

Chapter One: Introduction (pg 1 - 16)

Introduction

The biblical Jews and monarchy

The Christian distinction “give unto Caesar that which is Caesar’s”

The Buddha “xxx:”

Government, and its ability to tax and spend, has always been an issue

There is, and has always been, a tension and/or ambivalence about Govt.

“Public Finance” somewhat of a misnomer

It implies the issues are purely technical – when they are not.

Logistics and Adolf Eichmann

Modern Public Economics

Primary focus will be on Micro-economics

Macroeconomic “stabilization” is covered in Macro classes

Though it certainly does influence political debates

Investments vs. spending, “stimulus”

Regulatory policy is also covered in Public Economics

Anti-trust, bureaucracy, etc.

Public Choice Economics (chapter 6), and Industrial Organization

(make note of the fox guarding the henhouse)

Public Finance and Ideology (3)

Organic View of Government

The state as an Organism

People as “cells” in the organism

“Society demands that we do xxxxx”

In this view, the whole exceeds the parts

The “social welfare function”

The Totalitarian views of the Nazi’s, Communists, Islamists

This has been the dominant view of govt. throughout history

Greek “democracy” and individual rights

The limiting factor on a government’s control was technological

Mechanistic View of Government

Arose in the 1700’s during the enlightenment period

The government was a machine, to serve individuals

So Government (society) was about individuals

So no more “l’etat, c’est moi”

But what is “good”?

Two (*three*) different views emerged

The most limited view: The government serves two purposes

(Extreme libertarians, some anarcho-capitalists)

Protect us from others (enemy/foreign states)

Protect us from each other (public order, police and judges)

Less limited, the above plus

The provision of public goods

Note – I said public goods, NOT publically provided private goods

This is essentially the Adam Smith view of govt.

Strongly founded on the principle of Negative Rights

The social democrats (socialists in the modern sense)

The above, plus

Substantial government intervention to help the individual

Safety regulations, anti-trust, affirmative action, redistribution

Government can help, or guide, or “nudge” the individual

This is the view of the modern welfare state

Developed the principle of Positive Rights

A right that can't be exercised isn't a right

Viewpoint of Text

By and large, follows the mainstream economics assumption

Of individual goals and rights

But tries to be fair and balanced

Viewpoint of Aj. Brian

As above, but as a public choice economist, and an econ. Historian

My views are not particularly mainstream

Government at a Glance (5)

The Legal Framework

The U.S. federal system

The federal government, state governments

Basically, the U.S. constitution was for limited, powerful government

(note: the Miracle at Philadelphia)

(structure of Govt. vs. Scope of Government)

Democracy vs. Freedom

A VERY IMPORTANT NOTE ABOUT NUMBERS

The U.S. Stimulus 2009 – Keynesian multiplier of 1.51

Child Mortality rates in France and the U.S. (Cuba) (CIA data)

3.34, 5.9 and 4.76 15.41

Per capita Income in Thailand and China (IMF 2013)

5, 678 (10,126) vs. 6,076 (9,162)

The Size of Government (7)

Growing.....

Government Debt

Cyclical Deficit

Structural Deficit

Future obligations (off-book debt)

Quasi-fiscal Policy

NOTE: Thailand vs. Western Governments

U.S. Government – 4.7 trillion a year, 33% of GDP

Thai Government – 13 to 17% of GDP

Sweden, France – 51% and 54%

Changes in U.S. Government spending

Defense, Discretionary spending, Social Security, Interest

How to measure the size of Government

Purchases of Goods and Services

Examples: Roads, Sewers, NASA, Parks

Transfers of Income

Welfare Payments, Medicaid/Medicare, Business Subsidies

Q: If the Govt gives a food stamp, or sets up a cafeteria, is it different?

Interest Payments

An intergenerational transfer?

None of the above includes the regulatory budget

The costs of complying with regulations

Airbags....

Some Numbers.....

Expenditures

Revenues (EE - 422)

Tax composition of the U.S.

Income tax

The U.S. does not have a VAT, most states have sales taxes

Corporate Tax (tax burden and tax incidence)

Social Security contribution

(also Medicare, Medicaid, Unemployment, etc.)

States add

Sales Taxes

State income taxes

Excise Taxes

Counties/Cities add

Property taxes

Licensing Fees

Taxation in Thailand

Most Thai taxes collected by the Central Government

Localities strongly reliant on transfers

Summary

Discussion Questions