

# PUBLIC FINANCE

(9th Edition)

## 财政学 (第九版)

大卫·N·海曼 (David N. Hyman) 著

马海涛 编审

王爱君 译校

 中国人民大学出版社

高等院校双语教材 · 财税系列

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江苏工业学院图书馆  
藏书章

中国人民大学出版社

· 北京 ·

图书在版编目 (CIP) 数据

财政学：第 9 版/海曼著；马海涛编审；王爱君译校.  
北京：中国人民大学出版社，2009  
高等院校双语教材·财税系列  
ISBN 978-7-300-10752-3

I. 财…  
II. ①海…②马…③王…  
III. 财政学-双语教学-高等学校-教材  
IV. H31

中国版本图书馆 CIP 数据核字 (2009) 第 085830 号

高等院校双语教材·财税系列  
**财政学 (第九版)**  
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出版发行	中国人民大学出版社		
社 址	北京中关村大街 31 号	邮政编码	100080
电 话	010-62511242 (总编室)		010-62511398 (质管部)
	010-82501766 (邮购部)		010-62514148 (门市部)
	010-62515195 (发行公司)		010-62515275 (盗版举报)
网 址	<a href="http://www.crup.com.cn">http://www.crup.com.cn</a>		
	<a href="http://www.ttrnet.com">http://www.ttrnet.com</a> (人大教研网)		
经 销	新华书店		
印 刷	涿州星河印刷有限公司	版 次	2009 年 6 月第 1 版
规 格	215 mm×275 mm 16 开本	印 次	2009 年 6 月第 1 次印刷
印 张	18 插页 1	定 价	29.00 元
字 数	459 000		

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## 出版说明

中国的入世，使其真正的融入到经济全球化的浪潮中。中国政府“引进来，走出去”战略，使得中国经济的发展需要大量的“国际化”人才储备。这就对我国一般本科院校多年来所采取的单一语言（母语）教学提出严峻挑战，财经院校涉外经济类专业实行双语教学改革迫在眉睫。

近年来，我国财税制度不断进行改革，西方的许多经验值得我们借鉴和学习。而要真正领略西方财税制度的精髓，阅读英文原版图书对我们更加有帮助。因此，我们引进了这套“高等院校双语教材·财税系列”英文原版教材。

我们在引进出版过程中，注重把好质量关，每一本书都经该学科领域的专家认真审核选题和内容，争取做到把国外真正高水平的适合国内实际的优秀教材引进来。本套教材具有以下特点：

第一，体系完整。本套教材精选了一批国外著名出版公司的优秀教材，基本涵盖了财税专业的核心课程。

第二，保持原貌。本套教材在广泛听取一线任课教师的意见基础上，删减了一些相互重复及不适合我国国情的内容，在体系和内容上保持了原教材的特色。

第三，紧扣前沿。本套教材在原著选择上紧扣国外教学前沿，基本上都选择国外最流行教材的最新版本，有利于老师和学生掌握国外教学研究的最新发展趋势。

第四，中文注解。我们邀请了财税专业的一线优秀教师、学者对教材的重点内容、重要概念、主要原理添加了中文注解，并在每章前添加了中文导读，便于双语教学的开展。

第五，多媒体教学课件。本套丛书都配备了多媒体教学课件，以方便老师授课和帮助学生掌握重点内容。

本套教材适合高等财经院校财税专业的本科教学使用，同时也适于从事税收工作和研究的人员阅读。

中国人民大学出版社

# 审 译 者 前 言

本书是面向大学本科高年级及研究生所开的“财政学”这门主干课程的双语教材。

财政学是研究政府如何提供公共物品和为政府开支筹措资金的可供选择的方法的经济学领域。本书分析的关键目标是弄清政府支出的后果、规则、税收，旨在刺激就业、投资和花掉征得的税收。本书运用一些原理阐明政府在经济中扮演的角色及其行为对资源使用、国民福利方面的影响。

对本书的要点做批注，是鉴于国内学生在学习“财政学”这门主干课程时，对于概念和要点性的东西经常会因为语言的关系理解模糊，以致影响对书中基本原理的准确理解，从而影响学习效果。因此，本书专门就概念和要点做了中文批注，同时对书中模型部分的要点也相应作了一些批注。为了准确理解概念，在书后还就专业词汇做了翻译，在学习时可以参考。

为这本双语教材制作的PPT是为教师的教学做参考而设计的，所列的内容基本上是全书的要点和纲目，教师在教学时可以根据自己的需要适当地插进相应的案例。

在翻译要点时，对资料性质的内容不做翻译，因为考虑到这部分内容本科生可以不涉及，研究生可以作为参考资料来阅读。删掉的部分则是考虑到教学课时数的安排，是在无法把全部内容作为教学内容的情况下做出的选择性的舍弃。



# Preface

The ninth edition of *Public Finance: A Contemporary Application of Theory to Policy* has been revised to reflect changes in government spending and tax policy since 2005. Analysis of the impact of government expenditures and taxes on resource use and the distribution of income in the economy has been updated. Recent trends in government expenditures such as increased spending on military operations and on health care are highlighted. The fiscal position of both the federal and state and local governments is discussed throughout as economic theory is applied to the analysis of policy. Such issues as fiscal health of state and local governments and the federal budget balance are discussed in various places in the text whenever relevant. The federal budget balance is being impacted by new demands for homeland security and national defense in a new age of global risk of war and terrorism and by aging of the population. Health care now absorbs 20 percent of combined state and local government budgets. State governments are also cutting fiscal assistance to local governments as they seek to balance their budgets, which in turn is causing local governments also to either cut spending or raise taxes or do both.

Emerging issues are touched on throughout this new edition. Fundamental controversies still rage about how to deal with the Social Security system as the population ages. While the rate of growth of spending for health care slowed somewhat in the late 1990s, the rate growth accelerated after 2001 and governments at all levels are seeking means of slowing the growth of health care spending. The role of government in supporting education still remains an important issue. All these perennial as well as newer government expenditure issues are covered in this new edition.

The text retains its in-depth coverage of tax theory and policy issues. Sections on taxation have been updated to include new developments in theory and to discuss the effects of tax reforms recently enacted as well as current issues of concern and the process of tax reform.

## CHANGES IN THIS EDITION

The redesigned ninth edition continues to provide comprehensive coverage of theoretical and applied issues in public finance. The latest data are used to make sure all charts, tables, and analyses are timely and relevant. Many issues now receive expanded coverage. For example, the discussion of the implications of aging populations for public finance has been significantly enlarged. International

data on public finance has been updated and there is more discussion of state and local government finance in the United States to reflect recent developments. The analysis of environmental protection issues including applications to flood control and use of emission rights to control pollution have been updated. The growing share of government spending and GDP going to national defense in the United States receives more analysis. New material on the federal budget process and incremental budgeting is now included in the text. Current data on poverty and recent research on the impact of the U.S. system of assistance to the poor (TANF) on incentives to work, welfare caseloads, and the well being of the needy is used to evaluate the impact of income support policies. Issues relating to government provision of Social Security pensions and health care are discussed using the latest data. In this new edition there is expanded coverage of the way Social Security pension benefits are calculated for retirees, and there is more international analysis of the impact of growing old-age dependency ratios for public finance. There is also expanded discussion of voluntary savings accounts as a means for reforming the Social Security retirement system. Other social insurance issues receiving expanded coverage include retirement prospects for the baby-boom generation in the United States and unemployment insurance in Europe. The discussion of government expenditures for health care has been revised. The analysis of the Medicaid program and its impact on state government budgets has been updated and there is more analysis of the Medicare program, including a new section on the prescription drug coverage for the elderly under Medicare Part D.

In the chapters on taxation there are more references to recent empirical research. The discussion of federal taxes has been revised to include analysis of the effect of federal income tax rate cuts enacted in 2001 on the distribution of tax burden. The long-term fiscal and economic implications of government budget deficits as well trends in the use of borrowing as a means of public finance receives expanded coverage. International analysis of budget deficits is expanded to include the implications of more foreign ownership of federal debt and an extended example of the consequences of unbridled government deficits. There is expanded analysis of the impact of income taxes on labor supply based on recent empirical studies. The discussion of income taxation in the United States reflects recent changes in tax law and includes expanded coverage of the impact of the tax system on home ownership and housing prices. Recent proposals for reforming income taxation in the United States based on the President's Advisory Panel on Federal Tax Reform are analyzed. Estimates of marginal and average tax rates for income taxation based on new lower tax rates enacted in 2001 and 2003 are presented. The discussion of taxation of corporate income in the United States has also been updated and the long-term consequences of falling effective corporate tax rates is analyzed. International comparisons of corporate taxation are also provided. Statistics on sales taxes, property taxes, and intergovernmental fiscal assistance statistics have been updated.

## SPECIAL FEATURES OF THIS BOOK

In addition to the boxed features on international issues and public policy, each chapter also has pedagogical features such as learning objectives and concept checks.

To facilitate learning, important concepts are set in *colored* and *italic* type when first introduced, and every chapter concludes with a summary, a list of

important concepts, and a short “forward look” that explains the relationship between the chapter and those that follow. Also, each chapter includes questions for review. These questions are not problem sets; rather, they are designed to help students review the material covered in the chapter by presenting questions related to its major points or ideas. Five problems follow the review questions. Each chapter also has an annotated bibliography offering suggestions for further reading and in-depth study. The bibliography should prove particularly useful in courses in which term papers are assigned. All chapters have references to Internet sites. Liberal use is made of footnotes throughout the book to provide additional source material and to explain and document material. A glossary at the end of the book lists and defines all important concepts for easy reference.

I have attempted to make this book as self-contained as possible; even students with only a minimal background in economics can use it. Appendixes to several chapters facilitate this process. For example, Chapter 1 includes an appendix that can be used as a convenient reference tool for students unfamiliar with basic microeconomic theory. It features simple, concise explanations of concepts such as indifference curves, income and substitution effects, consumer surplus, producer surplus, cost, and production theory. Although the appendix is not designed as course material, it will help students understand, as well as review, the analyses used throughout the book.

An appendix to Chapter 2 provides a more in-depth analysis of efficiency using Edgeworth-Bowley box diagrams to derive efficiency loci. The appendix to Chapter 7 derives formulas for the excess burden of taxation and addresses the relevance of compensated demand and supply curves to tax analysis. The appendices to Chapters 2 and 7 cover more advanced material and may be skipped without loss of continuity.

## POSSIBLE COURSE OUTLINES

This book contains more material than could possibly be covered in a one-semester (or one-quarter) course in public finance. Instructors of one-semester courses will find enough material to adapt to their own needs and interests. Teachers of the two-semester sequence of the microeconomic aspects of public finance could cover Parts One and Two (the expenditure aspects of public finance) in the first semester, and Parts Three, Four, and Five (government finance and fiscal federalism) in the second. Instructors of the macroeconomic aspects of public finance could supplement the material in the text with excerpts from one of the many excellent macroeconomic books available.

I suggest four possible course outlines for a one-semester course, each outline having its own emphasis. Instructors may adjust these outlines according to their preferences.

### Outline 1: Basic Principles of Public Finance

For intermediate economics courses, with students who have had at least one course in basic microeconomic theory:

1. Chapters 1–5: The economic basis for government activity. Efficiency, market failure, externalities, public goods, public choice, and political equilibrium.



## 2. Chapters 6–7: Principles of government finance.

### Outline 2: The Functions of Government and Government Expenditure

For courses focusing on public policy and government expenditure, with students who have had at least one course in economics:

1. Parts One: The economic basis of government activity and application of that theory to selected policy issues.
2. Part Three: State and local government finance.

### Outline 3: Tax Theory and Policy

For courses addressing taxation, with students who have had at least one course in economics:

1. Chapters 1 and 2: The functions of government and the concept of efficiency.
2. Chapters 6–7: Government finance, tax theory, and tax policy.

### Outline 4: Public Policy

For courses in public affairs or public policy, with students who have had little or no background in economics:

1. Chapters 1 and 2: Efficiency, markets, and the economic basis for government activity.
2. Selections from Chapters 3–5: As appropriate to subject emphasis and student background. Topics could include externalities, public goods, and political equilibrium.
3. Chapter 6: Introduction to government finance.
4. Selections from Chapters 7: Topics in tax policy, chosen according to depth of coverage.
5. Selections from Chapter 8: Topics in fiscal federalism, chosen according to course objectives. More advanced sections could be omitted.

## ANCILLARY MATERIALS

### Instructor's Manual/Test Bank

I have prepared a concise *Instructor's Manual/Test Bank* for this ninth edition. The *Instructor's Manual* summarizes the objectives for each chapter and offers suggestions for supplementing text materials and for developing lectures. The *Test Bank* for each chapter includes true/false, multiple-choice, and essay questions. Answers to end-of-chapter problems are included in the *Instructor's Manual*. This ancillary is also available at <http://www.thomsonedu.com/economics/hyman> as downloadable Microsoft Word® files under the Instructor Resources tab.

## Lecture Presentation in PowerPoint®

This text features a PowerPoint slide presentation that professors can use to save valuable class preparation time. This supplement covers all the essential topics presented in each chapter of the book. Graphs, tables, and examples are developed sequentially, much as one might develop them on a blackboard. Additional examples and applications are used to reinforce major lessons. Slides are crisp, clear, and colorful. Instructors may adapt or add slides to customize their lectures. The PowerPoint presentation, along with a separate presentation containing all of the text's tables and exhibits, is available at <http://www.thomsonedu.com/economics/hyman>.

Textbook Support Web Site: (<http://hyman.swlearning.com>)

Visit the support Web site for this textbook (<http://www.thomsonedu.com/economics/hyman>) to find free Instructor and Student resources available to customers. Web sites listed at the end of the chapters in the book are included as study tools at the site.

Economic Applications: (<http://econapps.swlearning.com>)

This site includes South-Western's dynamic Web features: EconNews, EconDebate, and EconData Online. Organized by pertinent Economic topics, and searchable by topic or feature, these Web features are easy to integrate into the classroom. EconNews, EconDebate, and EconData all deepen your understanding of theoretical concepts through hands-on exploration and analysis for the latest economic news stories, policy debates, and data. These features are updated on a regular basis. The Economic Applications Web site is complimentary to every new book buyer via an access card packaged with the book. Used book buyers can purchase access to the site at <http://econapps.swlearning.com>.

## InfoTrac® College Edition

InfoTrac College Edition is packaged with every copy of the textbook. It is a fully searchable, online university library containing complete articles and their images. Its database allows access to hundreds of scholarly and popular publications—all reliable sources, including magazines, journals, encyclopedias, and newsletters.

## ACKNOWLEDGMENTS

For the ninth edition, I benefited from helpful comments from F. Trenery Dolbear Jr., Brandeis University; Wojciech Kopczuk, Columbia University; and Michael Spicer, Cleveland State University.

For the eighth edition, I benefited from helpful comments from Katherine Chalmers, Colorado State University; Jane H. Leuthold, University of Illinois at Urbana-Champaign; Steve E. Lile, Western Kentucky University; Barry Love, Emory and Henry College; Thomas Pogue, University of Iowa; C. Kurt Zorn, Indiana University; and Paul Rothstein, Washington University at St. Louis.

I am indebted to many friends and colleagues for their criticism and encouragement during the preparation of this book. Manuscript for the previous editions was reviewed by Donald N. Baum, Dwight Blood, Eric Fredland, Richard

McHugh, David Orr, Craig Stubblebine, David Terkla, Temple University; Yuval Cohen and Virginia Wilcox-Gok, Rutgers University; Randolph M. Lyon, University of Texas at Austin; James P. Marchand, University of California at Los Angeles; Patricia N. Pando, Houston Baptist University; Michael T. Peddle, College of the Holy Cross; John A. Sondey, University of Idaho; John P. Tillman, University of Wisconsin at LaCrosse; Marcu Berliant, University of Rochester; Timothy J. Gronberg, Texas A&M University; Roberto N. Ifill, Williams College; Charles R. Knoeber and Alvin E. Headen, Jr., North Carolina State University; Stephen E. Lile, Western Kentucky University; James R. White, Hamilton College; Wade L. Thomas and Sherry Wetchler, Ithaca College; Gary M. Pecquet, Southwest Texas State University; Joseph J. Cordes, George Washington University; Lori Alden, California State University—Sacramento; Frederic Harris, University of Texas at Arlington; Charles G. Leathers, University of Alabama; Janet Kohlhase, University of Houston; George Zodrow, Rice University; Robert C. McMahon, University of Southern Maine; William E. Even, Miami University; Kathleen Segerson and Thomas Miceli, University of Connecticut; Charles L. Ballard, Michigan State University; J. Fred Giertz, University of Illinois; Lloyd Orr, Indiana University; Davis Taylor, University of Oregon; Samuel H. Baker, College of William and Mary; Mark Showalter, Brigham Young University; William Kamps, South Dakota State University; Michael J. Wasylenko, Syracuse University; Eleanor D. Craig, University of Delaware; Richard Fenner, Utica College; Robert J. Gitter, Ohio Wesleyan University; Medhi Haririan, Bloomsburg University; and Michael A. Nelson, Illinois State University.

Thanks also to Alex von Rosenberg, Editor-in-Chief; Steven Scoble, Senior Acquisitions Editor; Jennifer Ziegler, Content Project Manager; Brian Joyner, Executive Marketing Manager; Angela Glassmeyer, Senior Marketing Coordinator; Deepak Kumar, Technology Project Manager; Michelle Kunkler, Art Director; and Sandee Milewski, Senior Manufacturing Coordinator.

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