

End-of-chapter Questions

Chapter 10: U.S Transfer Payments: the Public Choice Perspective

1. What were the three principles of the English Poor Law of 1601? How are they reflected in the design of U.S. public assistance programs today?
2. The Social Security Act of 1935 established public insurance and public assistance programs to combat poverty in the U.S.
 - a. What is the distinction between the public insurance and public assistance programs?
 - b. Which programs are larger today in the U.S.?
 - c. What are the main public insurance and public assistance programs today?
3. What is the motivation for public assistance to the poor in the mainstream theory of the public sector? In the theory of public choice? What are the fundamental differences between these two perspectives on public assistance to the poor?
4. From the perspective of the theory of public choice, why does altruism by the nonpoor towards the poor require public charity (public assistance). Why is private charity not sufficient?
5. According to the theory of public choice, should public assistance to the poor be cash or in-kind? Explain.
6. In the theory of public choice, the subsidies for in-kind aid should be Pigovian subsidies. Why? In particular, why does a pareto optimal subsidy generate the optimal condition for in-kind aid to the poor?
7.
 - a. Why might the nonpoor prefer to give in-kind aid to the poor? Why might they prefer to give cash?
 - b. Why do the recipients of aid prefer to receive cash rather than subsidies for particular items that they need, such as food?
8.
 - a. Why does the government impose limits on the amount of subsidized in-kind aid that people can receive under public assistance programs?
 - b. What are some of the implications of imposing limits on the amount of subsidized in-kind aid?

9. a. According to mainstream economists, are pareto optimal redistributions sufficient for solving the problem of end-results equity or distributive justice? Explain.
- b. According to mainstream economists, are pareto optimal redistributions useful at all to society's quest for efficiency and equity? Explain.