## Contents

		iace to the Third Edition erpt from the Preface to the First Edition	xv iivx
PART ONE	INT	RODUCTION	
Chapter 1	Fisc	cal Functions: An Overview	3
	A.	Introduction	3
	В.	The Allocation Function	7
	C.	The Distribution Function	11
	D.	The Stabilization Function	13
	E.	Coordination or Conflict of Functions	17
	F.	Interaction of Private and Public Sectors	20
*	G.	Summary	22
Chapter 2	Fisc	cal Institutions	24
	A.	Survey of United States Fiscal Structure	25
1.5	В.	The Constitutional Framework	29
	C.	Policy Implementation: (1) Expenditure Policy	37
	D.	Policy Implementation: (2) Tax Policy	46
* *	E.	Overall Fiscal Policy	49
	F.	Trust Funds	50
	G.		51
	H.	Summary	51
Chapter 3	The	Theory of Social Goods	54
	A.	Social Goods and Market Failure	55
	В.	Provision for Social Goods	58
	C.	Models of Efficient Allocation	62
	D.	Summary	74
Chapter 4	Soc	cial Goods, Further Considered	77
	Α.	Mixed Goods	78
	В.	Bargaining in the Small Group	80

vili	CONTENT
Alli	

	C.	Bases of Wants and Merit Goods	83
	D.	Summary	86
	D.	Summary	
Chapter 5	The	ory of Optimal Distribution	88
	A.	Does Equity Belong in Economics?	89
	B.	Approaches to Distributive Justice	92
	C.	The Size of the Pie	98
	D.	Further Issues	102
	E.	Summary	105
Chapter 6	Voti	ng Rules and Fiscal Politics	107
	Α.	Voting Systems and Individual Choice	108
	В.	The Theory of Representative Democracy	116
	Б. С.	The Government as Decision Maker	121
		Classes and Interest Groups	125
	D.	Political Bias and the Size of the Public Sector	127
	E.		129
	F.	Estimating Budget Behavior	
	G.	Summary 134	
PART TWO	EXF	PENDITURE STRUCTURE	
Chapter 7	Pub	olic Expenditures: Structure and Growth	139
	A.	Size of the Public Sector	140
*	В.	Growth and Status of Public Expenditure	
	-	Structure	142
	C.	A Cross-Sectional View	149
	D.	The Causes of Expenditure Growth	151
	E.	Summary	159
		pendix: Public Sector in the National Income	
	App	Accounts	160
Chapter 8	Exp	penditure Evaluation: Principles	166
	A.	Introduction	167
	В.	Project Benefit and Consumer Surplus	171
	C.	Types of Benefits and Costs	172
	D.	Measurement of Benefits and Costs	175
		Assigning Weights in Project Selection	179
	E.		184
	F.	Discounting and the Cost of Capital	195
	G. H.	Risk and Economic Change Summary	196
			400
Chapter 9	Ex	penditure Evaluation: Case Studies	199
	A.	Highway Construction	200
A	В.	Outdoor Recreation	208
	C.	Education	212

C	0	. 1-	NI	TC
	വ	V	IV	10

CONTENTS		lx
	D. Sectoral Allocation of Police	217
	E. Project Analysis and Budget Procedures	219
	F. Summary	223
	PRINCIPLEO OF TAVATION	
PART THREE	PRINCIPLES OF TAXATION	
Chapter 10	Introduction to Taxation	229
	A. Categories of Revenue	229
	B. Requirements for a "Good" Tax Structure	235
	C. Summary	236
Chapter 11	Approaches to Tax Equity	237
•	A. Application of Benefit Principle	239
	B. Ability to Pay and Choice of Tax Base	242
	C. Ability to Pay and Vertical Equity	250
	D. Summary	254
Chapter 12	Tax and Expenditure Incidence:	056
	An Overview	256
	A. Nature of Tax Burden	257
	B. Concepts of Incidence	259
	C. Measuring Incidence	262
	D. Incidence of the United States Fiscal Structure	265
	E. Summary	278
Chapter 13	Principles of Tax Incidence	280
Chapter 15	•	
	A. Partial Equilibrium View of Product Taxes	281
	B. Partial Equilibrium View of Factor Taxes	287
	C. Incidence in General Equilibrium	293
	D. Summary	298
Chapter 14	Excess Burden and Efficiency	301
	A. Administration and Compliance Cost	302
	B. Tax Distortions in Household Choices, Partial	
	Equilibrium View	303
	C. Tax Distortions in Household Choices, General	
	Equilibrium View	308
	D. Efficiency Ranking of Taxes under Single	
	and Multiple Choice	313
	E. Optimal Income Tax Rates	315
	F. Tax Distortions in Production	316
	G. Magnitude of Excess Burdens	318
	H. Further Aspects of Efficiency	319
	I. Tradeoff between Equity and Efficiency	321
	J. Summary	323

PART FOUR	TAX STRUCTURE	
Chapter 15	Development and Composition of United States Tax Structure	327
	A. Development of United States Tax Structure	327
	B. Comparison with Other Countries	332
	C. Summary	333
Chapter 16	individual Income Tax: Defining Taxable	
Onapici 10	Income	335
	A. Major Provisions	336
	B. Structure of the Tax Base	339
	C. Principles of Income Definition	343
	D. Practice of Income Definition: (1) Exclusions	348
	E. Practice of Income Definition: (2) Deductions	356
	F. Summary	364
Chapter 17	Individual Income Tax: Further Problems	366
	A. Tax Preferences	366
	B. Rate Structure	372
	C. Treatment of Low Incomes	378
	D. Choice of Taxable Unit	381
	E. Inflation Aspects	386
	F. State and Local Income Taxes	390
	G. Appraisal of Income Tax	392
	H. Summary	393
Chapter 18	Corporation Income Tax: (1) Structure and	
	Integration	396
	A. Structure of Federal Corporation Income Tax	397
	B. Should There Be a Corporation Tax?	398
	C. Distribution of Burden among Shareholders	403
	D. Techniques of Integration	408
	E. Income Definition	413
	F. Inflation Adjustment	419
	G. Progression and Small-Business Relief	420
	H. Organizations Subject to Special Treatment	422
	I. State Corporation Taxes	423
	J. Summary	424
Chapter 19	Corporation Income Tax: (2) Incidence and	
Oliapioi 10	Investment Incentives	427
	A. Incidence	427
	B. Investment Incentives	436
	C. Summary	440

X.II

CO	. 1	FE	NI	TC
CO	N		14	10

Chapter 20	Sales Taxes	442
	A. Sales Taxes in the United States Tax Structure	443
	B. Types of Sales Taxation	444
	C. Incidence of Sales Taxes	452
	D. Personal Expenditure Tax	455
	E. Value-Added Tax	458
	F. Summary	463
	Appendix: Incidence of Unit and Ad Valorem	
	Taxes	464
Chapter 21	Property and Wealth Taxes	469
	A. Rationale for Wealth Taxation	470
	B. Composition and Distribution of Wealth	473
	C. Structure and Base of Property Tax	475
	D. Burden Distribution of Property Tax	481
	E. Appraisal and Outlook for Property Tax	487
	F. Net Worth Tax	489
	G. Capital Levy	492
	H. Summary	492
Chapter 22	Death Duties	495
Table .	A. Rationale for Death Duties	496
	B. The Federal Estate Tax	497
	C. The Federal Gift Tax	502
	D. State Inheritance Taxes	502
	E. Summary	503
Chapter 23	Payroll Tax	504
	A. Development	505
	B. Coverage	505
	C. Administration	506
	D. Distribution of Burden	507
PART FIVE	FISCAL FEDERALISM	
Chapter 24	Principles of Multiunit Finance	513
	A. Allocation Aspects	514
. Per	B. Distributional Aspects	524
	C. Stabilization Aspects	526
	D. Intergovernmental Fiscal Relations	527
-	E. The Theory of Grants	532
	F. Summary	538
	•	

CONTENTS

Chapter	25		Structure of Fiscal Federalism in the ted States	540
		A.	Structure of Fiscal Federalism in the United States	540
		B.	Fiscal Position: Capacity, Need, Effort, and Performance	545
		C.		552
		D.	The Grant System Summary	565
Chapter	26	Cui	rrent Problems in Fiscal Federalism	567
		A.	The Fiscal Crisis of the Cities	567
		B.	Regional Impact of Federal Finances	573
		C.	School Finance	577
		D.	Policy Options	580
		E.	Summary	584
	,			
PART SIX	K	FIS	CAL STABILIZATION	
Chapter	27	Fis	cal Effects on Aggregate Demand and	
		Em	ployment	589
		A.	Policy Targets and the Role of Aggregate	500
	4.	В.	Demand  Multiplier Models with Investment Fined	590
		C.	Multiplier Models with Investment Fixed Multiplier Models with Investment Variable	593
		D.	Comparing Fiscal and Monetary Policy	602 606
		E.	Summary	607
			/	
Chapter	28	App	olications of Stabilization Policy	609
		A.	Timing of Multiplier Effects	609
_ / .		B.	The Role of Built-In Flexibility	614
,		C.	Rules versus Discretion	621
		D.	The Fiscal Policy Mix	624
		E.	Summary	627
Chapter :	29	Out	put, Employment, and Inflation	629
		A.	The Equilibrium Level of Output and Prices	630
		B.	Dynamics with Demand Pull and Cost Push	634
		C.	Equilibrium Rates of Inflation	638
		D.	Structural Uses of Fiscal Policy	644
		E.	Summary	647

CONTENTS		xIII
	Elect Policy Evneriance	649
Chapter 30	Fiscal Policy Experience	649
	A. Early Record	651
	B. The Sixties and Seventies	659
	C. Summary	037
Chapter 31	Fiscal Effects on Capacity Output	661
	A. Effects on Work Effort	662
	B. Effects on Private Sector Saving	667
	C Effects on Private Investment	672
	D. Saving and Investment in the Public Sector	677
	E. Fiscal Policy and the Rate of Growth	683
	F. Summary	688
		691
Chapter 32	<b>Economics of the Public Debt</b>	
	A. Structure of the Federal Debt	692
	B. Maturity Mix and Interest Cost	695
	C. Further Issues in Debt Management	701
	D The Market for State and Local Debt	704
	E. Debt Burden and Intergeneration Equity	706
	F. Summary	711
DART CEVEN	FURTHER POLICY ISSUES	
PART SEVEN	TONTILLI CLIC I SOCIALI	1
Chapter 33	Income Maintenance Programs	717
	A. Overview of Income Maintenance Programs	717
	B. Income Maintenance for the Poor	719
	C. Social Insurance	726
	D. Unemployment Insurance	739
	E. Summary	739
Chapter 34	<b>Public Pricing and Environmental Policy</b>	742
	A. Public Sale of Private Goods	743
	B. Marginal Cost Pricing in Decreasing Cost	
	Industries	744
	C. Peak-Load Pricing	748
	D. Pricing of Social Facilities	750
	E. Pricing Pollution	753
	F. Summary	765

xiv		CONTENTS
Chapter 35	International Public Finance	768
	A. Introduction to Tax Coordination	769
	B. Coordination of Income and Profits Taxes	770
	C. Coordination of Product Taxes	776
	D. Stabilization in the Open Economy	780
	E. Further Problems	783
	F. Summary	787
Chapter 36	Development Finance	790
	A. Ingredients of Development	791
	B. Fiscal Policy, Stability, and Growth	795
	C. Tax-Structure Policy	800
	D. Tax Incentives	808
	E. Expenditure Policy	812
	F. Summary	81:
	Indexes	819

Name Index Subject Index