

PUBLIC FINANCE, Harvey S. Rosen and Ted Gayer, 2007, McGraw-Hill, Boston, 8<sup>th</sup> edition, 2008, 596 pp.

Review\*

After seven successful editions, McGraw-Hill from Boston published in 2008, a new, eighth edition of the book *Public Finance* authored by Harvey S. Rosen, a Princeton professor. This edition is coauthored by Ted Gayer, an associate professor at Georgetown University and a former Senior Economist on the President's G.W. Bush Council of Economic Advisers. Previous editions of this book were extremely successful so many faculty worldwide, as well as in Croatia, have used the textbook as a set text in schools where public finance is taught. The new, eighth, edition of the book includes 596 pages, six parts and 22 chapters.

The structure of the textbook enables moving through the material with ease and makes all information readily accessible. The writing style is adapted to make particular subjects easier to understand. The authors use simple phrases and sentences for explaining complex economics terminology. Each chapter begins with an interesting appropriate tag and ends with a short summary and discussion questions for a certain topic. Additional casualness, which breaks down routine theoretical concepts, is achieved by an interesting selection of cartoons used to simplify discussions on particular problems and encourage readers to deeper deliberation.

In the first part of the book, besides the introduction where the notion of public finance, the legal framework and the size of government are explained, with an overview of revenues and expenditures, the authors provide an analytical framework for a positive and normative analysis of public finance. In the second part the topics discussed are related to public expenditures and public goods, externalities, political economy, education, and cost-benefit analysis, whereas in the third part the authors elaborate on themes such as the health care market, social security, income redistribution and expenditure programs for the poor. The fourth and fifth parts of the textbook deal with public revenue analysis. In those two parts the authors provide a framework for tax analysis as a fundamental tool for public revenues interpretation, deficit financing, and the tax reform in the USA. The sixth, concluding, part of the book provides an explanation of public finance in a federal system through the scope of fiscal decentralization.

---

\* *Received:* March 11, 2008

*Accepted:* March 21, 2008

Compared to the previous editions, the eighth edition is expanded, with a chapter on education and an additional chapter on health care. The ninth chapter interprets the health insurance market, explaining the inefficiency of private health insurance markets, whereas the tenth chapter thoroughly analyses the role of the government in the health care market. In this textbook, one can find the most recent concepts directed to the analysis of various political decisions. In that sense, the chapter on social insurance is additionally expanded with proposals for reform in the USA. Chapter twenty-one accordingly comes to a close with a discussion on the tax reform in the USA. The most significant change is the slightly modified division of chapters, more precisely, the part of the book on public expenditures is now divided into a part that discusses public goods and externalities, and a separate part explaining social insurance and the redistribution of income.

The book concludes with an appendix on the basic microeconomics used in text, glossary, and a comprehensive list of references for further research.

The book is primarily intended for students of various schools of economics involved in research into public finance, for it analyses the economic consequences of social happenings with micro economic methods. This is an approach that could be acceptable for students in other areas of study dealing with public finance as well. From the beginning until the end of the book the authors simplify complicated concepts using charts, and analytical supplements that can be found at the end of particular, more complex, chapters. Definitions of certain economic terms are given in the margins, and additionally bolded in the text in order to assure easier access. More than four hundred academic collaborators contributed to the quality of this textbook, answering various surveys about special needs set up by professors and students doing research in public finance. In order to ensure a comfortable learning process, the authors have provided additional electronic materials on the associated CD and on the Internet (*Online Learning Center*).

This textbook was and will remain one of the best textbooks worldwide, especially with the refreshing element of a new co(author). In each chapter the authors discuss economical phenomena through various aspects, from microeconomics, financial analysis and monetary policy to political economy and macroeconomics. They additionally “flavor” the product with details from culture and history using examples from various areas of human activity and characters ranging from the main heroes in cartoons and series to those in the Scriptures, like Adam and Eve. Without any doubt, the book is a result of thorough and continuous research in current thematic fields in public finance and an attempt to apply certain economic relationships in everyday life.

It has to be mentioned that in 1999 the Institute of Public Finance translated the book into Croatian. The book was immediately introduced as obligatory reading for some, and from 2006., for all students attending the Public Finance course at the Faculty of Economics in Zagreb. I believe that a new translation of the book, accompanied by the university handbook of the Institute of Public Finance *Public Finance in Croatia*, will remain topical and required reading in public finance research.

Marko Primorac  
*Faculty of Economics and Business, Zagreb*