
Subject Index

- Administrative costs, 18–19, 20, 60
Advisory Council on Intergovernmental Regulations, 179
Agency costs, 18
Aid: lump-sum, 204; matching, 204–5
Aid for Families with Dependent Children, 188, 199, 205, 210, 211, 226
All-Savers certificates, 38
Analytical Record of Yields and Yield Spreads, 7
Appalachia program, 87
Arbitrage, 11, 53; limited by costs, 75; and tax factors, 54–57; and tax savings, 65–67
Asset pricing, 22–24
- Bank arbitrage hypothesis, 10–15
Bank arbitrage model, 24, 29, 31, 42, 49–50, 51
Banks: commercial, 6, 10, 11, 12; tax treatment of, 29, 38–39
Boats, sales tax on, 159
Bond issues, transaction costs of, 60
Bond option, taxable, 43
Bond ratings, taxable securities to raise, 55
Bonds: corporate, riskiness of, 12; floating rate, 6; general obligation, 7; Industrial Revenue, 39; long-term, 6, 39; put, 6; short-term, 11; tax-exempt, 12, 69, 75–76. *See also* Municipal bonds
- Bracket creep, 150
Bridges, defective, 113
- Capital expenditures, lumpiness of, 59
Capital gains and losses: tax reforms as source of, 9; tax treatment of, 136
Capital income, corporate taxes on, 183
Capital projects, bond financing of, 59
Cars, sales tax on, 159
Coalition tax prices, 200
Construction industries, 103
Consumer Expenditure Survey, 183
Consumer prices, and trucking costs, 119
Corporate bonds, riskiness of, 12
Corporate capital structure, 6
Corporate finance: agency costs, 18–19; transaction costs, 18–19
Corporate taxes, 181, 183
Corporate tax rate: effect on short-term yield spread, 11; and yield spread, 18
Corporations, as taxpayers in communities, 80
Cost of living, in California, 110
- Debt policy, 64
Deductions, personal, 136
Double-trailers, 116
- Earned income tax credit, 200
Economic Recovery Tax Act of 1981, 7, 38, 39, 183

- Education: and changes in tax revenues, 91; and spending choices, 193, 194; state aid for, 198–201, 205
- Enforcement of trucking law changes, 133
- Equilibrium yields, 6
- Equivalent single-axle load, defined, 114
- Excise taxes, 188
- Exemptions, on state income tax, 136
- Expenditures, current, tax financing of, 59
- Federal aid, 206, 226
- Federal government expenditures, compared to state, 1
- Federal grants, 5, 41, 212
- Federal Highway Administration, 115
- Federal Highway Cost Allocation Study, 115
- Federalism: creative, 187; new, 187, 188, 198, 209, 210–12, 226
- Fire protection, 91
- Firm location: economic models of, 84–87; labor cost factors in, 85; and property taxes, 86; pure tax theory, 88–90; supply conditions, 86; tax factors in, 85; Tiebout theory, 90–97; and zoning, 92–95
- Food, exemptions from sales taxes, 159
- Food stamps, 200, 206, 226
- Fuel taxes, 113
- General obligation bonds, 7
- General Revenue Sharing, 30, 187, 199, 203, 225
- Governors, role of in allocating federal aid, 226
- Grants, federal, 5, 41
- Grants-in-aid, 212
- Health insurance, 188
- Highway Cost Allocation Study, 121
- Highway infrastructure, need for repair, 113, 209
- Highway safety, 125
- Highway taxes, 113, 114
- Hospitals, state, 209
- Household rent payments, 141
- Housing, low-income, 200
- Housing stock, 59
- Incidence theory, 184
- Income, tax-sheltered, 12
- Income splitting, 139
- Income taxes: bracket creep, 150; deductions for state taxes, 181; description of, 139–40; and earned income credit, 200; elasticity of, 142; exemption for municipal bond interest, 6; personal tax rates, 63; property tax credits, 139, 141; as source of state income, 135; structure characterizations, 140
- Individual Retirement Accounts, 29
- Industrial Revenue Bonds, 39
- Inflation indexing, 136
- Insurance funds, 62
- Interest, tax-exempt, 141
- Interest rates: tax-exempt, 5; volatility of, 31
- Internal Revenue Code, restrictions on arbitrage, 54
- Interstate competition, 132–33
- Investment managers, municipal employees as, 75
- Kennedy-Johnson tax cuts, 6, 25, 32, 51
- License fees, 113
- Load equivalent factor, 114
- Local finance: in a federalist economy, 189–98; federal subsidy for borrowing, 6; and highway infrastructure, 113; short-term borrowing vs. long-term, 42; and tax structure, 174
- Local government expenditures, compared to federal, 1
- Low-income housing, 200
- Manufacturing firms, 103, 104
- Market value assessment, and firm location model, 95–97
- Married couples, separate tax return filing, 136, 139, 141
- Median voter, 191, 222–23
- Medicaid, 188, 199, 205, 210, 211, 226
- Medical centers, 209
- Middle class: and education expenditures, 194, 198; and spending choices, 194; and welfare expenditures, 194, 198
- Miller Model, 15–18, 24, 29, 31, 42, 50, 51
- Minimum tax, 28
- Mobile homes, sales tax on, 159
- Municipal bond market equilibrium, alternative models of, 10–20

- Municipal bonds, 7; default probability on, 41; income tax exemptions, 6; maturity segmentation of, 6; tax rate, 37
- Municipal debt: commercial banks as holders of, 6, 11, 12; security holdings as fraction of, 67
- Municipal employees as investment managers, 75
- Municipal finance: accounting standards in, 57; agency costs, 18–19; borrowing limits, 56; capital project financing, 59; current expenditure financing, 59; factors affecting decisions, 54–61; issuance of long-term debt, 20; school bond taxing limits, 56; special district taxing limits, 56; tax-exempt debt effect on spending, 72; transaction costs, 18–19
- Municipal interest rates and personal tax rates, 12
- Municipal market, short-term, 19
- New federalism, 187, 188, 198, 209, 210–12, 226
- New York City 1974–75 crisis, 20, 41
- Oregon Department of Transportation, 114
- Parks, 209
- Pension funds, 62
- Personal Consumption Deflator, 159
- Personal tax rates, effect on municipal interest rates, 12
- Police protection, 91
- Pollution, 95–97
- Poor: and education expenditures, 198; public assistance for, 212; and welfare expenditures, 198
- Preferred habitat model, 18–20, 42, 50
- Property taxes: as a bribe in disguise, 93; credits, 139, 141; differences by type of industry, 103; effect on firm location, 104–5, 108–11; as source of state income, 135; for tax arbitrage, 55
- Proposition 13, 89, 91, 93–94, 96–97, 98–99, 111
- Public services, state/local provision of, 187
- Rail transportation, 130; as alternative for shippers, 117, 129; prices vs. marginal costs, 125
- Reagan tax cut, 25, 29, 37, 51
- Recession, 100
- Rent control, 60
- Renters, preference of for debt finance, 60, 68
- Rent payments, 141
- Retail sales tax, 184
- Retail trade, 103, 104, 105
- Revenue Forecasting Model, 121
- Revenue sharing. *See* General Revenue Sharing
- Risk aversion, 56, 75
- Salamon Brothers, 7
- Sales taxes, 158–62; comprehensiveness of, 162, 184; deductions on federal returns, 181; food exemptions, 159; and income taxes, 163–74; national, 184
- Savings, private, 17
- School aid, 205, 209
- School bonds, 56
- School breakfast programs, 205
- School districts, 61
- School lunch programs, 205
- School services, lagged, 208
- Severance taxes, 181
- Short-term yield spreads, 50; and corporate tax rate, 11
- “Significant Features of Fiscal Federalism,” 179
- Single-unit trucks and highway problems, 124
- Social Security: benefits, 141; taxes on municipal interest, 39
- Special districts, 56, 61
- Special interest groups, 180
- State finance: in a federalist economy, 189–98; federal subsidy for borrowing, 6; fiscal policy, 201–10; and highway infrastructure, 113; and income/class divisions, 207; income tax, individual, reliance on, 135; property tax, reliance on, 135; and racial divisions, 207; short-term borrowing vs. long-term, 42
- State government expenditures compared to federal, 1
- Surface Transportation Act of 1982, 113, 121

- Tax arbitrage. *See* Arbitrage
- Tax code, personal, 50
- Tax differentials, interstate, 182
- Tax Equity and Fiscal Responsibility Act of 1982, 29, 39; and bank interest deductions, 12
- Taxes: coalition prices, 200; excise, 188; on fuel, 113; higher, voter resistance to, 5; highway, 113, 114; national retail sales, 184; on truck weights, 113; value-added, 184
- Tax-exempt interest, 141
- Tax exemptions, 9
- Tax rates: average, 142, 180; implicit, on bonds, 8; marginal, 24, 140, 141, 142, 180; personal, 6
- Tax Reform Act of 1969, 6, 25, 28
- Tax reforms, 24, 37, 39, 51; as source of capital gains and losses, 9
- Tax relief, 201
- Tax revenues: and education, 91; elasticity of, 140; and fire protection, 91; and park service, 91; and police services, 91; and recreation, 91; and roads, 91
- Tax revolt, 183
- Tax-sheltered income, 12
- Tax-trading strategies, 9
- Tiebout theory of firm location, 90–97
- Transaction costs, 18–19, 20, 60
- Transportation industries, 103
- Treasury securities, riskless nature of, 7
- Trucking costs and consumer prices, 119
- Trucks, shifts in type of vehicle, 117–20
- Truck Size and Weight Study, 121
- Truck-weight taxes, 113
- Unemployment: and tax policy, 40; and tax rate on long-term bonds, 41
- Universities, 209
- Upper class: and education expenditures, 194, 198; and welfare expenditures, 194, 198
- Urban enterprise zones, 87
- User fees on trucking, 129
- Value-added tax, 184
- Vietnam War surtax, 6, 27–28, 36, 51
- Voter preferences in spending choices, 193–98
- Washington Public Power Supply System, 7, 41
- Wealthy class: and education expenditures, 194; and welfare expenditures, 194
- Welfare, 200, 209; lagged spending on, 208; and spending choices, 193, 194; state aid for, 205; state spending on, 198–201
- Welfare analysis of alternative trucking taxes, 117–20
- Wholesale trade, 103
- Yield spread tax changes, effects on, 7, 17
- Zoning, 92–95, 98, 103