The Economics of Budget Deficits Volume I

Edited by

Charles K. Rowley

Duncan Black Professor of Economics, George Mason University and General Director, The Locke Institute, Fairfax, VA, USA

William F. Shughart II

Frederick A.P. Barnard Distinguished Professor of Economics and Robert M. Hearin Chair, University of Mississippi, USA

and

Robert D. Tollison

Robert M. Hearin Professor of Economics, University of Mississippi, USA

THE INTERNATIONAL LIBRARY OF CRITICAL WRITINGS IN ECONOMICS

An Elgar Reference Collection (, Cheltenham, UK • Northampton, MA, USA

Contents

Acknowledge	ements	xi
Introduction	Charles K. Rowley, William F. Shughart II and Robert D. Tollison	xiii
PART I	THE HISTORY AND MEASUREMENT OF BUDGET DEFICITS	
	Part I Overview <i>Charles K. Rowley, William F. Shughart II</i> and Robert D. Tollison 1. Gary M. Anderson (1986), 'The US Federal Deficit and National Debt: A Political and Economic History', in James M. Buchanan, Charles K. Rowley and Robert D. Tollison (eds), <i>Deficits</i> , Chapter 2,	3
	Oxford: Basil Blackwell Ltd, 9-46 2. Alberto Alesina (2000), 'The Political Economy of the Budget Surplus in the United States', <i>Journal of Economic Perspectives</i> , 14 (3), Summer, 3-19	7 45
	 Mario I. Blejer and Adrienne Cheasty (1991), "The Measurement of Fiscal Deficits: Analytical and Methodological Issues', <i>Journal of Economic Literature</i>, XXIX (4), December, 1644-78 Laurence J. Kotlikoff and Bernd Raffelhuschen (1999), 'Generational 	62
	 Accounting Around the Globe', <i>American Economic Review, Papers and Proceedings</i>, 89 (2), May, 161-6 Jody W. Lipford (2001), 'How Transparent is the U.S. Budget?', 	97
	Independent Review: A Journal of Political Economy, V (4), Spring, 575-91	103
PART II	CLASSICAL PUBLIC DEBT THEORY	
	Part II Overview Charles K. Rowley, William F. Shughart II and Robert D. Tollison	123
	 Adam Smith (1776/1976), 'Of Publick Debts', in R.H. Campbell, A.S. Skinner and W.B. Todd (eds), An Inquiry into the Nature and Causes of the Wealth of Nations, Volume II, Book V, Chapter III, Oxford: Clarendon Press, 907-47 T.R. Malthus (1803/1992), 'Of Poor-Laws, continued', in Donald Winch (ed.), An Essay on the Principle of Population; or A View of its Past and Present Effects on Human Happiness; With an Inquiry into our Prospects Respecting the future Removal 	127
	or Mitigation of the Evils which it occasions, Book III, Chapter VII, Cambridge: Cambridge University Press, 110-23	168

The Economics of Budget Deficits 1

8. David Ricardo (1821/1951), 'Taxes on Other Commodities than

	9. John Stuart Mill (1848/1965), 'Of a National Debt', in J.M. Robson (ed.), <i>Principles of Political Economy with Some of Their Applications to Social Philosophy</i> , Book V, Chapter VII, Toronto: University of Toronto Press and London: Routledge and Kegan Paul,	182 196
PART IH	KEYNESIAN PUBLIC DEBT THEORY	
	Part HI Overview Charles K. Rowley, William F. Shughart II and Robert D. Tollison i '	205
	10. John Maynard Keynes (1936/1973), 'The Marginal Propensity to Consume and the Multiplier', in <i>The Collected Writings of John Maynard Keynes: Volume VII, The General Theory of Employment Interest and Money,</i> Chapter 10, London and Basingstoke: Macmillan and New York: St Martin's Press for Royal	
	Economic Society, 113-31 11. Abba P. Lerner (1943), 'Functional Finance and the Federal Debt',	209
		228
	r . ,	242
	•	263
	14. Paul A. Samuelson (1970), 'Fiscal Policy and Full Employment without Inflation', in <i>Economics</i> , Eighth Edition, Chapter 19, New York: McGraw-Hill Book Company, Inc., 330-53	298
PART IV	THE BURDEN OF DEBT RE-EXAMINED	
	Part IV Overview Charles K. Rowley, William F. Shughart II and Robert D. Tollison	325
	 15. J.E. Meade (1958), 'Is the National Debt a Burden?', Oxford Economic Papers, 10 (2), New Series, 163-83, June 16. J.E. Meade (1959), 'Is the National Debt a Burden? A Correction!, 	327
	Oxford Economic Papers, 11, New Series, 109-10	348

	17.	James M. Buchanan (1958), 'Concerning Future Generations', Chapte	er
		Four, and 'A Suggested Conceptual Revaluation of the National Debt	t ' ,
		Appendix, in Public Principles of Public Debt; A Defense and	
		Restatement, Homewood, IL: Richard D. Irwin, Inc., 31-47 and	
		196-215	350
	18.	Richard A. Musgrave (1959), 'Classical Theory of Public Debt',	
		in The Theory of Public Finance: A Study in Public Economy,	
		Chapter 23, New York: McGraw-Hill Book Company, Inc., 556-80	387
	19.	Abba P. Lemer (1961), "The Burden of Debt', Review of Economics	
		and Statistics, XLlll, 139-41	412
	20.	Franco Modigliani (1961), 'Long-Run Implications of Alternative	
		Fiscal Policies and the Burden of the National Debt', <i>Economic</i>	
		Journal, LXXI, December, 730-55	415
	21.	· //	
		Fiscal Illusion', in James M. Ferguson (ed.), <i>Public Debt and</i>	
		Future Generations, Chapter Six, Chapel Hill, NC: University of	
		North Carolina Press, 150-63	441
	22.		
		Article', Journal of Finance, XX, 679-82	455
	23.	• **	4.50
		Finance, XXI, 544-6	459
	24.	James Tobin (1966), 'Reply', Journal of Finance, XXI, 547	462
Name Index			463

The Economics of Budget Deficits Volume II

Edited by

Charles K. Rowley

Duncan Black Professor of Economics, George Mason University, and General Director, The Locke Institute, Fairfax, VA, USA

William F. Shughart II

Frederick A.P. Barnard Distinguished Professor of Economics and Robert M. Hearin Chair, University of Mississippi, USA

and

Robert D. Tollison

Robert M. Hearin Professor of Economics, University of Mississippi, USA

THE INTERNATIONAL LIBRARY OF CRITICAL WRITINGS IN ECONOMICS

An Elgar Reference Collection *C* Cheltenham, UK • Northampton, MA, USA

Contents

Acknowled	gements			ix
An introdu	ction by tl	ne editors	to both volumes appears in Volume I	
PART I	RICAR	DIAN E	QUIVALENCE IN THE DOCK	
	Part I O	verview	Charles K. Rowley, William F. Shughart II and	
			Robert D. Tollison	3
			arro (1974), 'Are Government Bonds Net Wealth?', Political Economy, 82 (6), 1095-117	7
			stein (1976), 'Perceived Wealth in Bonds and Social Comment', <i>Journal of Political Economy</i> , 84 (2),	
	33	31-6		30
			Buchanan (1976), 'Barro on the Ricardian Equivalence ournal of Political Economy, 84(2), 337-42	36
			arro (1976), 'Reply to Feldstein and Buchanan',	
	Jo	urnal of I	Political Economy, 84 (2), 343-9	42
			Driscoll, Jr. (1977), "The Ricardian Nonequivalence	
			Journal of Political Economy, 85 (1), 207-10	49
			arro (1979), 'On the Determination of the Public Debt', <i>Political Economy</i> , 87 (5, Part 1), 940-71	53
		-	rennan and James M. Buchanan (1980), 'The Logic of an Equivalence Theorem', <i>Finanzarchiv</i> , 38 (1),	
		ew Series		85
	8. Pa	aul Evans	(1993), 'Consumers are Not Ricardian: Evidence from ountries', <i>Economic Inquiry</i> , XXXI (4), October,	05
		34-48	ountries, Beonomic Inquiry, 127212 (1), October,	98
	9. T.	D. Stanle	y (1998), 'New Wine in Old Bottles: A Meta-Analysis n Equivalence', <i>Southern Economic Journal</i> , 64 (3),	70
		nuary, 71		113
PART II	PUBLI	С СНОІ	CE AND PUBLIC DEBT: THEORY AND EVIDENCE	E
	Part II	Overview	Charles K. Rowley, William F. Shughart II and Robert D. Tollison	131
	' to	_	Browning (1975), 'Why the Social Insurance Budget is in a Democracy', <i>Economic Inquiry</i> , XIII , September,	135

W The Economics of Duaget Dencits I	W	The	Economics	of	Budget	Deficits	II
-------------------------------------	---	-----	-----------	----	--------	----------	----

	11.	Torsten Persson and Lars E.O. Svensson (1989), 'Why a Stubborn Conservative Would Run a Deficit: Policy with Time-Inconsistent	151
	12.	Preferences', <i>Quarterly Journal of Economics</i> , CIV, May, 325-45 Amihai Glazer (1989), 'Politics and the Choice of Durability', <i>American Economic Review</i> , 79 (5), December, 1207-13	172
	13.	Alberto Alesina and Guido Tabellini (1990), 'A Positive Theory of Fiscal Deficits and Government Debt', <i>Review of Economic</i>	1/2
	1.4	Studies, 57 (3), July, 403-14	179
	14.	Guido Tabellini and Alberto Alesina (1990), 'Voting on the Budget Deficit', American Economic Review, 80(1) , March, 37-49	191
	15.	Timothy Besley and Anne Case (1995), 'Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits', <i>Quarterly Journal of Economics</i> , CX, August, 769-98	204
	16.	W. Mark Crain and Robert D. Tollison (1993), 'Time Inconsistency and Fiscal Policy: Empirical Analysis of U.S. States, 1969-89',	
	17.	Journal of Public Economics, 51 (1), May, 153-9 W. Mark Crain and Lisa K. Oakley (1995), 'The Politics of	234
		Infrastructure', Journal of Law and Economics, XXXVIH (1), April, 1-17	241
PART in	DEI	FICIT FINANCE IN CONSTITUTIONAL PERSPECTIVE	
	Part	III Overview Charles K. Rowley, William F. Shughart II and Robert D. Tollison	261
	18.	James M. Buchanan (1985), 'The Moral Dimension of Debt Financing', <i>Economic Inquiry</i> , XXIII (1), January, 1-6	265
	19.	Robert D. Tollison and Richard E. Wagner (1986), 'Balanced Budgets and Beyond', in James M. Buchanan, Charles K. Rowley and Robert D. Tollison (eds), <i>Deficits</i> , Chapter 20, Oxford: Basil	
	20.	Blackwell Ltd, 374-90 Milton Friedman (1978), "The Limitations of Tax Limitation',	271
	21.	Policy Review, 5, Summer, 7-14 Alvin Rabushka (1982/1987), 'A Compelling Case for a	288
		Constitutional Amendment to Balance the Budget and Limit Taxes', in Richard H. Fink and Jack C. High (eds), <i>A Nation in Debt: Economists Debate the Federal Budget Deficit,</i> Frederick, MD:	
	22.	University Publications of America, 212-30 Henry Hazlitt (1983/1987), 'A Proposal for Two Constitutional	296
		•	
		Amendments', in Richard H. Fink and Jack C. High (eds), <i>A Nation in Debt: Economists Debate the Federal Budget Deficit</i> , Frederick, MD: University Publications of America, 231 -4	315

2		Federal Spending, Proceedings of the Academy of Political Science, 35 (4), New York: Academy of Political Science, 59-71 W. Mark Crain and James C. Miller III (1990), 'Budget Process and	319
		Spending Growth', William and Mary Law Review, 31 (4), Summer, 1021-46	332
2	25.	Jvirgen von Hagen (1991), 'A Note on the Empirical Effectiveness	
		of Formal Fiscal Restraints', <i>Journal of Public Economics</i> , 44, 199-210	358
2	26.	James M. Poterba (1994), 'State Responses to Fiscal Crises: The	
		Effects of Budgetary Institutions and Polities', Journal of Political	250
	27	Economy, 102 (4), August, 799-821	370
2	27.	W. Mark Crain and Timothy J. Muris (1995), 'Legislative	
		Organization of Fiscal Policy', <i>Journal of Law and Economics</i> , XXXVIH (2), October, 311 -33	393
2	28.	Edward M. Gramlich (1995), "The Politics and Economics of	
		Budget Deficit Control: Policy Questions and Research Questions',	
		in Jeffrey S. Banks and Eric A. Hanushek (eds), <i>Modern Political Economy: Old Topics, New Directions</i> , Chapter 6, Cambridge:	
		Cambridge University Press, 171 -90	416
,	29.	James M. Buchanan (1997), 'The Balanced Budget Amendment:	410
4	29.	Clarifying the Arguments', <i>Public Choice</i> , 90, 117-38	436
	30.	James M. Poterba (1997), 'Do Budget Rules Work?', in Alan J.	450
•	50.	Auerbach (ed.), Fiscal Policy: Lessons from Economic Research,	
		Chapter 3, Cambridge, MA and London, England: MIT Press,	
		53-86	458
	31.	Robert D. Reischauer (1997), 'Comment', in Alan J. Auerbach (ed.),	
		Fiscal Policy: Lessons from Economic Research, Cambridge, MA	
		and London, England: MIT Press, 87-95	492
	32.	David Romer (1997), 'Comment', in Alan J. Auerbach (ed.), Fiscal	
		Policy: Lessons from Economic Research, Cambridge, MA and	
		London, England: MIT Press, 97-100	501
	33.	W. Mark Crain and Nicole Verrier Crain (1998), 'Fiscal	
		Consequences of Budget Baselines', Journal of Public Economics,	
		67 (3), March, 421-36	505
	34.	Charles K. Rowley (2000), 'Budget Deficits and the Size of	
		Government in the UK and US: A Public Choice Perspective on	
		the Thatcher and Reagan Years', in K. Alec Chrystal and Rupert	
		Pennant-Rea (eds), Public Choice Analysis of Economic Policy,	
		Chapter 2, London: Macmillan Press Ltd and New York: St Martin's	501
., , ,		Press, Inc., 20-58	521
Name Index	:		561