Property, Emergence, and the Theory of Public Finance:
An Essay on the Architectonics of Fiscal Theorizing

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Preface

The purpose of this book is to examine some of the material of public finance (or public economics) through “a different window,” to borrow a phrase from Friedrich Nietzsche. The object of analytical interest in the theory of public finance is a government’s budget, its revenues and expenditures. But through what window is this object viewed? The most commonly used window is one where government is portrayed as an entity that intervenes into society to alter the equilibrium pattern of market-generated outcomes. Economy and polity thus operate independently of and orthogonal to one another. Within this conceptualization, public finance is the activity of developing knowledge about the consequences of different interventionist choices, presumably to promote better choices by some standard. Public finance thus examines the impact of exogenous government choices or interventions on market outcomes.

The alternative window through which I view the material of public finance is suggested by the use of property and emergence in my title. The abstract theory of a pure market economy treats property rights as absolute, which in turn renders government an agent of intervention into the order that people generate through the use of their absolute rights. The alternative that I pursue here is to treat property as non-absolute, perhaps as illustrated by John Paul Sartre’s closing declaration in No Exit that “hell is other people.” The extent of your right of property not only depends on what other people allow you to do but is also subject to variation over time through processes that form part of the subject matter of the material I present here. Within this alternative formulation, polity
and economy are joint products of the same societal process, a process that contains both cooperative and conflictual relationships. Government is treated not as an entity that intervenes exogenously into the market process, but rather as an arena that exists within the market process. Furthermore, the analytical emphasis is placed on processes of development and not on equilibrium states. Fiscal activities are thus assigned to the realm of catallaxy or interaction and not to the realm of interventionist choice. To be sure, catallaxy is generally regarded as a synonym for exchange. Knut Wicksell’s vision of unanimity would be such a representation of catallaxy. But I use catallaxy to represent interaction, and in this I include duress as well as genuine consent.

In any case, polity and economy are treated as joint products of the same societal process, and with that process generating both cooperation and conflict. Public finance is thus construed not as the study of government intervention into a society through budgetary operations, but rather as just one additional aspect of the operation of actual social economies. Moreover, equilibrium is not treated as a state of real existence, but as a mental tool whose usefulness is always something to be determined in particular contexts. Primacy of analytical focus is placed not on states of rest, but on emergent processes of development, and where much of that development is set in motion by continual conflict among people and their plans.

The book’s material is presented in eight chapters and divided into three parts. The two chapters of Part I treat two preliminary considerations. Chapter 1 explores the contrasting architectonics for the alternative approaches to public
finance that I have adumbrated here. Chapter 2 examines the treatment of property within the context of a theory of public finance, and shows how some incongruities between states and markets generate societal tectonics and not some placid equilibrium. The four chapters of Part II divide the core theory of public finance into four conceptual modules. Chapter 3 conceptualizes a parliamentary assembly as a peculiar type of market forum; the abstract notion of state is assimilated not to some such form of organization as a firm or club but to a peculiar form of market process. With the political enterprise treated as the central unit of analysis for a theory of public finance, Chapter 4 locates political entrepreneurship within the ecology of enterprises that inhabit a society. Chapter 5 examines the arrangements of governance within political enterprises with respect to their ability to promote the success of those enterprises. Chapter 6 explores how political enterprises go about securing revenues to support their activities, recognizing the complementarity between the taxing and the spending sides of the budget. The two chapters of Part III explore two analytical extensions of the preceding analysis. Chapter 7 presents a polycentric vision of federal forms of government, which contrasts with the allocationist-centered vision that is common in the literature on fiscal federalism. Chapter 8 presents an alternative exploration of object of concern to welfare economics when equilibrium is replaced by emergence, and does so by working with some ideas that can be found in fiscal sociology.

This book is not written as a text. Its organizational format is too at variance with standard texts to allow that, and the book is lacking in the
descriptive detail that is commonly found in texts. Moreover, the book assumes the reader has a working knowledge of the standard conceptual framework within which the theory of public finance is commonly presented. Yet the book is elemental in character, in that it addresses some foundational conceptual issues in a straightforward manner. It rejects the conventional professional practice wherein the movement from elementary to intermediate to advanced expositions is gauged by the level within the undergraduate mathematics curriculum where the analytical formalisms that carry the analysis are presented. Shifting from a solipsistic consumer who maximizes a well defined utility function in full knowledge of the necessary data at some particular instant to one who does so over some specified interval of time is advancement in the level of mathematics brought into play. It is not advancement in the depth or the subtly of the material that is being examined. I regard advancement in the level of economic theorizing by the latter and not the former, apparently common standard.
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