# BRIEF CONTENTS



Contents vii Preface xvii

### PARTI Introduction and Background

- 1 Why Study Public Finance? 1
- 2 Theoretical Tools of Public Finance 25
- 3 Empirical Tools of Public Finance 59
- 4 Budget Analysis and Deficit Financing 85

## PART II Externalities and Public Goods

- 5 Externalities: Problems and Solutions 113
- 6 Externalities in Action: Environmental and Health Externalities 143
- 7 Public Goods 179
- 8 Cost-Benefit Analysis 207
- 9 Political Economy 229
- 10 State and Local Government Expenditures 263
- 11 Education 291

#### PART III Social Insurance and Redistribution

- 12 Social Insurance: The New Function of Government 321
- 13 Social Security 349
- 14 Unemployment Insurance, Disability Insurance, and Workers' Compensation 381
- 15 Health Insurance I: Health Economics and Private Health Insurance 411
- 16 Health Insurance II: Medicare, Medicaid, and Health Care Reform 447
- 17 Income Inequality and Government Transfer Programs 485

## PART IV Taxation in Theory and Practice

- 18 Taxation: How It Works and What It Means 527
- 19 The Equity Implications of Taxation: Tax Incidence 559
- 20 Tax Inefficiencies and Their Implications for Optimal Taxation 587
- 21 Taxes on Labor Supply 621
- 22 Taxes on Savings 645
- 23 Taxes on Risk Taking and Wealth 671
- 24 Taxation of Business Income 699
- 25 Fundamental Tax Reform and Consumption Taxation 731

Glossary G-1

References R-1

Index I-1