I. Political and philosophic considerations


- Taxation is coercion
- Infringes on private property rights
- Classic liberalism – state protects individual rights, individual freedom, natural rights.
- Progressivism -- social contract theory, societal progress requires state coordination of economic activity, big government led by “experts”.

II. Why study public finance?


- When should government intervene in the economy?
- How might the government intervene?
- What is the effect on economic outcomes?
- Why do governments intervene the way they do?

III. Brief history of Taxation

Charles Adams, *For Good and Evil: The Impact of Taxes on the Course of Civilization*

- Ancient Egypt -3,000 BC
  - Taxation of Hebrews
  - King Solomon
  - Romans
- Greece and Liturgy
- Roman Empire
- China

IV. American Tax History

- Pre-Revolutionary British Taxes
- Articles of Confederation
- Constitution
- Civil War Tariffs and Income Tax
- 16th Amendment
- Trends in Spending, taxes, and debt
- Distribution of federal and state expenditures and taxes

V. Indirect Taxes

- Tariffs
- Proportionate, regressive and progressive taxes
• Externalities and Public Goods
• Problems and Solutions
• Environmental and Health Externalities - Cap and Trade
• Cost benefit Analysis
• Education

VI. Analysis

• Consumer Surplus
• Producer Surplus
• Deadweight tax loss

VII. Direct Taxes

• Social Insurance and Redistribution
• New functions of government
• Social security -- past growth, and growing life expectancies
• Health Insurance Medicare and Medicaid
• Income Distribution and Welfare
• Earned Income Tax Credit
• The Laffer Curve
• Tax Expenditures
• Double Taxation
  o Corporate Dividends
  o Personal income
  o Inheritance tax

VIII. Rise of the Bureaucratic State

• Federal Bureaucracy
• Fourth Branch of Government
• Regulations
• Regulatory “Capture”
• Trust in government

IX. Issues with Revenue-Expenditure Gap

• Growing Government Debt
  o Deficits
  o Debt as Percent of GDP
  o Growing level of debt service
  o Public Pension debt

• Fiscal Macroeconomic Stabilization
  o Keynesian budget balancing over business cycle
  o Taxes
  o Transfers
  o Government expenditures
  o Automatic Stabilizers