















Example Bank Reference Grid









The *Public Sector Economics* Example Bank is designed to be used flexibly by lecturers and students to support learning. The table below offers some ideas on how each example can be linked to the material in the textbook.


Example Number	Subject	Main links	Additional links	Geographical focus
1.1	The European Roots of Modern Public Sector Economics	<ul style="list-style-type: none"> Chapter 1, pp. 6-12 (mainstream theory) Chapter 1, pp. 12-16 (public choice) <p><i>Note</i> This example gives historical background to the subject and can be used in relation to a number of chapters.</p>	<ul style="list-style-type: none"> Chapters 3 and 4 (references to Samuelson's model) Chapter 8, pp. 147-148 (Lindahl pricing) Chapter 8, p. 143 (free riding) Chapter 8, pp. 149-153 (the benefits received principle) Chapter 14 (regarding the ability-to-pay principle of taxation) 	Europe 
2.1	Changes in the US government: expenditures and revenues	<ul style="list-style-type: none"> Chapter 2, p. 35 (Table 2.1 - U.S. government expenditures) Chapter 13, p. 245 (Table 13.1 - U.S. government revenues). <p><i>Notes</i></p> <ul style="list-style-type: none"> The above tables in the textbook present a one-year snapshot of expenditures and revenues, whereas the example follows expenditures and revenues over a 40-year period. Example 2.2 (below) may also be used to accompany Table 2.1 in Chapter 2. 		U.S.
2.2	Government Sectors in the Industrialized Market Economies	<ul style="list-style-type: none"> Chapter 2, p. 35 (Table 2.1 - U.S. government expenditures) <p><i>Note</i> Example 2.1 (above) may also be used to accompany Table 2.1 in Chapter 2.</p>	<ul style="list-style-type: none"> Chapter 2, pp. 22-36 (market failures) 	International 

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4.1	Great Britain's Lump-Sum Community Charge	<ul style="list-style-type: none"> Chapter 4, pp. 64-66 (lump-sum taxes and transfers) 		Europe (U.K.) 
5.1	Social Mobility in the United States	<ul style="list-style-type: none"> Chapter 5, pp. 95-97 (social mobility and social welfare) 		U.S.
5.2	Equality in Europe vs. the United States	<ul style="list-style-type: none"> Chapter 5, pp. 83-88 (including the gains to equalizing income and Okun's Leaky Bucket) Chapter 5, pp 95-97 (social mobility) <p><i>Note:</i></p> <ul style="list-style-type: none"> This example is related to materials throughout the text and therefore could be used by instructors near the end of the course. 	<ul style="list-style-type: none"> Chapter 10, pp. 178-183 (the U.S. public assistance programs) Chapter 12, pp. 212-217 (the demand for private insurance) Chapter 22, pp. 446-447 (the median voter) Epilogue, pp. 476-478 (reciprocal altruism) 	Europe and the U.S. 
6.1	Education Vouchers	<ul style="list-style-type: none"> Chapter 6, pp. 100-103 (the terminology of externalities) 		U.S.
7.1	Avoiding the Tragedy of the Commons in Fishing with Individual Transferrable Quotas	<ul style="list-style-type: none"> Chapter 7, pp. 121-124 (Coase Theorem) 	<ul style="list-style-type: none"> Chapter 8, pp 144-147 (public goods) 	Europe and North America (Canada) 
7.2	Reducing Greenhouse Gases: The European Union's Emissions Trading System	<ul style="list-style-type: none"> Chapter 7, pp 132-133 and 135-137 (marketable permits) 		Europe 
7.3	The Superfund	<ul style="list-style-type: none"> Chapter 7, pp. 137-138 (waste treatment) 		U.S.
7.4	Pricing Traffic Congestion in Singapore and London	<ul style="list-style-type: none"> Chapter 7, pp. 139-141 (possible resistance to congestion taxes) 	<ul style="list-style-type: none"> Chapter 6, pp. 103-108 (taxes to correct for aggregate externalities) Chapter 7, pp. 125-126 (taxes to correct for aggregate externalities) 	Europe and Asia (UK/Singapore) 
8.1	The Kyoto Protocol	<ul style="list-style-type: none"> Chapter 8, pp. 144-147 (non-exclusive goods) 	<ul style="list-style-type: none"> Chapter 7, pp. 132-133 and p. 135 (permits vs. taxes) Chapter 7, pp. 135-137 (permits vs. taxes under uncertainty) 	International 
8.2	The Economics of Terrorism: Externalities and Strategic Interaction	<ul style="list-style-type: none"> Chapter 8, pp. 143-144 (free riding) <p><i>Note</i> This example discusses issues that represent additional material or elaborations but it is particularly relevant to Chapter 8 because of the potential public goods nature of terrorism,</p>	<ul style="list-style-type: none"> Chapter 6, pp. 99-111 (the theory of externalities) 	International 

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		which is highlighted in the example (among other things).		
8.3	Defense Expenditures and the Samuelson Rule	<ul style="list-style-type: none"> Chapter 8, pp 144-147 (non-exclusive goods) 		International 
9.1	The Huge US Rail Transit Deficits	<ul style="list-style-type: none"> Chapter 9, pp. 168-172 (the hard-case decreasing cost service) 		U.S.
9.2	Cable TV	<ul style="list-style-type: none"> Chapter 9, pp. 159-161 (characteristics of a natural monopoly) Chapter 9, pp. 167-168 (the easy case) Chapter 9, pp. 174-176 (all-or-none offers) 		U.S.
11.1	The Take-Up of Public Assistance Programs	<ul style="list-style-type: none"> Chapter 11, pp. 202-209 (practical issues with targeted transfer programs) 	<ul style="list-style-type: none"> Chapter 10, pp 177-183 (the main U.S. antipoverty programs) Fleeting preview references: <ul style="list-style-type: none"> Chapter 12, pp. 212-217 (the demand for social insurance) Chapter 17, pp. 335-342 (private information and transfer payments) 	U.S.
11.2	Welfare to Work - the Case of the UK Working Families Tax Credit (WFTC)	<ul style="list-style-type: none"> Chapter 11, pp. 202-209 (practical issues with targeted transfer programs) 		Europe (UK) 
12.1	New Orleans after Hurricane Katrina	<ul style="list-style-type: none"> Chapter 12, pp 218-222 (social insurance) 		U.S.
12.2	On Large Federal Budget Deficits	<ul style="list-style-type: none"> Chapter 12, pp. 226-229 (the overlapping generations (OLG) model) <p><i>Note</i> This example offers an elaboration in the form of a macro topic that some instructors may wish to cover.</p>		U.S.
12.3	Medicare	<ul style="list-style-type: none"> Chapter 12, pp. 223-240 (social security pensions and reform) 		U.S.
12.4	Adverse Selection in Annuity Markets	<ul style="list-style-type: none"> Chapter 12, pp. 212-222 (the demand for social insurance) Chapter 12, pp. 232-237 (social security as social insurance) 		Europe (UK) 
12.5	The 2008 Financial Crisis	<ul style="list-style-type: none"> Chapter 12, pp. 212-232 (insurance and the OLG model) 	Chapters 6-8 (externalities)	U.S.

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12.6	The Wall Street Reform and Consumer Protection Act (The Dodd-Frank Act)	<ul style="list-style-type: none"> Chapter 12, pp. 212-232 (insurance and the OLG model) 	Chapters 6-8 (externalities)	U.S.
13.1	State Lotteries	<ul style="list-style-type: none"> Chapter 13, pp. 244-247 (another common source of revenues in the US, to complement the six main taxes) 	<ul style="list-style-type: none"> Chapter 13, pp. 262-263 (vertical equity) 	U.S.
14.1	Tax Expenditures	<ul style="list-style-type: none"> Chapter 14, pp. 270-277 (exclusions and deductions: the loopholes) 		U.S.
14.2	Do Tax Incentives to Encourage Saving Actually Increase Saving?	<ul style="list-style-type: none"> Chapter 14, pp 270-277 (exclusions and deductions: the loopholes) Chapter 14, pp. 281-287 (tax consumption rather than income?) 	<ul style="list-style-type: none"> Chapter 12, pp. 226-227 (life-cycle hypothesis) 	U.S.
14.3	Tax Reform	<ul style="list-style-type: none"> Chapter 14, pp. 281-287 <p><i>Note:</i> The issues discussed here are relevant to all industrialized market economics though the specifics are U.S.-based.</p>	<ul style="list-style-type: none"> Chapter 19, pp. 372-374 (variable factor supplies and non-identical individuals) 	U.S.
15.1	The Welfare Cost of Subsidies to Home Ownership in the Netherlands	<ul style="list-style-type: none"> Chapter 15, pp. 308-310 (three elasticity measures of efficiency loss) Chapter 14, pp. 270-276 (exclusions and deductions: the loopholes) 		Europe (Netherlands) 
15.2	Investment Incentives Under the U.S. Corporation Income Tax	<p><i>Note:</i></p> <ul style="list-style-type: none"> This is an elaboration on the material in Chapter 15 on taxes and inefficiencies from a different perspective - a companion piece which relates to the entire Chapter. The issues discussed here are relevant to all industrialized market economics though the specifics are U.S.-based. 		U.S.
16.1	Taxing Internet Transactions	<ul style="list-style-type: none"> Chapter 16, pp. 314-318 (efficiency and equity trade-off in taxation (with commodity taxes)) 		U.S.
16.2	Income Taxation and the Trade-off Between Efficiency and Equity	<ul style="list-style-type: none"> Chapter 16, pp. 319-323 (the optimal income tax) 	<ul style="list-style-type: none"> Chapter 15, pp. 302-304 (taxing factor supplies: labor) Chapter 15, pp. 290-297 (the excess burden of taxation) 	Europe (Italy) 
17.1	Who Underpays Income Taxes in the U.S.	<ul style="list-style-type: none"> Chapter 17, pp. 326-334 (private information and taxation) 		U.S.

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17.2	Shadow Economies Throughout the World	<ul style="list-style-type: none"> Chapter 17, pp. 332-334 (strategies for raising tax revenues) 		International 
18.1	Taxation and Alcohol Sales in Ireland	<ul style="list-style-type: none"> Chapter 18, pp. 344-347 (supply, demand, and tax incidence) 		Europe (Ireland) 
19.1	The Value Added Tax	<p>Note:</p> <ul style="list-style-type: none"> This example relates to the whole chapter (and many earlier chapters) 	<ul style="list-style-type: none"> Chapter 12, pp. 226-231 (the OLG model) Chapter 17, pp. 326-332 (tax evasion - though the evasion discussed is different) Chapter 18, pp. 357-362 (the equivalence of general taxes) Chapter 19, pp. 373-374 (variations in the baseline model-non-identical individuals) and pp. 378-386 (the sources and uses analysis of tax incidence) 	International 
20.1	Social discounting and the economics of climate change	<ul style="list-style-type: none"> Chapter 20, pp 401-405 (the public rate of discount) 		International (UK) 
20.2	Does the Clear Air Act Pass a Cost-Benefit Test?	<ul style="list-style-type: none"> Chapter 20, p. 412 (hedonic price estimation) 	<ul style="list-style-type: none"> Chapter 7, p. 127 (the benefits of reducing pollution) Chapter 7, pp. 127-130 (the command and control (CAC) approach to reducing industrial pollutants) 	U.S.
20.3	Justifying Public Subsidies to Professional Sports Teams with Economic Impact Analyses	<ul style="list-style-type: none"> Chapter 20, pp. 419-421 (avoiding some pitfalls: bogus costs and benefits) 	<ul style="list-style-type: none"> Chapter 20, p. 412 (hedonic price estimation) Chapter 20, p. 412-413 (contingent variation) 	U.S.
20.4	The Costs of Crime	<ul style="list-style-type: none"> Chapter 20, pp. 406-414 (problems in measuring the net benefits) 		Europe (UK) 
20.5	The Value of a Life	<ul style="list-style-type: none"> Chapter 20, pp. 407-409 (intangibles) 		Europe (UK) 
21.1	Private Contracting for City Services	<ul style="list-style-type: none"> Chapter 21, pp. 426-438 (assigning the functions of government) 		U.S.
22.1	Tax Competition in the EU and the European Court of Justice	<ul style="list-style-type: none"> Chapter 22, pp. 450-452 (mobile capital) 		Europe 
23.1	Grants-in-aid and the European Union	<ul style="list-style-type: none"> Chapter 23, pp. 459-461 (fiscal equalization) 	<ul style="list-style-type: none"> Chapter 21, pp. 431-438 (the distribution function) Chapter 23, pp. 458-459 (our alternative) 	Europe 

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			view)	
Epilogue	Implementing the New Behavioral Economics - the U.K. National Pension Saving Scheme	<ul style="list-style-type: none"> Epilogue, pp. 478-480 (saving for retirement) 		Europe (UK) 

There are, of course, many more ways in which the examples can be used – the table above is intended as a starting point only. If you have any additional suggestions, do get in touch (tresch@palgrave.com) and your ideas will be added.