

## PUBLIC FINANCE TEXTBOOK SESSION

John E. Anderson, University of Nebraska

MY TEXTBOOK IS *PUBLIC FINANCE: PRINCIPLES and Policy* (2003). In my remarks, I would like to provide brief reflections on the seven questions posed by Mehmet Tosun and Stacy Dickert-Conlin, organizers of this roundtable session.

1. How do you think public finance textbooks have changed over time?

Two trends in public finance texts have been discussed by those who have written recent reviews. First, there has been a secular trend away from macroeconomics toward microeconomics, which has been well documented. Consistent with the contemporary approach, my text is primarily applied microeconomics. Second, viewed from the Musgravian framework of public sector roles (allocation, distribution, and stabilization) my text covers allocation and distribution, but does not address stabilization (one exception to this generalization is the material I include on state stabilization funds in the chapter on multilevel government finance). My text follows these fundamental trends in that it is microeconomic in focus and does little with regard to stabilization topics.

There are other ways in which textbooks are changing, however, that have to do with both substance and format. In substance, there is more attention being paid to policy applications. This is evident in my text in the numerous “Policy Studies” sprinkled throughout as well as in the body of the text where the introduction of economic theory is always followed by policy application. These policy studies are generally intended to provide insight on a current topic (e.g., a policy study on the economies of scale in health insurance coverage in the chapter on analysis of government programs). Approximately half of the policy studies that I wrote were included in the text. The remaining policy studies are available to adopters (professors and their students) on the publisher’s Web site. This points out a second change in the nature of textbooks, reflecting format. There is increasing content being placed online, with links from the text to the publisher’s Web site. In the

case of my text, all of the information for the instructor (sample syllabi, sample examinations, solutions to chapter-end problems, etc.) are all on the publisher’s Web site. Furthermore, enhancements for the students are also on the publisher’s Web site. A textbook writer today must begin with a plan, not only for the text and its organization, but also a plan for the integration of text material with Web-based material.

2. How do you decide what to include (or not to) when you write a textbook?

You start with some guiding principles, such as the intent to provide treatment of both the revenue and expenditure sides of the budget, or the intent to blend theory and policy applications. Those guiding principles are essential, but many decisions follow as the text is being developed. For example, an author must decide whether to integrate policy topics into chapters or write separate chapters for important policy topics. Take the case of public education. In my text you will find discussion of the economics of public education and its funding highlighted as an important policy application within several chapters rather than separated out as a freestanding distinct chapter (e.g., education production functions are an application in the chapter on producing public goods, state-aid formulas are an application in the chapter on multiple level governments.) I do the same with social insurance programs. This is intentional on my part in order to stress the integration of theory and policy.

One of the strongest temptations faced by an author is the temptation to include too much material in the textbook. Hard decisions must be made and are facilitated by the publisher’s page constraint. Furthermore, an author must balance the desire to differentiate his or her textbook from the competition with the reality that many potential adopters are time cost minimizers. While adopters may like your innovations, they do not want to adopt a text that is too different from the one they currently use.

I chose to include chapters on the property tax, multilevel government finance, and the economics

of local governments. That meant not including other chapters found in competitor's textbooks. I also chose to include a final chapter on the policy-making process and policy analysis, including policy-making institutions, world institutions (i.e., World Bank and IMF) and careers in public finance and policy analysis. These decisions make my text distinct from the competition, for better or worse.

### 3. How do you balance theory and empirical evidence in the textbook?

I tried to blend theory and empirical evidence throughout the text, as mentioned above. The subtitle of my public finance text is "principles and policy," which was meant to indicate that the text provides a balanced combination of economic principles applied to relevant policy contexts. I tried to use only that theory which specifically informs policy issues at the heart of public finance. After presenting essential economic theory, immediate applications follow. Empirical evidence is also included throughout the text in order to provide practical insight. After an introductory chapter laying out the basic concept of public finance and providing an overview of the field, I have a chapter on measurement and methods in public finance where I introduce not only empirical measures of the public sector but also provide a framework to help the student understand how economists and policy analysts discover truths about the way consumers, firms, and governments behave.

### 4. How do you determine the level?

I aimed at the junior/senior level undergraduate student, which comprises the vast majority of the market for a public finance textbook. That being the case, I use indifference curve—budget line analysis throughout the text although my approach is to teach the use and application of that tool as I go along rather than to assume the student knows it. In order to widen the range of potential adoptions of the textbook, I also included optional advanced material (in appendices) appropriate for a masters level class and arranged the basic text material so that the more advanced topics within the text could be deleted for a short course or a public administration course where other supplements would be used.

### 5. What factors/influences affected your book?

Three factors were important. First, I wanted to provide a stronger blend of theory and policy, as discussed above, than is found in most texts. I am an applied microeconomist so I see the world from this point of view. But, I have also had substantial experience as a policy advisor at all levels of government, and I understand and appreciate the need for well-informed policy analysis. Without this policy experience I would not have presumed to write a text at all. With it, I wanted to write a text that would help prepare public finance economists and policy analysts to be effective in informing policy makers and facilitating the public policy making process. Second, I wanted to provide better coverage of multilevel government finance, including topics at the federal, state, and local levels. Many of the policy issues I dealt with as a state-level advisor had to do with local government finance, and many of the policy issues I confronted as an advisor in the international context were essentially state and local public finance issues. Consequently, my experience taught me that a well-trained public finance economist must learn the essential tools necessary to deal with policy issues at the local, state, and federal levels. In addition, a thorough understanding of the interactions between levels of government in a multilevel government system is crucial. I did not see these concerns adequately addressed in the typical public finance textbook, so it seemed that there was room for improvement. Third, my experience as a policy advisor in the international realm leads me to include numerous international topics (e.g., value added taxes, club theory application to the EU/EMU). While the text is essentially intended for U.S. students, the realities of the global marketplace and international relations compelled me to include international perspectives. Interestingly, a large portion of my adoptions have come from professors outside the United States.

### 6. How do you find examples for specific topics?

Anywhere I can find them. I used classic journal articles, working papers (e.g. NBER), popular news sources (e.g. Economist magazine), and published economic studies (e.g. World Bank and IMF). A textbook author is constantly on the lookout for good examples and applications.

7. How do the authors view the professor's roles in supplementing the material?

As a textbook author, I view my role as that of providing a flexible set of essential tools necessary for teaching public finance and its applications. The classroom instructor must bring the material to life for the students. If I have done my job well, I give the instructor what she needs to excel in teaching the course by providing the foundational material and ideas for policy applications. I certainly do not view the material in the text as sufficient to teach a well-animated course. A good classroom instructor will always supplement the textbook with current

compelling information that helps enliven the discussion of the textbook material. Recent news stories, current events at the local or national level, and topical policy debates are all essential for the instructor to bring into the course in order to help the students understand how public finance theory is applied and used to inform policy questions. The textbook and the instructor are complements, not substitutes.

#### **Reference**

Anderson, John E. *Public Finance: Principles and Policy*.  
Boston: Houghton Mifflin Company, 2003.