

Sample Public Finance Topics

Below is a (non-exclusive) list of topics one can study in public finance. Although many of these topics will be studied in this calls, this is not a course outline. Instead, this list of topics is meant to give you a feel for what public finance typically studies.

Introduction

- **How big is the U.S. government?** I know the U.S. government is big but just how big (or small) is the U.S. government? Has it really grown as much as people say over the last few decades? What has been the main sources of any changes: Federal, State, or Local government? How does the size of our government compare to the rest of the world?
- **What does the U.S. government do?:** Where does most of your tax dollar go? Is it for national defense, Social Security, foreign aid, assistance programs? Where does it get most of its tax dollars? Have there been any significant changes in what the U.S. government does and how it taxes over the past few decades?
- **Why do we need/want government?** If markets respond to individuals' wants and are great at minimizing costs, why do we even need government? In what situations does the "Invisible Hand" produce sub optimal outcomes?

Public Good and Externalities

- **Novel government solutions:** Traditionally, governments have relied on direct regulation to correct for externalities. Specifying production levels or what anti-pollution technology firms must use are examples. In recent decades, new types of solutions, such as tradable pollution permits, have been used. Why the shift? What is pollution today any different from 30 years ago? Are there still situations in which "old style" direct regulation works best?
- **Optimal "Sin Taxes":** Consider a "sin tax" such as liquor, gasoline, driving, smoking, etc. How do economists try to estimate the optimal tax for each of these commodities. What are the different estimates of the optimal tax. Why do the estimates differ? What is the current tax rate?
- **School Vouchers:** School vouchers in Cleveland, Florida and elsewhere, have raised quite a bit of controversy. What is the theoretical basis for and against school vouchers? What are the details of current voucher systems? What have the results been?

Political Decision Making

- **Political Structure and Political Choice:** American voters often complain that they have few choices in elections. Voters are limited to two relatively centrist parties. Why is this?
- **Political Structure and Political Choice II:** Why do the Germans, Turks, heck most nations in the world, have many political parties in their legislature while the United States has only two? What is it about the American system that produces two parties?
- **Political Pork and Vote Trading:** Why are so many laws coming out of Congress so full of "pork". Why, for example, are projects like funding for local parks tacked into a bill on farm policy?
- **Agenda Manipulation:** It's often been said, that in a legislature, "he who controls the agenda controls the legislation". Why is this? How can one, by choosing the order in which things are voted on, affect the final outcomes? Does this really happen?

- **Line Item Veto:** Describe efforts to give the U.S. President a line item veto. What are the arguments for and against such an amendment? What is the status of these proposals today?

Assistance Programs and Welfare Reform

- **What's the ideal income distribution?** Most agree that things should be fair, but what exactly does this mean? What have the great thinkers said regarding what is fair and what is not? Can we apply this to real world policies?
- **The National Story:** Much has been recent federal attempts to reform welfare programs. Just what has the federal government done (since 1996)? What has the federal government done? How are things proceeding so far? What are some proposals for the future?
- **Food Stamps:** Many economists have argued that food stamps should be turned into a cash (versus in-kind) program. What are arguments for and against these proposals? How politically feasible is the replacement of food stamps with a cash program?
- **Housing Assistance:** How do current programs offering housing assistance work. How did they work in the past? What are some proposals for modifying the current system (tax code changes, rent subsidies, subsidies to build low income housing)? What is the status of these proposals?

Social Security

- **What will Social Security give me?** Everyone “knows” Social Security will soon be bankrupt? Why is this? How does the Social Security system work? How much trouble will it be in? What am I likely to get out of it?
- **Past Social Security Reforms:** In the early eighties, much like today, Social Security was considered to be in great trouble. What measures were made then to shore up Social Security? In what ways was the situation the same as today? In what was it different?
- **Current Proposals to Reform Social Security:** The Bush administrations next major policy goal is reforming (or saving) Social Security. What are some of the proposals being considered? What are the likely consequences of each of these? Have any other nations tried these reforms?

Government and the Provision of Medical Services

- **Rising costs of Medical Care:** What the hooray is up with the costs of medical care? Why, in a time when cars, food, toys, etc. are becoming easier to afford (fewer working hours needed to buy them), is the medical care becoming harder to afford? What's different about medical care?
- **What, if anything, is wrong with private insurance?** We have private insurance for things ranging from auto, to fire, to life insurance. These markets are not a hotbed political issue. What is different about private health care insurance? What are the rationale for government intervention in health insurance markets? How can the government intervene?
- **What's up with Medicare?** How does the U.S. government's Medicare system work? Why are we worried about it going bankrupt?

Tax Policy

- **Meet the U.S. Income Tax System!!!** How does our income tax system work? What's up with all the different tax rates, child tax credits, etc? How does the amount owed change as one's income increases? What happens if one includes the Social Security tax and other taxes?
- **Marriage Penalties Marriage Bonuses:** Some couples, simply by getting married, end up paying less in taxes even though their earned income remains the same. Others, end up paying more. Why is

this? Why doesn't the U.S. tax system treat all couples, married and unmarried, the same? Can it be reformed to treat all couples the same?

- **Retirement Accounts:** How does government encourages individual retirement savings. What are the recent changes in this regard? What are the pros and cons of recent changes. What are proposals for future reform?
- **National Sales Tax / Value Added Tax:** Other nations use a national sales tax or national value added tax. What are the pros and cons of such a tax? What are the political prospects for these proposals?
- **Flat Tax:** Steve Forbes proposed a flat tax in 1992 presidential campaign. What are the details of his plan and other flat tax proposals? What are the arguments for and against these proposals? Who would gain and who would lose?
- **Fiscal Federalism:** The United States is a interesting experiment in the division of government. What does theory say regarding which level of government (federal, state, local) should collect a certain tax or make an expenditure? What are some interesting real world experiments or applications in this area?

Local Government Issues:

- **State or Local Taxes:** Taxes generate the revenue necessary for desired government spending. However, few voters like taxes and high tax rate can discourage economic activity. Local governments may be especially susceptible to "crowding out" of economic activity because a different local government, with a different tax rate, might be right next door. i.e. "Tax flight" may be easy. Pick a given state or local government and analyze its tax strategy. Is this government doing anything unusual with regard to its taxes? How does it appear to be working?
 - **Robin Hood and the Schools: Local Financing Versus Revenue Sharing:** Local funding for public education gives control to those most concerned with a school's performance. Because of this, local financing may lead to better schools. However, tax bases values vary widely from area to area resulting in great disparities among schools if local funding is used. What is the theory behind this issue? How does Texas handle this issue? How do other areas handle it?
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