

Chapter 6 Funding the Public Sector

What are **three sources** funding available to governments?

What does the government **budget constraint** do?

What provides a limit to government borrowing?

Which of the three sources of funding of government is the biggest and most important source of funding in the long run?

What is a **tax base**?

What is a **tax rate**?

What is the formula for the **marginal tax rate**?

What is the formula for the **average tax rate**?

Define each of the following and give one example:

Proportional taxation

Progressive Taxation

Regressive Taxation

Look at Figure 6-1 and answer the questions below:

What is the single largest source of Federal taxes revenues?

What is the second largest source of Federal taxes?

What percentage of national government tax receipts come from corporate income taxes?

What is the single largest source of state and local tax receipts?

Which is larger property tax or sales taxes?

Use Table 6-1 to answer each of the following questions:

What is the marginal tax rate on income up to \$8,025?

What is the marginal tax rate on income 78,851-164,550?

What is the top marginal tax rate? At what level of income does it begin?

How is a **capital gain** calculated?

Why does your book argue that the corporate income taxes are taxed twice?

What are **retained earnings**?

Why do some economists argue that it is really the consumer that pays the corporate income tax?

What percentage do workers and employers pay in **Social Security** payroll taxes?

What is the combined percentage of the Medicare tax?

What does the unemployment tax pay for? Who pays this tax?

Which level of government levies sales taxes?

Why is the sales tax described as a proportional tax?

What problem is there with predicting the impact of a tax using the **static tax analysis**?

What impact does raising a tax have on the tax base according to **dynamic tax analysis**?

What does a government have to be aware of when it sets out to increase revenues by raising tax rates?

According to your textbook, what impact does a tax have on the supply curve, and therefore on prices and quantities produced of a product?

Who pays the tax on gasoline taxes according to your text?

What is the “social compact”; that the government made with Social Security?

Why has Social Security faced declining rates of return since the 1990’s?

Read the five solutions related to Salvaging Social Security. Which of these do you favor?