Public Finance and Attitudes toward Government


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1 What is Public Economics?

Public Economics is:

- the study of the taxing and spending activities of govt
- effect on allocation of resources and dist of income
- micro focus on efficiency and equity
- not finance or macro
2 Public Finance and Ideology: Indiv vs State

Alternative Normative Views

1. Organic View
   the state is an organism, govt is the heart
   individuals are part of the community, goals set by state

2. Mechanistic View
   Govt is ‘by the people for the people’—individuals center stage
   Govt does what is ‘good’ for individuals
      Minimum: protect from violence, injustice, oppression (Libertarian)
      Broader: Social democrat: govt intervenes to ‘take care’ of individuals
3 Government at a Glance: Positive View

3.1 Legal Framework: U.S.

3.1.1 Federal Govt: spending and taxing in the constitution

- Art. 1 Sect. 8: Congress is authorized ‘to pay the Debts and provide for the common Defense and General Welfare of the US’

- Art. 1 Sect. 8: ‘The Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises.’

- Art. 1 Sect. 7: ‘All bills for raising revenue shall originate in the House of Representatives.’

- Art. 1 Sect. 8: If expenditures exceed revenues, Congress is empowered to ‘borrow Money on the credit of the US’.
3.1.2 State and Local Govts

- 10th Amendment: ‘The powers not delegated to the US by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people’

- Art 1. Sect. 10: ‘No state shall, without the consent of the congress, lay any imposts or duties on imports or exports.’
3.1.3 How big is govt? Where does the money go? Where does it come from?

Art I. Sect 9: ‘a regular statement and account of the receipts and expenditures of all public money shall be published from time to time’ (unified budget)