The purpose of this course is to view some of the material of public finance through “a different window,” to borrow from Friedrich Nietzsche. There is no text for the course; however, those of you who have kept your copy of Cullis and Jones from 849 might find yourselves wanting to consult it on occasion. The primary textual material for this course will be the draft manuscript of an eight-chapter book I am presently writing, the working title of which is *Emergence, Catallaxy, and the Theory of Public Finance*. The manuscript contains numerous other references, and you are invited to peruse those where the material interests you. The purpose of this book is to set forth a markedly different orientation toward the theory of public finance, as suggested by my use of emergence and catallaxy in the working title.

My work for the semester thus consists of writing the manuscript material, and of assigning course grades for your work. Your work, in turn, will be of two types. First, there will be a set of short, 3-5 page essays that will count for 50 percent of your course grade. These essays will ask you to think creatively and critically about the topic under discussion during that class period, and to sketch briefly some line of thought that you think might be worth further development. Second, there will be a longer essay, in the 20 page range, and this will count for the remaining 50 percent of your course grade. This essay should aspire to publishability, and you should think of me as the editor of a professional journal in writing your papers.

Approximately the first two-thirds of the semester will be devoted to my presentation of the book material, along with your short essays and their presentation and discussion. The remainder of the semester will be devoted to your presentation of drafts of your course paper. Your final papers will be due, in hard copy, by 1630 on 6 May. (This is the date and time scheduled for the final course examination, and I am supposed to submit course grades within 48 hours of this scheduled event.)

**COURSE AND BOOK OUTLINE (and chapter abstracts)**


For the most part, the theory of public finance treats government as a unitary being that intervenes into polyarchically organized market processes. While this treatment leads to simple and tractable models, it also misrepresents the tasks of organizing public governance. The situation for governance is not
one where a government governs people, but is one where people govern
themselves. It is where people participate in the governance of their own
activities, and not one where “the state” governs people. Recognition of this
distinction leads to a polycentric formulation of governance, where various
governmental organizations provide arenas where people participate in the
governance of their relationships and activities.

2. Enterprise-Based Public Finance: A Tale of Two Hyatts

In conventional public finance, taxes and expenditures are the primary
objects of analysis. Their existence is taken as given, and the analysis focuses
on various economic aspects and consequences of those taxes and
expenditures. Those taxes and expenditures, however, are simply the
accurterments of the activities of political enterprises in our midst, and this
chapter seeks to locate the prime analytical object of the theory of public finance
as the political enterprise. It is instructive in this regard to ponder the similarities
and differences between cities on the one hand and hotels and shopping centers
on the other, for there is a tale of the two Hyatts to be developed there.

3. Entrepreneurship and the Creation of Political Enterprises

Entrepreneurship is as much involved in the creation of political
enterprises as it is involved in the creation of private enterprises. There is little
disagreement that the basic logic of a market economy entails a tendency toward
equalization of rates of return to capital invested in market-based enterprises,
adjusted for risk. Yet, huge amounts of capital are invested in political
enterprises as well. There must be an expected return to the creation of political
enterprises that political entrepreneurs expect or hope to capture, even if those
returns manifest themselves differently than they do in market-based enterprises.

4. Revenue Generation and the Support of Political Enterprises

Where Chapter 3 seeks to explain the creation of political enterprises as
entrepreneurial activities that offer the hope of profitable rewards to
entrepreneurs, this chapter seeks to explain how political enterprises go about
securing revenues to support their activities. In the process, a prime line of
interest lies in giving an account of the differences between politically-based and
market-based enterprises, though attention is also given to what in many cases
is the absence of a sharp disjunction between those types of enterprises.

5. The Organizational Economics of Political Enterprises

While political enterprises require revenues to supply their services and
reward their investors, they also require organizational arrangements that are
consistent with promoting the success of the organization. Problems of agency,
monitoring, bonding and the like exist as much within political enterprises as they
do within market enterprises. Much work has been done on how the existence of transferable ownership shares tends to align the interests of shareholders and managers within market enterprises. Political enterprises, however, face the same general setting, don’t have transferable ownership, and generally don’t even operate with double-entry systems of accounting. This chapter explores the internal conduct of political enterprises in light of its particular institutional features.

6. States as Ecologies of Political Enterprises

Chapters 3-5 provide a kind of mini-unit on the theory of political enterprise, where political enterprises are treated as facing the same kinds of problems to overcome as market-based enterprises, only they operate within a different institutional milieu. It is, however, a mistake to treat a state as a political enterprise, though this is the approach taken within standard public finance. In place of this top-down or hierarchical orientation, this chapter (and book) takes a bottom-up or polyarchical orientation. The term state is an abstract noun that designates an ecology of political enterprises. This chapter explores some of the insights that an ecological perspective can bring to bear on the topic.

7. Competitive Governments, Polycentric Polities, and Open Societies

Any unit of government is constituted through an ecology of political enterprises, and is not an enterprise itself; this was the theme of Chapter 6. This chapter extends this orientation to a recognition that governments are in competition with one another, but also have reasons to collude with one another. This chapter seeks to plumb the prospect of treating this competition and collusion polycentrically instead of hierarchically. In other words, the activities of governments emanate from particular political enterprises nested within the polity in a bottom-up manner.

8. Justice, Police, and Arms: The Organization of Security

The book could easily close with Chapter 7, as this chapter seems perhaps a bit of an appendix, but I wanted to say something about the topic, so am trying to treat it as a logical continuation of Chapter 7. The bridge from Chapter 7 lies in the openness of society. Openness brings gains from trade, but it also brings dangers from invasion. Invasion may be local, as in a robber accosting you in a parking lot. It may also be broader in scope, as in people from one nation warring upon people in another. We necessarily live in a world of open borders, and this raises some interesting and difficult questions about the organization of security that should be treated within a theory of public finance, but generally are not as fiscal scholars direct their gaze instead to welfare, social security, education, and such programs that I see no good reason for governments to do, even though I can understand why they are engaged in those programs.