
This book seeks to portray the development of fiscal theorizing over the period roughly bounded by 1880 and 1940 as a series of relatively independent efforts contained by national boundaries. Aside from two introductory chapters and a conclusion, the book unfolds as a series of chapters on the development of fiscal theorizing in Great Britain, Italy, Germany, Austria, and Sweden.

British public finance is described as animated by a vision that focuses on the tax side of the budget and ignores the expenditure side. Taxes are thus sacrifices that must be borne, as against being but one side of a transaction. In his examination of sacrifice theorists, Kayaalp covers Bentham, Smith, Sidgwick, Marshall, Edgeworth, and Pigou. Given the revenue to be raised for purposes of state, the sacrifice theorists were concerned with how to raise that revenue in least burdensome fashion. While Behtham’s calculus of pleasure and plain can clearly be adapted to sacrifice theorizing, it was Edgeworth who articulated the well-known result that the minimization of aggregate sacrifice required progressive taxation that pared down incomes from the top, so long as the marginal utility of income was diminishing and factor supplies were of zero elasticity. It is a short step from sacrifice theorizing to the contemporary theory of optimal taxation, whose godfather was Pigou’s contemporary Frank Ramsey, who mysteriously is not mentioned by Kayaalp despite Ramsey’s prominence within the annals of sacrifice theorizing.
Where sacrifice theorists have approached taxation independently of any considerations of public expenditure, benefit theorists have sought expressly to link the two sides of the budget. Kayaalp associates benefit theorizing with Italian public finance, particularly as represented by Pantaleoni, De Viti De Marco, and Mazzola. All three of these authors, as well as benefit theorists generally, treat taxes as but one side of a transaction, and regard a theory of public finance as inadequate if it does not incorporate both sides of the budget. The Italian theorists of the time sought to do just this, which in turn required the extension of marginal utility and notions of equilibrium that were in play at the time to political outcomes. To be sure, Pareto objected to this effort, and sought to convey his objection through his distinction between logical and non-logical action, as well as his analytical framework of derivations and residues. While Kayaalp mentions Pareto, he mostly sticks to his portrayal of his three main figures and their effort to pursue fiscal theorizing in terms of marginal utility as forming a foundation for a science of state. This chapter gives a fine presentation of the core of Italian fiscal theorizing at the time.

The chapter on Swedish public finance likewise gives an accurate portrait of the contributions of Wicksell and Lindahl, as these contributions have been carried forward into contemporary literature. The author goes astray, however, in asking us to treat a Swedish “collective choice approach” as distinct from the Italian benefit approach. Wicksell and Lindahl had the same orientation toward public finance as did the Italian theorists. While Wicksell had disagreements with some of Mazzola’s formulations, those disagreements were very much a form of family feud between people who agreed on the merits of approaching the material of public finance from a transactional orientation.
While Italy stands at the opposite end of the continent from Sweden, theorists on both ends of the continent construed the object of their theoretical attention as politically organized transactions, in sharp contrast to British public finance of the time.

The same can be said of Austrian public finance (and German also). It is not the case that Austrian fiscal scholars developed some distinctive approach to public finance that could be titled “The Subjective Valuation Approach.” The Italian and Swedish figures accepted the same approach. Such Austrians as Sax and Wieser approached the theory of public finance in transactional terms just as did the Italian and Swedish theorists. To be sure, there were disagreements among these various scholars about how to construct models of those complex transactions and their associated institutional arrangements. Nonetheless, there was a widely shared orientation toward public finance, though that sharing did not cross the English Channel. It must be noted that Kayaalp’s presentation of Austrian public finance raises two huge red flags. One is the absence of any mention of Joseph Schumpeter’s many contributions to public finance. The other is the description of the Austrian fiscal scholar, Rudolf Goldschied, who had a legendary debate with Schumpeter, as a German (p. 96).

The chapter on German public finance is quite inadequate, both in terms of what it leaves out in its short, 11 pages and in terms of what it puts in. Kayaalp is certainly correct in locating the beginning of German public finance with the cameralists. It is, however, quite off-putting to read that cameralism arose in the 18th century (p. 88) and that its first treatise was penned in 1765 by Friedrich Carl von Moser (p. 91). It is easy enough to discover that cameralism arose around 1500, and to locate a number of well
regarded treatises written well before 1765; for instance, *Der Teutsche Fürsten Staat* by the prominent cameralist Veit Ludwig von Seckendorf, was published in 1655.

The author’s subtitle for the chapter on German public finance is “The Organic View.” This would seem to place German fiscal scholarship wholly at odds with that of the Swedes, Austrians, and Italians. There is no doubt that many of the formulations of German public finance seem to have more of a communal orientation than fiscal theorizing to the north or south. Nonetheless, the fiscal theorizing of such scholars as Adolf Wagner and others associated with the tradition of Staatswissenschaften emphasizes public entrepreneurship and treats the state as a type of enterprise that participates within society. The German version of the science of state belongs to the same family tree as its cousins in Sweden, Austria, and Italy.

Without doubt, collective bodies as such cannot value anything, for only people can value. It does not follow from this that someone who speaks of collective entities is committing some organic fallacy, as against seeking to impose some mental order on a complex object. Object-oriented programming offers some good lessons in this respect. Suppose you create a model of a highway with an endless stream of cars moving down the road, evenly spaced at constant speed. Into this model, inject something that suddenly slows down traffic at some particular point. Perhaps a driver taps on the brake and slows down a bit. This sets in motion a chain reaction. The cars continue to move forward, only now a traffic jam forms. Moreover, that traffic jam, which is an object in its own right in addition to the individual cars, moves backward even though all of the individual cars continue to move forward. When aggregates are generated out of
complex interactions among their constituent units, it is not necessarily a holistic fallacy
to model the whole as different from a simple summation over the parts.

It would be good to have a history of public finance, though to write one would be
a daunting challenge. This book is not that history. It is, with the exceptions noted, a
serviceable vehicle for getting a historical gloss on ideas that are currently in play in
public finance regarding the sacrifice and benefit approaches. What thus exists are two
broad orientations toward fiscal phenomena, which can be labeled the Anglo-Saxon and
Continental orientations. Coherent expositions of the development of fiscal theorizing
could surely be fashioned about either of these orientations, or of the interplay between
them. To organize a history of public finance around the nationalities of fiscal scholars,
however, seems to be more a vehicle for creating confusion than for sharpening insight.

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