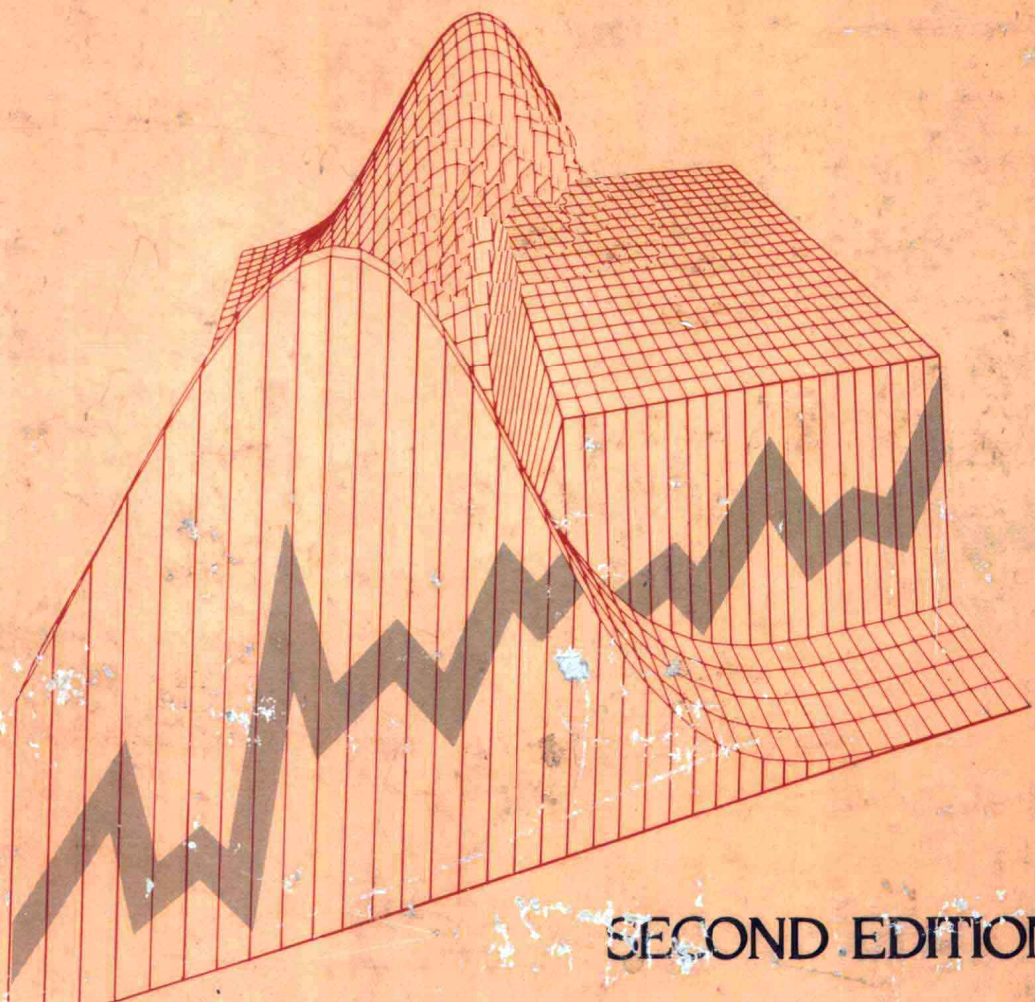


Public Finance and the Price System

Edgar K. Browning

Jacqueline M. Browning



SECOND EDITION

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MACMILLAN PUBLISHING CO., INC.
New York

Collier Macmillan Publishers
London

**A GIFT OF
THE ASIA FOUNDATION
BOOKS FOR ASIA**

SAN FRANCISCO, CALIFORNIA, U.S.A.

美國亞洲基金會敬贈

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Printed in the United States of America

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Macmillan Publishing Co., Inc.
866 Third Avenue, New York, New York 10022
Collier Macmillan Canada, Inc.

Library of Congress Cataloging in Publication Data

Browning, Edgar K.

Public finance and the price system.

Includes bibliographies and index.

1. Expenditures, Public. 2. Public goods.
3. Finance, Public—United States. I. Browning,
Jacqueline M. II. Title.

HJ7461.B75 1983 336.73 82-20358

Printing: 1 2 3 4 5 6 7 8 Year: 3 4 5 6 7 8 9 0

ISBN 0-02-315660-0

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To Our Families

PREFACE

In its second edition, *Public Finance and the Price System* continues to provide a thorough treatment of major public finance topics. Its broad purpose is to help students develop an understanding of the economic principles needed to examine the government's role in the economy, particularly those principles useful in a microeconomic analysis of tax and expenditure policies. Overall, the text reflects our view that it is better to analyze carefully and systematically major topics that illustrate principal concepts and techniques than to cover a wide variety of topics superficially. The emphasis is theoretical, with factual and institutional material introduced when it is relevant to an understanding of the important consequences of policies.

A distinguishing feature of the book continues to be its balanced approach to the treatment of tax and expenditure policies. Most public finance texts describe in great detail the major taxes and analyze their economic effects, but do not apply the same approach to the expenditure side of public budgets. We devote five chapters each to expenditure analysis (Chapters 4–7 and 9) and tax analysis (Chapters 10–14), showing how the same theoretical principles can be used to identify and evaluate the major consequences of both expenditure and tax programs. We were encouraged by the favorable response to this approach in the first edition.

There are a number of important changes in the second edition. Foremost among these is the reorganization and expansion of material dealing with taxes. Five chapters are devoted to taxes rather than four as in the first edition. An entirely new chapter, Chapter 14, which concludes the tax segment, provides an overview of the tax system as a whole in terms of its effects on income distribution and resource allocation. This unique chapter presents a perspective on the effects of taxation on the economy that has become increasingly important in recent years.

A second important change, prompted by suggestions from a number of users of the first edition, is the relocation of the chapter on public choice so that it is the third chapter. The first three chapters of the book now develop a coherent analytical structure that is repeatedly applied throughout the remainder of the book.

Beyond these more obvious changes, we have made significant alterations and improvements within almost every chapter. Much new material has been added, and we have rewritten large segments of several chapters to bring them up to date and improve their exposition. Many

PREFACE

of the diagrams have been redrawn for greater clarity. While the general structure of the book remains much the same as in the first edition, we believe these numerous small improvements will help students learn the material and better appreciate the importance of the subject matter.

Most readers of this text will probably be economics majors who have completed a course in intermediate microeconomic theory. Because of the increasing interest in the subject matter, however, we have made the text accessible for those who have only had a principles of economics course by including an appendix on indifference curve analysis. Indifference curve analysis is used throughout the text, and those unfamiliar with it (or needing a quick review) should read this section early in the course. With that preparation, readers with a limited background in economic theory should have no difficulty with the material.

We would like to extend our appreciation to a number of people who have helped in the preparation of this edition. Several economists provided detailed comments and suggestions on portions of the first edition that aided us in revising. They are: Geoffrey Brennan of Virginia Polytechnic Institute and State University; Colin Campbell of Dartmouth College; C. M. Lindsay of Emory University; Wallace Oates of the University of Maryland; and Rudolph Penner of the American Enterprise Institute. In addition, we would like to thank our editor at Macmillan, Chip Price, for capably overseeing the project and helping us stay on schedule. We are also grateful to our typist, June Morris, for her reliable and prompt typing assistance.

EKB
JMB

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