

Preface	ix
Acknowledgements	xi
 PART I	
INTRODUCTION	1
1 The Foundations of Public Sector Theory	3
2 Market Failures	17
3 The Fundamental Theorems of Welfare Economics	39
Appendix: Variable Factor Supplies	54
 PART II	
PUBLIC EXPENDITURE THEORY AND POLICY	57
4 The Social Welfare Function and the Quest for Distributive Justice	59
5 Applying the Social Welfare Function	79
6 Externalities: Theoretical Issues	99
7 Externalities: Policy Considerations	121
8 Nonexclusive Goods	143
9 Decreasing Cost Services: the Natural Monopolies	159
10 U.S. Transfer Payments: the Public Choice Perspective	177
11 Practical Issues in Designing Transfers to the Poor	195
12 Social Insurance: Social Security	211
 PART III	
TAX THEORY AND POLICY	241
13 The Pursuit of Equity in Taxation	243
14 Applying Ability-to-Pay Principles: Federal Personal Income Tax	265

15 Taxes and Inefficiency: the Excess Burden of Taxation	289
16 The Trade-off Between Equity and Efficiency in Taxation	311
17 Taxes, Transfers, and Private Information	325
18 Tax Incidence: Theoretical Issues	343
19 Tax Incidence: Applications	363
Appendix: CRS, Unequal Factor Intensities, and the Production Possibilities Frontier	388
I PART IV COST-BENEFIT ANALYSIS	391
20 Cost-Benefit Analysis	393
PART V FISCAL FEDERALISM	423
21 Fiscal Federalism: the Assignment of Functions among Governments	425
22 Efficiency and Equity Issues with Mobile Resources	439
23 Grants-in-Aid	455
Epilogue: A New Behavioral Public Sector Economics?	475
Notes	483
References	499
Index	505