

Volume 28, Issue 22**Research Announcement****A Tax Design from the Principle of the Maximum Guaranteed Happiness**

Joseph Mullah
Independent Researcher

Abstract

This paper incorporates into the design of taxes a utilitarian recommendation that the State should maximize “the guaranteed happiness” of individuals. In all our arguments relative to taxes we both characterize and evaluate the Nash bargaining solution. To reach an agreement, the welfare State actors, the social and public agencies, bargain over their shares of tax revenue. The social agency objective is an appropriate share of tax revenue financing agency expenditures on specific transfer payments – the social benefits. The public agency objective is its appropriate share financing the provision of public goods. We demonstrate that one might possibly find on the Pareto frontier a minimum tax sacrifice policy agreed to by more taxpayers than any other policy does.

Completed draft available on request from:

Joseph Mullah
Independent Researcher
joseph_mullah@data laundering.com
Byvej 269, 2650 Hvidovre
Copenhagen, Denmark
(45) 36 49 33 05(Phone)

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