

Public Economic Theory*

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Understanding the role of the government in the economy is a question of fundamental importance. For decades, modern public economists have been working to provide answers as they relate to how society taxes, spends, distributes, regulates and stabilizes its economic systems. To a great extent, this research has been driven by contemporary policy issues. The resulting stream of practical, real-world research has yielded great dividends both to the polity and the academy. Unfortunately, the very success of applied and especially empirical public economics has tended to push more theoretical work to the periphery of the field. As a consequence, the theoretical and applied agendas in public economics have become increasingly distinct. At the same time, important advances in areas such as evolution, game theory, and experimental economics have been slow to work their way into the mainstream of public economic theory. Thus, we see growing gaps between theoretical public economics both with applied public economics and pure economic theory.

The main objective of the *Journal of Public Economic Theory* is to help bridge these two gaps. Strengthening the connection between public economics and modern theoretical research is probably the easier of the two. To this end, the Journal will actively promote the development and dissemination of new theoretical tools and techniques in the field. We will make every effort to develop a reputation as an outlet for theorists seeking to demonstrate and explore the direct economic applications of their work.

We believe it is equally important to demonstrate that theory can make significant contributions to the current policy debate. Consider, for example, the interplay between theoretical and empirical work in the controversies surrounding rational expectations or the impact of game theory on the structuring of the recent spectrum auctions. When theory is cut off from the applied side of a field, it runs the risk of beginning to feed upon itself and of becoming less and less relevant to applied researchers and the outside world. By the same token, when empiricists pay attention only to the data and previous empirical work, they risk missing new theoretical developments that might provide the ability to approach problems in different and more productive ways. Public economics is, after all, rife with situations involving asymmetric or incomplete information, agency problems, missing markets, moral hazard, and adverse selection. These are very difficult problems about which we have only a partial theoretical understanding in general. However, it is often possible to make progress in more specific contexts. We hope that the Journal can play a significant role in encouraging public economic theorists to take advantage of this and produce research that leads to testable hypotheses and contributes to the laying of a sounder theoretical foundation on which to base future applied and empirical research.

This places a special expositional burden on the Journal. We strongly encourage authors to pay particular attention to the presentation of their work. Of course, papers should always be written so that specialists are easily able to understand the arguments. We believe that it is equally vital that authors make every effort to assure that nonspecialists are also able to grasp the point of their exercise and, more importantly, what the paper has to say about real economic questions. If we expect theoretical work to have an impact outside of our own circles, it is our obligation as theorists to demonstrate to applied researchers that they should take the time and trouble to understand what we do. In keeping with this goal, the Journal also plans to publish surveys, exposita, and retrospectives on a regular basis.

We are fortunate to have a long tradition of theoretical research in public economics to draw on ranging from Arrow and Samuelson, through Coase and Buchanan, to more recent contributors like Mas-Colell and Mirrlees (to name only a few). The methodologies these authors use vary widely, ranging from the almost literary approach of Coase to calculus, game theory, real analysis, measure theory, differential topology and beyond. What makes these contributions important is not the type of mathematics the authors use to express their ideas, but the ideas themselves. It is unfortunately the case that applied work is sometimes rejected as theoretically trivial. At the same time, mathematically complex research is sometimes dismissed as *ipso facto* divorced from economic reality. One of the founding ideas of JPET is the rejection of both positions. Our view is that good theoretical work must be original and rigorous and teach us something of interest about an economic question. The form of mathematical expression is, in itself, irrelevant.

We recognize that public economics is a broad field, and the Journal takes an inclusive view of what it should contain. This is reflected in the composition of the editorial board. In addition to core areas of taxation and expenditure, we are interested in papers on voting, market failure, project evaluation, and equity. There is also significant overlap with public choice, social choice and parts of macroeconomics and regulation. In addition, we are particularly interested in exploring the intersection between public economics and formal approaches to political systems and political economy.

The one type of work that JPET chooses not to publish is empirical research. This is not in any sense because we consider econometric approaches as inferior or unimportant. As we say above, we think that it is precisely because this work has been so successful that it has achieved such preeminence in public economics. Rather, we view our mission as pulling together work in pure and applied theory of all types. We would like to diminish the scattering of theoretical research across specialized journals which are seldom read by applied public economists. We hope to become a place where public economists of all types can look to find the current state of the art in this field.

We would also like to take this opportunity to announce the founding of the Association for Public Economic Theory/. Membership in this society is bundled with your personal subscription. The main functions of APET are to sponsor conferences, monographs and other activities which support the goals of the Journal. APET's first meeting was held in Tuscaloosa, Alabama last May. Almost 90 economists were in attendance, nearly half of whom came from outside of North America. The interests of the participants ranged widely over the set of topics and methodologies that were described above. The major objective of APET is to support this kind of bringing together of scholars from different traditions who share an interest in public economics. We hope that the resulting cross-fertilization and interaction will contribute to the development of a community of scholars and diminish the fragmentation of our field. APET is currently involved with the organization of several smaller meetings to take place in Europe this summer. As they become available, details will be announced in subsequent issues of the Journal.

We owe debts of gratitude to many people. First and foremost, we would like to thank the members of the editorial board for agreeing to lend their support to this project. Their hard work and advice are the key factors which, with luck, will make this Journal a success. We thank Jan Brueckner, Ehud Kalai and Todd Sandler for providing extremely useful advice about how to approach

publishers and the details of how to organize and run a journal. The advice and support of Peter Hammond, Herve Moulin, and Reinhard Selten is also very gratefully acknowledged. Frank Page deserves our special thanks for his truly Herculean efforts in organizing and running the Tuscaloosa APET meetings. We are also grateful to the University of Alabama, the Mercedes Benz Corporation, and the National Science Foundation for their financial support of the conference. Finally, we are grateful to the Department of Economics at the University of Illinois for its generous material support of the Journal.