

Fiscal Thoughts and Their Evolution before the 19th Century —— Analysis and Comparison between Britain and Germany

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ABSTRACT

The tradition of English classical public finance thinks the government are out of the society and can intervene it. Base on former thought and the market failure theory, the mainstream public finance has a clear tendency to oppose the market and the government. This approach not only ignored the political functions of government but also cannot explain the PPP and NPM. The cameralism's view of the government provided new ideas for explaining this issue. Through the analysis and comparison of the financial thoughts of Britain and Germany before the 19th century, this paper clarifies the evolutionary logic of British fiscal thought, compares the similarities and differences between the British and German financial thoughts. Besides this paper also discusses the roots of these two traditions view of the government. The fiscal theory of cameralism not only reflects the subjective initiative of the government but also conforms to the reality of our country. These traditions interdisciplinary research tendency should also be re-emphasized.

Key words: live on his own, mercantilism, classical public finance, cameralism

INTRODUCTION

There are two different fiscal traditions in the development history of fiscal theory. The first is the Anglo-Saxon public finance tradition which originated in British classical political economics, then was jointly developed and transformed by British and American scholars. The other is the continental public finance tradition, with German as the main academic language, developed by German and Italian cameralist. The main differences between the two fiscal traditions are the different perceptions of the role of government in economic society: The former believes that government sector are independent of ordinary members of society and achieve their own goals through intervention in the economy (Wagner, 2005). The latter sees the economic system as consisting of two parts---the public sector (Staatswirtschaft) and the private sector (Privatwirtschaft), which have equal status (Musgrave, 1985). People manage their activities and affairs by participating in government activities (Wagner, 2005). In the evolutionary history of fiscal thought, the development of the two major fiscal theories is not parallel (Ma Jun, 2012). In the battle between the two, due to various objective historical factors, fiscal thought in continental Europe gradually faded from the research of fiscal scholars Sight, and Anglo-Saxon fiscal traditions dominate.

It is true that the Anglo-Saxon public finance tradition has played an important role in promoting the development of public finance. This is particularly reflected in the systematic, rigorous, and scientific aspects of fiscal research. However, it is also this advantage that has caused public finance to become more and more divorced from reality and lost its predictive and explanatory role in fiscal phenomena (Li Junsheng, 2014; Zhang Jinwu, 2015). On the one hand, contemporary economics pays more attention to general theoretical research, ignoring the investigation of history and special institutions. On the other hand, the difficulty in

explaining and predicting fiscal phenomena in British and American fiscal theories is concentrated in government intervention theory based on the premise of "market failure"-the failure to explain PPPs, new public management movements, and the recent public value revolution in shaping government and market antagonism.

It is based on the reflection on the insufficient interpretation of the reality of British and American fiscal theories, the realistic demand for the revival of European fiscal thoughts, and the impetus for the improvement of basic fiscal theories that has led some scholars to start research on these two schools' fiscal thoughts. The British classical public finance and cameralism, as the origins of the Anglo-Saxon and the continental schools respectively, have received opposite degrees of emphasis. Compared with classical public finance, the study of cameralism have been neglected.

The contribution of the article to the history of fiscal thought lies in : to clarify the basic logic of British fiscal thought evolution before the 19th century and the characteristics of British fiscal thought in each period; to clarify the social background conditions of German cameralism ,to reveal the similarities and differences between cameralism and mercantile, the Britain classical liberal fiscal traditions and to reveal the root causes of the two schools' different understanding on government's positioning in society.

BRITISH FISCAL THOUGHTS

"Fiscal Thought" before Mercantilism (1066-1485)

In 1066, William I crossed the Channel to conquer England and brought the feudal system of continental Europe to Britain. The system is a feudal contract relationship: The King distributed the conquered land to military nobles in exchange for military loyalty to the former. In the feudal society, the smallest unit of land was the Knight Fee (Shi Cheng, 2003). Feudalism determined the fiscal model of the king during this period.

The recurring income of the medieval king of England was mainly composed of three aspects: private income from royal territory, territorial rent in the absence of bishops, tithes and income from judicial authority. Temporary income is derived from military service exemption from taxes or shield money (scutage). This income is usually a tax that can be levied only during wartime. Obviously, fiscal revenue highlights the personal nature. In fact, the king's family expenses also accounted for most of the expenses. Therefore, the "fiscal thought" of this period can be reduced to "the king lives on his own."

The period of mercantilism (1485 -1852)

Early mercantilism (1485 -- "Glorious Revolution")

Early British mercantilism 's practice of state governance began in the Tudor period in 1485 (Sakairi,1987). During this period, Britain formally established an authoritarian monarchy political system, which constituted the political basis for the governance practice of the early mercantilist countries. Although there are early and late stages of mercantilism, they both attach great importance to currency and regard it as the foundation of a country's wealth, this common feature makes the distance between the two not too far. The main difference lies only in what is the best strategy to make national currency abundant.

Earlier mercantilists believed that controlling currency outflows was an important means of promoting national prosperity, so they were also known as bullionism. Another characteristic of early mercantilism was that scholars in this period believed the national wealth in their eyes was equal to the wealth of the king, which is associated with the autocratic monarchy.

Late Mercantilism ("Glorious Revolution"-1852)

The end of the "Glorious Revolution" marked the end of British dictatorial monarchy and the establishment of a constitutional monarchy. The right of the country changed from the king to the parliament, and Britain began the practice of late mercantilist state governance.

Late British mercantilist doctrine can be represented by Edward Misselden (1608-1634) and Thomas Mun (1571-1641), who believe that the trade surplus is a means to make the country rich. In addition, late mercantilists distinguished the wealth of the state from the wealth of the monarch.

Period of Classical Public Finance (1776-Late 19th Century)

The emergence of British classic public finance is marked by Adam Smith's *The Wealth of Nations*, and more representative scholars follow the Smith's tradition, such as David Ricardo, John Miller etc., so there is a certain degree of consistency in their thinking:

a. The tradition of British classical public finance all adheres to the theory of labor value; b. Focus on the analysis of fiscal revenue and lack of attention to fiscal expenditure; c. In the tradition of British classical public finance thinks that the government is out of the economic society, and the government is an "intervention" in the economic society. This feature originates from the natural law philosophy tradition.

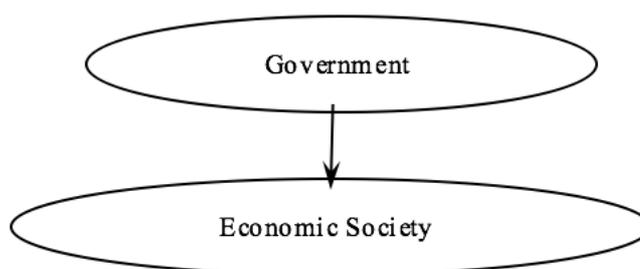


Figure 1 Government View of Classical Public Finance

GERMANY'S EARLY FISCAL THOUGHTS--CAMERALISM

The destruction of economy and society caused by the "thirty years' war" and the division of vassals are the main reasons that make the cameralism different from the fiscal thoughts of Britain in various periods (Backhaus,1987). The ideological characteristics are as follows:

a. Fiscal revenue

The main sources of national fiscal revenue should be royal land income and state-run enterprises. Regarding royal land revenue as one of the main sources of national fiscal revenue, tax as a secondary source of fiscal revenue should ideally not be levied.

b. Fiscal expenditure

Cameralists' attention to expenditures first comes from government direct investment expenditures. The focus of attention is on the "capital-theoretic quality", that is, the future profitability of a certain expenditure. In addition, cameralism's consideration of expenditure issues also comes from "human capital". They hope to increase the population while improving the quality of the population.

c. Treat the government as a participant in economic activities (Trib,1984,1987).

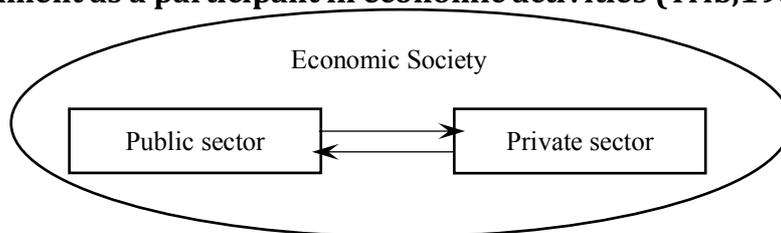


Figure 2 Government View of Cameralism

A COMPARISON OF THE FISCAL THOUGHTS OF THE TWO SCHOOLS

Obviously, different social environments in different periods have influenced the perspectives and ways in which scholars think about problems, and this fact has finally been reflected in various related works. It can be seen that changes in the system and changes in the social environment have promoted the evolution of British fiscal thought, and also determined that the fiscal thinking of Britain and Germany has entered two different development tracks. Regardless, these theories are reflections on the practice of state governance in a particular period.

First, the evolution of British fiscal thought before the 19th century was closely linked to its political system and social environment. The evolution of British fiscal thought has gone through four stages: "the king lives on his own", early mercantilism, late mercantilism, and classical liberal public finance. The first three stages correspond to the three political systems of medieval feudal society (the king was independent of society), authoritarian monarchy, and constitutional monarchy. As a result, these fiscal thoughts were the governance practices that matched the social environment at the time, and thus all promoted the country's development. Classical liberal public finance thought mainly corresponds to a social phenomenon—the rise and development of industrial capital.

Second, Cameralism is a mercantilism from a late German perspective. The cameralism began to appear sporadically in the 16th century, and only developed rapidly in the 17th and 18th centuries. In contrast, Britain and France have entered the era of authoritarian monarchy and started mercantilism as early as the end of the 15th century and the beginning of the 16th century. In addition, the research perspective of cameralism is different from mercantilism in the general sense, mainly because it is affected by the special social environment.

Finally, there is a big difference between British classical fiscal theory and cameralism. First, the classical fiscal theory of British paid more attention to the government's revenue and ignored the expenditure. Cameralism paid attention to both the government's revenue and expenditure. Second, the classical liberal public finance in England tends to associate economics with moral philosophy, while the cameralism links economics with administrative science more closely. Third, the classical fiscal theory of Britain treats the government out of the economic society, while cameralism studies have the opposite idea. Fourth, the perspective of British classical liberal public finance scholars is from the bottom up, cameralist is just the opposite.

CONCLUSION

All the above discourses essentially prove the view that any kind of fiscal thought is not generated out of thin air, and is closely related to its specific political system and social environment. Obviously, the significance here lies entirely in emphasizing the political and

social attributes of fiscal theory, and in opposition to the tendency of the contemporary research of fiscal theory to overly pursue technology.

As the main representative of western fiscal doctrines before the 19th century, the most important difference between cameralism and British classical fiscal doctrine is concentrated in how to view the government's positioning. Obviously, this difference still comes from differences in the political system and social environment. British and American fiscal theory holds that market failure constitutes a logical premise for government intervention in the market. Based on the dichotomy between the government and the private sector, mainstream fiscal theory, on the premise of the market failure theory will produce the following two tendencies—one is to equate the private sector with the market, and the other is to equate the government and the market “Opposition”. The problem caused by the above two tendencies is that it is impossible to explain the examples of government and private sector joint participation in the production of public goods production in practice such as PPP and “public ponds”. In order to solve the above problems, we seem to learn from the government view of cameralism: On the basis of the dichotomy between the government (or public sector) and the private sector, the two are unified through the national economy. Finally, both the tradition of British classical liberal public finance and cameralism emphasize interdisciplinary research (the latter is more practical), and this tendency of interdisciplinary research in finance has almost disappeared in modern mainstream fiscal theory. As far as the disciplinary nature of public finance is concerned, its interdisciplinary characteristics are certain. Therefore, fiscal research needs to return to the tradition.

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