

# Preface

The British philosopher and mathematician Bertrand Russell wrote, “Change is one thing, progress is another.” In this Tenth edition, we continue to make substantive changes that reflect progress made in the field of public finance. Yet we have been careful to stay focused on the central mission of the book, which is to explain as clearly as possible how the tools of economics can be used to analyze government expenditure and tax policies.

The field of public finance is constantly developing. New applications of experimental and quasi-experimental techniques measure the impact of public policies, and new insights provided by economic theory into the roles of government spending and taxation.

This book incorporates recent developments and along the way takes its readers to the frontiers of current research and policy. While the information presented is cutting edge and reflects the work of economists currently active in the field, our approach makes it accessible to undergraduates whose only prior exposure to economics is at the introductory level.

Each chapter of this Tenth edition has something new. Rather than provide a long list of changes, we will instead highlight some of the key innovations.

## NEW WORLDS TO EXPLORE

### Changes to Tax Law

On January 1, 2013, Congress passed the American Taxpayer Relief Act of 2012. Although most of the public discussion of this contentious piece of legislation focused on the increase in tax rates on high-income taxpayers, the law also embodied significant changes in the taxation of capital gains and dividends, the estate tax, and the Alternative Minimum Tax. Chapters 17, 19, and 21 have been updated to reflect these changes.

### Taxation of Multinational Corporations

As the pace of globalization accelerates, the question of how to tax multinational corporations becomes a more pressing policy question. In particular, there has been a vigorous debate about how the United States should tax corporate profits earned abroad by domestic firms. The chapter on corporation tax (Chapter 19) now includes an expanded discussion of this issue, with an evaluation of two alternative systems: global taxation and territorial taxation of corporate profits.

### Health Care

In 2010, President Obama signed into law the Affordable Care Act (ACA), which significantly overhauled the government’s role in the health care market. The chapter on government and the market for health care (Chapter 10) now includes a discussion of the ACA, with a particular focus on the mandate that everyone purchase health insurance.

## Federal Debt

Recent years have seen a considerable increase in the size of US government debt as a proportion of the Gross Domestic Product. This has raised the question of whether high levels of debt can lead to a fiscal crisis. This issue is now taken up in Chapter 20 on deficit finance.

## Improved Graphical Analysis

Recent years have seen a considerable increase in federal government spending. Understanding the scope of government activity is therefore becoming ever more important. New graphics in Chapter 1 provide a succinct and convenient overview.

All of the changes in this Tenth edition were made to further our goal of providing students with a clear and coherent view of the role of government spending and taxation. Our years of policy experience have convinced us that modern public finance provides a practical and invaluable framework for thinking about policy issues. In this textbook, we have tried to do just what we did when we worked in Washington—to emphasize the links between sound economics and the analysis of real-world policy problems.

*Harvey S. Rosen and Ted Gayer*

## UP-TO-DATE TOOLS AND SUPPLEMENTS

### Animated PowerPoint Slides

Thoroughly updated and comprehensive PowerPoint presentations, prepared by Donna Anderson of University of Wisconsin La Crosse, feature animated graphs and figures to help clarify difficult concepts for students.

### Test Bank

*Public Finance* has been known for its strong, rigorous test bank questions, and the Tenth edition continues this tradition. The test bank has been expertly updated to reflect the cutting-edge changes in the text. New questions in every chapter provide additional opportunities to test student knowledge.

### Instructor's Manual

Revised by Tori Knight of Carson-Newmann University, the instructor's manual provides a number of instructor resources along with detailed solutions to the end-of-chapter questions.

## Online Learning Center [www.mhhe.com/rosen10e](http://www.mhhe.com/rosen10e)

In the Online Learning Center, students can access PowerPoint slides, and interesting Web links, while instructors can also access the password-protected ancillaries to access downloadable versions of the instructor resources.

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# Acknowledgments

It is a pleasure to acknowledge the people who have helped in the preparation of *Public Finance*. Across all the editions of this book, nearly 400 academic colleagues who teach public finance have responded to surveys that provided useful material on how they focus their courses. The input afforded insights about their needs and those of their students.

We have been the beneficiaries of numerous suggestions for improvements over the previous edition. We are very thankful to Jean Marie Callan for her research support. In addition, a number of people helped with particular issues in this edition. They include:

Henry Aaron  
*Brookings Institution*  
Gary Burtless  
*Brookings Institution*  
Amanda Kowalski  
*Yale University*

Jonathan Meer  
*Texas A&M University*  
Clifford Winston  
*Brookings Institution*

We also appreciate the people who reviewed and made useful suggestions to earlier editions of this text. They include:

Roy D. Adams  
*Iowa State University*  
James Alm  
*University of Colorado*  
Donna Anderson  
*University of Wisconsin, La Crosse*  
Gary M. Anderson  
*California State University, Northridge*  
Gerald Auten  
*US Treasury*  
Charles L. Ballard  
*Michigan State University*  
Kevin Balsam  
*Hunter College*  
Thomas Barthold  
*Joint Committee on Taxation*  
Marco Bassetto  
*University of Minnesota, Minneapolis*  
Anne Louise Berry  
*Stanford University*  
Douglas Blair  
*Rutgers University*  
Rebecca Blank  
*University of Michigan*  
Serguey Braguinsky  
*SUNY Buffalo*  
Genevieve Briand  
*Eastern Washington University*

Alex M. Brill  
*House Ways and Means Committee*  
Eleanor Brown  
*Pomona College*  
Robert Brown  
*California State University, San Marcos*  
Neil Bruce  
*Queens University*  
Lawrence P. Brunner  
*Central Michigan University*  
Leonard Burman  
*Urban Institute*  
Rachel Burton  
*Georgetown University*  
Stuart Butler  
*Heritage Foundation*  
Donald E. Campbell  
*College of William and Mary*  
Adam Carasso  
*The Urban Institute*  
Kai Chan  
*Princeton University*  
Sewin Chan  
*New York University*  
Howard Chernick  
*Hunter College*  
Ron Cheung  
*Florida State University*

- Bradley Childs  
*Belmont University*
- Robert Chirinko  
*Emory University*
- John A. Christianson  
*University of San Diego*
- Edward Coulson  
*Pennsylvania State University*
- Steven Craig  
*University of Houston*
- Steven G. Craig  
*University of Houston*
- Susan Dadres  
*Southern Methodist University*
- Bev Dahlby  
*University of Alberta*
- John Deskins  
*Creighton University, Omaha*
- Robert A. Dickler  
*Bowie State University*
- Avinash Dixit  
*Princeton University*
- Kevin T. Duffy-Deno  
*Southeastern Massachusetts University*
- Alejandra Edwards  
*California State University,  
Long Beach*
- Wayne Edwards  
*University of Alaska, Anchorage*
- Nada Eissa  
*Georgetown University*
- Eric Engen  
*Federal Reserve Board*
- O. Homer Erikson  
*Miami University, Ohio*
- Judy Feder  
*Georgetown University*
- Allan M. Feldman  
*Brown University*
- Lee Fennell  
*University of Texas*
- John Fitzgerald  
*Bowdoin College*
- Fred E. Foldvary  
*Virginia Tech*
- Jane G. Fortson  
*Princeton University*
- Ken Fortson  
*Princeton University*
- Don Fullerton  
*University of Texas*
- William Gale  
*Brookings Institution*
- Gary Galles  
*Pepperdine University*
- Malcolm Getz  
*Vanderbilt University*
- J. Fred Giertz  
*University of Illinois*
- Gregory Gilpin  
*Indiana University, Bloomington*
- Robert Gitter  
*Ohio Wesleyan University*
- Amihai Glazer  
*University of California, Irvine*
- Roy T. Gobin  
*Loyola University of Chicago*
- Haynes Goddard  
*University of Cincinnati*
- William T. Gormley  
*Georgetown University*
- Jane Gravelle  
*Congressional Research Service*
- Gordon Gray  
*American Enterprise Institute*
- Michael Greenstone  
*Massachusetts Institute  
of Technology*
- Timothy J. Gronberg  
*Texas A & M University*
- Simon Hakim  
*Temple University*
- Jonathan H. Hamilton  
*University of Florida*
- Rich Hanson  
*University of California, Irvine*
- Winston Harrington  
*Resources for the Future*
- Kevin Hassett  
*American Enterprise Institute*
- Eric Helland  
*Claremont McKenna College*
- L. Jay Helms  
*University of California, Davis*
- Roger S. Hewett  
*Drake University*
- James Hines  
*University of Michigan*
- Randall Holcombe  
*Florida State University*
- Douglas Holtz-Eakin  
*American Action Forum*

Janet Holtzblatt  
*US Treasury*

Gary A. Hoover  
*University of Alabama*

John K. Horowitz  
*University of Maryland*

Hilary Hoynes  
*University of California, Davis*

Paul Hughes-Cromwick  
*Henry Ford Health System*

Robert Inman  
*University of Pennsylvania*

Micah Jensen  
*Georgetown University*

Rebecca Kalmus  
*Harvard University*

Robert Kelly  
*Fairfield University*

Valerie Kepner  
*King's College*

Edward Kienzle  
*Boston College*

Bruce R. Kingman  
*SUNY, Albany*

Jeffrey Kling  
*Congressional Budget Office*

Tori Knight  
*Carson-Newman College*

Helen Ladd  
*Duke University*

Charles G. Leathers  
*University of Alabama*

Gary D. Lemon  
*De Pauw University*

Al Lerman  
*US Treasury*

Peng Li  
*Huazhong University of Science and Technology*

Steve Lile  
*Western Kentucky University*

Alessandro Lizzeri  
*New York University*

Alan Lockard  
*Binghamton University*

Bradley S. Loomis  
*Rochester Institute of Technology*

Edward Lopez  
*University of North Texas*

Jens Ludwig  
*Georgetown University*

Robin Lumsdaine  
*American University*

Pirudas Lwamugira  
*Fitchburg State College*

Molly K. Macauley  
*Resources for the Future*

Brigitte Madrian  
*University of Pennsylvania*

N. Gregory Mankiw  
*Harvard University*

Randall Mariger  
*University of Washington*

Jim Marton  
*University of Kentucky*

Simon Medcalfe  
*Brenau University*

Jonathan Meer  
*Stanford University*

Philip Meguire  
*University of Canterbury*

Roger P. Mendels  
*University of Windsor*

van der Merwe Fanus  
*Potchefstroom University for Christian Higher Education, South Africa*

David Mitchell  
*Missouri State University*

Olivia Mitchell  
*University of Pennsylvania*

Farshid Mojaver  
*University of California, Davis*

Robert Moore  
*Occidental College*

Adele Morris  
*Brookings Institution*

James J. Murphy  
*University of Massachusetts*

John Murray  
*Bank of Canada*

Noelwah Netusil  
*Reed College*

Eric Nilsson  
*California State University, San Bernardino*

Louise Nordstrom  
*Nichols College*

Peter Norman  
*University of North Carolina, Chapel Hill*

Pia M. Orrenius  
*Federal Reserve Bank of Dallas*

Susan Parks  
*University of Wisconsin, Whitewater*

Anthony Pellechio  
*World Bank*

Anita Alves Pena  
*Colorado State University*

Alfredo M. Pereira  
*University of California,  
San Diego*

Wade Pfau  
*National Graduate Institute  
of Policy Studies*

Florenz Plassmann  
*Binghamton University (SUNY)*

Joseph Pomykala  
*Towson University*

Paul Portney  
*University of Arizona*

James Poterba  
*Massachusetts Institute  
of Technology*

B. Michael Pritchett  
*Brigham Young University*

Uwe E. Reinhardt  
*Princeton University*

Christopher J. Rempel  
*Reed College*

Mark Rider  
*US Treasury*

Robert Rider  
*University of Southern  
California*

Jose Daniel Rodriguez-Delgado  
*University of Minnesota*

Carol Rosenberg  
*Urban Institute*

Stephen Rubb  
*Bentley College*

Steven R. Sachs  
*University of Connecticut*

Efraim Sadka  
*Tel-Aviv University*

Gian S. Sahota  
*Vanderbilt University*

Robert C. Sahr  
*Oregon State University*

Andrew Samwick  
*Dartmouth College*

Benjamin Scafidi  
*Georgia State University*

Helen Schneider  
*University of Texas at Austin*

Barbara Schone  
*Georgetown University*

James K. Self  
*Indiana University*

Albert J. Shamash  
*Trenton State College*

Daniel Shaviro  
*New York University*

Eytan Sheshinski  
*Hebrew University*

Mark Showalter  
*Brigham Young University*

Jonathan Skinner  
*Dartmouth College*

Kenneth Small  
*University of California, Irvine*

John L. Solow  
*University of Iowa*

John Sondej  
*South Dakota State University*

Richard Steinberg  
*Virginia Polytechnic Institute  
and State University*

C. Eugene Steuerle  
*The Urban Institute*

Thomas F. Stinson  
*University of Minnesota*

John Straub  
*Tufts University*

Paul Styger  
*Potchefstroom University  
for Christian Higher Education,  
South Africa*

Phillip Swagel  
*University of Maryland*

Kurtis Swope  
*United States Naval Academy*

Amy Taylor  
*US Center for Health Services  
Research*

Nicolaus Tideman  
*Virginia Tech University*

Kiertisak Toh  
*Radford University*

Mehmet Tosun  
*University of Nevada, Reno*

Gregory A. Trandel  
*University of Georgia*

Alan Viard  
*American Enterprise Institute*

Marianne Vigneault

*Bishop's University*

Lennard van Vuren

*Potchefstroom University for Christian  
Higher Education, South Africa*

Michael Wasylenko

*Syracuse University*

Kristen Willard

*Columbia University*

Mark L. Wilson

*West Virginia University-Tech*

Clifford Winston

*Brookings Institution*

Pavel Yakovlev

*Duquesne University*

Valerie Yates

*University of Pennsylvania College  
of General Studies*

Chiou-Nan Yeh

*Alabama State University*

Aaron Yelowitz

*University of Kentucky*

James Young

*Northern Illinois University*

Sajid Zaidi

*Princeton University*

Joshua Graff Zivin

*Columbia University*

George Zodrow

*Rice University*

Finally, we both would like to thank our families for their support. Longtime readers of this book might recall that the first edition was written when Lynne Rosen and Jonathan Rosen were babies. Now they are college graduates, and have been delighted to welcome Zachary Gayer, Jacob Gayer, and Nathan Gayer into the *Public Finance* family.

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