PART I

A SYMPOSIUM ON PUBLIC FINANCE IN THE HISTORY OF ECONOMIC THOUGHT

Guest Edited By Claire Silvant and Javier San Julián Arrupe
CHAPTER 1
INTRODUCTION: PUBLIC FINANCE IN THE HISTORY OF ECONOMICS:
A FIELD ON ITS OWN

Claire Silvant and Javier San Julián Arrupe

The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare—all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else.

(J. A. Schumpeter (1991 [1918]), p. 101)

PRELIMINARY REMARKS

Political changes, even moderate ones, and economic progress occur pari passu with shifts in public finance, sometimes with reciprocal effects. Vices in public finance systems may be the cause of major or minor political breaks; conversely, changes in political regimes often come with financial reforms (tax reforms, increase or decrease in public expenditures, use of public debt, or monetary financing). Similarly, interest in these topics in the history of economic ideas has endured irregularities and jumps that simple narratives cannot capture. Debates on public finance have not followed a steady path, and public finance issues have been alternately in the background or the spotlight, according to their prominence in political debate. Throughout the nineteenth century, public finance was an increasingly discussed topic as the role of the state expanded in many countries in Western Europe and the United States in their liberal age (as presented in Bonney, 1995; Cardoso & Lains, 2010; Dincecco, 2011; Yun-Casalilla & O’Brien, 2012) and as the concern for its financing became more imperative. The advance of political modernity was accompanied by a widespread revival of debates and writings on public finance.
PUBLIC FINANCE ISSUES AT THE ACADEMIC CROSSROADS

Since the eighteenth century, economists, philosophers, and practitioners have frequently investigated issues in public economics as well as in public finance. Many contributions of prominent economists can be associated with new developments in public economics. Through his economic calculations, Vauban tried to rationalize public expenditure as well as public revenue. Smith and Say aimed to formulate general principles regarding taxation, while J.S. Mill developed original thoughts about the legitimacy of state expenditures. Bentham inquired into the philosophical foundations of property rights and their consequences for public intervention. In this respect, public economics would be “one of the oldest fields in economics” and public finance “the oldest branch of economics,” respectively, according to Kolm (1987) and Musgrave (2008).

Public finance is viewed as a branch of public economics. If public economics can be described as “an interdisciplinary multi-level subject with a strong disciplinary core” (Sturn, 2016, p. 480), public finance would be a complex strand of it. Public finance issues require normative as well as descriptive approaches incorporating contrasting materials: historical studies, normative treatises, specialized or general handbooks, monographs, and mathematically formalized essays. Usually, the studies on public finance present two sides: that of public resources (works on tax incidence, optimal taxation, fiscal policies, public debt management, its monetary side, etc.) and that of government expenditures (focusing on publicly provided goods and the scope of national government spending).

The chapters included in this symposium principally focus their analyses on the first side, that is, on the – in most cases competing – ways to finance public expenditures, from the perspective of the history of economic thought. The reverse question – that is, the analyses of legitimate public expenditure and its economic effects – is pushed into the background. In a way, we adopt a more restrictive definition than the economists from different national traditions that we study, who included in the public finance discipline many more issues: the scope of state intervention, the historical description of fiscal systems, etc.

From a historical perspective, two features characterize the constitution of the field of public finance in the academic and intellectual landscape: its progressive specialization and its late internationalization.

Before the nineteenth century, views and analyses on public finance were often included in general writings on economics; there were few specialized authors and few works exclusively and extensively dedicated to public finance issues, in the sense that we described above. The process of specialization predominantly occurred in the last third of the nineteenth century. In France, several liberal economists developed a special interest in public finance topics and contributed to the creation of a new academic field endowed with courses, chaires and textbooks (Le Van-Lemesle, 2004). The German-speaking Finanzwissenschaft arose in universities (Holtfrerich, 2013). The Italian fiscal tradition made important contributions to the modern theory of public finance (Fausto, 2010), and Spanish policymakers tried to modernize the tax system in the last quarter of the century (Martorell Linares, 2000).
The second characteristic feature of this field is its late internationalization. Faccarello and Sturn (2010) and Sturn (2016) highlight “the nation-specific institutional features embedding public budgetary processes” (Faccarello & Sturn, 2010, p. 539) and other autonomous analytical grounds to explain the “late internationalization of public economics (late compared with general economics)” (Sturn, 2016, p. 484). We agree with that view in that the internationalization of public finance, as a subfield of public economics, happened later since it is much more subject to the “nation-specific institutional features embedding public budgeting processes” (Sturn, 2016, p. 485). This trend also explains the richness and diversity of approaches in public finance that remain at the end of the nineteenth century.

Our research intends to deliver new insights on public finance in the history of economic thought. The history of economic thought’s perspective on public finance issues has links to other fields, without which our understanding of these issues would be incomplete.

First, as Schumpeter stated, public finance is closely connected with the historical and political context; ideas and theories in public finance cannot be understood without considering the historical features in which they are embedded. Analyses and policy proposals on public finance are crucial to understanding the development of political regimes, the objectives of their rulers and the means to attain them. Indeed, recent research has stressed the importance of politics for the institutionalization of political economy and determined schools of economic thought (Augello & Guidi, 2005). However, public finance is also a powerful instrument to configure or change a determined political situation. Cardoso and Lains (2010, p. 1), referencing the liberal regimes of the West in the nineteenth century, assert that “reforms of fiscal and financial systems . . . were crucial for both the establishment of liberal regimes and the development of European economies in the century to 1914.”

The questions that the contributions in this issue address have explicit links to the development of institutions in a period of consolidation of nation-states. Understanding these economic debates reveals the bidirectional influence of economic ideas on politics and politics on public finance in this particular environment. In this respect, the history of economic ideas on public finance cannot avoid its necessary connection to economic and political history. Contemporaneous economic and political debates and facts are an essential complement to draw a complete picture of public finances as they were and the interests that were at stake. Contributors have connected ideas to the environment to avoid anachronistic hypotheses and reasoning deprived of their context. In contrast, this framework provides the basis for transformation, adaptation, and creation of economic thought, at times designed to modify precisely that political and social atmosphere, as evinced in Laskaridis’ chapter, for instance.

Second, public finance issues are enmeshed in controversies on the role of the state, its attributions, not only economic, and its right to interfere in the private lives of individuals. A renewed interest in public finance often intersects with new insight into state intervention, as demonstrated by the chapters of Coste and Silvant, San Julián and Sturn. In this respect, there is a connection with political science. Public finance can also be a topic of inquiry for public law and
行政法。的确，在某些如十八世纪这样的时期，法律与经济学之间的分离有时不明确。因此，十九世纪——本书中大多数章节的分析时期——尤其富有生产力。在该世纪的中央几十年，法国的自由学派经济思想持有一种关于国家的愿景，即国家仅为生命和财产的保险者，完全剥夺了干涉私人领域的权利。来自西南欧国家的大多数经济作者——葡萄牙、西班牙和意大利——接受了这种愿景，这与德国传统相矛盾，后者更倾向于将政治经济学视为政府的科学。当经济和社会的全景开始改变时，这些反国家主义的观点发生了转变，产生了更多折衷的立场（其中包括自由主义者的立场），包括研究限制自由贸易的界限，向中央银行授予货币发行特权，征税个人收入，并建立为工人的社会保障项目。

第三，关于公共财政的观念与“财政科学”技术直接相关。随着国家干预的范围不断扩大，发展一系列工具、机构和程序来有效和成功地干预经济变得必要。这种“技术化”必须与上述领域专业化相关联。专门从事应用经济学（公共财政在其所有维度）的经济学家出现了，他们撰写了技术著作，分析特定问题，提出具体解决方案和财政技术，或撰写更综合的著作。事实上，随着时间的推移，这些国家出现了广泛和全面的著作，有些书被多次重印，如勒罗-布尔利厄的《Traité de la science des finances》（1877年），勒南·赛的《Dictionnaire des finances》（1889-1894年），阿道夫·瓦格纳的《Finanzwissenschaft》（1877-1901年），巴斯陶的《Public Finance》（1892年），皮内斯-胡尔塔多的《Tratado de Hacienda Pública y Examen de la Española》（1884-1885年），塞尔吉曼19世纪90年代的著作，意大利公共财政学派，始于1883年的普坦莱奥尼的著作。通过彭特梅塞克和德梅卢梅斯特的论文，重新评估的国家财务实践管理债务的问题。

综上所述，研究公共财政历史上的争议是一个具有挑战性的任务，因为公共财政问题同时被嵌入到公共经济学、政治学和经济历史中。因此，我们需要寻求其他知识领域的更广泛视角和互补的方法。

PUBLIC FINANCE IN THE HISTORY OF ECONOMIC THOUGHT

与其它主题相比，经济学家的历史研究尚未对公共财政问题给予太多关注。这种状况可能有所改变，可能受到其他领域，如经济史、政治史或法律史的影响，这些领域从不同角度对公共财政问题进行了分析。因此，研究公共财政问题的实践时，我们需要从其它领域的知识中寻求更广泛的视角和互补的方法。

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Recent interest in public finance is not alien to economic events, notably the 2008 global crisis, which triggered reactions from economists, such as the noted paper by Reinhart and Rogoff (2010) and its subsequent controversy, and the presidential address of Olivier Blanchard (2019) at the American Economic Association conference.

It can be asserted then that public finance is now a subject of increasing interest in the history of economic ideas. The publication of the collection of classics on the theory of public finance by Musgrave and Peacock (1958) was a starting point, which not only incorporated key foundational texts but also illustrated the diversity of traditions in public finance. Since then, many contributions have been published. This process has accelerated in the last two decades, which have witnessed numerous initiatives of broad scope, epitomized by recent publications like the special issue on public economics of the European Journal of the History of Economic Thought (2010), with valuable contributions specifically on public finance, or Cardoso and Lains’ collective book (2010), with a trans-disciplinary approach. Contributions from economic historians, such as those from Yunes-Casalilla and O’Brien (2012), have not neglected economists’ diverse views on topics such as the functions of the state, public expenditure, taxation, and debt financing. This kind of work allows valuable synergies with historians of economics. Many research projects in economic history seek to understand ideas on public finance with an interdisciplinary focus in the manner of Schumpeter, emphasizing the importance of the institutional contexts and historical determinants. This requires approaches open to other social sciences. These collective efforts, not yet abundant, do not overshadow investigations on particular matters and authors, which have shed much light on the development of public economics in different nations and periods.

Historians of economic thought examining the public finance phenomena have delivered extremely diverse pieces of research. While any attempt at taxonomy would be far from satisfactory, particular types of contributions can be discerned. An important group of works focuses on the analysis of the writings of economists who have decisively contributed to the creation of the conceptual framework of public finance as a particular aspect of a doctrinal paradigm. Such are the contributions on the concept and scope of public finance by authors such as Smith, Ricardo, J.B. Say, and J.S. Mill, which are bricks that have built the classical liberal standard. The works of these economists have been the objects of much research, both in books that address a wide panorama of authors or schools (for instance O’Brien, 2004, on classical economists, which contains a chapter on classical public finance, or Dome, 2004, on the political economy of public finance in England) and in articles that concentrate on particular aspects. The same is true for writings that examine authors who formed the conceptual bases of Marshallian economics, like Pigou, Pareto, and Wicksell, and those on later economists, such as Musgrave and Buchanan, at the root of the modern development of public economics. It is not the objective of this introduction to discuss all these contributions, but a quick search of the main international journals in the history of economics reveals a vast amount of recent works of high quality, indicating that the interest in this field of research is far from diminishing. The papers on the ideas on public finance of Smith (Coutinho, 2001), Steuart (Bentemessek, 2012), Ricardo (Churchman, 1995, 1997),
Pareto (Fossati, 2012), Musgrave and Buchanan (Desmarais-Tremblay, 2014; Johnson, 2006, 2014a; Sturm, 2010), Keynes (Aspromourgos, 2014, 2018), and Samuelson (Pickhardt, 2006) are examples.

The second group of contributions focuses on specific national features in the processes of arrangement and organization of public finance in different countries. A variety of institutional settings, economic backgrounds, and historical determinants have led to the formation of diverse national traditions of public finance, with singularities that have deserved specific attention by researchers. The relevance of the institutional, political, social, and historical elements that compose a particular tradition is apparent in cases such as the French or Italian. Faccarello and Sturm (2010, p. 539) note that French authors have been rediscovered only recently, but this seems true for other cases also. Research in this area has increased significantly in the last two decades. Contributions by Faccarello (2006, 2010), Brandly (2007), Kolm (2010), Oraín (2010), and Silvant (2010) on French public finance in the eighteenth and nineteenth centuries and those by Mastromatteo (2003), Fausto (2003, 2008, 2010), and Fossati (2010) on the Italian school of public finance are evidence of this phenomenon. German cameralism has been restudied recently by Wakefield (2009), Wagner (2012), and Seppel and Tribe (2017). Public finance in the German historical school is analyzed in Backhaus (1997), whereas the specificities of public finance thought in the Iberian Peninsula are the subjects of analysis by Astigarraga and Zabalza (2014), among others.

The third group of contributions concentrates on particular problems, such as taxation, public debt, and budget policies, or debates between different actors in a precise geographical context or period or with a comparative perspective. This is, for instance, the case for the recent works by Churchman (1999) on the Malthus–Ricardo debate on public debt, San Julián (2011) on income tax, Fossati (2013) on taxing savings in Italy, Signorino (2016) on Smith and Ricardo’s ideas on the sinking fund, Johnson (2014b) on the consolidation of public finance since the creation of economics departments in American universities, and Mattei (2017) on the policies of austerity during the fascist period in Italy. Augello and Guidi (2002, 2003, 2005) edited a series of contributions on economists and political economics in the political sphere, in Italy and in the West, with thorough analyses on public finance debates.

**OUTLINE OF THE SYMPOSIUM**

The symposium is organized chronologically, starting with British debates of the early nineteenth century and ending with American monetary propositions of the 1930s.

Nesrine Bentemesse-Kahia’s chapter is devoted to the debates around British public debt at the beginning of the nineteenth century. She reveals that an extremely high level of debt caused by the Revolutionary and Napoleonic Wars paradoxically coexisted with the early progression of the industrial revolution and explains this concomitance by the effective policies of sovereign debt management implemented by the state and the Bank of England. The chapter
highlights the innovations in public debt management, promoting both bank liquidity, and market liquidity, and underlines their links with the fiscal policy of the British state.

In the following chapter, Christina Laskaridis also focuses on the post-Napoleonic period and the long debate it triggered on monetary reform and repayment of the national debt. She studies the circulation of ideas and pamphlets regarding currency issuance and the national debt with respect to Ricardo's plans for monetary reform and public debt. The chapter erodes the divide in the literature, which has traditionally analyzed the organization of taxation and expenditure separately from the development of the financial system and currency issuance, and highlights Ricardo's influence on his contemporaries.

In their contribution, Clément Coste and Claire Silvant explore the French debate in 1848 around the financial crisis in which the Liberals confronted the Socialists regarding both its causes and solutions. They focus their analysis on the tradeoff between tax and public debt, which is at the heart of both currents of thought.

Javier San Julián's chapter is devoted to debates on public debt in Spanish economic thought in the second half of the nineteenth century. It highlights the coexistence of a financial orthodoxy promoted by finance ministers and the majority of economists, consisting of balancing the public budget by controlling expenses, and alternative views. It particularly focuses on the character of Luis María Pastor, who developed cutting-edge views to support government expansionary policies financed with credit. Far from fearing a deficit, Pastor, one of the most influential economists of the Spanish liberal school, was convinced that public investment in infrastructure financed through debt was the key to promote economic growth.

Then, the chapter by Richard Sturn proposes an extensive appraisal of the evolution of German views on public debt between 1850 and 1920. The reluctance of German authors toward public debt is connected to the politico-economic issues of state agency combined with new state functions.

Lastly, Samuel Demeulemeester's chapter examines the proponents of the "100% money" reform scheme developed in the 1930s, particularly that of Henry Simons, Lauchlin Currie, and Irving Fisher. This scheme relies on the seigniorage argument in favor of public money issuance, according to which public finances could be improved if the state more fully exercised the privilege of money creation, allowing a significant reduction of the national debt. The chapter also examines the academic debates aroused by this proposal, especially the criticism developed by Albert G. Hart of the University of Chicago in 1935.

In all, it is the aim of this symposium to contribute to the ongoing process of revalorizing research on public finance as an essential field to improve our understanding of the evolution of economic ideas. All along the nineteenth century, the ever-increasing intervention of government in the economy has led economists to devote more attention to this topic. Their reflections about the role of the state and their economic policy proposals constitute a critical feature of the history of economic thought of the last two centuries and even today.
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REFERENCES


