
Contents

Preface to the Second Edition

page ix

1. MARKETS AND GOVERNMENTS	1
1.1 The Prima Facie Case for the Market	4
1.2 Efficiency and Social Justice	24
1.3 The Rule of Law	36
2. INSTITUTIONS AND GOVERNANCE	71
2.1 The Political Principal-Agent Problem	73
2.2 Government Bureaucracy	101
2.3 Life without Markets and Private Property	107
3. PUBLIC GOODS	135
3.1 Types of Public Goods	138
3.2 Information and Public Goods	178
3.3 Cost-Benefit Analysis	209
4. PUBLIC FINANCE FOR PUBLIC GOODS	243
4.1 Taxation	246
4.2 Tax Evasion and the Shadow Economy	279
4.3 Government Borrowing	288
5. MARKET CORRECTIONS	307
5.1 Externalities and Private Resolution	309
5.2 Public Policies and Externalities	334
5.3 Paternalistic Public Policies	367
6. VOTING	405
6.1 The Median Voter and Majority Voting	409
6.2 Political Competition	437
6.3 Voting on Income Redistribution	461

7. SOCIAL JUSTICE	489
7.1 Social Justice and Insurance	492
7.2 Moral Hazard	527
7.3 Social Justice without Government	543
8. ENTITLEMENTS	587
8.1 The Attributes and Consequences of Entitlements	589
8.2 The Entitlement to Income during Old Age	627
8.3 The Entitlement to Health Care and Health Insurance	645
9. CHOICE OF TAXATION	665
9.1 Optimal Taxation	667
9.2 Capital and Other Tax Bases	694
9.3 Fiscal Federalism	709
10. THE NEED FOR GOVERNMENT	739
10.1 Growth of Government and the Need for Government	741
10.2 Cooperation, Trust, and the Need for Government	763
10.3 Views on the Need for Government	771
TOPICS FOR DISCUSSION	787
<i>Author Index</i>	825
<i>Subject Index</i>	831