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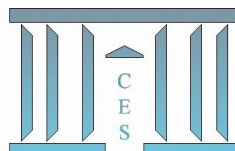
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**Paternalism and the public household.  
On the domestic origins of public economics**

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# Paternalism and the public household

## On the domestic origins of public economics

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### Abstract

The ancient Greek conception of *oikonomia* is often dismissed as irrelevant for making sense of the contemporary economic world. In this paper, I emphasise a thread that runs through the history of economic thought connecting the *oikos* to modern public economics. By conceptualising the public economy as a public household, Richard A. Musgrave (1910-2007) set foot in a long tradition of analogy between the practically oriented household and the state.

Despite continuous references to the domestic model by major economists throughout the centuries, the analogy has clashed with liberal values associated with the public sphere since the eighteenth century. Musgrave's conceptualization of public expenditures represents one episode of this continuing tension. His defence of merit goods, in particular, was rejected by many American economists in the 1960s because it was perceived as a paternalistic intervention by the state. I suggest that the accusation of paternalism should not come as a surprise once the 'domestic' elements in Musgrave's conceptualisation of the public sector are highlighted. I develop three points of the analogy in Musgrave's public household (the communal basis, a central direction, and consumption to satisfy needs) which echo recurring patterns of thought about the state.

**Keywords:** public household, paternalism, liberalism, merit wants, merit goods, Richard A. Musgrave.

**JEL Codes:** H40, B29, B40

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## Introduction

If government wants not merely to facilitate the attainment of certain standards by the individuals but to make certain that everybody attains them, it can do so only by depriving individuals of any choice in the matter. Thus the welfare state becomes a household state in which a paternalistic power controls most of the income of the community and allocates it to individuals in the forms and quantities which it thinks they need or deserve (Hayek, 1960, p. 377).

In *The Constitution of Liberty*, F. A. Hayek warned against the expansive use of the state's coercive power to satisfy individual needs. Expanding power for that purpose, Hayek argued, would deprive citizens of their liberty to spend their income as they chose. In exercising such power, the state would in effect act as a father does toward his family—that is, with complete authority. Tyranny could then not be far behind. In other words, tyranny occurs when a principle of distribution in one sphere of life is illegitimately applied to another sphere, as, for instance, when the allocation according to intensity of needs typical of a family is transferred to the broader civil society where allocation usually follows demand and supply as reflected in the price system (see Walzer, 1983, p. 17).

Whereas Hayek opposed substantial government redistribution of resources, another economist, Richard A. Musgrave, recognized that some transfers in kind were indeed a responsibility of the government. In his *Theory of Public Finance*, Musgrave (1959) defended the provision of merit goods by the government to satisfy important individual needs that could not be left to market allocation. Musgrave posited that the government had to subsidise school lunches, health services and housing for the poor, even if these goods could technically be allocated by the market. In contrast, collective goods caused market failures and their provision by the government was less disputed by economists, in part because they could be roughly provided according to individual preferences, thereby respecting consumer sovereignty.<sup>1</sup>

However, the provision of merit goods violated the principle of consumer sovereignty, thereby challenging a central tenant of the New welfare economics. As a result, the concept was rejected by many economists. For instance, Charles E. McLure (1968, p. 482) argued forcefully that “Musgrave’s entire concept of merit wants [goods] has no

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<sup>1</sup>Musgrave used the expression of *social goods* to designate what are generally called collective goods. For a history of the standard definition of collective goods (as non-rival and non-excludable), see Desmarais-Tremblay (2017c). I have argues elsewhere that the justification of merit goods is historically linked to different qualifications of the concept of consumer sovereignty (Desmarais-Tremblay, 2016).

place in a normative theory of the public household based upon individual preference.” In an assertion which evoked the libertarian attack of Hayek, McLure warned that “to argue that the government knows what is best for the uninformed or misinformed citizen is to invite paternalism and authoritarianism” (p. 481). Charles and Westaway (1981) also rejected the concept of merit wants for its paternalistic character. Nonetheless, not all economists have been troubled by Musgrave’s merit wants, even if they were aware of their paternalistic tone. In 2008, Samuelson remarked that “Sciences both progress and regress. Since about 1980, under the influence of libertarians like Milton Friedman, the quasi-paternalistic ‘merit wants’ of Musgrave have too often become forgotten.”

The concept of merit wants (goods) embodies a tension between Musgrave’s desire to build a theory of the public economy for his contemporary democratic society, and a theory that is based on a *household* perspective. I think that the paternalism charge against merit goods is not a rejection of specific policies (e.g. transfers in kinds), but a criticism against the household approach to the public sector. The debate on the legitimacy of merit goods is like the tip of an iceberg. I suggest that the accusation of paternalism should not come as a surprise once the ‘domestic’ elements in Musgrave’s conceptualisation of the public sector are highlighted.

Drawing from John Stuart Mill (1859), Ronald Dworkin (1972, p. 65) defined paternalism as “interference with a person’s liberty of action justified by reasons referring exclusively to the welfare, good, happiness, needs, interests or values of the person being coerced.” An accusation of paternalism often invokes an application of a norm, or power, outside of its legitimate sphere of action. There are two closely related problems with the transfer of norms from one sphere of life to another, which amounts here to thinking about the public in terms of the private. First, it is generally acknowledged that adults should not be treated as children. Most liberal thinkers agree that paternalism is not a problem when it is restricted to the children in the domestic sphere. From a modern standpoint, it is regarded as a problem when the norms of domestic life, founded on consensus or coercion, are translated into public discourse, thereby conflicting with the values of democratic political life, such as freedom and autonomy.

Second, it is important that the public and the domestic spheres be kept separate, for as Hannah Arendt famously argued, it is only in the public sphere that citizens realise specific dimensions of their human existence, dimensions that are distinct from the natural and necessary interactions of the domestic life organised for biological survival. This translated into a defence of the autonomy of the public sphere for political activity from the economic activities of production and consumption for the satisfaction of basic needs. By combining both a reference to the domestic and to the public spheres,

Musgrave's public household appears in this perspective as an oxymoron. It reflects a long-standing tension in the discipline to which Arendt (1958, p. 28) alluded to when she claimed that "the very term 'political economy' would have been [to the Ancients] a contradiction in terms."

Admittedly, to the modern student, the tension between the modes of reasoning imported from the private household and those connate to the civil society does not span the whole body of economic knowledge. Most of it grew out of reflections on the commercial society and took the form of law-like generalisations inspired by modern natural sciences. Nonetheless, to conceptualise the public sector, economists in the twentieth century borrowed from models of the market and from models of the family. In this paper, I argue that by conceptualising the public economy, or the economic domain of the state, as a public household, Musgrave sets foot in a long tradition of analogy between the household and the state.

Despite the revolutions that have shattered the discipline, I show there is a continuity of a practical discourse on the economy between the Ancient Greeks and Modern public economics. I am not trying to provide an accurate history of western states, but rather to highlight some idealistic models of the state which continue to inform our modern representations of the public sector in economics. Furthermore, I argue that this practical, or normative, discourse has an ethical dimension. Hence, I disagree with the view, defended for instance by Dumont (1977), that political economy departed from moral considerations in the eighteenth century. The Aristotelian definition of economics is often dismissed as irrelevant to the modern economy. I show that it still influences the way we conceive the public economy. Yet, I argue that the domestic analogy clashes with liberal values associated with the public sphere ever since the latter's emergence in the eighteenth century. Musgrave's model of the public household represents one episode of this continuing tension in liberal political economy. Moreover, I am not claiming Musgrave and others are fully conscious of this tension. I am not judging this as good or bad, neither do I claim we can completely resolve this tension. Rather, as Daston (2002, p. 374-375) put it, the role of historical analysis is to highlight this underlying tension:

Unlike psychoanalysis, history does not claim that tracing the genesis of a neurosis or a pattern of thought and sensibility will ipso facto liberate one from either. At best, historical analysis can show the contingency of such subterranean patterns and drag them into the light of conscious scrutiny. It can neither refute nor replace them. [...] What history can do is to excavate deeply held intuitions, in the sense of both revealing their origins

and uncovering them to view.

One contribution of the paper is thus to underline recurrent themes in the history of political and economic thought. Another is to show how a specifically German tradition in economics kept alive the original practical orientation of economic discourse. This continuity was heavily challenged at two points: at the demise of Cameralism in the end of the eighteenth century, and at the brink of World War II when German-speaking academics immigrated to the US and had to integrate into a new intellectual environment. Besides, this paper also contributes to our understanding of the deep intellectual background of Musgrave. An investigation of Musgrave's framework is justified by the importance he had on the orientation of modern public economics. I will present a historical sketch of the analogy in the first section, before turning to the specific points in Musgrave's *Theory of Public Finance* in the second section.

## 1 A historical sketch of the household analogy

[W]ithout parallels and analogies between one sphere and another of thought and action, whether conscious or not, the unity of our experience—our experience itself—would not be possible. [...] The models, once they are made conscious and explicit, may turn out to be obsolete or misleading. Yet even the most discredited among these models in politics—the social contract, patriarchalism, the organic society and so forth, must have started with some initial validity to have had the influence on thought that they have had (Berlin, 1962, p. 18)

### 1.1 The Greek *oikos*

In Aristotle, the father and the statesman were often thought of in connection with each other, implying that their roles are comparable. Even in the first book of his *Politics*, Aristotle (1995, p. 1), sets out to demolish the commonplace according to which the roles of the father and the statesman are identical: “Now those who suppose that the roles of a statesman, of a king, of a household-manager, and of a master of slaves are the same, put the matter badly.”<sup>2</sup> My point is supported, for this statement to be meaningful, the different roles must have been at least comparable. Indeed, the household and the

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<sup>2</sup>The Pseudo-Aristotelian *Oeconomica* also starts with the statement that economy and politics are as different as the family is from the polis. Economy is a matter of one ruler whereas politics deals with many rulers (Aristotle, 1968).

state are both communities, associations with a commonly shared object, organised for a purpose. This idea is developed further in the *Nicomachean Ethics* (1160a-1161a), in which Aristotle draws the analogy between the different communities: “One can also find in households resemblances to these political systems and, as it were, models of them. The community of a father and his sons has the form of a kingship, since the father cares for his children. This is why Homer also calls Zeus ‘Father,’ since kingship is meant to be paternal rule” (Aristotle, 2000, p. 156).

It is well known that the word economy derives from the Ancient Greek *oikonomia*, which in turns derives from *oikos*, the household, and *nomos*, the law, or management. Xenophon wrote one of the first treatises on the subject in the first half of the fourth century BC in the form of a Socratic dialogue. His *Οἰκονομικός* deals with household management teaching especially the importance of agricultural know-how. The discourse explains how to make the best use of one’s possessions, thereby generating a private order of goods which partly fulfils man’s nature and develops his character.

Roughly speaking, the semi-autarkic private estate was the centre of economic life in Classical Greece. The household was a natural association of persons organised for the purpose of needs satisfaction. The relations of domination and subordination between the master and the other members—wife, children and slaves—are nevertheless bonded by a mutuality (*philia*) (Booth, 1993, pp. 38-39). In the (pseudo)Aristotle’s *Oeconomica*, the four economic activities of the head of the household are: acquiring resources, preserving or guarding what was acquired, ordering his property, and making proper use of these resources (Aristotle, 1968, p. 6). Clearly, the households were not completely autarkic, and some level of trade was conducted within the cities, and between them, but such commercial ventures were reserved for outsiders (*metic*). A thrifty organisation of his estate allowed the master to dedicate most of his time to nobler activities. Hence, the surplus of household production was not generally reinvested for growth, but was rather consumed in leisure time and political involvement in public affairs (Leshem, 2016, p. 229). As is often the case in agrarian economies, production is oriented toward reproduction rather than growth.

For the Greeks, the economic activity of the household is embedded in a larger ethical conception that places political activity at a higher level of the good. Household management was also preparing men for a virtuous public life (Xenophon, 1949, p. 57; Aristotle 1995, pp. 18-19). Political liberty could be enjoyed by citizens because their economic household had (objectively) freed them from their needs. And since the households were mostly autosufficient, the citizens in the *polis* would also be free from dependence of others, which allowed them to interact as equals (Booth, 1993, p. 8;



Arendt, 1958, p. 32). Arendt stresses the superiority of public life in Aristotelian Greece: animals can satisfy their needs in common, but only humans are capable of political life composed of action (*praxis*) and speech (*lexis*). These activities conducted in public created a “common world of things” which allowed citizens to strive for a collective form of immortality, otherwise unattainable in the private life of the household (Arendt, 1958, p. 58).

By the time Aristotle was writing his *Politics* in the fourth century BC, the model of public life he was rationalising was already fading away. Today, the specific relation between the private and the public spheres he conceptualised is neither a description of our economic life, nor a straight normative model for its improvement, but it continued to inform the framing of economic and political thought for centuries. As Groenewegen (1987, p. 7806) argued, “[i]n its sometimes discontinuous development, economics or political economy has invariably experienced difficulties in discarding earlier views, and traces of old doctrine are intermingled with the latest developments in the science.”

## 1.2 The medieval and Early Modern conceptualisations

The household model was kept alive by the Christian tradition throughout the Medieval period, and it was later regenerated in Early modern times with the rise of new forms of governmentality.

Foucault (2007) suggested that the Church power so dominant in the West for centuries relied on the pastoral model. The Church’s actual effectiveness was based on its ability to copy the bureaucratic structure of the Roman empire, but it presented itself to the world as a large family. Originally an Eastern Mediterranean idea, the pastoral imaginaries evoke the relation between a shepherd and his herd. The Church’s hierarchical structure is modelled on the image of the benevolent pastor who cares for the well-being of his flock. The good shepherd is dedicated to his sheep; he feeds them, heals them, and protects them from dangers. The pastoral economy is definitely not centred on production and accumulation: it is an economy of care and a politics of paternal authoritarian rule. It is not a world of public virtue like the Greek polis. The common world is replaced by love (Arendt, 1958, p. 53). Living in troubled times, the early Christians took comfort in being part of a large universal community which is explicitly modelled on the family. The pastors assume the roles of fathers, and the other members occupy roles of brothers, sisters, sons, and daughters.

Scholastic thought explicitly extended the authority of God on earth to that of kings over their temporal domain and to that of fathers over their households. Remnants of the medieval patriarchal model survive to this day in the Church’s discourse, for instance

in its Social doctrine.<sup>3</sup>

The agricultural economy of the feudal age was conceptualised in early modern times in popular husbandry tracts on the management of the rulers' estates (Tribe, 2015, pp. 27-42). This practical discourse bore the influence of Christian morality. In the 16th and 17th centuries, the German *Hausväterliteratur* presented a neo-Aristotelian vision of the patriarchal figure (*Hausvater*, or husbandman) as the central figure of the good government of the estate (omitting the subtleties of Aristotle's political thought). His duties included attending to the well-being of its members like a good shepherd, but also ploughing the fields, raising the cattle, etc. (Tribe, 2006, p. 530).

The German term *Haushaltung*, which translates into householding, is used to describe the catering for one's group, whether it is a family, or a kingdom (Polanyi, 1977, p. 41). Today *Haushalt* also means budget; hence in nineteenth century public finance (*Finanzwissenschaft*), *Staatshaushalt* (or *öffentlichen Haushalt*) will be used to describe the public budget or the Public household, a double meaning from which Musgrave will draw to build his own view (see Section 2 below). Besides *Oekonomie*, the German lexicon has another word for economy: *Wirtschaft*, which comes from *Wirth*, meaning both administration of the property and hospitable reception (Tribe, 2015, p. 33). It is the root of *Wirtschaftslehre* which translates into economics. The term still embodies its practical orientation of purposeful action.

In France, the Protestant Olivier de Serres wrote a treatise on agronomy that first appeared in 1600 and was reprinted several times during his lifetime (*Théâtre d'Agriculture et mesnage des champs*). It presented agricultural science as an experience-based practical science on the management of the estate. As a matter of fact, the French word *ménage* is the root of *management* and translates into *household* in English. De Serres wanted to teach to the good head of a family how to be a good economist (*Econome*, v. 1, p. 40), that is first he needed to learn about the land, and to learn how to house and govern his family. Then, he would learn how to cultivate the land, raise animals, cultivate useful plants, and to manage forests, orchards, water sources, bee colonies, etc. (pp. clxxxix ff.). All of this according to Divine Providence.

A new form of political discourse on the art of government began to emerge in the 16th century. Centred around the idea of *res publica*, or reason of state, the new tracts taught to princes and kings how to justify, enlarge, and maintain their power over land and population. Although Machiavel occupied an important place in this literature, he is interesting for us insofar as he provoked alternative conceptualisations of the state

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<sup>3</sup>See Leo XIII's *Rerum novarum* (1891) and Pius XI's *Quadragesimo Anno* (1931).

that were more compatible with the Christian doctrine (Foucault, 2007, p. 243). Rejecting the trickery and opportunistic approach, the German cameralist tradition stood as an anti-Machiavelian discourse on the reason of state (Tribe, 1995, p. 17). It proposed practical advice on the management on the state in a benevolent way by linking the power and greatness of a monarch to the well-being of the population. In a sense, the cameralist approach was a practical discourse on the public household (Sturn, 2016). *Cameral-Wissenschaft* was written for the administrators of the *Kammer*, originally designating the palace of the Prince (in Latin, *Camera* means chamber) (Tribe, 1995, p. 9). In spite of being conceived as the management of the realm of the Prince, Cameralism adopted an early-modern outlook as it was not modelled on the family as previous Aristotelian-influenced discourse; rather it concerned the government of a population as a more complex object than an aggregation of families (Foucault, 2007, p. 105).

In the late 17th and 18th centuries, most cameralist tracts and textbooks had a practical orientation like the earlier ones for the good husbandman: from teaching how to plough the land and make wine, to the prudent administration of finances. Others, like the late 18th century work of von Justi and von Sonnenfels, were also concerned with the establishment of a moral order (Tribe, 1995, p. 23). In the narrow sense, *Kameralwissenschaft* designated a normative discourse on the public finance of the prince. In its broader meaning *Kameralwissenschaften* referred to several sciences of the state taught to prospective administrators: *Oekonomie*, *Polizei*, and Finance (Lindenfeld, 1997, pp. 14-18). In any case, Cameralism was a non-judicial direct form of state intervention through ordinances and regulations. There was no conceptualisation of an autonomous and self-regulating civil society (Tribe, 1988, p. 64; 1995, p. 12). The social order was under the direct control of the Prince and needed constant regulation (Tribe, 1988, pp. 31-32). One of the most prolific writers of the 18th century, von Justi, theorised this mode of internal administration of the state as the science of the police (*Polizei*). As part of the broader discipline of Cameralism, the police was mainly concerned with urban administration. In its narrow understanding, it designated “the laws and regulations concerning interior affairs of the state that strengthen and increase its power, to make good use of its forces, and to bring happiness to its subjects; in other words, commerce, finance, agriculture, mining, forestry, etc. since the happiness of the state depends on the wisdom with which all these things are governed.” (von Justi, 1769, p. 18 my translation from the French edition). By extension, the police comprised “everything that can contribute to the happiness of the citizens, mainly maintaining order and discipline, the regulations that tend to make life convenient and to provide the things which they need to subsist” (ibid.).

Yet, beyond the economic regulation of the trade of goods, the public health measures, and the thrifty administration of the finances, von Justi also advocated a perfectionist government of public mores (Senellart, 2001). The government had to care about the education of the people, encouraging them to develop their talents by learning a specific trade. Besides, it had to condemn luxury, waste and idleness (von Justi, 1769, p. 26). The good prince had to provide public gardens, opera houses, art galleries and many landmarks which contribute to the embellishment of the city, the good taste of its inhabitants, and the admiration of foreigners (von Justi, 1769, p. 57). Interestingly, these policy proposals, whether it be the correction of undesirable behaviour, or the funding of cultural goods, resemble Musgrave's merit goods, albeit in a totally different context. In that pre-liberal age, what would be considered today as paternalistic policies did not pose any problem.<sup>4</sup> In sum, with Cameralism emerged a normative discourse on society, but one which saw it mostly as population and not yet as independent from the state, or the political realm of the ruler.

The German cameralists had some European counterparts, like the 17th-century Frenchman Antoyne de Montchrestien.<sup>5</sup> He was the first to use the expression political economy in the title of a work, although he did not invent it (see King, 1948). The economic treatise dedicated to the king bore the title *Traicté de l'æconomie politique*. Like the cameralists equivalent, it is concerned with policing the population to promote the glory of the king and the wealth of his people. What is striking, though, is that it followed a domestic model explicitly inspired by Aristotle:

The private occupations make the public one. The household is first to the city; the city to the province; the province to the kingdom. Thus, political art depends mediately on the economic; and because it conforms to it, it also has to follow its example. Since, when it is properly addressed, the good domestic government is the template and the model for the public one [...] (Montchrestien, 1615, p. 17, my translation from the French).

Montchrestien's treatise might not have been influential for the development of political economy in the century that followed (Tribe, 2015, p. 31). Still, it is yet another instance of politics modelled on domestic economy, and one which is explicitly labelled as political economy.

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<sup>4</sup>Taking the case of von Justi as a pre-liberal thinker is not completely accurate. Adam (2006) paints a cosmopolitan picture of von Justi, partaking in European eighteenth century debates on the political economy of commercial societies.

<sup>5</sup>In Italy, one can think of Genovesi's *Economia Civile*. See D'Onofrio (2015). Besides, the German Baron de Bielfeld wrote a treatise in French (*Institutions politiques*, 1760) who contributed widely to the diffusion of cameralist ideas in Europe (Mendes Cunha, 2011).

### 1.3 The emergence of Political Economy

One of the first influential treatises on political economy was published in 1767 by the Scottish thinker James Steuart. In his *Inquiry into the principles of political oeconomy*, subtitled *Being an essay on the science of domestic policy in free nations in which are particularly considered population, agriculture, trade, industry, money, coin, interest, circulation, banks, exchange, public credit, and taxes*, Steuart explicitly adopted the household perspective. He defined economy as “the art of providing for all the wants of a family, with prudence and frugality” (Steuart, 1767, p. 1). Hence, an economy, generally speaking, corresponded to the Early Modern counterpart of the Aristotelian authoritative model of the family: “The object of it, in a private family, is therefore to provide for the nourishment, the other wants, and the employment of every individual. In the first place, for the master, who is the head, and who directs the whole; next for the children, who interest him above all other things; and last for the servants, who being useful to the head, and essential to the well-being of the family, have therefore a title to become an object of the master’s care and concern” (*ibid.*). Steuart introduced a distinction between the double duties of the father who was both master and steward. As a master, he established the laws, as a steward, he must respect his own laws and conduct his role with gentleness and address (*ibid.*). This distinction is given more importance in the translation from the domestic to the political model:

What oeconomy is in a family, political oeconomy is in a state: with these essential differences however, that in a state there are no servants, all are children: that a family may be formed when and how a man pleases, and he may establish what plan of oeconomy he thinks fit; but states are found formed, and the oeconomy of these depends upon a thousand circumstances. The statesman (this is a general term to signify the head, according to the form of government) is neither master to establish what oeconomy he pleases, or in the exercise of his sublime authority to overturn at will the established laws of it, let him be the most despotic monarch upon earth (*ibid.*, p. 2).

For Steuart, the laws of political economy could not be designed in the same arbitrary way that the master of the household can set its own. The statesman took over a country with already existing institutions and a population that had its own national character. His actions were constrained by human nature and the historical path taken by the nation. Yet, many points of the analogy still hold, for instance, the presence of a head of the community who cares for the well-being of its members. Moreover,

economy was an art, with a practical orientation, and guided by prudence. Finally, the economy had a purpose, that of satisfying wants:

The principal object of this science is to secure a certain fund of subsistence for all the inhabitants, to obviate every circumstance which may render it precarious; to provide every thing necessary for supplying the wants of the society, and to employ the inhabitants (supporting them to be freemen) in such a manner as naturally to create reciprocal relations and dependencies between them, so as to make their several interests lead them to supply one another with their reciprocal wants (ibid.).

Steuart's text stands unevenly at a crossroads in the history of economic thought, for it clearly recognises the importance of self-interest as a guiding force in the commercial societies of Europe. Yet, he writes his treatise for the point of view of the statesman and endows the economy with a purpose. Unsurprisingly, Steuart's thinking bears both the influence of David Hume (Hont, 2005, p. 298) and that of the cameralists (Tribe, 2006, p. 546). Steuart's *Inquiry* breaks from the cameralists in that the right policies were to be revealed by an empirical and comparative historical analysis and they would consist mostly of indirect interventions by "inducing" the subjects, by "alluring to their private interest" (Steuart, 1767, p. 3). Government was not a matter of direct authoritative and constant intervention. Nonetheless, Steuart adopted a more interventionist stance than Adam Smith to guarantee the satisfaction of workers' basic needs and to protect infant industries (Hont, 2005, p. 98). His perspective to write for the head of state was unfavourably received in Britain,<sup>6</sup> but in nineteenth century Germany, he drew the attention of Friedrich List and G. F. Hegel (Hont, 2005, p. 151; Chamley, 1963).

## Liberalism

A century before Steuart proposed his political economy, Hobbes had brought the distinction between paternal rule and the State into philosophical modernity. In *Leviathan*, Hobbes acknowledged that there was a structural continuity between the domination of a father over his household and that of a small king over his realm (Hobbes, 1651, p. 142). Such power was acquired by conquest or bequest. These natural forms of dominion were sustained by the common fear of the ruler. Yet, individuals could form a covenant to protect their life against the potential threat posed by others, and by

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<sup>6</sup>A reviewer objected: "We have no idea of a statesman having any connection with the affair, and we believe that the superiority which England has at present over all the world in point of commerce, is owing to her excluding statesmen from the executive part of all commercial concerns" (Critical Review, Quoted by A. S. Skinner, 1999, p. 147).

doing so instituted a commonwealth which replaced the natural forms of domination. The social contract changed the relations between men, who would owe obedience to the sovereign (whether it be a single monarch or an assembly of men), but also within the family where civil law would hereafter apply.

A few years later, John Locke refined Hobbes's arguments by criticising the paternal model that Robert Filmer had used to justify absolute monarchy. Filmer argued that God had given sovereignty over the world to Adam, who transmitted it to his heirs, thus justifying the kings' absolute power over their realm. The natural subordination of children to their father would be the source of legitimate domination of the kings over their subjects.<sup>7</sup> In the first of his *Two Treatises of Government*, Locke (1689) set out to refute Filmer's argument on his own ground, by debunking inconsistencies and resorting to theological arguments. In his *Second treatise*, Locke proposed his own positive solution to the problem of the state's legitimacy. His criticism of absolute monarchy rested on a careful analysis of the difference between the family and the political community: "[I]t may not be amiss to set down what I take to be political power; that the power of a magistrate over a subject may be distinguished from that of a father over his children, a master over his servants, a husband over his wife, and a lord over his slave" (Locke, 1689, *ST* §2, p. 101. See also, Grant, 2003). For Locke, the authority of the sovereign was based on a voluntary agreement by free, equal and rational individuals for the purpose of protecting their life, liberty and property. In contrast, the family was centred around a voluntary contract between a man and a woman for the purpose of raising children (Locke, 1689, §78, p. 133). The 'conjugal society' lasted as long as it was necessary to support and educate the young ones and to allow them to become fully rational individuals (Locke, 1689, §58, p. 124). This means that parental authority was temporary in nature and could not therefore be the model for the formation of a political community (*ibid.*, §55, p. 123). Moreover, contrary to the state's use of violence, parents had a natural "tenderness for their offspring" that would lead them to restrict the severity of their command (*ibid.*, §67, p. 128). To achieve

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<sup>7</sup>"I see not then how the children of Adam, or of any man else, can be free from subjection to their parents. And this subordination of children is the fountain of all regal authority, by the ordination of God himself. From whence it follows, that civil power, not only in general is by Divine institution, but even the assigning of it specifically to the eldest parent" (Filmer, 1680, p. 57). Like many before him, Filmer also compares the duties of a father to those of a king: "If we compare the natural duties of a Father with those of a King, we find them to be all one, without any difference at all but only in the latitude or extent of them. As the Father over one family, so the King, as Father over many families, extends his care to preserve, feed, clothe, instruct and defend the whole commonwealth. His wars, his peace, his courts of justice, and all his acts of sovereignty, tend only to preserve and distribute to every subordinate and inferior Father, and to their children, their rights and privileges, so that all the duties of a King are summed up in an universal fatherly care of his people" (Filmer, 1680, p. 63).

his criticism of the household model of politics, Locke reconceptualised the family as a voluntary compact between a man and a woman, thus bringing it farther from the despotic model of the Greek *oikos* (Booth, 1993, p. 148).

The foundation of a legitimate political government on the consent of free individuals was a common theme of modern liberal thought. It was also addressed by Rousseau in his *Discourse on political economy* published in 1755 as an entry in the *Encyclopédie* edited by Diderot and D'Alembert. Rousseau started off from the common understanding of the term *économie* in France in the 18th century. He distinguished explicitly between Aristotle's understanding of *oikonomia* and its extension to the government of the great family that the state constitutes:

Economy (*Ethics and Politics*), the word is derived from οἶκός, house, and νομός, law, and originally merely means the wise and legitimate government of the household, for the common good of the entire family. The meaning of the term was subsequently extended to the government of the large family which is the state. In order to distinguish the two usages, it is called *general* or *political* economy in the latter case, and in the former, *domestic* or *private* economy. (Rousseau, 1755b, p. 3).

Starting from the common analogy, Rousseau progressively departed from it, building a completely different conception of political economy—one that combined both the political and the economic dimensions of modern life in a truly original theory. In drawing the distinction between the paternal and the political powers, Rousseau was siding with Locke against Filmer. For Rousseau, paternal power was natural and benevolent, as political power was conventional and was sometimes abused by the rulers. In the domestic sphere, the heart guided the action of the father, but public reason and the law should guide action in the political sphere.

Even if Rousseau's public economy was not a "scaled-up version of a single household" (Hont, 2015, p. 117), households still had an important role to play in his theory. Rousseau saw the ideal republic as a confederation of households, a "libertarian" state based on labour and private property, but with a strong duty to educate the citizens (ibid., p. 101). Semi-autarchic households exchange their surpluses with each other. The rural household described in his famous novel *Julie ou la Nouvelle Héloïse* (1761) was also a way to avoid the frivolous vanity, the excess of *amour-propre* that was typical of the Parisian salons which epitomised the decadence of civilisation.

Rousseau's vision was interesting because it combined a political and an economic dimension into a coherent theory. His comprehensive normative approach will be wanting



a few decades later as economics and politics departed, thanks in part to the reframing of the subject of political economy by Jean-Baptiste Say (Tribe, 2015, p. 60; Lallement, 2002). In the preface to his *Traité d'économie politique*, Say criticised Steuart and Rousseau for confusing political economy and politics. For Say, the former was an inquiry on the production, distribution and consumption of wealth, and it should not be an extension of the practical household rules to the larger political family. He explicitly stated that “wealth is independent of the nature of the government” (Say, 1803, p. 29).

The influence of the British classical tradition also fostered this isolation as economists focused more on theorising the natural and universal laws of exchange, at the cost of moral and political examinations. Yet, one aspect of Rousseau’s thought is very much part of our modern ethos: his defence of the household as a private sphere of intimacy, a refuge from the busy world of the commercial society.<sup>8</sup>

At the end of the century, Immanuel Kant borrowed from Locke’s and Rousseau’s contractarian doctrines of the state to construct what should be the founding principles of a just state. The newly emerging civil society was characterised by a right to freedom so that “each may seek his happiness in the way that seems good to him, provided he does not infringe upon that freedom of others to strive for a like end which can coexist with the freedom of everyone in accordance with a possible universal law (i.e., does not infringe upon this right of another)” (Kant, 1793, p. 291). The rise of civil society was concomitant with the emergence of a new public sphere constituted by private agents making a public use of their own understanding (Habermas, 1962, p. 116). Looking over the past century, Kant saw the Enlightenment as humanity’s coming of age: “Enlightenment is the human being’s emergence from his self-incurred minority.” (Kant, 1784, p. 17). Stretching the metaphor, this meant that the rise of a modern public sphere was correlative of a rejection of the authoritarian view on individual’s epistemic and moral abilities. Following Locke and Rousseau, Kant explicitly rejected the paternalistic political model of the state as despotic:

A government established on the principle of benevolence toward the people like that of a father toward his children - that is, a *paternalistic government* (*imperium paternale*), in which the subjects, like minor children who cannot distinguish between what is truly useful or harmful to them, are constrained to behave only passively, so as to wait only upon the judgement of the head

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<sup>8</sup>“Il faut se ressouvenir ici que le fondement du pacte social est la propriété, et sa première condition, que chacun soit maintenu dans la paisible jouissance de ce qui lui appartient” (Rousseau, 1755a, p. 72). See also Rousseau (1761), Constant (1819, p. 216) and Arendt (1958, p. 39).

of state as to how they *should* be happy and, as for his also willing their happiness, only upon his kindness – is the greatest *despotism* thinkable (a constitution that abrogates all the freedom of the subjects, who in that case have no rights at all) (Kant, 1793, p. 291).<sup>9</sup>

The liberal reconfiguration of the economy and politics that I have been outlying from Hobbes to Kant underlined three important and related features of modernity. First, human beings are conceptualised as equal individuals, endowed with natural rights. Their conscience and rational powers allow them to shape their own lives. In other words, the individual is sovereign (see Audard, 2009, pp. 55 ff.). This implied the rejection of the autocratic paternal model for both the family and for the state. It also implies that governments must abide by the rule of Law. The law allows government to rule individuals by treating them equally and without depriving them of their freedom.<sup>10</sup> Kant went even further than Rousseau: not only is self-government by laws a necessary condition for political freedom, it was also a condition for the inner freedom (autonomy) of the person. This stood in contrast to the rule by decrees and direct interventions advocated by cameralists professors and state officials.

Second, Rousseau and Kant, among others, also witnessed and theorised the rise of civil society as an autonomous sphere with its own set of laws. A fuller account of this important transformation would involve a discussion of Hutcheson and Smith, who apprehended the new commercial society. Such an account would also stress the importance of the representation of the self-interested agent in this new framework (see Hirschman, 1977). In the eighteenth and nineteenth centuries, civil society designated the sphere of economic activity where contractual relations between traders, capitalist entrepreneurs, and workers took place. Because the household was no longer sufficient to sustain life, individuals had to sell their labour in the market. Although subject to the laws of the state, labour was not under its control. Smith (1776) theorised the functioning of this commercial society as an independent economic order, arguing that the welfare of all would be generally increased if the sovereign did not get involved into business matters. Yet, he did not develop a political theory for his society of interested men. It was thus left to Jeremy Bentham and to James Mill to articulate a view of politics as mediating between individual interests. British liberals developed an individualistic view of economics and politics without a strong concept of community. But throughout the nineteenth century, the social sphere gradually took over an

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<sup>9</sup>Yet, he uses the family analogy to defend a patriotic government (ibid.)

<sup>10</sup>According to Constant, citizens of modern countries understand liberty as an individual “right to be subjected only to the laws, and to be neither arrested, detained, put to death or maltreated in any way by the arbitrary will of one or more individuals” (Constant, 1819, p. 310).

increasing part of human life. The social and economic forces tended to homogenise behaviour, especially compared to the world of the Greek polis, where—at least in theory—excellence and individuality were highly prized (Arendt, 1958, p. 43). Against this social tyranny, Mill (1859) defended the value of the unimpeded development of individuality. But Mill rejected any role for the State in promoting this perfectionist view of human nature. The government’s role had to be restricted to preventing harm and correcting for occasional market failures.

Third, the modern world is characterised by a new form of governmentality. This feature is a consequence of the two previous ones. The reconfiguration between economic activity, political life and the population gave birth to a new art of government with its own technologies. The paradoxical nature of the new governmentality is well captured by Foucault (2008, p. 294): “the art of government must be exercised in a space of sovereignty— and it is the law of the state which says this—but the trouble, misfortune, or problem is that this space turns out to be inhabited by economic subjects”. For Foucault, civil society is the field in which this new art of government takes place. It is a “transactional reality” which limits the power of the state in the face of homo oeconomicus. While government is limited in its economic power, it nevertheless possesses general surveillance technologies and passive intervention means based on extended economic and statistical knowledge. Hence, civil society is historically correlative of the new governmental technology termed liberalism (Foucault, 2008, pp. 296 ff.).

## 1.4 Closer ancestors of Musgrave

Before turning to Musgrave’s model of the public household, I have to briefly delineate how the household approach of the cameralist thinkers had evolved into the practical economic theories of the state in the nineteenth century. Tribe (1988, p. 152) argues that at the end of the 18th century the Cameralist orthodoxy was shattered by the breaking up of the world it was rationalising into distinct entities of economy, civil society and the state. The emergence of the liberal discourse which I highlighted above, especially in the Kantian synthesis, made room for a new *Nationalökonomie* to rise in the nineteenth century, borrowing from Smithian and ‘Sayian’ economics, as well as from elements of the old Cameralist concerns for the State (Tribe 1988, pp. 92, 150; 1995, pp. 28 ff.).

In contrast, Lindenfeld (1997, p. 46) points out the institutional continuity between the cameralist tradition and the Sciences of state (*Staatwissenschaften*). Indeed, the latter group of disciplines did not have to fight for the legitimacy of university teaching on topics related to public administration (Grimmer-Solem, 2014, p. 88). These new

disciplines also kept the practical orientation required for the training of bureaucrats and eventually trying to satisfy the aspirations for social change of the younger generation at the end of the nineteenth century. At the beginning of the century, more and more princely domains were sold, thus decreasing the need for state managers of the private type (Lindenfeld, 1997, p. 75 f.). The unification of German states in the Reich demanded a new type of bureaucrats. A less arbitrary administration called for a better theorisation of law and parliamentary politics which translate into revamped academic disciplines. Moreover, the increasing awareness of the social nature of life embodied in the organic view of society and the nation translate into historical studies, social politics and social economics.

The central transitional figure was Karl Heinrich Rau, whose *Lehrbuch der politischen Oekonomie* constituted the reference textbook for the major part of the century (Lindenfeld, 1997, p. 119). Rau taught old cameralist subjects like agriculture, commerce, and political science, as well as new theoretical economics. The first volume of his textbook published in 1826 covered economic theory (*Volkswirtschaftslehre*). The practical part (*Staatsökonomie*) was composed of economic policy (*Volkswirtschaftspolitik*) and public finance (*Finanzwissenschaft*) (ibid., p. 120).

In the introduction to the first theoretical volume, Rau (1837, p. 2) argued that the purpose of the economy was to satisfy needs. This end would be studied at the level of the individual (or the family), thus constituting domestic economics, or at the level of the state, which was the object of political economy (or public economics). By conferring needs to the state, Rau extended the human anthropology of needs to the juridical person of the state. Even if Rau studied extensively the causal laws of the economy, he also paid great attention to the practical economic sciences. The duty of government was twofold: promote productive activities by ways of regulation and gather the resources in order to satisfy its own needs. Yet, Rau rejected the organic community of goods and adhered to a liberal vision of the relation between individuals and the state: “An organisation which would make the State as a single family would destroy the essence of private life, would impede one of man’s greatest motives for using his forces, and would create a dangerous omnipotent power” (Rau, 1837, p. 9, my translation from the French). Even if economic policy incorporated some of the rules of the *Polizei*, it should not aim at directly controlling the behaviour of individuals. According to Rau, the duties of social welfare could not be adequately fulfilled by the government without acknowledging the needs of the individuals for material enjoyments. In terms of promoting national welfare, government intervention could not completely replace the benefits of self-interested action to accumulate (reasonable) wealth (Rau,

1837, p. 13).

Rau's *Lehrbuch* was edited eight times during his life. Upon his death in 1870, Adolph Wagner took charge of writing a new version of the *Lehrbuch* that still reflected the comprehensive scope and the classificatory and deliberative approach of Rau (Lindenfeld, 1997, p. 244).

By the next decade, the importance of the practical dimension of political economy was still acknowledged, even by Carl Menger, who did more than anyone else to challenge the German approach to economics. Rau's *Lehrbuch* had an impact on how he perceived the sweep of the discipline (see Tribe, 2015, p. 77; Lindenfeld, 1997, p. 247). This is reflected in the typology of the sciences of the human economy which Menger presented in his *Investigations*. Among the practical doctrine of individual economy (*praktische Singularwirtschaftslehre*), he included, side by side, public finance (*Finanzwissenschaft*) and the practical science of private economy (*praktische Privatwirtschaftslehre*) (Menger, 1883, p. 211). Thus management of the national economy is conceptualised as distinct, but comparable to the practical science of other unitary economies, whether a firm, or a household.

Among the so-called historical economists, Lindenfeld claims that Wilhem Roscher's classification of political economy bore the influence of the cameralist tradition, even if he was also among the greatest sciences of the state scholars of his age (Lindenfeld, 1997, p. 156, 174). He had a very broad understanding of the field. In his *Principles of Political Economy*, he uses the household analogy to describe the origin of a nation's economy:

The public economy of a people has its origin simultaneously with the people. It is neither the invention of man nor the revelation of God. It is the natural product of the faculties and propensities which make man man. Just as it may be shown, that the family which lives isolated from all others, contains, in itself, the germs of all political organisation, so may it be demonstrated, that every independent household management contains the germs of all politico-economical activity. The public economy of a nation grows with the nation. With the nation, it blooms and ripens. Its season of blossoming and of maturity is the period of its greatest strength, and, at the same time, of the most perfect development of all its more important organs (Roscher, 1878, p. 84).

This line of argument was also followed by Schmoller (1900), who associated the conceptual origin of *oeconomia* to the historical origins of social relations: the family is the

starting point of economics and is also the basic social unit from which larger and more complex social organisations grew (p. 8 ff.). Neither Roscher nor Schmoller believed that a household could serve as a direct model for the national economy of Germany in the nineteenth century. Rather, the national economy, as the economy of the national community, is thought of as the union of private and public economies (Schmoller, 1900, p. 13).

The historical economists showed through detailed analysis how the growth of social needs resulted from the development of industrial society. Already at the beginning of the century, Hegel (1821, §195, p. 231) had pointed out the limitless dynamic of wants generation. The economic sphere took an increasing hold on the life of individuals. As their private households were less and less able to satisfy their needs, individuals increasingly depended on the hazards of the capitalist system, resulting in the pauperisation of a large share of the population. This problem was framed as the Social question in the 19th century. The reign of *laissez-faire* led to a counter-movement, to social protests, to which the authorities responded by proposing welfare measures. In Habermas' words, this historical process led to a concomitant "socialisation of the state" and a "nationalisation of the society" (Habermas, 1962, p. 150). The social question was both a historical and 'sociological' problem to be explained, as well as a burning policy issue to be resolved.<sup>11</sup>

*Kathedersozialisten* (Chair socialists) were firm believers in human progress. In his inaugural manifesto for the foundation of the *Verein für Sozialpolitik* in 1872, Schmoller argued that the state was the great moral educational institution of humanity (see St-Marc, 1892, p. 29; Schmoller, 1894). Wagner thought that political economy and the law should not only take man as he is, but also should show him how "he could develop psychically and morally" (Wagner, 1892, Volume I, §6, p. 30). For him, the state had an ethical civilising role to play in society; like a father for his household, it had the duty to shape the moral attitudes of members of the community (Corado and Solari, 2010; Prisching, 1997). With their unique brand of progressiveness and conservativeness, Schmoller and Wagner argued that only the Prussian king could stand above social conflicts and bring unity to the nation.

In its earlier years, the *Verein* was a forum for both social change through policy making and scientific socio-economic research. The potential conflict between its two

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<sup>11</sup>According to Lorenz von Stein, who is one of the first to problematise the Social question, the State was bound to care for the inferior classes. Once the workers realize that the communist solution is unrealistic, they will turn to the State to acknowledge and advance their principle of social equality (von Stein, 1850, p. 198).

objectives led to increasing tensions, culminating into a “second Methodenstreit” in 1909 (Hagemann, 2001, p. 165, Lindenfeld, 1997, pp. 216-321). The outwardly ethical and value-laden reformist agenda of the old guard was criticised by younger ‘sociologists’ like Max Weber and Ferdinand Tönnies.

Whereas Schmoller was interested in the broadly defined social constitution of the national economy, Tönnies gave in his most famous work a narrower meaning to the concept of social. He proposed a dualistic model of human relations: the communal type and the social type. Community (*Gemeinschaft*) stems from the kinship bond, as society (*Gesellschaft*) is the sphere of self-interested and impersonal exchanges. The traditional family is taken, once again, as a model for the small communities: “Within the bonds of kinship all natural authority is summed up in the authority of the father. The idea of paternal authority also survives in the office of prince or ruler, even where the basis of the relationship is essentially one of neighborhood” (Tönnies, 1887, p. 30). Even larger communities are modelled on the family: “Every larger whole resembles a household performing a multitude of separate tasks; and even where it is less than fully developed we can see it as containing the rudiments of all the organs and functions that the developed version would contain. Study of the household is the study of community, just as study of the organic cell is the study of biological life” (Tönnies, 1887, p. 39). Moreover, the household was a consumption-based unit: “The table is the embodiment of the household itself, in that every member has his place there and receives his due portion” (Tönnies, 1887, p. 40). Yet, all communal relations are not of patriarchal type. The brotherly spirit of co-operation extended to equality-based relations among villagers (Tönnies, 1887, p. 43).

Despite the major changes in political economy during the 19th century, the legacy of a practical theorisation of the state was transmitted through the generations down to the teaching that Musgrave received in Munich and in Heidelberg during the Weimar Republic (see, for instance, Sax, 1887, pp. 45-47). Early twentieth-century literature on the public economy often resorted to sociological categories to conceptualise complexity in terms of typical economic units such as the firm, or the household. The dean of public finance, Adolph Wagner, had already conceptualised the public budget as *Haushalt* in his *Finanzwissenschaft* treatise (1883). In the years that followed, the household became a typical model for conceptualising the public economy beyond the question of the budget.

For instance, Friedrich von Wieser used the household label to name the public economy in his entry on Social Economics for the first volume of the *Grundriss der*

*Sozialökonomik* edited by Max Weber and published in 1914 (on which, see Tribe 2014). The short section on the theory of the public economy started with the following sentences:

It is common usage to speak of the public economy as the national household, or, as the case may be, the county household, city household, or generally the public household. The whole of public economy is thereby given a name taken from one single section of private economy. (von Wieser, 1914b, p. 190)<sup>12</sup>

In his *Economy and Society*, published posthumously in 1922, Max Weber remarked that an economic agent could be characterised by its household orientation:

The continual utilisation and procurement of goods, whether through production or exchange, by an economic unit for purposes of its own consumption or to procure other goods for consumption will be called ‘budgetary management’ (*Haushalt*). Where rationality exists, its basis for an individual or for a group economically oriented in this way is the ‘budget’ (*Haushalt-splan*), which states systematically in what way the needs expected for an accounting period—needs for utilities or for means of procurement to obtain them—can be covered by the anticipated income (Weber, 1968, p. 87; 1922, p. 46).

Furthermore, the generality of the category was acknowledged: “It is indifferent what unit is the bearer of a budgetary management economy. Both the budget of a state and the family budget of a worker fall under the same category” (Weber, 1968, p. 90). Interestingly, Musgrave (1937) quotes the aforementioned passages of von Wieser and Weber in his dissertation written at Harvard (more below).

The interwar revival of *Finanzwissenschaft* also saw some attempts at bringing the new economic sociology to bear with organic and nationalistic conceptions of the state. Hans Ritschl (1931a), for example, explicitly borrowed Tönnies’ conception of *Gemeinschaft* for his fiscal theory of the state. Ritschl started his study of the economic

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<sup>12</sup> “Die Staatswirtschaft wird gemeinhin als Staatshaushalt bezeichnet und ebenso spricht man vom Landeshaushalt, vom Gemeindehaushalt und überhaupt vom öffentlichen Haushalt. Man wendet hiebei für das Ganze der öffentlichen Wirtschaft einen Namen an, der von einem einzelnen Abschnitte der Privatwirtschaft hergenommen ist. In gleicher Weise gehen fast alle Versuche, welche die Wissenschaft gemacht hat, um das Wesen der öffentlichen Wirtschaft zu erklären, von einer Betrachtung aus, die ihren Inhalt auf die vertrauten Begriffe der Privatwirtschaft zurückführt” (von Wieser, 1914a, p. 415). The first English translation, which Musgrave used in his dissertation, translated *öffentlichen Haushalt* into ‘state’s housekeeping’ (von Wieser, 1927). It is not surprising then that the later above-quoted translation into “public household” is taken from a book that Musgrave himself co-edited in 1958.



nature of the state by noting that the analogy between the state and the private economy was quite common in German Public finance, but that it had receded:

This methodical sense for comparisons between state and private economy has long lost its force; but the comparisons have been retained in our discipline, a discipline which changes so slowly intellectually, and they serve to identify this or that unique characteristic of state economy (Ritschl, 1931b, p. 5).<sup>13</sup>

Yet, he still thought it was a good starting point to analyse the communal nature of the public economy:

This consumption aspect [*verbrauchswirtschaftliche*] is expressed meaningfully in speaking of the public household [*Staatshaushalte*]. The economy of the State is comparable not to the firm [*Erzeugungswirtschaft*] but to the household [*Haushalte*]. The purpose is not to reap profits by satisfying the needs of other economic units, but to satisfy pure and partaking communal needs [*Gemeinschaftsbedürfnisse*]. The political community is the subject of both the economy and of the needs satisfied thereby. This consumption economy may include some production for its own use as well as some profit-making undertakings, for the sake of revenue (Ritschl, 1931a, p. 239; 1931b, p. 44).<sup>14</sup>

Before reviewing the literature on the difference between a state and a private economic unit, Ritschl mentioned the obvious points of comparisons. They are both (1) distinct individual economies [*Einzelwirtschaften*] and basic forms of human economy [*menschlichen Wirtschaftens*], (2) headed by a united will [*einheitlichen Willen*], (3) economies of consumption, or householding [*Verbrauchs- oder Haushaltswirtschaft*], and (4) can produce for their own consumption [*Eigenproduktion*], or for the market.<sup>15</sup>

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<sup>13</sup>“Dieser methodische Sinn der Vergleiche zwischen Staats- und Privatwirtschaft ist längst verblaßt, die Vergleiche aber sind in unserer geistig so schwerflüssigen Disziplin geblieben und begnügen sich nun, die eine oder andere Eigentümlichkeit der Staatswirtschaft aufzufinden”. I am indebted to Keith Tribe for the translation of this sentence.

<sup>14</sup>Colm (1927) had claimed that the public economy was mainly oriented towards production. In his dissertation, Musgrave (1937) sided with Ritschl, while pointing out that both activities can be conducted in a household. To make this point, he referred again to Weber: “Empirically the administration of budgetary units and profitmaking are not mutually exclusive alternatives. [...] All sorts of profit-making enterprises today are part of the economy of such budgetary units as local authorities or even states” (Weber, 1968, p. 90; 1922, p. 47).

<sup>15</sup>“Staatswirtschaft und Privatwirtschaft sind beides »Einzelwirtschaften«, die von einem einheitlichen Willen geleitet werden und in Vielem nur graduelle Unterschiede aufweisen. Die Verbrauchs- oder Haushaltswirtschaft ist beiden gemeinsam. Die Eigenproduktion findet sich hier wie dort, aber auch

## 2 Musgrave's Public household

Richard A. Musgrave's approach to the public sector sits at a crossroads in the history of public finance. It is an American synthesis of different traditions, especially the German tradition. In this second section, I show how it borrowed from the practical domestic models of the economy. Yet, thinking of the public in terms of the private conflicted with the liberal underpinning of the theory.

### 2.1 The structure of his approach

What did Musgrave (1959) mean when he wrote in the first chapter of his magnum opus that he wants to build a *normative theory of the public household* (p. 4)?<sup>16</sup> Although it depended on the “political and social values of the society that it serves” (p. 4), it was a descriptive, or an institutional study of the public finances of one country. It was a theory of the public economy “following the useful German concept of *Staatswirtschaft*” (p. vi). By building such a theory, Musgrave hoped to “contribute to a better society” (p. v). In the footsteps of the *Verein*, he argued that “the conduct of government is the testing ground of social ethics and civilized living. Intelligent conduct of government requires an understanding of the economic relations involved; and the economist, by aiding in this understanding, may hope to contribute to a better society” (p. iv-v). His theory of the public economy revolved around a central budget composed of sub-budgets, each corresponding to a revenue-expenditure process oriented to a specific function: macroeconomic stabilisation, provision for the satisfaction of social wants, and adjusting the distribution of income (p. vii).

This being said, Musgrave (1959) did not explain why he used the analogy with the household to name his model of the public economy. To highlight the connection with the tradition which I have reconstructed in the previous section, one can go back to his PhD dissertation written at Harvard in the years that followed his emigration from Germany.

In the first chapter of his thesis, Musgrave reviewed the main approaches to the study of public finance. The British tradition was rejected because it ignored public expenditures. Also rejected was the hedonistic Austrian-Italian approach that conceived the revenue-expenditure process as an exchange between individuals and the state. It

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in beiden Wirtschaften kann für den Markt produziert werden. Die Privatwirtschaft ist in vielfacher Hinsicht, wenn auch nicht in ihrer heutigen Ausprägung die Urform auch der staatlichen Wirtschaft, oder beide Bereiche enthalten gleiche Grundformen menschlichen Wirtschaftens” (Ritschl, 1931b, p. 4).

<sup>16</sup>For different interpretations of the *normative* in Musgrave, see Desmarais-Tremblay (2014).

failed to meet Musgrave's demand for realism.<sup>17</sup> Hence, Musgrave turned to the German tradition represented by the late-nineteenth century triad of A. Schäffle, L. von Stein, and A. Wagner, as well as to more recent interwar theories, notably that of H. Ritschl. Musgrave's choice is clear:

Confronting the interpretation of Public Economy as communistic or household economy with the previously discussed interpretation of Public Economy as economy of exchange, similar to Market Economy, the 'household approach' must be given the preference. The latter approach is more realistic and hence more useful for the solution of practical problems of Public Economy [...] (Musgrave, 1937, p. 70).

The German scholars he referred to conceive of the National Economy as composed of multiple interacting individual economies, including a market system and a public economy, each with its own set of rules (Musgrave, 1937, p. 50). In their perspective, which Musgrave adopted, the public economy "arises out of the inability of the competitive system of Market Economy to satisfy certain wants, collective in nature" (ibid.). Additional features of the German approach were also borrowed by Musgrave to construct his 'rational' model: the public economy is a complement to the market economy in the sense that most needs are satisfied by the latter. Besides, it is a planned system which hinges on compulsion (ibid., p. 52). This attribute is central for the possibility to eventually conceptualise merit wants.<sup>18</sup> Since the subject of the budget is a budget planner, and not a simple aggregation of individuals, the public economy can override the market process to directly satisfy certain needs of paramount importance: "Public Economy – thanks to the legal authority inherent in the state – is in a position to decide to what extent it desires to interfere in the satisfaction of wants as arranged by Market Economy" (Musgrave, 1937, p. 74).<sup>19</sup>

## 2.2 Unfolding the household analogy

In this last section, I want to draw attention to three specific points of correspondence between the private household and Musgrave's Public household. These household aspects of the public economy are important for the concept of merit wants (or merit

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<sup>17</sup>For a discussion of the latter tradition, see Musgrave (1939b); Pickhardt (2006); Johnson (2015); Desmarais-Tremblay (2017c).

<sup>18</sup>Musgrave does not use the concept of merit goods in his dissertation, but he talks about 'socially interpreted individual wants' which I think is a direct antecedent. See Desmarais-Tremblay (2016) or Desmarais-Tremblay (2017a).

<sup>19</sup>For an extensive survey of the interwar literature on public goods which could have influenced Musgrave, see Sturn (2010).

goods). Thus, it is not surprising that merit goods are rejected as paternalistic because they embody these elements which a model of the public economy based on market exchange would not possess. The comparison helps us better understand Musgrave's 'thorny' concept of merit goods.

### 2.2.1 The communal basis

The private household and the public household are founded on human communities. The domestic household directly constitutes a community. The public household is not a community per se, but it relies on the existence knowledge of a society.<sup>20</sup> This fact makes it radically different from the conceptions of the state from Antiquity to the Early Modern age. The gradual recognition of an emancipated civil society led to a specific economic and later sociological knowledge on its functioning.<sup>21</sup>

In his dissertation, Musgrave argued that the budget planner could provide goods to satisfy both individual and collective wants. Both had to be compared, homogenised, in order to build an ordering of national priorities for public expenditures. For Musgrave, this task relied on a "sociological analysis", or knowledge of the "sociological process" which fell outside the scope of a theory of public finance (Musgrave, 1937, pp. 337, 348).<sup>22</sup>

For Aristotle, a community had a common purpose, it was organised toward a common goal. In the contractarian tradition, the common purpose of civil society is mutual protection: the state emerges to protect the citizens from aggression – whether the threat is internal or external to the community. Contemporary pluralistic societies cannot be said to have such a unique purpose. But much can be said about the responsibilities of the public household when it is conceived as an organisation directed toward the satisfaction of wants (on which more below). Moreover, the existence of a community means that something is common: shared understandings and values. The

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<sup>20</sup>I now use the notion of society in its broad contemporary understanding, and not in the narrow sense of market sphere given by Tönnies (1887).

<sup>21</sup>In the words of the American sociologist Daniel Bell: "Where bourgeois society separated the economy from the polity, the public household rejoins the two, not for the fusion of powers, but for the necessary coordination of effects. It requires a new 'socio-economic' bill of rights which redefines for our times the social needs that the polity must try to satisfy. It establishes the public budget—how much do we want to spend, and for whom—as the mechanism by means of which the society attempts to implement its concern for 'the good condition of human beings' "(Bell, 1974, p. 65).

<sup>22</sup>Musgrave eventually changed his mind and later argued that the determination of social preference was part of the scope of public finance broadly conceived: "I have reversed my original view [...] that the theory of the public household need not concern itself with how social preferences scales are determined. As I see it now [...] the theory of the revenue-expenditure process remains trivial unless these [the social preferences] scales are determined" (Musgrave, 1959, p. 74). See Cherrier and Fleury (2017).

fact of a pluralistic society means that members will not share all the same values. Yet, for a stable society of free individuals, there must be some shared political values which allow for what Rawls (1993) called an overlapping consensus. A community of moral persons has an ethical dimension. A shared sense of justice is important for merit goods to be justifiable in a democratic society.

In his dissertation, Musgrave (1937, p. 79-80) already noted that by prioritising some wants over others, the public economy was an ethical and political realm. In a community where more values are shared, it is feasible to endow the state with responsibilities to provide goods which foster a language, a culture and a specific view of the good life (through education, for instance). If these collective moral aspirations are widely shared, then the provision of merit goods to satisfy them need not be a problematic restriction of individual freedom.

Furthermore, the existence of a community with interpersonal ties allows for the assumption that individuals will act in other-regarding ways, whether it be altruistic or a stronger communal spirit. The idea that individuals follow non-selfish motivations when acting in their collective capacity on matters that concern the whole community is central to the discussion on provision of public goods in the German tradition.<sup>23</sup> The implicit assumption of selfish behaviour in the free-riding argument which justifies the public provision of collective goods is one reason why Musgrave needed another concept – merit goods – to capture other types of aspirations.

The communal basis of the concept was not acknowledged by Musgrave in the 1950s, at a time when methodological individualism and a neo-positivist spirit were very strong in economics. Yet, reflecting on the attempts to redefine the concept of merit goods to better integrate it in public economics, Musgrave was left with the impression that something was missing in the mainstream approach:

“Communal wants and obligations, evidently, are not amenable to ready analysis by the economist’s tools as are public goods. It does not follow, however, that Finanzwissenschaft was mistaken in raising the issue of communal concerns, and of motivations which transcend self-interest. Public finance may well have taken too narrow a view by holding that self-interest-based action is all there is. While the state or community ‘as such’ cannot be the subject of wants, a distinction between the private and communal concerns of individuals cannot be rejected that easily. Nor can the role of

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<sup>23</sup>Weber also acknowledged that the planned public household depends on such motivational force for achieving its goals: “Along with opportunities for special material rewards, a planned economy may have command over certain ideal motives of what is in the broadest sense an altruistic type which can be used to stimulate a level of achievement” (Weber, 1968, p. 110).

communal concern be resolved in the utilitarian frame by allowance for interpersonal utility interdependence. There remains an uneasy feeling that something is missing. The concepts of merit wants [...] address this gap, but much remains to be done to resolve the problem of communal wants in a satisfactory fashion” (Musgrave, 1996, p. 73).<sup>24</sup>

### 2.2.2 A central direction

Models of the household presume a central decision maker. In the traditional *oikos*, just as in the husbandry literature, the father was the master and decision maker. He could direct the economic activities of the other members towards the common good of the family. In Musgrave’s public household, decisions about the revenue-expenditure process are implicitly made by a central planner. In an early paper in which he defended the creation of a public capital budget, Musgrave drew the analogy : “The private householder when arranging his monthly budget will allocate his funds between various alternative forms of expenditures and in so doing will have to refer to revenue and expenditure totals. This same allocation applies to the public household; in either instance the formation of aggregates is valid” (Musgrave, 1939a, p. 268). In the 1930s, it would still have been common for American economists to defend a planned economy (Balisciano, 1998). Musgrave outwardly referred to his public household as a planned unit which “is essentially communistic”; at an abstract level, “the theory of Public Economy is identical with that of the socialist economy” (Musgrave, 1937, p. 60, 74).

As Myrdal (1932, p. 140 ff.) remarked, the very act of *economising* assumed the existence of a conscious purposeful agent. For him, whether the subject was taken to be a king, or an organic collective like the nation (*Volkswirtschaftslehre*), the concepts of economic discourse did not render the reality of contemporary theoretical economics which analysed price formation as the unintended consequence of blind forces. Myrdal argued that the terminological legacy allowed economists to conceptualise a social household (*gesellschaftlichen Wirtschaftsführung*) oriented toward a purpose.

This way of looking at the state as a planning unit was reinforced under the influence of Weberian economic sociology in which ideal types, like the public household, are often conceptualised as rationally oriented toward a goal. Yet, the central planner need not be an autocrat. His job is to respect the values of the community. The collective goods

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<sup>24</sup>See also his entry on merit goods in the *New Palgrave*: “Without resorting to the notion of an ‘organic community’, common values may be taken to reflect the outcome of a historical process of interaction among individuals, leading to the formation of common values or preferences which are transmitted thereafter” (Musgrave, 1987). For a extensive discussion of Musgrave’s use of the notion of community, see Desmarais-Tremblay (2017b).

provided by the public household have to reflect, in theory, individual preferences. Hence, the problem of the allocation branch is rather similar to that of the socialist market economy (Musgrave, 1959, p. 46 n.1). Yet, merit wants represent an exception to this mechanical solution because they do not respect everyone's preferences, or at least not their revealed preferences. However, Musgrave thought that they could be – or should be – made compatible with western democratic values.<sup>25</sup> Still, in stark contrast with James M. Buchanan, Musgrave implicitly assumed that the central planner was benevolent (see Buchanan, 1999, p. 89).

The last point of comparison which has to do with the centrally planned dimension of the household is the possibility of operating transfers in kind. Just as the domestic economy relies on exchanges of services (usually) without monetary compensation, the state can directly provide goods to its citizens. This is especially important in times of war when the public household can conscript labour and control the distribution of necessary goods. Even putting aside this exceptional case, Weber argued that the planned household was oriented toward consumption for the satisfaction of needs, and thus resorted to “calculation in kind as the ultimate basis of the substantive orientation of economic action” (Weber, 1968, p. 109). Transfers in-kind was the first conceptualisation of merit goods enunciated by Musgrave (1957). The market requires a universal means of exchange to facilitate decentralised transactions, but the family and the state can avoid the distribution of resources according to monetary demand. They can thus enforce (moral) limits on what money should not buy.

### 2.2.3 Consumption to satisfy needs

Both the domestic and the public household aim at satisfying the needs of their members. In the case of the public household, its purpose is to “achieve optimum satisfaction of wants” (Musgrave, 1937, p. 73). The nature of the public goods and services it provides is defined by the specifics of the consumption acts, not the production processes. Public goods can be produced by private firms and then bought by the government and distributed to users. By the end of the sixties, Musgrave was convinced that the most important criterion for the public provision of social (collective) goods was the non-rivalness in their consumption (Desmarais-Tremblay, 2017c). Whereas Buchanan

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<sup>25</sup>“Nor is the state to be seen as an organic unit wherein the individual is absorbed in the ‘whole,’ or as a benevolent dictator who knows and meets the wishes of his subjects. Instead, I think of the state as an association of individuals, engaged in a cooperative venture, formed to resolve problems of social coexistence and to do so in a democratic and fair fashion. The state, in short, is a contractual venture, based on and reflecting the shared concerns of its individual members. The state and its public sector thus form an integral part of a multifaceted socioeconomic order” (Musgrave, 1999, p. 31).

insisted that public goods were jointly supplied, for Musgrave and Samuelson, the specific nature of the goods lay in the jointness of their consumption. Likewise, merit goods are better understood as merit wants, as specific human needs that deserve public attention. They become social or public wants not because of some specific characteristic of the goods, but because the state wants to cultivate their consumption (or reduce it in the case of demerit wants).

The main difference between the economy of the Aristotelian *oikos* and Musgrave's public household is that the latter is a complement to the market where most of the needs are satisfied. The market does a very good job at allocating resources to satisfy most of the needs of the community, and the public household should aim at optimum satisfaction of needs while causing "a minimal of disturbance regarding the want satisfaction retained in the sphere of Market Economy" (Musgrave, 1937, p. 76). As a thinker of his time, Musgrave also adhered to the freedom of the Moderns and respected the private enjoyments of the domestic sphere, up to a certain point.<sup>26</sup> It is true that some merit goods represent public encroachment upon individual private choices, but they have to be democratically supported, and cannot be arbitrary like the cameralist edicts.

One important feature of the household approach which sets it apart from the way markets satisfy needs is the assumption of interpersonal comparisons. The head of a family constantly assesses the relative urgency of the needs of the members in deciding how to invest time and spend money. Likewise, Musgrave assumed that a science of society could provide the economist (or the social planner) with a "social value scale" (a direct antecedent of the social welfare function) in order to decide how much public money was needed for different goals. This implied making interpersonal comparisons of welfare, which did not seem to trouble Musgrave very much in the 1930s.<sup>27</sup> Even in his *Theory*, Musgrave (1959, p. 108 f.) acknowledged the New welfare criticism, but pondered whether it went too far in rejecting interpersonal comparison of the marginal utility of income (required for taxation according to equal sacrifice).

Although they are labelled as 'merit wants', the distribution criteria at stake in the

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<sup>26</sup>"Here as in the case of sumptuary taxes public policy aims at interference with individual preferences; and frequently, such interference carries redistributive implications. I do not wish to say that interference of this sort is always bad, and that it may not at times result in an improved allocation of resources. The apparent willingness of the public to provide for a second car and a third icebox prior to assuring adequate education for their children is a case in point" (Musgrave, 1957, p. 341).

<sup>27</sup>He followed Pigou (1932) in adopting what can retrospectively be described as an Old Welfare economics approach: "The capacity to enjoy benefits is after all but part of the general nature of 'man.' It being the generally accepted procedure to define certain general characteristics of men, there is no reason why no typical degree of intensity for the enjoyment of benefits could be assumed" (Musgrave, 1937, p. 274).



allocation branch is not merit, nor desert, unless the basis for desert is understood in the generic sense of being a member of a community, or a human being (see McLeod, 2008). Rather, the distributive principle in a household is generally need: “each is given in accordance with his needs” (Bell, 1974, p. 31). To be sure, the provision of merit goods only aims at attaining certain minimum standards of consumption (or maximum standards of demerit goods), not at a radical equalisation of conditions. Still, it is interesting to note that at a higher level, Musgrave reckoned that an ideal theory of justice should equalise conditions. He criticised the centrality of the maximin rule in Rawls’s *Theory of Justice* (1971). As a philosophical theory, Musgrave argued, it should not put weight on strategic considerations, such as the work disincentive effect of taxation. As long as individuals’ welfare is a function of both their consumption and their leisure, the latter should also be taxed. Hence, Musgrave defended what is now called an endowment tax which, in theory, could allow for the equalisation of material conditions, just as utilitarian thinkers had argued for, albeit in different terms (Musgrave, 1974). Noting that Musgrave’s scheme was unfeasible, Rawls (1974) argued that it corresponded to the socialist principle that Marx borrowed from Louis Blanc: “From each according to his abilities, to each according to his needs”.

## Conclusion

The provision of many transfers in kind was not a legitimate function of a democratic model of the state for cold-war economists. They rejected the concept of merit goods because it encroached upon the norm of consumer sovereignty, and they accused Musgrave of defending paternalistic policies. But, in fact, the paternalist quality may be intrinsic to the way the state is modelled by analogy with the family. Musgrave was very conscious that merit goods violated methodological individualism, but he would not abandon the idea because he wanted his theory to be realistic, and he did not want to eschew the duty of public powers to contribute to moral progress. I have argued that this tension in a democratic theory of the public household reflected a broader tension in certain currents of political economy. The analogical transfer between the family and the state has deep roots in the history of economic discourse.

In Ancient Greece, economics was a practical discourse focused on improving the quality of life by way of good management of the household, but also very concerned with the good life in a moral sense. Some strands of discourse have perpetuated this approach to economic life. For instance, in early modern times, the Cameralists connected the power and greatness of rulers to the well-being of the population. They

proposed a benevolent governmentality of populations by way of direct, non-judicial, interventions. The first treatises on political economy also framed the subject as an extension of the rule of the father to that of a principality, or a large kingdom.

The history of what can retrospectively be called normative economics took an important turn with the rise of liberal thinking in the seventeenth and eighteenth centuries. Enlightenment thinkers conceived humans as free and equal individuals who could shape their lives as they saw fit thanks to their rational powers. They argued that a stable and just republic had to govern these rational and self-interested individuals through legislation. This change of conception was concomitant with the rise of civil society as an autonomous sphere of action which gradually took more and more space in the life of individuals (with respect to domestic and political life). Political economy theorized the (nomological) laws of this new (almost) self-regulating commercial society. In the process, political economy carved its boundaries with respect to political theory and moral philosophy.

Despite this, practical discourse did not disappear from economics. For instance, the ‘contradictions’ of this apparently self-regulating economy gave rise to many idealistic theoretical solutions in the nineteenth century. Chief among them was the mixed economy with an interventionist state taking over responsibilities of the family and charities. Although they carried many of the ways of thinking of prior economic discourse, the new economic theories of the state accepted the liberal reconfiguration, thus incorporating a tension between the centrally directed welfare orientation of the domestic household and public liberal values. This discourse, which flourished in the German-speaking world at the end of the nineteenth century and in the interwar years of the twentieth century, disseminated in Europe and in America. Raised and trained in Germany, Richard Abel-Musgrave brought elements of this tradition with him in the United States and helped to keep alive the breadth of German scholarship in *Staatswithshaft*.

This historical sketch does not pretend to be a comprehensive history of the analogy between the domestic economy and the state. Yet, I have provided sufficient evidence to make the point of a continuous use of the analogy throughout the history of economic thought. Over the last century, economists have devised theories of the state borrowing from models of the market and that of the family. I have pointed out three elements of Musgrave’s public household which relate to a domestic model: relying on a community, assuming a central direction, and being oriented toward a specific goal (that of wants satisfaction). These points are exactly what advocates of a *catallaxis* approach to the economy like Hayek and Buchanan would contest in an economic theory of the state.

Is the household model of the public sector still relevant today? Multiple historical forces played on its significance. Clearly, the analogy was reinforced by the transference of responsibilities from the family to the state. Wagner (1892, p. 379-382) captured this trend in his Law of increasing public expenditures. Already at the end of the nineteenth century the German state took over some welfare duties which were traditionally fulfilled by the family or by charities.<sup>28</sup> In the UK and in the US, the welfare state grew rapidly after the Second World War. It is in this context that Musgrave coined his concept of merit wants. The possibility of the government's allocating resources directly to satisfy the needs of children, the poor and the elderly was also bolstered by the confidence gained by economists in war planning. These trends reinforced the analogy between the state and the family.

On the other hand, the American postwar fear of socialism cleansed the economic vocabulary of any reference to central planning. Hence, Musgrave eventually stopped using the word planning to describe his general approach to public economy, and used the noun only in the more modest expression of 'budget planning.' As he reflected many years later, the semantics of 'planning' had become loaded and politically more delicate after the war (Musgrave, 1977, p. 53). Besides, the confluence of neo-positivistic and neoliberal aspirations among economists made it harder for Musgrave to defend an interventionist model of the state based on a reference to the household.

The result of these forces might explain why the expression 'public household' that Musgrave imported from the German tradition was not picked up in the nascent field of public economics in the 1970s. Already in their introductory textbook to public finance, Musgrave and Musgrave (1973) did not use the expression 'public household', but rather the expression *public sector*. In 44 years, the expression 'public household' appeared only four times in the *Journal of Public Economics*. It is nowhere to be found in the five volumes of the *Handbook of public economics*. When Musgrave defended his dissertation in 1937, there was no expression for the economic theory of the public sector—he had to import and translate the German concepts.<sup>29</sup> One of the founders of the sub-discipline, Joseph Stiglitz, also used the expression 'public sector' in his popular textbook. Yet, he remarked that Musgrave's three branches framework was a foundational approach to the economic responsibilities of the state (Stiglitz, 2000, p. 20). Not too long ago, Brennan (1987, p. 3) also argued that Musgrave's normative

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<sup>28</sup>In a larger historical perspective, with this transfer of responsibility also comes a transfer of power (and legitimate use of force) from the father to the state (see Weber, 1968, pp. 56).

<sup>29</sup>As a matter of fact, the expression 'public sector' was used only twice in published articles in the JSTOR database before 1937, compared with 522 occurrences between 1937 and 1959, and 73 160 occurrences between 1959 and 2007.(<http://dfr.jstor.org>)

approach constituted the foundation of standard public economics.

If this is the case, then to what extent can this historical analysis shed light on the current debate on liberal paternalism in economic policy? One could argue that behavioural public policy which tries to influence individuals by *nudging* them to make choices that would improve their well-being also reveals part of the tension that I have discussed in this paper. Like Musgrave's public household, the new behavioural public policy is welfare oriented and centrally directed.<sup>30</sup> Yet, it does not rely on the fact that individuals are part of a community or a society. It does not consider the social context in which needs and desires are generated. However, it seems to face the two normative problems I mentioned in the introduction: behavioural policy often treats adults as children by endorsing a paternalistic attitude, as well as treating citizens as animals. It does not consider them as autonomous rational beings who can shape their own lives and deliberate in the public sphere about the type of governmental action they wish to endorse.

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<sup>30</sup>As a matter of fact, recent scholarship makes the case for reconceptualising merit goods as behavioural policy interventions, such as nudges. See Munro (2009); Mann and Gairing (2012); Sturn (2015); Kirchgässner (2017); White (2016).

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