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The Sociological Logic of the Evolution of Fiscal Thought ——Take the England before the 19th Century as an Example

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ABSTRACT
Public finance is a social science which has a strong interdisciplinary attributes, and its study approach should not be limited on economics side. As a discipline that studies fiscal phenomena from a social perspective, fiscal sociology provides another way to study fiscal problem. Most of the previous studies on the history of fiscal thought focus on the fiscal thought, and give a little considerations on the institutional factors. This research approach will separated the political attributes of fiscal thought. Based on the perspective of fiscal sociology, this research studies the logic of the evolution of fiscal thought. The result shows that the class struggle, especially tax struggle, drives the evolution of the social system and determines the basic characteristics of the pattern of the public finance, both of them determine the basic characteristics of the fiscal thought. In addition, fiscal thought also reflects the ideology and demands of the class to some extent. Therefore, in affirming the rationality of Western fiscal theory, it is also necessary to consider the applicability.

Key words： fiscal sociology, class struggle, live on his own, mercantilism, classical public finance

INTRODUCTION

The pattern of public finance has at all times had a decisive influence on national and social evolution. Tax struggles were the oldest form of class struggle, and fiscal matters were an important contributory cause even in the mightiest spiritual movements of mankind.
——Rudolf Goldscheid

Fiscal sociology is a fiscal science that analyzes fiscal issues from a social perspective and seeks to establish the laws of national finance (Sakairi Nataro, 1987). As a science to study the socio-political economy of finance (Liu Zhiguang, 2005), the fiscal sociology was formally established after the First World War, and its founders were generally considered to be Rudolf Goldscheid and Joseph Schumpeter. Wagner (2002) believes that the significance of fiscal sociology is that after economics and sociology have gradually separated, it has to some extent filled the gap between them.

The origin of fiscal sociology can be traced back to the tradition of cameralism. The research orientation of cameralism is interdisciplinary, it includes three branches of economics (Oeconomische Wissenschaft), political science (Polizeiwissenschaft), and scholarship (Cameralwissenschaft) (Busch, 2009). The economic science means economic management. Polizei should be understood as policy, so political science will include policy analysis. Cameralwissenschaft is the equivalent of finance today. In the 20th century, the cameralism adapted to the changes of the times and then evolved into the national science (staatswissenschaften), but it still inherited the interdisciplinary research orientation of the cameralism. In Italy, the interdisciplinary orientation of financial research is also very obvious. Different from the discipline setting of British and American finance, Italian finance is considered as an independent discipline for related research, including two parts of financial science (financial science) and financial law (Buchanan, 1960). Therefore, the study of Italian finance also involves the political and law aspects of finance. The interdisciplinary research orientation of finance constitutes the prerequisite for the emergence of fiscal sociology. So it can be seen that today's fiscal sociology is naturally divided into Austrian and Italian traditions, the former being represented by Goldscheid and Schumpeter, and the latter by Borgatta and Sensini.

The Austrian tradition of fiscal sociology can be divided into two categories according to its analysis methods. Goldscheid is mainly influenced by Marx's class analysis method. Schumpeter studies the nature of the country from individual needs and collective needs (Li Weiguang, 2013).In terms of the goals to be achieved, this study will follow the path of fiscal sociology research pioneered by Goldscheid, and dividing British society before the 19th century into four main classes, namely the king, the old nobility, the business bourgeoisie and the industrial bourgeoisie. In addition, we will also use the "New Fiscal History" model: according to the country's main source of income, it can be divided into tribute state, domain state, tax state, and fiscal state. The basic logic of this study is: the political system determines the fiscal model, and both of them determine the characteristics of fiscal thought; the fiscal crisis triggers tax struggles and eventually changes the political system or reshapes the distribution of power, and then establishes a new fiscal model. All of them are reflected in new financial thought. This logic can be represented by Figure 1:

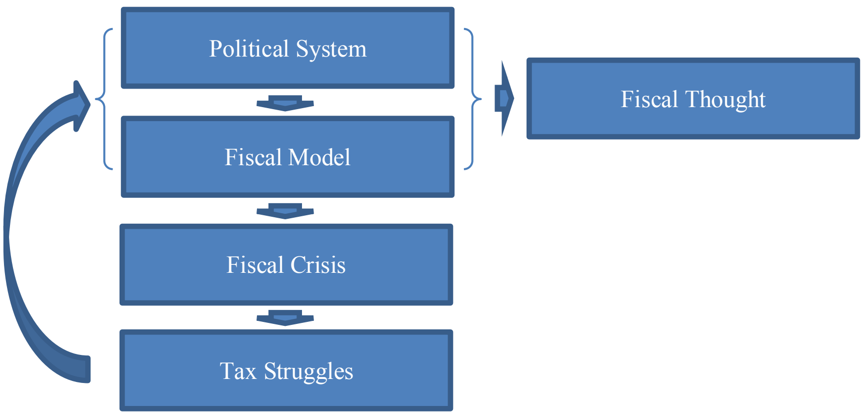

Figure 1 The logic of this research

DOMAIN STATE（1066-1485）

Political System and Fiscal Revenue and Expenditure

In 1066, William the Conqueror crossed the strait and brought the feudal system to the Britain. The feudal system is a military contract relationship in which the feudal master distributes the land to his subordinates in exchange for the military loyalty of the subordinates. The smallest unit of fief is knight's fee (Shi Cheng, 2003).

In the British society under the feudal system, the king is the highest and largest feudal landlord. On the whole, the medieval British king's fiscal revenue can be divided into two parts: privileged income and tax revenue. The former is the income obtained by the king as the nation's highest feudal lord, and the latter is the income obtained by the king as the head of the country.

The main source of British King's financial revenue in the early feudal period was related to the King's own territory, and temporary tax revenue accounted for only a small part, so it could be called a domain state. If the king frequently levies taxes, it will lead to a tax struggle between the king and the nobility. The signing of the Magna Carta in 1215 was an external manifestation of the tax struggle between the king and the nobility. Obviously, the British monarch failed.

Transition to A Tax Country

From the eleventh to the thirteenth centuries, most of the kings could live on their own privileged income. Since the end of the 13th century, three unfavorable factors have made the "domain state" unsustainable, that is, the "domain state" has begun to fall into a fiscal crisis. The first was a sharp increase in military spending. The second was inflation in the 13th century. Finally comes the parliamentary restrictions. To cope with the huge military expenditures, the king began to turn to the parliament. After the latter's consent was obtained, the king was able to levy taxes across the country, and the domain state began to transition to tax state.

TIME OF MERCANTILISM（1485-1852）

Back to the domain state and Early Mercantilism（1485-1642）

War and military technological innovation brought huge financial expenditure needs, and the king's own income cannot afford it, and then it led to the king's fiscal crisis. The king's attempt to reduce the fiscal deficit with frequent taxation, but it violated the interests of the nobility and led to a tax struggle. In the United Kingdom, the tax struggle resulted in the King's compromise with Parliament—recognizing that taxes must be collected only with the consent of Parliament, and state power was transferred to Parliament. The foregoing process explains exactly why Britain returned to domain state after the end of the Hundred Years' War (Bonney, 2001).

In 1485, Britain entered the period of absolute monarch. Due to the failure of the previous tax struggle, the British monarchs during this period were greatly restricted by the parliament. However, the British monarchs obtained relatively independent monarchy by ensuring fiscal independence. For example, in addition to continuing to enjoy parliament-approved tariff income and other feudal privileges, Henry VII suppressed and confiscated the territory and property of rebellious nobles and rivals, that makes the crown lands increased by about 60%; during the Reformation, Henry VIII expanded private income by confiscating church property-the king's private income tripled. Besides, the development of commerce and trade has also provided new ways for the monarch to increase fiscal revenue, such as adopting administrative measures to prohibit currency exports and artificially reduce the content of precious metals in currency or get a share in a trading company. Thirdly, the "pirate" activity is also one of the ways for the King to obtain additional financial revenue.

Broaden sources of income and reduce expenditure were important prerequisites for British monarchs not to be restrained by Parliament. However, military spending and the price revolution still led to a fiscal crisis. In order to solve this problem, the king's approach was to sell royal land and borrow money from merchants.

Characteristics of Early Mercantilism Literature

It is clear that the economic literature of early mercantilism reflected the actual needs of British monarchs during this period. On the one hand, early mercantilists emphasized that precious metal currencies are the only specific form of wealth, so the king needs to control foreign exchange transactions to ensure that precious metal currencies remain in the country

(Roll,1981). On the other hand, under the premise of an authoritarian monarchy, early mercantilists believed that the wealth of the country was equal to the wealth of the king.

Fiscal state and Late Mercantilism（1642-1852）

Benefit from the absolute political system, the king established a king-merchant alliance. The alliance not only provided the king with a lot of money, but also promoted the rise of the merchant class.

Tax state and Revolution（1642-1688）

(a）Fiscal Crises and Tax Struggle

In the early Tudor period, the monarch's finances were relatively independent and less constrained by parliament. By the end of Elizabeth I, Britain had fallen back into war, which caused the king's financial tension. Inflation exacerbates this reality. The monarch can only balance fiscal revenues by selling royal estates and borrowing from merchants. The cycle of "military expenditures—fiscal strains—selling land and borrowing debt" led to the king's financial crisis, which subsequently triggered a tax struggle between the king and parliament and led to the British Revolution.

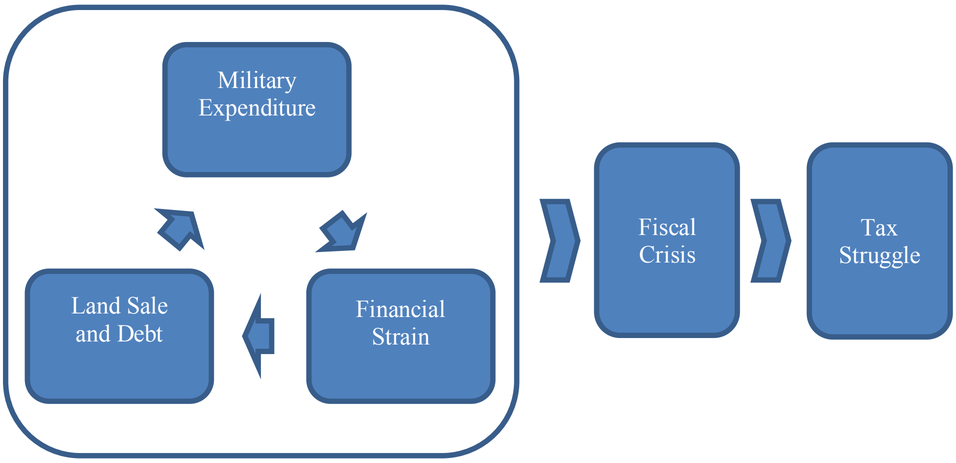

Figure 2 King's debt keeps expanding

(b）Established Tax State

From the beginning of the British Revolution in 1642 to the end of the Glorious Revolution in 1688, it was a period that Britain changed from a domain state to a tax state. Although it was restored by Charles II during the period, it was not a historical retrogression. Many changes that occurred during this period are irreversible, especially in the composition of fiscal revenue. On the one hand, the abolition of the king's tariff privileges by the parliament. On the other hand, the parliament introduced new direct and indirect taxes. Charles II was successfully restored in 1660, but the abolition of feudal tax privileges and the large-scale sale of royal land in the early period made the royal income's share of fiscal revenue continuously decrease. Tax revenue controlled by Parliament increased significantly and occupied the dominant position of national fiscal revenue。 Britain becomes a tax state.

(c）The Glorious Revolution and Fiscal State（1688）

One of the most obvious characteristics of the British finance after the restoration is the mismatch between the fiscal model and the political system: fiscal revenue and expenditure are basically controlled by parliament and the existence of a certain degree of feudal system.

The advancement of the fiscal model inevitably requires corresponding adjustments and changes in the political system. The "Glorious Revolution" as the ultimate means of adjusting relations, it represented the victory of the old British aristocracy and the emerging commercial bourgeoisie, the power of the country was finally transferred from he king to the parliament. The authoritarian monarchy was transformed into a constitutional monarchy. The Britain has established a fiscal state.

Characteristics of Late Mercantilist Economic Literature

From 1642 to 1688, the British commercial bourgeoisie combined with the old land aristocracy and ultimately controlled state power. Both of them jointly promoted the late mercantilist economic policy. The relevant mercantilist literature not only provided theoretical support for it, it also reflects the requirements of the commercial bourgeoisie. The late mercantilists believed that trade was the driving force for the country's economic growth, so it was necessary to restrict imports and promote exports to maintain trade surpluses. In addition, late mercantilism also believes that national wealth is not equal to national wealth, and the value of wealth accumulated by the king each year should not exceed the trade surplus.

THE RISE OF THE INDUSTRIAL BOURGEOISIE AND CLASSICAL LIBERAL PUBLIC FINANCE

The tax struggles

After the Glorious Revolution, Britain established the embryonic form of a modern constitutional monarchy. However, from the specific details of the system, it is only an oligarchy constitutional monarchy. Benefit from the old parliamentary election system, the aristocratic class and the commercial bourgeoisie jointly controlled the parliament and implement a late mercantilist economic policy. However, there was a conflict of interest between the early industrial bourgeoisie and the commercial bourgeoisie, because the commercial bourgeoisie monopolized the business of wholesale and export, so industrial capital opposed monopoly from the beginning. With the expansion of the market and the industrial revolution, the contradictions between the industrial bourgeoisie, the aristocracy, and the business oligarchy gradually emerged and were concentrated in the tax struggle.

The tax struggle between the industrial bourgeoisie, the aristocracy, and the business oligarch focuses on the distribution of tax burdens--diminishing marginal taxes and peacetime debt repayments have led to austerity for the middle class and the poor. Military expenditure is still the main cause of the tax struggle. The escalating form of the tax struggle is a condemnation of government corruption and calls for civil rights reforms (including fiscal controls).

Characteristics of the Classical Liberal Public Financial

The British industrial bourgeoisie, based on the classical economics represented by Adam Smith, opposed the late mercantilist economic policy implemented by the merchant-old aristocracy. They opposed state intervention and advocated laissez-faire.

As a theoretical guide to the industrial bourgeoisie, the classical liberal finance has very distinctive theoretical characteristics. On the whole, it has the following characteristics:
First, the classical financial tradition abandoned the tradition of early mercantilism that regarded the king's wealth as national wealth, and critically inherited the late mercantilism from the perspective of the national economy. Compared to the late mercantilist literature, the classical liberal fiscal tradition has more thoroughly implemented this principle.

Second, the tradition of classical public finance is hostile to the government, opposes government intervention in the economy, and promotes laissez-faire.

CONCLUSION

Public finance is a discipline that has both economic and political attributes. Therefore, it is incomplete to examine the history of fiscal thought from the perspective of the economy alone. It is not only possible but necessary to explain the basic logic of the evolution of fiscal thought from the perspective of the evolution of social systems.

Before the 19th century, British fiscal thought evolved in the order of "the king lives on his own", early mercantilism, late mercantilism, and classical liberalism public finance, and corresponded to three politics, feudalism, absolute monarchy, and constitutional monarchy. In the process of evolution, Britain also completed the transition from a domain state to a fiscal state. It is clear that class struggles, especially tax struggles, are the core driving force of all the aforementioned evolutions. Therefore, to a certain extent, the mainstream fiscal thoughts in each period partially reflect the ideology or realistic demands of a particular class. After the particular class dominated the development of the country, the fiscal theory also became the basic theory on which the country was governed.

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