

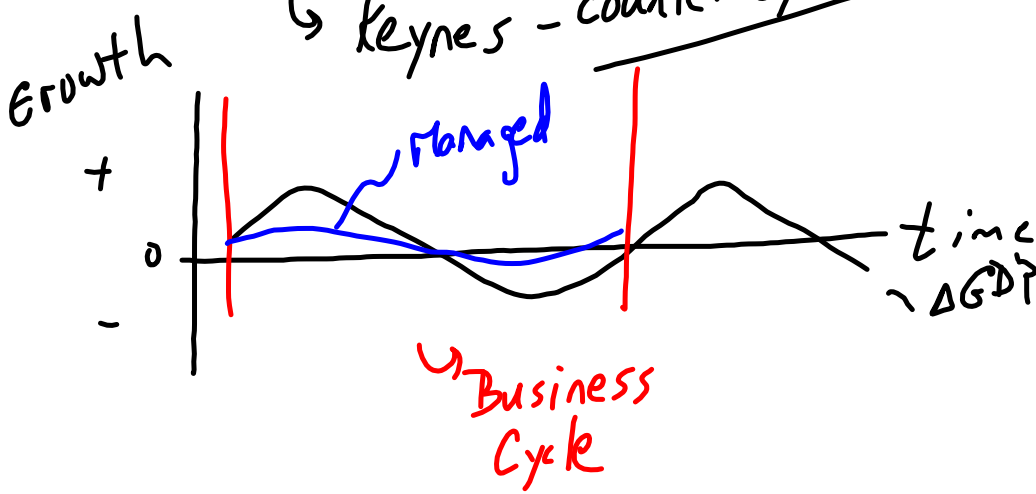
Expenditure
Revenue

R. Musgrave

Allocative Branch
Distribution Branch
Stabilization "

automatic stabilizers

↳ Keynes - counter cyclical



Allocative Branch

↳ goods & services

Why? - markets fail

- National Defense } - scale too large
Police }
Fire } not feasibly
Interstates } privately provided.
Roads }

Fail?

- measures - transaction cost .

↳ resource cost

↳ calibrate

↳ label - information disclosure

incentive to shirk/cheat - enforcement

Fail = lower costs by failing to
control emissions/effluents

Duke Energy - coal
ash pits -

↳ costs ↑ profits ↓
↳ shareholders sell

Size of government?

too big?

too small?

measure?

share \rightarrow % of GDP paid in taxes?
 \rightarrow % " " gov't spend.?
 \rightarrow % labor force in gov't?

[- share of resources allocated by gov't decisions?
 \rightarrow regulations = standards
 - labels
 - packaging

Fiscal exchange - taxes → services
goods

- fair / not fair ?
 ↳ socio-demographic distribution
 preferences for public services
 information - perception of benefit
 perception of tax
 Base ↑
 Rate ↓