal budget, and financial market regulation. In 2007 he received from the National Tax Association its most prestigious award, the Daniel M. Holland medal for distinguished lifetime contributions to the study and practice of public finance.



## TED GAYER

Ted Gayer is an associate professor at Georgetown University's Public Policy Institute. He is also an adjunct fellow at the Public Policy Institute of California and an adjunct scholar at the American Enterprise Institute. Professor Gayer has published research in environmental economics, regulation, and education policy. From 2003 to 2004, he served as a Senior Economist on the President's Council of Economic Advisers, where he worked primarily on environmental and regulatory policy. He is currently a member of the Environmental Protection Agency's Science Advisory Board. From 2007 to 2008, he served as Deputy Assistant Secretary (Microeconomic Analysis) at the US Treasury. In this capacity, he helped develop policies relating to a wide variety of issues, including housing, credit markets, agriculture, health care, energy, insurance, and the environment. He was also responsible for guiding the Treasury's participation in the Social Security and Medicare Trustees working groups.



# Preface

The British philosopher and mathematician Bertrand Russell wrote, “Change is one thing, progress is another.” In this Ninth edition, we continue to make substantive changes that reflect progress made in the field of public finance. Yet we have been careful to stay focused on the central mission of the book, which is to explain as clearly as possible how the tools of economics can be used to analyze government expenditure and tax policies.

The field of public finance is constantly developing. There are new applications of experimental and quasi-experimental techniques to measure the impact of public policies, and there are new insights provided by fundamental economic theory into the roles of government spending and taxation.

This book incorporates recent developments and along the way takes its readers to the frontiers of current research and policy. While the information presented is cutting edge and reflects the work of economists currently active in the field, our approach makes it accessible to undergraduates whose only prior exposure to economics is at the introductory level.

Each chapter of this Ninth edition has something new. Rather than provide a long list of changes, we will instead highlight some of the key innovations.

## NEW WORLDS TO EXPLORE

### Financial Crisis Coverage

The current generation of students will long remember the financial crisis of 2008 and 2009. Some commentators believe that government policies toward housing may have contributed to the crisis, and at various places throughout the book, we discuss these arguments. For example, the political economy chapter (Chapter 6) discusses some of the consequences when financial firms are operated privately but their debt is, in effect, viewed as backed by the federal government. Similarly, Chapters 5, 15, and 18 highlight examples of how the government subsidized housing, possibly contributing to overconsumption in this sector.

### Expanded Climate Change Coverage

We have expanded our coverage of climate change policy. For example, the chapter on externalities (Chapter 5) includes a new discussion focusing on the choice between a carbon tax and a cap-and-trade program to regulate greenhouse gases. The cost-benefit analysis chapter (Chapter 8) discusses how the choice of a discount rate dramatically affects the scale of the policies needed to deal efficiently with the challenges of climate change.

### Health Care

The chapter on government and the market for health care (Chapter 10) expands considerably the material on reform options. It now includes a discussion of the



individual mandate program recently instituted in the state of Massachusetts, as well as a new discussion of international experiences with single-payer health care systems.

## Tax Issues

The chapters on the US revenue system (Part V)—especially Chapter 17 on the personal income tax—provide numerous updates on tax policies stemming from recent legislation and from proposals made by President Obama.

## Expanded End-of-Chapter Material

We have also expanded the discussion questions at the end of each chapter, in order to provide students with further opportunities to master the tools of public finance.

All of the changes in this Ninth edition were made to further our goal of providing students with a clear and coherent view of the role of government spending and taxation. Our years of policy experience have convinced us that modern public finance provides a practical and invaluable framework for thinking about policy issues. In this textbook, we have tried to do just what we did when we worked in Washington—to emphasize the links between sound economics and the analysis of real-world policy problems.

*Harvey S. Rosen and Ted Gayer*

## UP-TO-DATE TOOLS AND SUPPLEMENTS

### Animated PowerPoint Slides

The Ninth edition includes revised, in-depth, comprehensive PowerPoint slides with animated graphs and figures that appear as if drawn line by line to clarify difficult concepts for students.

### Test Bank

*Public Finance* has been known for its strong, rigorous test bank questions, and the Ninth edition continues this tradition. The test bank has been expertly updated to reflect the cutting-edge changes in the text. New questions in every chapter provide additional opportunities to test student knowledge.

### Instructor's Manual and Online Learning Center

Like the test bank, the instructor's manual has been updated in both content and structure.

[www.mhhe.com/rosen9e](http://www.mhhe.com/rosen9e)

In the Online Learning Center, students can access PowerPoint slides and interesting Web links, while instructors can also access a downloadable version of the Instructor's Manual and the Test Bank.

# 简 明 目 录

第一篇 开场白 .....	1
第 1 章 导论 .....	2
第 2 章 实证分析工具 .....	18
第 3 章 规范分析工具 .....	34
第二篇 公共支出分析：公用品与外部性 .....	53
第 4 章 公用品 .....	54
第 5 章 外部性 .....	73
第 6 章 政治经济学 .....	108
第 7 章 教育 .....	136
第 8 章 成本收益分析 .....	152
第三篇 公共支出分析：社会保险与收入保障 .....	179
第 9 章 健康保险市场 .....	180
第 10 章 政府与健康保险市场 .....	205
第 11 章 社会保险 .....	227
第 12 章 收入再分配：概念问题 .....	256
第 13 章 扶贫支出计划 .....	275
第四篇 税收分析框架 .....	301
第 14 章 税收与收入分配 .....	302
第 15 章 税收与效率 .....	329
第 16 章 有效且公平地课税 .....	352
第五篇 美国的收入制度 .....	379
第 17 章 个人所得税 .....	380
第 18 章 个人课税与个人行为 .....	415
第 19 章 公司税 .....	438
第 20 章 赤字财政 .....	461
第 21 章 基本的税收改革：消费税与财富税 .....	477
第六篇 多级政府财政 .....	505
第 22 章 联邦制下的财政 .....	506
附录 .....	537
词汇表 .....	559
参考文献 .....	568

# Brief Table of Contents

## Part I

### GETTING STARTED 1

- 1 Introduction 2
- 2 Tools of Positive Analysis 18
- 3 Tools of Normative Analysis 34

## Part II

### PUBLIC EXPENDITURE: PUBLIC GOODS AND EXTERNALITIES 53

- 4 Public Goods 54
- 5 Externalities 73
- 6 Political Economy 108
- 7 Education 136
- 8 Cost-Benefit Analysis 152

## Part III

### PUBLIC EXPENDITURE: SOCIAL INSURANCE AND INCOME MAINTENANCE 179

- 9 The Health Care Market 180
- 10 Government and the Market for Health Care 205
- 11 Social Security 227
- 12 Income Redistribution: Conceptual Issues 256
- 13 Expenditure Programs for the Poor 275

## Part IV

### FRAMEWORK FOR TAX ANALYSIS 301

- 14 Taxation and Income Distribution 302
- 15 Taxation and Efficiency 329
- 16 Efficient and Equitable Taxation 352

## Part V

### THE UNITED STATES REVENUE SYSTEM 379

- 17 The Personal Income Tax 380
- 18 Personal Taxation and Behavior 415
- 19 The Corporation Tax 438
- 20 Deficit Finance 461
- 21 Fundamental Tax Reform: Taxes on Consumption and Wealth 477

## Part VI

### MULTIGOVERNMENT PUBLIC FINANCE 505

- 22 Public Finance in a Federal System 506

### Appendix 537

### Glossary 559

### References 568

# Table of Contents

## Part I

### GETTING STARTED 1

---

#### CHAPTER 1

##### INTRODUCTION 2

##### Public Finance and Ideology 3

Organic View of Government 3

Mechanistic View of Government 4

Viewpoint of This Book 5

##### Government at a Glance 5

The Legal Framework 6

The Size of Government 7

Expenditures 10

Revenues 12

Our Agenda 13

##### Summary 14

##### Discussion Questions 14

##### Appendix: Doing Research in Public Finance 16

#### CHAPTER 2

##### TOOLS OF POSITIVE ANALYSIS 18

##### The Role of Theory 18

##### Causation versus Correlation 20

##### Experimental Studies 21

Conducting an Experimental Study 22

Pitfalls of Experimental Studies 23

##### Observational Studies 24

Conducting an Observational Study 25

Pitfalls of Observational Studies 26

##### Quasi-Experimental Studies 27

Conducting a Quasi-Experimental Study 28

Pitfalls of Quasi-Experimental Studies 30

##### Conclusions 31

##### Summary 32

##### Discussion Questions 32

#### CHAPTER 3

##### TOOLS OF NORMATIVE ANALYSIS 34

##### Welfare Economics 34

Pure Economy Exchange 34

Production Economy 39

##### The First Fundamental Theorem of Welfare Economics 41

##### Fairness and the Second Fundamental Theorem of Welfare Economics 42

##### Market Failure 46

Market Power 46

Nonexistence of Markets 47

Overview 48

##### Buying into Welfare Economics 48

##### Summary 50

##### Discussion Questions 50

## Part II

### PUBLIC EXPENDITURE: PUBLIC GOODS AND EXTERNALITIES 53

---

#### CHAPTER 4

##### PUBLIC GOODS 54

##### Public Goods Defined 54

##### Efficient Provision of Public Goods 56

Deriving the Efficiency Condition 58

Problems in Achieving Efficiency 61

The Free Rider Problem 63

##### The Privatization Debate 64

Public versus Private Provision 64

Public versus Private Production 65

##### Public Goods and Public Choice 68

##### Summary 69

##### Discussion Questions 69

##### Appendix: Preference Revelation Mechanisms 71

#### CHAPTER 5

##### EXTERNALITIES 73

##### The Nature of Externalities 74

##### Graphical Analysis 76

Implications 77

Conclusion 81

##### Private Responses 81

Bargaining and the Coase Theorem 81

Mergers 83

Social Conventions 83

**Public Responses to Externalities: Taxes and Subsidies 84**

- Taxes 84
- Subsidies 85

**Public Responses to Externalities: Emissions Fees and Cap-and-Trade Programs 87**

- Emissions Fee 88
- Cap-and-Trade 91
- Emissions Fee versus Cap-and-Trade 93
- Command-and-Control Regulation 97

**The US Response 99**

- Progress with Incentive-based Approaches 100

**Implications for Income Distribution 101**

- Who Benefits? 101
- Who Bears the Cost? 102

**Positive Externalities 102**

- A Cautionary Note 103

**Summary 105**

**Discussion Questions 105**

**CHAPTER 6  
POLITICAL ECONOMY 108**

**Direct Democracy 108**

- Unanimity Rules 109
- Majority Voting Rules 110
- Logrolling 114
- Arrow's Impossibility Theorem 116

**Representative Democracy 117**

- Elected Politicians 118
- Public Employees 120
- Special Interests 122
- Other Actors 126

**Explaining Government Growth 127**

- Controlling Government Growth 130
- Conclusions 133

**Summary 133**

**Discussion Questions 134**

**CHAPTER 7  
EDUCATION 136**

**Justifying Government Intervention in Education 137**

- Is Education a Public Good? 137
- Does Education Generate Positive

Externalities? 137

Is the Education Market Inequitable? 139

**What can Government Intervention in Education Accomplish? 140**

- Does Government Intervention Crowd Out Private Education? 140
- Does Government Spending Improve Educational Outcomes? 141
- Public Spending and the Quality of Education 143
- Does Education Increase Earnings? 144

**New Directions for Public Education 145**

- Charter Schools 146
- Vouchers 146
- School Accountability 148

**Summary 149**

**Discussion Questions 150**

**CHAPTER 8  
COST-BENEFIT ANALYSIS 152**

**Present Value 152**

- Projecting Present Dollars into the Future 153
- Projecting Future Dollars into the Present 153
- Inflation 154

**Private Sector Project Evaluation 155**

- Internal Rate of Return 157
- Benefit-Cost Ratio 158

**Discount Rate for Government**

**Projects 159**

- Rates Based on Returns in the Private Sector 159
- Social Discount Rate 160
- Discounting and the Economics of Climate Change 161
- Government Discounting in Practice 161

**Valuing Public Benefits and Costs 162**

- Market Prices 162
- Adjusted Market Prices 163
- Consumer Surplus? 164
- Inferences from Economic Behavior 165
- Valuing Intangibles 168

**Games Cost-Benefit Analysts Play 168**

- The Chain-Reaction Game 168
- The Labor Game 169
- The Double-Counting Game 169

<b>Distributional Considerations</b>	<b>169</b>
<b>Uncertainty</b>	<b>170</b>
<b>An Application: Are Reductions in Class Size Worth It?</b>	<b>171</b>
Discount Rate	172
Costs	172
Benefits	172
The Bottom Line and Evaluation	173
<b>Use (and Nonuse) by Government</b>	<b>174</b>
<b>Summary</b>	<b>175</b>
<b>Discussion Questions</b>	<b>175</b>
<b>Appendix: Calculating the Certainty Equivalent Value</b>	<b>177</b>

## Part III

### PUBLIC EXPENDITURE: SOCIAL INSURANCE AND INCOME MAINTENANCE 179

---

<b>CHAPTER 9</b>	
<b>THE HEALTH CARE MARKET</b>	<b>180</b>
<b>What's Special about Health Care?</b>	<b>180</b>
The Role of Insurance	180
The Role of Risk Pooling	186
Adverse Selection in the Health Insurance Market	186
Insurance and Moral Hazard	190
Other Information Problems in the Health Care Market	195
Externalities of Health Care	196
<b>Do We Want Efficient Provision of Health Care?</b>	<b>196</b>
Paternalism	196
The Problem of the Uninsured	196
High Health Care Costs	199
<b>Summary</b>	<b>202</b>
<b>Discussion Questions</b>	<b>203</b>

<b>CHAPTER 10</b>	
<b>GOVERNMENT AND THE MARKET FOR HEALTH CARE</b>	<b>205</b>
<b>Private Health Insurance</b>	<b>205</b>
The Implicit Subsidy for Employer-Provided Insurance	206

The Advantages of Employer-Provided Health Insurance	207
Employer-Provided Health Insurance and Job Lock	208
Cost Control and Private Insurance	209
<b>Government Provision of Health Insurance: Medicare and Medicaid</b>	<b>210</b>
Medicare: Overview	210
Cost Control under Medicare	213
Medicare: Impacts on Spending and Health	215
Medicaid: Overview	216
Medicaid: Impacts on Health	218
<b>Health Care Reform</b>	<b>220</b>
Mandates	220
Health Savings Accounts	221
Single Payer	222
Final Thoughts	224
<b>Summary</b>	<b>224</b>
<b>Discussion Questions</b>	<b>225</b>

<b>CHAPTER 11</b>	
<b>SOCIAL SECURITY</b>	<b>227</b>
<b>Why Have Social Security?</b>	<b>228</b>
Consumption Smoothing and the Annuity Market	228
Adverse Selection and the Annuity Market	229
Other Justifications	229
<b>Structure of Social Security</b>	<b>231</b>
Basic Components	231
Distributional Issues	235
The Trust Fund	239
<b>Effects of Social Security on Economic Behavior</b>	<b>240</b>
Saving Behavior	240
Retirement Decisions	246
Implications	246
<b>Long-Term Stresses On Social Security</b>	<b>247</b>
<b>Social Security Reform</b>	<b>248</b>
Maintain the Current System	248
Privatize the System	250
<b>Conclusions</b>	<b>253</b>
<b>Summary</b>	<b>253</b>
<b>Discussion Questions</b>	<b>254</b>

## CHAPTER 12 INCOME REDISTRIBUTION: CONCEPTUAL ISSUES 256

### Distribution of Income 257

- Interpreting the Distributional Data 258
- Rationales for Income Redistribution 261
- Simple Utilitarianism 261
- The Maximin Criterion 264
- Pareto Efficient Income  
Redistribution 265
- Nonindividualistic Views 266
- Other Considerations 267

### Expenditure Incidence 268

- Relative Price Effects 268
- Public Goods 269
- Valuing In-Kind Transfers 269
- Reasons for In-Kind Transfers 271

### Conclusion 272

### Summary 273

### Discussion Questions 273

## CHAPTER 13 EXPENDITURE PROGRAMS FOR THE POOR 275

### A Quick Look at Welfare Spending 275 TANF 276

### Income Maintenance and Work

#### Incentives 277

- The Basic Trade-offs 277
- Analysis of Work Incentives 278
- Work Requirements 283
- Time Limits 284
- Family Structure 284
- National versus State Administration 284

### The Earned Income Tax Credit 285

### Supplemental Security Income 287

### Medicaid 288

### Unemployment Insurance 289

- Benefits 290
- Financing 290
- Effects on Unemployment 290

### Food Stamps And Child Nutrition 291

### Housing Assistance 292

### Programs To Enhance Earnings 294

- Education 294
- Employment and Job Training 294

### Overview 295

### Summary 297

### Discussion Questions 298

## Part IV FRAMEWORK FOR TAX ANALYSIS 301

## CHAPTER 14 TAXATION AND INCOME DISTRIBUTION 302

### Tax Incidence: General Remarks 303

- Only People Can Bear Taxes 303
- Both Sources and Uses of Income Should Be  
Considered 304
- Incidence Depends on How Prices Are  
Determined 304
- Incidence Depends on the Disposition of Tax  
Revenues 304
- Tax Progressiveness Can Be Measured in Several  
Ways 305

### Partial Equilibrium Models 307

- Unit Taxes on Commodities 307
- Ad Valorem Taxes 311
- Taxes on Factors 312
- Commodity Taxation without Competition 314
- Profits Taxes 317
- Tax Incidence and Capitalization 318

### General Equilibrium Models 319

- Tax Equivalence Relations 319
- The Harberger Model 320
- Analysis of Various Taxes 322
- Some Qualifications 324
- An Applied Incidence Study 325

### Conclusions 326

### Summary 327

### Discussion Questions 327

## CHAPTER 15 TAXATION AND EFFICIENCY 329

### Excess Burden Defined 330

- Questions and Answers 333

### Excess Burden Measurement With Demand Curves 337

- Preexisting Distortions 339
- The Excess Burden of a Subsidy 340
- The Excess Burden of Income Taxation 341



<b>Differential Taxation of Inputs</b>	<b>343</b>
<b>Does Efficient Taxation Matter?</b>	<b>346</b>
<b>Summary</b>	<b>347</b>
<b>Discussion Questions</b>	<b>347</b>
<b>Appendix A: Formula for Excess Burden</b>	<b>349</b>
<b>Appendix B: Multiple Taxes and The Theory of The Second Best</b>	<b>350</b>

## CHAPTER 16

### EFFICIENT AND EQUITABLE TAXATION 352

<b>Optimal Commodity Taxation</b>	<b>352</b>
The Ramsey Rule	353
Equity Considerations	356
Summary	357
Application: Taxation of the Family	357
<b>Optimal User Fees</b>	<b>358</b>
Overview	361
<b>Optimal Income Taxation</b>	<b>361</b>
Edgeworth's Model	361
Modern Studies	362
<b>Politics and The Time Inconsistency Problem</b>	<b>364</b>
<b>Other Criteria for Tax Design</b>	<b>365</b>
Horizontal Equity	366
Costs of Running the Tax System	368
Tax Evasion	369
<b>Overview</b>	<b>375</b>
<b>Summary</b>	<b>376</b>
<b>Discussion Questions</b>	<b>376</b>

## Part V

### THE UNITED STATES REVENUE SYSTEM 379

## CHAPTER 17

### THE PERSONAL INCOME TAX 380

<b>Basic Structure</b>	<b>380</b>
<b>Defining Income</b>	<b>382</b>
Items Included in H-S Income	382
Some Practical and Conceptual Problems	383
Evaluating the H-S Criterion	384
<b>Excludable Forms of Money Income</b>	<b>385</b>
Interest on State and Local Bonds	385

Some Dividends	386
Capital Gains	386
Employer Contributions to Benefit Plans	389
Some Types of Saving	389
Gifts and Inheritances	390

### Exemptions and Deductions 390

Exemptions	390
Deductions	391
Impact on the Tax Base	396
Tax Expenditures	397
The Simplicity Issue	397

### Rate Structure 398

Effective versus Statutory Rates	400
----------------------------------	-----

### Taxes and Inflation 402

How Inflation Can Affect Taxes	402
Coping with the Tax/Inflation Problem	403

### The Alternative Minimum Tax 404

### Choice of Unit and The Marriage Tax 406

Background	406
Analyzing the Marriage Tax	408

### Treatment of International Income 409

### State Income Taxes 410

### Politics And Tax Reform 411

### Summary 412

### Discussion Questions 413

## CHAPTER 18

### PERSONAL TAXATION AND BEHAVIOR 415

### Labor Supply 415

Theoretical Considerations	416
Some Caveats	419
Labor Supply and Tax Revenues	422

### Saving 424

Tax-Preferred Savings Accounts	430
Taxes and the Capital Shortage	431

### Housing Decisions 432

Proposals for Change	433
----------------------	-----

### Portfolio Composition 434

### A Note on Politics and Elasticities 435

### Summary 436

### Discussion Questions 436