The point of this course is to survey the theory of public finance, as this is characterized in the course outline and bibliography. The course material will be presented as an exercise in polyphony, much as has characterized the historical development of public finance as a field of academic study. This polyphonic character is illustrated nicely by the course text: *Public Finance and Public Choice*, 2nd ed. by John Cullis and Philip Jones.

One voice that appears persistently in the literature on public finance is a choice theoretic voice. Fiscal phenomena are treated as being generated externally to the economic process, and are typically construed as some government’s optimizing choice. The other voice is catallactic. Fiscal phenomena are treated as being internal to the economic process. They arise not from simple acts of choice by some single mind but rather emerge out of complex processes of exchange and domination.

It is safe to say that over the past century or so, the dominant professional voice has been choice-theoretic. The catallactic voice has, however, had a continual presence as well over this period. Moreover, in my judgment the catallactic voice will exert a growing presence on the years ahead, partly for reasons that I sketched in “The Impending Transformation of Public Choice Scholarship,” *Public Choice* 77 (1993): 203-12.

The potential for a catallactic approach to public finance was voiced nicely by Richard Goode in the March 1970 issue of the *Journal of Economic Literature*. There, Goode compared articles on public finance written for the 1930 *Encyclopedia of the Social Sciences* with articles written for the 1968 *International Encyclopedia of the Social Sciences*. In commenting on what he regarded as the deficiencies of the more recent volume, Goode remarked that “a sophisticated and unified treatment of the economic, political, legal, and administrative elements of public finance is needed. Unification would represent a return to a tradition as old as that of the Cameralists, but for modern readers sophistication can be attained only by rethinking old problems and using new techniques. There is much to be done and work for a variety of talents” (p. 34).

My work for this course will involve the presentation of the course material, as described in the course outline and bibliography. This will be done in pretty much of a standard of lecture cum discussion format. Your work will be of three forms, and will comprise the basis for your course grade.
• A set of eight short, 3-5 page essays. The point of these essays is to encourage you to think creatively and critically about the topic under discussion. A topic will be announced at the end of one class session, and will be due at the start of the next class session. These essays will count collectively for 40 percent of the course grade.

• A longer essay of up to 20 pages. This should be in standard manuscript format. For this assignment you should think of me as the editor of a professional journal on public finance with a strong interest in promoting a catallactical approach. To help you get started on this project, I ask that you submit a one-page abstract or outline of what you propose to do no later than the start of class on 12 October. This paper will count for 40 percent of the course grade. It will be due by 1630 on 14 December.

• My evaluation of your contributions to classroom discussions will count for the remaining 20 percent.

The task of graduate grading is pretty much one of my putting your work into one of three categories, corresponding to the A-B-C scale. The grade I give you is my bottom-line assessment of your performance on that assignment. For the longer essay, an “A” means I would truly encourage you to revise the paper for publication if I were editing such a journal. A “B” means that I would not encourage you to do so, though at the same time I think there is something there that I would encourage you to think about. A “C” means that I think you should spend no more time on this project. For the short essays, an “A” means that you have convinced me that this idea is worth further exploration. A “B” means that I find nothing wrong with your argument, but neither do I find any reason to encourage you to pursue the idea further. A “C” means that I find some significant holes or failings in your argument.

With respect to the course readings, I should perhaps explain that I have selected them according to what I anticipate will be their contribution to my course objectives, and not because they are classics in the field. Numerous additional references will be mentioned throughout the semester. Moreover, the items you read will refer to other works that you doubtless will find worth looking at. Furthermore, you should make some systematic effort to secure working papers on relevant topics, and many of these are available through the internet. In other words, the readings listed here constitute but a minimalist list. You will need to do much more reading to achieve reasonable mastery over the field. To help you in this respect, I will pass out relevant chapters of the Handbook of Public Finance, which Jürgen Backhaus, at Maastricht, and I are editing for Kluwer, as these become available in draft form during the semester.
1. The Theory of Public Finance: A Historical Review (31 Aug.)


2. Welfare Economics, State Competence, and Public Finance (7 Sept.)

Cullis and Jones, Chapters 1 & 2.


Cullis and Jones, Chapters 3 & 4.


4. **Enterprises, Bureaus, and the Organization of Production** (21 Sept.)

Cullis and Jones, Ch. 5.


5. **Benefit-Cost analysis and Economic Calculation** (28 Sept.)

Cullis and Jones, Ch. 6.


6. **Tax Norms, Tax Forms, and Tax Structure** (5 Oct.)

Cullis and Jones, Chs. 7, 15, 16.


7. **Taxation, Production, and the Market Process** (12 Oct.)

Cullis and Jones, Chs. 8 & 10.


8. **Debt, Money, and Public Finance** (19 Oct.)

Cullis and Jones, Ch. 11.


9. **Redistribution, Social Security, and Poor Relief** (26 Oct.)

Cullis and Jones, Ch. 9.


10. **Public Finance and Local Government** (2 Nov.)

Cullis and Jones, Ch. 12 (pp. 293-315).


11. **Federalism, Subsidiarity, and Polycentric Polities** (9 Nov.)

Cullis and Jones, Ch. 12 (pp. 315-32).


12. **International Public Finance** (16 Nov.)

Cullis and Jones, Ch. 13.


13. **Growth of Government and Size of States** (30 Nov.)

Cullis and Jones, Ch. 14.


14. **Fiscal Sociology** (7 Dec.)

Webber, C. and Wildavsky, A. *A History of Taxation and Expenditure in the Western World*, Ch. 1.


Backhaus, J. G. “The Concept of the Tax State in Modern Public Finance Analysis,” manuscript, University of Maastricht.
