

Taxes

• Raise revenue;

• Fix market externalities;

• Can create deadweight loss.



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Regulation

Natural monopoly regulation to avoid price distortions, e.g. telephone company prices;

• Social regulation to correct for market inefficiency, e.g. bank solvency;

 Oligopolistic regulation, e.g. entry, exit, price, and service levels in a competitive industry - require coordinating activity of many firms.



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Subsidies and Grants

• Incentive effects, you want to generate activity that markets/volunteerism can provide in adequate quantity;

• Wealth effects, e.g. redistribution;

• There may be tradeoffs, e.g. you want to redistribute to lift people out of poverty without distorting work incentives.



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Service Provision

Desired services are easier than paternalistic services!

Amendments

Agency Budgets

Refocus agency priorities;

• Signal approval of agency work;

• Create inventive or wealth effects.



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Proposed changes to agency discretionary budgets in 2018* Increase Decrease No change Change in dollars \$500B \$60B 2018 requested discretionary budget total 40 Defense GSA Veterans Affairs Energy Homeland Corps of Security Engineers Justice EPA Commerce Interior NASA Percent change -20 -10 Agriculture National Nuclear Social Security Administration Labor Treasury Security Administration HHS Transportation HUD

Education

State & other

int'l programs

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Information

Suboptimal production of information;

• Suboptimal production of information;

• Decrease transaction costs (e.g. Coase Thm).



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Structure of Private Rights

Allocation of risk;

Manage adjudication costs;

• Generate wealth effects via compensation.

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Framework of Economic Activity

- More government intervention to deal with:
 - monopoly or anti-competitive collusion;
 - market generated shifts in balance of power between labor and capital;
 - Factors that prevent efficient consumption;

- More government intervention because:
 - Too costly;
 - Existing intervention is captured;
 - Existing intervention is OBE.



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Education

Problem definition!



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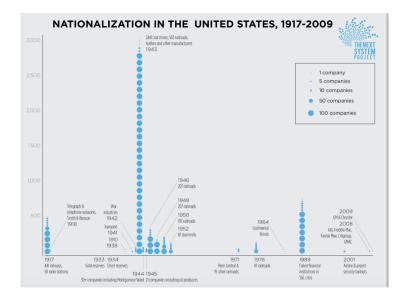
Financing and Contracting

• Deal with corruption or inefficiency in government contracting;

Fix inefficiencies in capital markets;

• Save too-big-to-fail economic entities/consumption smooth.

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Bureaucratic and Political Reforms

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