

Goldsmiths Research Online

*Goldsmiths Research Online (GRO)
is the institutional research repository for
Goldsmiths, University of London*

Citation

Desmarais-Tremblay, Maxime. 2017. A genealogy of the concept of merit wants. *The European Journal of the History of Economic Thought*, 24(3), pp. 409-440. ISSN 0967-2567 [Article]

Persistent URL

<https://research.gold.ac.uk/id/eprint/23890/>

Versions

The version presented here may differ from the published, performed or presented work. Please go to the persistent GRO record above for more information.

If you believe that any material held in the repository infringes copyright law, please contact the Repository Team at Goldsmiths, University of London via the following email address: gro@gold.ac.uk.

The item will be removed from the repository while any claim is being investigated. For more information, please contact the GRO team: gro@gold.ac.uk

A genealogy of the concept of merit wants

Maxime Desmarais-Tremblay¹

Centre Walras-Pareto, Université de Lausanne, IEPHI, Geopolis building, 1015 Lausanne, Switzerland

Centre d'Économie de la Sorbonne, Université Paris 1 Panthéon-Sorbonne, France

This paper proposes a genealogy of the concept of merit wants coined by Richard A. Musgrave in his *Theory of Public Finance* (1959). The concept of merit wants can only be understood as a complement to the concept of public goods. I suggest that Musgrave invented the concept to apprehend some considerations that have been left out in the process of consolidation of the concept of public good. The narrow definition of the latter could not account for important state responsibilities that have been asserted by many economists.

I attempt to reconstruct Musgrave's intellectual background. First, I select examples of arguments for state intervention from authors influential in Musgrave's formative period (J.S. Mill, H. Sidgwick, E. Sax, H. Ritschl, G. Cassel, A. Wagner). Second, I argue that the invention of the concept in the 1950s reflected contemporary concerns for redistributive policies. I show that critics of the New Welfare approach (G. Colm, A. Hansen, W. Heller, H. Bowen) have held similar views, which were also in line with the liberal policy spirit of the post-war era in the United States.

Keywords: merit wants, merit goods, Richard A. Musgrave, social wants, public goods.

JEL Codes: B29, B31, H40, H42

¹ maxime.desmarais-tremblay@unil.ch Different versions of this paper were presented at the 2014 HES Conference in Montréal, and at the 2015 ESHET Conference in Rome (Young Scholars Seminar). I thank Marianne Johnson and Richard Sturn for their very helpful comments. I am also indebted to Roberto Baranzini and the other members of the Walras-Pareto Centre, to the participants of the AOH seminar (CES-Paris 1), and to Steven G. Medema for their feedback at an earlier stage of the work. I have benefited from the generous support of the Friends of the Princeton University Library for conducting research in the Richard A. Musgrave Papers. I am grateful for the help I received from the staff of the Mudd Library at Princeton, especially from Daniel J. Linke. In addition, I wish to thank two referees of for their helpful recommendations. All remaining errors are my own.

Introduction

In his *Theory of Public Finance*, Musgrave (1959) invented the concept of merit wants to describe a type of public wants which are satisfied by goods provided by the government, although they could technically be provided by the market because they are subject to exclusion. In a previously published short exposition of the argument of his *Theory*, Richard A. Musgrave (1957a) mentioned transfers in kind, like free hospitals for the poor, and subsidised low cost housing as examples of goods and services satisfying merit wants. Further examples of what will later be called *merit goods* are elementary education, museums, public parks, etc.² From the beginning, Musgrave acknowledged that in such cases, contrary to cases of social goods, the aim of government policy was to interfere with individual preferences:

A different type of intervention occurs where public policy aims at an allocation of resources which deviates from that reflected by consumer sovereignty. In other words, wants are satisfied that could be serviced through the market but are not, since consumers choose to spend their money on other things. The reason for budgetary action in this case is not to be found in the technical difficulties that arise because certain services are consumed in equal amounts by all. Separate amounts of individual consumption are possible. The reason, then, for budgetary action is to correct individual choice. (Musgrave 1959, 9)

The idea that some public goods should be provided in violation of the consumer's sovereignty was deemed unacceptable in a modern economic theory based on an individualistic methodological principle. The New Welfare Economics which formed the normative basis for the new American public finance would solely allow collective choices aggregated from subjective evaluations. This is the reason why the concept was rejected by Buchanan (1960) and McLure (1968), among others. Charles E. McLure, a former PhD student of Musgrave at Princeton (1966), stated his view very clearly:

² For a list of all the examples of merit goods given by Musgrave over the years, see Ver Eecke (2013, 36 n. 4).

“There can thus be no conclusion except that *merit wants, while they may exist, have no place in Musgrave’s normative system*” (McLure 1968, 483).

Unlike the concept of collective consumption good (Samuelson 1954; Samuelson 1955), or that of social good (Musgrave 1959; Musgrave 1969), which were readily integrated into mainstream public finance – out of which grew public economics – the concept of merit want has enjoyed a thorny history since it was coined more than 50 years ago.³

In this paper, I address the following question: Why did Musgrave invent this concept? My answer is constructed around the ensuing theses: (i) There has been an impoverishment of the conceptual field of discussion on the theory of public expenditures in the process of consolidation of the definition of pure public goods.⁴ This impoverishment takes the form of a restriction in terms of methodology and in terms of values. I suggest that (ii) the definition of pure public goods which emerges in the 1950s is unsatisfactory for Musgrave. Therefore, he invents another concept—merit wants—which is complementary to the social wants (later social goods or public goods) concept in his *Theory*. To my knowledge, Musgrave did not identify a precise explanation of what triggered him to invent the concept. Thus, to support my claim, I will try to make sense of the concept in the context of his *Theory*, relying on stated intellectual influences of past authors and contemporary colleagues.

³ For a discussion of the different uses and justifications of the concept provided by Musgrave over the decades, See Andel (1984) and Ver Eecke (2007). The latter is an Anthology which also contains the major secondary sources on the debate from the 1960s onwards.

⁴On Musgrave’s contribution to the standard definition of public goods, see Desmarais-Tremblay (2015).

In the first section of the paper, I also describe the context of Musgrave's early writings on public expenditures. Then, I explain the complementarity between the concepts of merit goods and social (or collective) goods. In the second section, I review some arguments for government intervention that could be labelled as merit wants arguments and that have been proposed before Musgrave invented the term. I select some authors that have been influential on Musgrave's formative period.⁵ In the third section, I argue that Musgrave's approach to public expenditures tried to accommodate the contemporary critique of his colleague and friend G. Colm. I then explain how the war planning experience and the policy challenges of the post-war era (full employment, growth and concern for the poor) brought new considerations for public expenditures that were not to be found in the 1930s when Musgrave wrote his dissertation. Yet, many of the proposed transfers in kind will not fit the pure collective good definition. Another concept was thus required.

1. Musgrave and the complementarity between social and merit wants

1.1. The context

Richard Abel Musgrave was born in Königstein, north of Frankfurt in 1910 from a family of liberal intellectuals (Sinn 2009). He studied at the University of Munich and in Heidelberg where he attended courses by Adolf Weber, Otto von Zwiedineck, Alfred Weber (the brother of Max), Jakob Marschak, and Otto Pfleiderer (Musgrave 1983; Musgrave 1997; Sinn 2009; Sturn 2010). Later, he received a scholarship which allowed him to go to Rochester (NY) in 1933. With the turn of events in Germany, he decided to

⁵ Other thinkers have put forward arguments for state intervention that are close to Musgrave's arguments for merit goods, but they probably did not influence him directly. For the family resemblance with Hegel and Adam Smith, see, respectively, Ver Eecke (2008) and Ver Eecke (2003).

stay in the US, moving to Harvard the next year (Colander and Landreth 1996). He obtained a MA in Economics from that university in 1936 and a PhD in 1937.

In order to understand the invention of the concept of merit wants, one must unravel Musgrave's vision of the public economy. Although the latter is best represented in his 1959 book *The Theory of public finance*, one can get very good evidence of his long-sustained view from his 1937 PhD dissertation which was prepared under the supervision of Harold Hitchings Burbank. Musgrave often remarked that his 'comparative advantage' in the US was the knowledge of continental public finance literature that he acquired in his Heidelberg years and which allowed him to produce a synthesis (Musgrave 1986; Musgrave 1997; Sturn 2010). He was not a mathematical economist (Musgrave 1959 p. ix). His dissertation, and more generally his theoretical approach to public finance had more to do with the German "tendency to classify" (Musgrave 1997) and the construction of weberian ideal types than Samuelson's mathematization agenda (Pickhardt 2006).⁶ Somehow, Musgrave was more in tone with the pragmatic American tradition in public finance. Moreover, he held on to a methodologically pluralistic perspective which combined insights from law, philosophy, sociology, and history in addition to neoclassical and Keynesian economics. The concept of merit wants perfectly illustrates this diversity of modes of thinking, though it created room for inconsistency criticisms, namely by Buchanan (1960).

When Musgrave arrived at Harvard in the midst of the New Deal, public policy was a hot concern for economists and politicians were demanding practical advice from them

⁶On Musgrave's use of ideal types, see Desmarais-Tremblay (2014).

(Musgrave 1997, 65). The rapid increase in public expenditures attracted new theoretical scrutiny. Accordingly, Musgrave (1937) justifies his dissertation in those terms:

While the limitations discussed [public finance focussing only on taxation issues] were permissible [sic] in a period where Public Economy occupied but a minor part in the economy at large, the expansion of modern Public Economy renders imperative 1) the inclusion of public expenditures in the analysis and 2) the consideration of the revenue-expenditure process of Public Economy in its inter-relationship with a dynamic national Economy as part of which it operates. (*ibid.*, pp. 20-21)⁷

Rejecting both the purely subjective perspective of the state and the German organic approach, Musgrave (1937) proposed a hybrid view of the National Economy combining a market sphere and a planned public sphere. This perspective is similar to many contemporary ‘third way’ views, rejecting both free-market economics, and total socialism. The state is conceived as a planned household in a world of market economy with interactions between the two spheres, each one having its own rationale. Musgrave’s project is revealed clearly in the preface to his *Theory*:

Unlike some economic purists of today, I admit to more than only a scientific motivation; intelligent and civilized conduct of government and the delineation of its responsibilities are at the heart of democracy. Indeed, the conduct of government is the testing ground of social ethics and civilized living. [...] [M]y interest in the field has been motivated by a search for the good society, no less than by scientific curiosity (Musgrave 1959 p. v).⁸

Upon graduation, Musgrave was appointed instructor at Harvard where he shared the public finance courses with Burbank until 1941 when he was recruited by the research department of the Federal Reserve (Musgrave 1997; Smith and Culbertson 1974; Sinn

⁷A similar ambition to take into account public expenditures is found in the contemporary works of De Viti de Marco (1934) and Colm (1936).

⁸ A “philosophy of life” which “remained intact” over the years (Musgrave 1986, 104; Musgrave 1999).

2009). There, he spent six years mostly in the fiscal affairs section, eventually becoming assistant to the Chairman Marriner Eccles. Reflecting on his Washington experience, Musgrave would later write: “Learning to understand how government functions, what data sources are available and where to turn for information proved invaluable, not only while on the spot but also for my later work” (Musgrave 1997, 68). Eventually he missed academia and went back to research and teaching at Swarthmore College in 1947, moving to the University of Michigan in 1948 where he “resumed the problems of [his] thesis and formulate [his] ideas on the nature of the public sector” (Musgrave 1986 p. ix), leading to the publication of the *Theory of Public Finance* in 1959.⁹

1.2. Merit wants and social wants

The marginalist revolution served as a springboard for new reflections on the nature of human needs in order to construct a theory of demand for goods. Pantaleoni (1883) and Emil Sax (1887) drew inspirations from this theoretical apparatus and tried to explain public goods provision by analogy with the market, while at the same time trying to make room for the obvious fact of state coercion. Parallel to that, the German tradition of *Finanzwissenschaft* had developed a profound reflection on the goals and the functioning of the modern state, including provision of public goods and services. In contrast to this wide-ranging and pluralistic discussions, the concept of (pure) collective goods defined by Samuelson (1954) as goods for which the total sum of quantity consumed by all is equal to the quantity consumed by each—is quite narrow. Musgrave’s conception of

⁹In 1958, Musgrave moved to Johns Hopkins, then to Princeton in 1962, and back to Harvard in 1965 with a joint appointment in the Economics Department and the Law Faculty. After retiring in 1981, he became adjunct professor at the University of California (Santa Cruz) where his wife, Peggy B. Musgrave, was teaching. He passed away in 2007 (Musgrave 1986; Sinn 2009). See also “Cumulative Bio-bibliography” dated from 1992 in the Richard A. Musgrave Papers (thereafter RAM Papers), Princeton University Library, Box 7, folder ‘Biographical’.

(pure) social goods which are at the same time non-rival and non-excludable is also very narrow. The definition provided by Samuelson turned out to be very fruitful. It had a significant impact on economic analysis as judged by the number of papers and books in public economics which have been written in the second half of the twentieth century. As long as this definition is used as a normative assessment of what the state ought to be doing, the exclusion of quite many activities undertaken by the state from the category precludes them from being justified.¹⁰ But even if such merit good provision outwardly does not respect the methodological principle of popular demand, they are deemed reasonable by Musgrave (1959). It is in this sense that the concept of social good, or that of collective good are not sufficient to apprehend the diverse nature of state activities in terms of goods and services provision.

The concept of pure collective good represents a reduction of the conceptual field of discussion both in terms of value and methodology.¹¹ The latter is quite obvious. Many types of intervention do not fit the mathematical definition,¹² nor the underlying welfarist framework of individuals with a given utility schedule as refined by Samuelson (1947). As for the values, it is also clear that public goods are provided in order to prevent potential inefficiencies which would be caused by market failure. Efficiency is thus the only normative criterion taken into account for public goods provision. In Musgrave's three-branch model, social goods are provided by the allocation branch as much as possible according to benefits, leaving the redistribution of income to the distribution branch. Other values, or normative criteria, such as equality, patriotism,

¹⁰Hammond (2015) downplays this normative interpretation of Samuelson's model, instead putting emphasis on Samuelson's own 'nihilistic' interpretation.

¹¹ For a more general discussion of the narrowing perspective of economic thinking in the market failure tradition after World War II, see Marciano and Medema (2015).

¹²For collective good j and agent i and quantities X , $X_j = X_j^i \forall i$.

glory, charity, etc. are not supposed to be relevant for the allocation of pure social or collective goods.

To analyse the corpus of economic texts that have influenced Musgrave in his formative years, I propose a grid that I construct on Colm (1936a). A fellow German *émigré* of Nazi Germany, Colm was a prominent specialist of public finance involved in public policy in America.¹³

In a short paper published in 1936, Colm reviewed and criticised the recent theories of public expenditures. Some scholars have tried to link state revenues and expenditures from a subjectivist perspective where taxes are voluntary payments in exchange for demanded public services. Another approach is to distinguish a private sphere where individual needs are satisfied and a public sphere for the satisfaction of collective needs. Those two approaches are often combined, but are both rejected by Colm. He argues that the action of the state is oriented toward political ends. Security, administration of justice and other public goods serve the state. In this perspective, the only way to understand which goods are provided by the state is to study the social and political transformations. Building on this typology, one can look at the literature on the specificity of public expenditures. Three dimensions stand out of the discussion that took place between the end of the 19th century and the 1930s: (1) Assuming a subjective valuation of public goods; (2) Drawing a distinction between collective needs and individual needs; (3) Explaining public goods in terms of political and historical

¹³Born in 1897, Gerhard Colm was a German economist who emigrated to the US in 1933. He joined the University in Exile at the New School and soon became an important figure of American economic policy. Advisor to the Trade Secretary in 1939, he moved to the Budget office during the War to become in 1946 a senior staff member of the Council of Economic Advisors to the president Truman. From 1952 until his death in 1968, he was the chief economist of the National Planning Association. ("Dr. Gerhard Calm, an Economist And Government Adviser, Dead", *The New York Times*. December 27th 1968.). See also Krohn (1987, 120 ff).

phenomena.¹⁴ I suggest that the modern concept of collective good or social good owes more to dimensions (1) and (2), and the concept of merit wants captures more dimensions (2) and (3). This is illustrated in Figure 1 below.

In the rest of this paper, I will focus on the second set of dimensions (2 & 3) which are captured by the concept of merit wants. The social want or collective want concept is interesting only insofar as in its consolidation process, it leaves aside some important elements that are picked up by the concept of merit want.¹⁵ The following figure is also a reminder of the evolution of the terminology from *wants* to *goods*. As collective wants came to be defined by technical characteristics (non-rivalry, non-exclusion) of the goods which satisfy them, more and more authors embraced the *goods* terminology.¹⁶ This substitution does not fit the merit wants category as well. The latter is used more in a discussion on the nature of needs which can be satisfied by different types of goods

¹⁴Although both dimensions (1) and (2) are present in De Viti de Marco (1934), Mazzola (1890) and others, they do not need to coincide. For instance, Walras (1896) distinguishes between individual needs and collective needs, but he strongly rejects the subjective, or hedonist, evaluation of public goods. This does not prevent him from developing one of the first subjective conceptions of value for (private) commodities.

¹⁵In his discussion on new foundations for the concept, Sturn (2015) rejects the 'residual' definition of merit wants. This seems to me a sound agenda, but it does not change the fact that when the concept was coined by Musgrave, it most likely carried some sort of residual nature (Ver Eecke 2007, 3).

¹⁶I do not discuss here the conceptualisation of market failures in terms of externalities which runs parallel to the history of the concepts of public goods and merit goods. For a history of the concept of externalities, see Medema (2015). Public goods have been represented as goods that are simultaneously consumed by many agents. Moreover, many other types of impure public goods have been explained by various schemes of interdependence between utility functions. Yet, generally merit goods evade the utility function representation. They do not fit the welfarist framework in which the concept of externality has taken root. At least that was the perspective until the first formalisation attempts in the 1970s (on which see Desmarais-Tremblay, 2016). For instance, Culyer (1971) will argue that merit goods can be defined as a special type of externality where individuals cannot capture the potential gains from trade.

(Musgrave 1986, 39). In spite of that, I will use here interchangeably the expressions of merit wants and of merit goods.

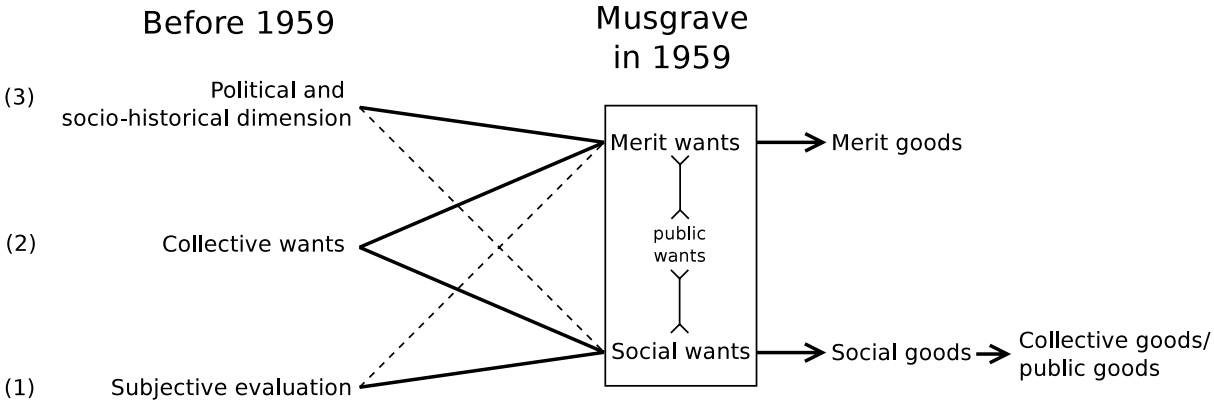


Figure 1: Reading grid and semantic evolution

Another aspect of the pure collective good concept is the assumption of a particular understanding of self-interest inherent to the free riding argument. Ironically, Musgrave is partly responsible for the narrowness of the concept. In order to reject the voluntary exchange model of public goods, he picked up the argument that was only hinted at by Wicksell (1896) and which later became the decisive story to justify coercive good public provision. What Buchanan (1964) would later call *the spectre of the free rider* was first clearly stated as a footnote argument by Musgrave (1939). Thus, to attack the voluntary exchange model, which he deemed unrealistic, Musgrave made a caricature of this strand of thought. This had the unintended consequence of eventually restricting the public goods label to situations of selfish behaviour. Indeed, Pickhardt (2005, 276) remarked that “during the evolution of the theory of public goods the emphasis on the purely selfish motivation of man has led neoclassical economists to promote an active role of the state with respect to the provision of public goods.” This, in turn, created a

conceptual void for all situations where individuals (in collective settings) act in other-regarding ways which could then be filled by the concept of merit wants.

In other words, the simple normative story of the Samuelson-Musgrave collective/social goods is as follows: public provision and compulsory funding are justified by the technical failure of an efficient decentralised allocation of such goods under the assumption of selfish behaviour. It is in contrast to this argument that one has to look for strings to pull arguments which lead to the elusive concept of merit wants.¹⁷

2. The early intellectual background

2.2. The British welfare tradition

John Stuart Mill and Henry Sidgwick provided enlightening discussions on the plural functions of government. Both authors could have influenced Musgrave's view on public expenditures. As a matter of fact, in the first chapter of his dissertation, Musgrave (1937) reviews John Stuart Mill's ideas on public finance. Musgrave (1959) extensively refers to Mill, but also to Sidgwick's *Principles of Political Economy*. Furthermore, Sidgwick is listed by Musgrave (1999, 29) among the figures at the root of his thinking.

In contrast to the New Welfare Economics, utilitarian thinking is less constraint by strict methodological principles which allowed thinkers like Mill and Sidgwick to develop a broad reflection on the nature of state intervention. To be sure, social welfare maximisation authorises interventions that would not be considered Pareto improvements. The general rule is well known: "Laisser-faire, in short, should be the general practice: every departure from it, unless required by some great good, is a certain evil." (Mill 1848, 945). Yet, Mill and Sidgwick recognise two types of exceptions

¹⁷ On the complementarity between the concepts of private, merit, and public goods, see Ver Eecke (2013, 48). Some commentators, like Andel (1969) and Pulsipher (1971), have criticised the relevance of the separation between merit and public goods.

to this strong individualistic principle: (i) When the individual is not the best judge of his interest, and (ii) when unorganized self-interested behaviour does not lead to the greatest social welfare (Medema 2009 Chapter 2).

Mill (1848) rejects the benefit principle in public finance. He argues that there is no *quid pro quo* between the services provided by the government and taxes paid by the citizens. This disconnection between the two parts of public finance, and the adherence to the utilitarianism principle, allowed, in retrospect, greater flexibility in terms of justified government interventions and public spending. Public interventions are guided by a concept of public interest, which corresponds to the political and social dimension in my grid (see figure 1). Mill draws a diverse collection of reasonable government interventions. Those relating to cases where (i) the individual is not the best judge of his interest will later be labelled as merit goods (Sturn 2015). Education is the most important case discussed by Mill and turned out to be a frequently quoted example of merit goods. In a voluntary system where the end is not valued enough, the individuals will not provide sufficient means to reach a socially desirable level. To put it briefly, “the uncultivated cannot be competent judges of cultivation” (*ibid*, p. 947).

The other type of exception is (ii) when self-interested individual behaviour does not lead to the general good. Those examples, such as colonisation of new territories and reduction of the workweek are collective action problems in the sense of Olson (1965).¹⁸ They reflect an exclusion problem and can be captured by the concept of social (or collective) good.

¹⁸Blaug (1985, 218) claims that Mill provides the first analysis of a public good problem. Musgrave (1985) states that it is a case of free riding. Tuck (2008, 134) disagrees. Sturn (2015) sees it as a case of public goods.

Sidgwick's treatment of government intervention is in continuity with Mill, but he goes further than his predecessor and has a more broad-based view on social welfare (Backhouse 2006; Medema 2009, Backhouse and Nishizawa 2010). Sidgwick distinguishes individualistic from socialistic interventions. The latter are complementary elements of a social organisation generally based on self-interest (Sidgwick 1897, 146). Among the exceptions to the laissez-faire rule which respect the individualistic principle, Sidgwick mentions drug controls-interventions which will later be labelled as *demerit goods*.¹⁹ In the case of education, he argues that the community has a strong interest in the intellectual and spiritual development of its members (*ibid.*, p. 155).

He claims further that the community has a certain interest in a set of cultural and scientific infrastructures (public libraries, museums, scientific laboratories) in which individuals only have a very indirect and distant interest. In these cases, "the benefit of the community as a whole may be taken as the primary aim of the intervention of Government" (*ibid.*, p. 156). However, since the community does not have a special ontological status for the utilitarians, it seems to me that one can understand the interest of the community as the interest of its individual members. Hence, if the

¹⁹ This argument will be further developed by Pigou (1932). A student of Sidgwick, Pigou did not come up with a theory of public expenditures in his treatise on public finance (Musgrave 1959), but in his *Economics of Welfare*, he discussed cases where the individual is not the best judge of his interest and where the government might have a correcting role. Musgrave (1937) refers to Pigou (1932) and also names him among the important intellectual influences (Musgrave 1999). Pigou also advocated a leadership role in educating poor people to the benefits of many goods which are unknown to them, like education, and art. In stark contrast to the idea of consumer sovereignty, Pigou claimed that "The art of spending money, not merely among the poor, but among all classes, is very much less developed than the art of making it." (p. 754). This problem of lack of information, combined with cases of irrationality discussed by Pigou (myopia on the part of individuals and a discrepancy between desires and satisfaction) formed the basis of the main approach to justify merit goods from the 1960s onward, following Head (1966). See also Mackscheidt (1974), Folkers (1974) and Head (1988).

individuals in their private capacity do not demand enough cultural goods with respect to their interest as members of a community, therefore it is a case where individuals are not the best judge of their interest.²⁰

In sum, utilitarian ethics, and a good dose of induction mixed with common sense would allow for many exceptions to the general rule of *laissez-faire*. Legitimate government interventions do not derive from a subjective evaluation by the citizens, they are listed by the benevolent economist on the basis of his socio-historical analysis of the needs of the community.

2.2. Germanic influences

German scholars have maintained a long intellectual tradition on the subject of the state, from Cameralism to *Finanzwissenschaft*. All national strands of thought in modern public finance (Italian, Swedish, British, American) have been influenced in one way or another by German scholars. Among them, Adolf Wagner (1835-1917), stands out as the intellectual father. Unsurprisingly, the early work of Musgrave (1937; Musgrave 1939) have been highly influenced by him (Sturn 2006).

What is common to the German tradition of public finance is a broad view of the role of the state. Just as the utilitarians, it allows them to consider many government undertakings which will not fit the narrow public good concept. For instance, Wagner admits many special collective wants such as religious and moral needs, elementary instruction, assistance to the poor people and public festivities (Wagner 1892 Vol. III, p. 279).

²⁰See also, Sidgwick (1883, 421).

2.2.1. Motivations

This broad perspective of the state is built upon an enlarged view of human nature. To explain how humans satisfy their needs, Wagner posits five different motivating forces, including the (Kantian) moral law, or sense of duty. He does not believe that this last motivation is generally at play in everyone, yet it is likely to be more effective in collective action, than in private market exchange (Wagner 1886; 1892 Book I, Chapter I).

Emil Sax, another influential figure on Musgrave, also admits non-selfish motivations. The Austrian economist was one of the first to apply the marginalist framework to collective needs and hence was very influential on the Italian tradition (Pica 2003). Musgrave (1937; 1939) discusses at length Sax's works, written in German. He also refers (1937) to Italian authors, but he does not give them much attention, most likely because he could not read the Italian language.²¹ Sax (1924) differentiates between three types of motivation: egoism, altruism, and mutualism. Sax is very clear on the fact that voluntary payment of tax for collective goods requires that individuals act in a non-selfish way (*ie.* altruistic or mutualistic). If individuals are assumed to act in a mutualistic fashion, they can voluntarily provide goods with indivisible benefits (later called collective goods) or even collectively promote goods which provide divisible benefits (later merit goods).²² At the opposite end of the methodological spectrum, Hans Ritschl (1931) also admits other-regarding motivations in the collective economy. Ritschl, who is considered by Musgrave (1937, 1997) as the contemporary

²¹Letter from Musgrave to Paolo Bosi. March 26, 1995. RAM Papers, Box 4, "Correspondence".

²²Sax's (1887, 1924) typologies of motivations and of collective needs are confusing. This opinion was already expressed by Wagner (1892, 168) and by Musgrave (1937). Neck (1989) painstakingly attempts to clarify it.

representative of the communal approach in *Finanzwissenschaft* proposes an organic view of the state. According to Ritschl, the individuals acting in their collective capacity are driven by different motivations: the spirit of sacrifice, loyalty, and communal spirit (Ritschl 1931, 237).

In a late paper on the history of public finance, Musgrave would recognise both the importance and the difficulty of trying to incorporate other-regarding motives in public finance:

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. [...] Nor can the role of communal concern be resolved in the utilitarian frame by allowance for interpersonal utility interdependence. There remains an uneasy feeling that something is missing. The concept 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, 73).²³

2.2.2. Wagner's Law and the absence of a defining criterion

The reflection on the specificity of public goods that took place in the twentieth century was likely driven by the growing phenomenon of public expenditures. Wagner's Law of increasing public expenditures provides both an empirical evidence and a rationale for the construction of the issue.²⁴

²³ See also Musgrave (1997, 74).

²⁴ In his own words: "The law is the result of empirical observation in progressive countries, at least in our Western European civilization; its explanation, justification and cause is the pressure for social progress and the resulting changes in the relative spheres of private and public economy, especially compulsory public economy." (Wagner 1883, 8). A similar formulation is found in Wagner (1892, Vol. III, 379) and translated into English in Bullock (1920, 32).

If merit goods are seen as realistic concessions complementing a pure theory of public expenditures, Wagner's insight, or a similar kind of observation, must have preceded the construction of an ideal typical category in a normative theory such as Musgrave's. Among these new duties, Wagner saw a civilisation objective for the state (Corado and Solari 2010). By providing goods and services which would establish the general conditions of human flourishing, the state can help its members taste the fruits of civilisation. That is to say, the state would help them to attain their ends, by promoting their physical, economic, moral, intellectual and religious aims (Wagner 1892 Vol. III, p. 369). Despite that, Wagner does not identify a precise criterion to circumscribe the responsibilities of the state. Beyond the minimal protection duties, there is no general rule (*ibid.*, p. 358). There is a growing tendency to spend for civilian programs, but the specifics vary through history depending on the social and political evolution of each country.

2.2.3. Public responsibilities

Among the new welfare roles is the guardianship responsibility toward those which cannot do the best for themselves, namely youngsters, orphans and old people. According to Wagner, the children need elementary education, and experience has shown that their parents do not always take the best decisions for them on this important matter which justifies the state in implementing mandatory instruction (*ibid.*, pp. 282, 293).

Sax, Cassel and Ritschl also acknowledge that even if some wants are divisible, or can be conceptualised as individual, there is an overriding collective interest in their satisfaction. Gustav Cassel, a prominent Swedish economist who studied under Wagner

and was part of the economics curriculum that Musgrave received in Germany, put it very bluntly:²⁵

It is a common occurrence for the machinery for satisfying collective wants to extend its operations to wants which can only be called collective in a relative sense, or which are in themselves purely individual, although the satisfaction of them has also a certain collective interest. [...] Modern social policy has in this way given a certain collective character to a large number of wants. We have only to think of the numerous measures in the interests of social hygiene, such as free or cheap public baths. Every extension of this kind of the collective satisfaction of wants clearly means an encroachment of public authority upon the sphere of individual choice, for certain individual needs are held to be particularly important, and individuals in the aggregate are compelled to use their means more liberally in meeting these needs than they would if they were not compelled. In this way the freedom of the individual to regulate his own demand for goods and services is restricted. (Cassel 1919, 71)

Just like Sidgwick and Sax, Cassel here acknowledges cases, like education, where individual choice is superseded by collective interest. Although of a technically individual nature, the community has given a collective character to some needs. Individuals in the aggregate are therefore forced to consume more of some goods than they would have done in isolation, or in the past. Thus, coming very close to the understanding of merit wants, Cassel also recognises that these activities represent an “encroachment of public authority upon the sphere of individual choice” (*ibid.*). For Ritschl (1931), the essence of the public economy was “a matter of satisfying pure or partaking communal needs”. When the state is satisfying some individual needs, it does not act out of a “technical reason” (Ritschl 1931, 236). Rather, the intervention is

²⁵Cassel was one of the thinkers of the Swedish model of social-democracy (Carlson 2003). In his *Theoretische Sozialökonomie (Theory of Social Economy)*, he came very close to the formulation of the two musgravian criteria for public goods (Sturn 2010). Musgrave (1983) recalls that he attended a course by Adolf Weber in Munich which was a “watered-down” version of Cassel’s *Theory* (Colander and Landreth 1996, 195). Cassel had a very clear view of the evolution of the responsibilities of the modern state and its relation with the citizens.

justified to prevent undesirable consequences of leaving such important needs to be satisfied by market allocation (*ibid.*, p. 239).

Although he adopts an Austrian subjectivist perspective, Sax also integrates some communal concerns in his analysis (Sturn 2010, 288). He takes the individuals as the subject of the inquiry, their welfare being the object of collective activity (Sax 1924, 179). Depending on the purpose of the collective activity and the divisibility of the benefits, many types of situations can occur. For instance, individuals can aim for the satisfaction of indivisible collective needs, or they can collectively aim to provide benefits to specific members of the community. In the latter, it can be the case that “the satisfaction of individual needs through collective supply of goods and services is a means for the achievement of some collective purpose” (*ibid.*, p. 180).

What emerges from this brief survey of German-writing authors is that they study the economic functions of the state by assuming that individuals act in their collective capacity, and often in a non-selfish way. Some of the goods provided by the state, identified through a socio-political analysis, fulfil the needs of the community.

2.3. The young Musgrave

Musgrave’s dissertation (1937) is already an attempt at synthesising the different strands of thought in public finance on the topics of expenditures and taxation. Although merit wants do not appear before 1957, it is worthwhile to see to which extent Musgrave’s approach to public economy sets the table for his maturer work. Even if he does not come up with a typology of public goods of his own in his dissertation, one can try to identify theoretical conditions for the possibility of merit wants to arise. Among the key features that Musgrave imported are “a positive approach to the expenditure side of the budget” and a “concern for communal wants” (Musgrave 1997). Musgrave

follows Wagner (1883, 2) in taking the state as the subject of public finance. This methodological starting point allowed for two interesting features. To begin with, the fact of state coercion is integrated at the outset (Musgrave 1937, 74). This is essential for merit wants to arise, since there must be the possibility for a discrepancy between aggregate demand for goods and services and what the government decides to provide, something that is not allowed in the voluntary exchange models of Lindahl (1919) and the likes. Moreover, Musgrave also acknowledges the ethical nature of such decisions (*ibid*, p. 80). In other words, there is no mechanical solution to the satisfaction of public needs. In a democratic society, decisions will have to be made by the representatives of the people—decisions which will not satisfy everyone’s value scale.

In technical terms, Musgrave assumes that the government acts on a given social value scale. Just like the preferences of the individuals for private goods, the economist assumes that the social value scale is exogenous. Again following Wagner, no unique criterion for the justified interventions of the state is identified. Admittedly, there are individual wants, and “social wants proper”²⁶ but they do not delimit the boundary between private and public goods, since individual needs can be satisfied by public services if the government decides to do so. Musgrave cuts through the complicated question of determining if wants are felt by the individuals, or by the community as a whole, by assuming that they are assessed from the point of view of the social planner who homogenises them. Hence Musgrave recognises two types of public expenditures: those aimed at the satisfaction of social wants proper, and those aimed at “socially interpreted individual wants”:

²⁶ The expression of “social wants proper” is likely adapted from Sax’s (1924) expression of “collective wants proper” (*eigentlichen Kollektivbedürfnisse*).

The above illustration may be applied to a large number of public expenditure items, aiming at the satisfaction of individual wants, but proceeding on the basis of social, rather than individual, evaluation of such wants. Instead of housing, a free supply of educational, medical or sanitary services could have been chosen as examples. Not only may in certain instances the individual evaluation of such services be below the social one, but it may actually be zero or negative. (ibid, p. 348)

This is the closest he will get in the 1930s to what will become in 1959 the justification for the allocation branch, namely provision to satisfy social wants and merit wants.

3. Contemporary influences

In this last section before the conclusion, I show to what extent Musgrave's invention of the concept of merit wants in the 1950s reflects concurrent concerns for redistributive policies. There were indeed contemporary voices in America which echoed arguments similar to those advanced by earlier British and Germanic scholars, albeit in a different context. The influences surveyed up to now constituted Musgrave's intellectual background, but he did not write his *Theory of Public Finance* merely to argue with long-dead scholars. First, I discuss Gerhard Colm's criticism of the new American Public Finance. Colm is interesting as a contemporary and American representative of the German tradition of public finance. Second, I show how Musgrave's merit wants address political challenges of post-war America which were shared by his liberal institutionalist colleagues.

3.1. Gerhard Colm

When Gerhard Colm (1897-1968) moved to the US, he was 13 years older than Musgrave. His economics training had been completed for a few years and he never integrated neoclassical economics into his applied policy work (Sturm 2010). Colm stands as one of the last figure of public finance in the US to oppose the individualistic approach: "I think it does not make sense to interpret a person's ideas about

international tension, national security, foreign aid, conservation of resources, education and health in terms of the ‘individual wants’ and to propose that the costs for these programs should be allocated accordingly” (Colm 1957, 54).²⁷

Moreover, he argues that the benefit approach cannot be strictly applied, since it would only account for the demand of actual citizens. Instead, the state, as an eternal entity, can take care of future generations (Colm 1936a, 6).²⁸ Rejecting any normative pretension, Colm claims that public expenses satisfy political aims. For him, there is no such thing as a purely individualistic need, or a purely collective one. Education, for instance, is both an individual and a collective need and it is not publicly funded because of some technical reason (indivisibility, non-rivalness, or non-excludability) (Colm 1956, 411). Echoing remarks which I highlighted in the two previous sections, Colm makes it very clear that beyond the cases of market failures, for some important issues, the market is not the appropriate allocation mechanism because it has important distributional consequences:

There are other tasks assumed by the state which could technically be fulfilled by the marketing system. [...] If the state for political, cultural, or economic reasons desires to have a certain minimum standard of education, then this field must be separated from the marketing mechanism and shifted to the administrative economy. Thus we have public education, public hygiene, public recreation, even certain attempts at public housing, because we wish to avoid the implications of the marketing distribution in those fields. (Colm 1936a, 6).

In a way, Musgrave’s invention of the concept of merit good is partly explained as a concession to the persuasive critiques that Colm addressed to the benefit approach of

²⁷ A long-held conviction. See, for instance, Colm (1936b).

²⁸This was also explicitly argued by Wagner (1892 Vol. III p. 283) and by Musgrave (1937, 76).

public expenditures, and also more generally a concession to the German philosophy of the state that he represented. In fact, Musgrave (1937) discusses and criticises at length Colm's (1927) habilitation thesis *Volkswirtschaftliche Theorie der Staatsausgaben* (*National theory of public expenditures*). Both men being involved in public policy during the war, Musgrave (1983, 93) referred to Colm as "a good friend and colleague in Washington affairs."²⁹ In a section on the limits of the individualistic approach, Musgrave (1959) refers in a footnote to "personal discussions" with Colm. At the very least, Colm was among the few economists who gave a positive reception to the concept of merit wants:

The introduction of the concept of 'merit wants' indicates that Musgrave recognised the limited applicability of consumer preferences to government services, but he failed in drawing the full consequences from this recognition. [...] If I understand the concept of merit wants, it has a wider application, not only to education and health services mentioned by Musgrave (Colm 1960a, 119).³⁰

Colm (1960b; Colm 1965) argued that governments resorted to the norm of public interest to conduct their policy. In a review of Musgrave (1959)'s *Theory*, Colm (1960a, 19–20) stated:

²⁹They likely met in sessions of the Fiscal Policy Seminar at Harvard under the direction of Alvin H. Hansen and John H. Williams. (Harvard Course catalogue, Graduate School of Public Administration, attachment in a letter from Walter Salant to Richard Musgrave. January 1988. RAM Papers, Box 5. Also available on Irwin Collier's blog [<http://www.irwincollier.com/harvard-economics-hansen-and-williams-fiscal-seminar-1937-1944/>].) See also Musgrave's note to Mr. Thurston (December 18, 1945) where he refers to a recent discussion with Colm. (Federal Reserve Board. The Marriner S. Eccles Document Collection.) Moreover, the Gerhard Colm Papers in the Library of Congress contain a dozen letters from or to Musgrave covering the whole 1950s decade (in Boxes 2, 3, 4, 5, 6, and 24).

³⁰ In a first reaction to Musgrave's (1959) discussion of public wants, Colm restated his opposition to the individualistic approach to public expenditures. He regretted that Musgrave followed the Samuelsonian perspective on social/collective goods, but insisted in trying to reach mutual understanding out of respect and admiration for Musgrave and Samuelson. (Colm to Musgrave (cc. to Samuelson), April 29 1959, Gerhard Colm Papers, Library of Congress, Box 6, Folder 5.)

I believe that the public interest is a more comprehensive and more operational concept to be used in a theory of public finance. It includes satisfaction of individual needs in those areas where government services are designed to meet individual needs which cannot be adequately met by the market mechanism. But the public interest also serves as a criterion for the satisfaction of 'merit' wants, for redistribution, and promotion of economic growth and stability.³¹

3.2. Beyond full employment

I want to briefly discuss Musgrave's choice of words for the concept of *merit wants* which appeared for the first time in (1957a). I think Musgrave uses the concept of *merit* in the common sense of virtue or value. Not in the sense that some goods are deserving, but rather that *people*, as human beings, or members of a community, deserve some amount of those goods.

There is at least one antecedent to the expression of *merit want* in a book chapter written in 1945 while Musgrave was at the Fed. The paper addresses fiscal policies to attain full employment and macroeconomic stability. Musgrave claims that full employment may require public expenditures, but that the specific programs on which expenses are made have to be selected on their own merit: "the intrinsic merit of expenditure items is the first criterion of choice, not their effect on employment" (Musgrave 1945, 8). The same idea recurs many times in the text:

There is nothing in the nature of fiscal policy and compensatory adjustments which requires public expenditures that are not warranted on their own merits. If budget adjustments are needed to raise the level of total expenditures, public expenditures may be increased if additional public services are desired; this may take the form of public investment outlays such as public construction or, depending on social needs, the additional expenditures may well be for school luncheons or education (ibid., p. 14).

³¹ A year after having read Musgrave's *Theory*, Colm(1960b) published a paper detailing his view of the public interest, and referred to Musgrave's idea of merit wants in a footnote.

In preparation for the aforementioned essay published by the Board of Governors of the Federal Reserve, Musgrave wrote a longer piece entitled *Postwar Fiscal Policy*.³² He explains that the first and foremost challenge of post-war fiscal policy is to avoid a contraction similar to the one experienced after the Great War when military expenditures were cut back rapidly. If the private sector is not ready to fully compensate a decline in military expenditures, which seemed likely, overall public expenditures must remain high to guarantee full employment. Musgrave argued that the economic focus on reducing unemployment and favouring growth should achieve ‘substantial agreement’. In retrospect, Musgrave was right. Partially because of its political neutrality with respect to specific choices about the good life, the policy of full employment and growth convinced democrats and republicans alike (Sandel 1996, chap. 8). Yet, Musgrave goes further than the neutral policy recommendation. His voice has a moral overtone representative of the formative ambition of the Progressives.³³ He does not shy away from making a value judgement on the type of social needs which should be satisfied by public expenditures:

There are large areas of public services such as resource development, public health, education, and housing which have been badly neglected and rate a high priority in the nation’s needs. They will stand on their own merits; other projects of a makework kind do not (Musgrave 1945).

³²Unpublished and undated, but very likely from 1944 or early 1945. 46 pages. RAM Papers, Box 8, Princeton University Library.

³³Johnson (2015, 21) argues that “the institutional approach did not eschew value judgements or stop investigating questions when the subject veered into law, politics or sociology”. Musgrave admired Groves and Hansen for their “positive and courageous approach to the solution of public policy problems—the kind of attitude which expressed [their] Midwestern progressive faith that ultimately things can be done reasonably” (Musgrave, Heller, and Buchanan 1972, 66).

Interestingly, these examples will not qualify as pure collective (or social goods), and will later be labelled as merit goods: “Public services aimed at the satisfaction of merit wants include such items as publicly furnished school luncheons, subsidised low-cost housing, and free education” (Musgrave 1959, 13).

Besides, Musgrave was not alone in defending such views. In the midst of the Second World War, the radical democrat Stuart Chase (1942) had published a popular book which championed increased governmental expenditures to guarantee minimal standards of welfare to every citizen. The book was reviewed by Musgrave who summed up the argument:

In *Goals for America*, Mr. Chase shows that our resources are ample to assure everybody a respectable minimum standard, covering such items as food, housing, clothing, health and education. The resources are adequate, moreover, to leave plenty of leeway for the production of semi-luxuries and luxuries. Considering the war record of American production, there should be little doubt about this. Everybody willing to assume his social responsibility should be assured the minimum standard (Musgrave 1944, 381).

Musgrave asserted that Chase was oversimplifying the economic arguments, but he also believed that the general approach was “essentially correct”. Musgrave never quotes Chase in his work, but the proximity between Chase’s (1942) plea and Musgrave’s comments in 1945 attest that the argument for increase public expenditures to guarantee full employment and to fight poverty was a common view of many economists.

Musgrave’s Harvard mentor, Alvin H. Hansen, also shared his practical motivation. Hansen, who trained a generation of economists who became influential in policy making, was also drawn to economics by his desire to “make the world a better place” (Mehrling 1997, 88). Although Musgrave does not quote (first-generation) American institutionalists, they might have had an indirect influence on him through some of his

mentors like Hansen.³⁴ As a matter of fact, the latter studied under Progressives Richard T. Ely and John R. Commons at the University of Wisconsin between 1913 and 1916 (Mehrling 1997, 86).³⁵

In *Economic Policy and Full Employment*, Hansen (1947) advocates policies aimed at raising the level of consumption. On the one hand, transfers in kind can be interpreted as strategies to secure a certain level of consumption for the masses (though one could argue that the poor are already assumed to have a high propensity to consume). Hansen writes:

Thus, by means of minimum-wage legislation, social security, public-welfare subsidies of various kinds, family-allowance systems, subsidised public housing for low-income groups, free school lunches, free education, free highways, parks, playgrounds, public library, and other free community services, the consumption of goods and services partially publicly financed is undergoing a gradual transformation. These are carefully considered, selective ways of raising the level of consumption. (p. 167)

Yet, similarly to Musgrave and to Chase, Hansen goes on to say that the aforementioned expenditures are “intended to establish certain *minimum* consumption standards for all citizens throughout the nation. They are directed specifically at the points where the needs are greatest. Guided by the criteria of social utility and social priorities” (*ibid.*). The general observation made by Hansen on the unfulfilled wants of the people also echoes Chase’s and Musgrave’s plea: “The areas in which the United State, the richest

³⁴Moss (2005) claims that the American institutionalist bedrock was a fertile ground for Musgravian public finance and explains its relative rapid success, compared to Public Choice. Interestingly, Gruchy (1972) considers Colm as a neo-institutionalist thinker.

³⁵Hansen was hired by Harvard in 1937, the year he served as President of the AEA. Musgrave left Harvard for the Fed in 1941, but came back often to participate in the Fiscal Policy Seminar. Even before returning to academia, Musgrave led a project of essays in honour of Hansen (*Income, Employment and Public Policy. Essays in Honor of Alvin H. Hansen*, published by W.W. Norton & Co. in 1948.) Musgrave and Hansen also co-directed a Fiscal expertise mission to Germany in 1951. Musgrave (1976) titled his eulogy to Hansen: “Caring for the Real Problems.”

country in the world, is incredibly deficient are (1) health, (2) nutrition, (3) education, (4) housing.” (Hansen 1947, 167)

3.3. Consumer sovereignty should not hinder redistributive goals

The public interventions labelled by Musgrave as merit goods in 1957 and 1959 certainly violated the principle of consumers’ sovereignty, but they were in tone with the prevailing liberal policy agenda from the end of the Second World War to the end of the sixties. Even before Galbraith’s (1958) celebrated essay, Bowen (1948) had forcefully criticised the reasonableness of consumer sovereignty as an assumption in (social-)economic theory.³⁶ Drawing from different sources, Bowen advocates a social economy “combining planning and democracy”. According to him, without further assumption about rationality, knowledge, and the social situation of choice, consumer sovereignty is an empty postulate which does not, most of the time, lead to maximum aggregate satisfaction (Bowen 1948, 215ff). In his own words:

Traditionally, it has been assumed almost without question that the consumer will select the ‘right’ goods, and that there is no appeal from the valuation of individual consumers. From this assumption has come the rather general belief, popular especially among economists, that it is economical to use social resources to produce anything for which people are willing to pay a price—a somewhat exaggerated version of *de gustibus non est disputandum* or ‘the consumer is always right.’ This argument is palpably unsound because it completely misrepresents the position of the individual consumer as a free agent exercising independent choices. (ibid., p. 215)

In 1946, the Congress Joint Economic Committee (JEC) was established by the Employment Act. According to Hansen (1957, 82), its reports and Hearings were part of a great economic ‘educational process’ which also included the Economic Report of the

³⁶Trained at the University of Iowa, Howard Bowen published a paper on social goods (1943) which came close to Musgrave’s (1939) reconstruction of the Lindahl model. Bowen (1948) refers to Musgrave (1939), and Musgrave (1957a; Musgrave 1959) refers to Bowen (1948).

President, drafted by the Council of Economic Advisers. In late 1957, the JEC held Hearings on Federal Expenditure Policy for Economic Growth and Stability. Among the panellists, Walter W. Heller presented a paper on the theory of public expenditures which adopted Musgrave's framework as a starting point. As he put it:

The Musgrave contribution provides an instructive illustration of the intellectual process at work, a process of which the Joint Economic Committee's hearings are an essential part. His formulation, even though not yet published in definitive form, has already clarified and stimulated thinking on public expenditure theory (a field comparatively neglected in favor of work on tax theory and policy) and has provided a base for further contributions to the subject (Heller 1957, 101).

Heller argued that transfers in kind were important redistribution policies.³⁷ He acknowledged that what Musgrave (1957a) called merit wants posed a problem for the new welfare economics and conceded that their lying outside his framework was a 'limitation' for the applicability of his *Theory*. After discussing the case of free vocational education, he concluded:

The new welfare economics may protest that this is a form of tyranny of the majority of the voters over the minority, that each individual is his own best judge of his welfare. Since the equivalent cash payment would have been spent differently, it is said to be a violation of consumer sovereignty. [...] Seen in this light, the transfer in kind may interfere more with license than with freedom of consumer choice. I do not mean to dismiss the "tyranny" argument, but its force is certainly softened by the kind of consideration just examined. It may be further softened if we accept the proposition that the responsibility of the voters' representatives goes beyond a mere recording of individual preferences to leadership and education designed to redirect individual preferences along lines which a social consensus deems more constructive. (ibid., p. 100)³⁸

³⁷ The focus on redistribution of some specifically important goods ("silver bullets" to fight poverty) will become an important strand of interpretation of merit goods in the 1970s. See Burrows (1977).

³⁸In his testimonial, Richard A. Musgrave (1957b, 111) also briefly mentioned the problem of merit wants, though without using the expression.

3.4. The liberal agenda

Musgrave first met Heller at the latest in 1956, in a meeting of the Fineletter group in Chicago.³⁹ While he was writing his *Theory*, Musgrave got involved in the presidential campaign of Adlai E. Stevenson (who lost twice to Eisenhower in 1952 and 1956). He was part of a group of policy advisers to Stevenson called the Fineletter group.⁴⁰ Stevenson espoused the vision of an increasing role for the government in the welfare of the people. The United States has just become the richest country in the world. It needed to share this wealth, something the markets could not do to a satisfactory level. The goal of this new liberalism was not for the government to take control of the entire economy, but to “carry out some of our common purposes, for realizing some of our common hopes, for reaping, if you will, some of the fruits of our abundance in this period of unparalleled plenty” (Stevenson 1957).

Some liberal economists demanded even more increase in government spending than most of their democrat colleagues. Even, after losing the 1956 election, and throughout the 1950s, Leon Keyserling repeated his call for more federal spending, both for “economic justice, [to] improve human beings” and to “maintain maximum economic growth”. A former chairman of the CEA under Truman, Keyserling headed the

³⁹Council of Economic Advisers: Walter Heller, Kermit Gordon, James Tobin, Gardner Ackley, Paul Samuelson, recorded interview by Joseph Pechman, August 1, 1964, John F. Kennedy Library Oral History Program.

⁴⁰See letters, Henry to Musgrave, and Musgrave to Henry. 2005. RAM Papers, folder ‘Letters’, Box 5, Princeton University Library. The group of some 40 men organised by Thomas Fineletter also included fellow economic colleagues of Musgrave: Seymour E. Harris, E. Cary Brown, Stanley Surrey, Gerhard Colm, Alvin Hansen, Paul Samuelson, John K. Galbraith, and Walter W. Heller. (Schlesinger and Harris 1957 p. xx) Musgrave, Colm, Heller, Surrey, and Brown constituted the ‘tax group’ in the larger Fineletter circle. (Memorandum from Colm to Heller, Musgrave, Surrey cc. Brown, September 21, 1956, Gerhard Colm Papers, Library of Congress, Box 5, Folder 5.)

Conference on Economic Progress, a think tank which lobbied the Eisenhower administration to increase expenditures: "The main purpose of the Federal Budget is to meet those basic needs of a great and growing people which cannot be met through private spending. [...] These include [for the 1958 budget] such items as natural resource development; housing; aid to education and public health; public assistance to the aged, to the afflicted, and to other dependent; and manpower and other welfare services."⁴¹

Although Stevenson lost the campaign, The Fineletter group policy discussions paved the way for the liberal reforms of J. F. Kennedy and L. B. Johnson in the 1960s. In fact, Walter Heller was the chairman of the CEA under Kennedy. According to Bernstein (2001, 138), he was also the instigator of the national strategy to fight poverty which became Johnson's War on Poverty. It is noticeable that the idea behind the strategy was first put forward in the 1964 Economic Report of the President in a chapter written by Robert Lampman. Also trained in the progressive spirit at the University of Wisconsin, Lampman was recruited by Heller to join the CEA staff in 1962 (Bernstein 2001). Interestingly, after he went back to teach at Wisconsin, Lampman (1966) was one of the first to use Musgrave's concept of merit goods in print.

Johnson's 'Great Society' comprised the provision of many merit goods such as housing for the poor, education, free luncheons, and funding for the arts. Musgrave who was part

⁴¹ *Consumption—key to Full Prosperity. Toward rising living standards.* 1957. Conference on Economic Progress. pp. 35-36. Keyserling hired Colm on the CEA. In 1957, Keyserling participated in a group of 21 economists advising the Democratic Party on the problem of living standards, which also included K. Galbraith, S. Harris, W. Heller and R. Musgrave. ("High Costs Made issue by Butler," *The New York Times*, Sep. 12 1957, p. 21) Keyserling represented the older generation closer to the idea of the New Deal, than to the New Economics of the 1960s. On the historiography of Liberalism in the 1950s, see Beck (1987). See also "Oral History interview with Leon H. Keyserling", Washington, DC, May 1971. Harry S. Truman Library. [<https://www.trumanlibrary.org/oralhist/keyserl3.htm>]

of Johnson's 'Brain Trust' shared this progressive vision. In an interview for *US News and World Report*, Musgrave argued: "For a country that is, generally speaking, as well off as ours, the challenge of economic growth is this: What do you do with your wealth? How do you use your opportunities? How do you generate a better life?"⁴²

In the post-war economic policy debate, almost everyone would eventually agree on deficit spending to fight unemployment, but some liberals went further than this fiscal consensus. They built on the emerging consensus of democratisation of living standards in the 1950s.⁴³ Not willing to fully abdicate the collective power to share the wealth in a way that would elevate the nation, Musgrave, Colm, Hansen, and Heller, among others, advocated an increased national responsibility in the welfare of the people, although this ran against the slowly growing policy trend for neutrality of the state with regard to consumption choices.

In this section, I have shown that Musgrave's concept of merit wants, although it was rejected by many economists, conveyed ideas that were shared by some of his colleagues. Thus, Musgrave's idea had a friendly audience in some policy circles. For instance, the Great Society was designed by those who have been receptive and shared Musgrave's view of the role of the state. I am not suggesting that Musgrave's concept of merit wants was the spark which lit up the policy proposals of redistribution in kind, but

⁴²M.S. Handler, "27 Specialists Start Flow of Ideas to White House", *The New York Times*, May 3, 1964. And "What the future holds for America. As the President's 'Idea Men' See it. *U.S. News and World Report*, June 15, 1964. Musgrave (1966) also defends the Great Society programs. On the imperative of sharing the wealth, see also Hansen (1957, 146 ff.).

⁴³For instance, Colm and Geiger (1958, 58) argued that decent living standards for everyone was a shared value at the time.

rather that it fitted the spirit of economic leadership at the end of the fifties and early sixties.

Conclusion

In this paper, I have suggested that although the concept of merit wants was rejected by many young scholars trained in the New Welfare Economics, it was positively received by some liberal economists influential in policy circles (section 3). Thus, Musgrave's view in the 1950s seems less out of touch than it might appear when we look at it from the point of view of recent public economics. Yet, for Musgrave to give such a place to the concept, there must have been a prior intellectual background in place. I have tried to sketch relevant parts of this background (section 2) which help to understand why he might have come up with the idea of merit wants. This historical analysis of one concept of his *Theory* consolidates the view that it truly is a synthesis of different strands of thought (Sturn 2010).

In the hot debate on the specificity of public expenditures, part of the considerations have found an incarnation in the concept of collective good, or that of social good (section 1). Other ideas that were still flowing around in the early twentieth century were left out of the new welfare methodological framework, namely other-regarding motives which carry with them communal values (understood in a broad sense). For instance, the individuals, when acting in a democratic setting, might want to promote certain goods collectively to safeguard them from the market sphere. This conceptual transformation also reflects the broader evolution of public finance into public economics. From a comprehensive description of what the state was doing to a narrower consideration for efficiency restoring policies in cases of market failures.

At the same time as the concept of public good was undergoing a semantic reduction, there was a growing enthusiasm in liberal circles for increased federal government responsibility in the welfare of the people. This policy agenda was fostered by the confidence in economic planning acquired during the Second World War, but also by the observation that, in spite of the tremendous growth in wealth, a large share of the American people was still living in relatively poor conditions. This tension increased the need for a complementary concept to apprehend and to guide the fiscal activity of the state, and thus might explain why Musgrave coined the concept of merit wants.

The history of ideas can benefit greatly from studying the failure of some strands of thought to reach mainstream economics. This paper was conceived as a step in that direction, by shedding light on a lurking concept in public economics. As Musgrave once put it: "the skeleton has remained in my closet and I am pleased to remain responsible for it" (Musgrave 1983, 91).

References

- Andel, Norbert. 1969. "Zur Diskussion über Musgraves Begriff der 'merit wants'." *Finanzarchiv*, 28(2), 209–213. Translated in English by W. Ver Eecke "A Discussion about Musgrave's Concept of Merit Wants." Reproduced in *An Anthology Regarding Merit Goods*, edited by Ver Eecke. 2007.
- . 1984. "Zum Konzept der meritorischen Güter." *Finanzarchiv*, 42(3): 630–648.
- Backhouse, Roger E. 2006. "Sidgwick, Marshall, and the Cambridge School of Economics." *History of Political Economy* 38 (1): 15–44.
- Backhouse, Roger E. and Tamotsu Nishizawa. 2010. "Introduction: Towards a Reinterpretation of the History of Welfare Economics." In *No Wealth but Life*, 1-22. Cambridge : Cambridge University Press
- Beck, Kent M. 1987. "What Was Liberalism in the 1950s?" *Political Science Quarterly*, 102(2), 233–258.
- Bernstein, Michael A. 2001. *A Perilous Progress. Economists and Public Purpose in Twentieth-Century America*. Princeton: Princeton University Press.
- Blaug, Mark. 1985. *Economic Theory in Retrospect*. 4th ed. Cambridge: Cambridge University Press.
- Bowen, Howard R. 1943. "The Interpretation of Voting in the Allocation of Economic Resources." *The Quarterly Journal of Economics* 58 (1): 27–48.
- . 1948. *Toward Social Economy*. New York: Rinehart & Co.
- Buchanan, James M. 1960. "Review: The Theory of Public Finance." *Southern Economic Journal* 26: 234–38.
- . 1964. "What Should Economists Do?" *Southern Economic Journal* 30 (3): 213–22.
- Bullock, Charles J. 1920. *Selected Readings in Public Finance*. Boston: Ginn & Co.
- Burrows, Paul. 1977. "'Efficient' Pricing and Government Interference." In *An Anthology Regarding Merit Goods*, edited by Ver Eecke. 2007.
- Carlson, Benny. 2003. "Wagner's Swedish Students: Precursors of the Middle Way?" *Journal of the History of Economic Thought* 25 (4)
- Cassel, Gustav. 1919. *The Theory of Social Economy*. London: T. Fisher Unwin. Translated in English in 1923 from *Theoretische Sozialökonomie*.
- Chase, Stuart. 1942. *Goals for America, a budget of our needs and resources*. New York: The Twentieth Century Fund.
- Colander, David C., and Harry Landreth, eds. 1996. *Richard A. Musgrave (B. 1910) In The Coming of Keynesianism to America*. Cheltenham: Edward Elgar.
- Colm, Gerhard. 1927. *Volkswirtschaftliche Theorie Der Staatsausgaben*. Tübingen: Mohr.

- . 1936a. "Theory of Public Expenditures." *Annals of the American Academy of Political and Social Science* 183: 1–11.
- . 1936b. "Probleme der Finanzsoziologie." In *Reine Und Angewandte Soziologie. Eine Festgabe für Ferdinand Tönnies*, 106–112. Leipzig: Hans Buske
- . 1956. "Comments on Samuelson's Theory of Public Finance." *The Review of Economics and Statistics* 38 (4): 408–12.
- . 1957. "Comments on Richard A. Musgrave's 'A Multiple Theory of Budget Determination'." *FinanzArchiv / Public Finance Analysis* 18 (1): 52–55.
- . 1960a. "The Theory of Public Finance (Book Review)." *The Journal of Finance* 15 (1): 118–20.
- . 1960b. "In Defense of the Public Interest." *Social Research* 27 (1).
- . 1965. "National Goals Analysis and Marginal Utility Economics." *Finanzarchiv* 24 (2): 209–24.
- Colm, Gerhard, and Theodore Geiger. 1958. *The Economy of the American People. Progress, Problems, Prospects. A Staff Report*. Washington, DC: National Planning Association.
- Conference on Economic Progress. 1957. *Consumption—key to Full Prosperity. Toward rising living standards*. Washington, DC: Conference on Economic Progress
- Corado, Daniele and Stefano Solari. 2010. "Natural law as inspiration to Adolph Wagner's theory of public intervention." *The European Journal of the History of Economic Thought*, 17(4), 865–879.
- Culyer, A. J. 1971. "Merit Goods and the Welfare Economics of Coercion." *Public Finance/ Finances Publiques*, 26(1): 546–572.
- De Viti de Marco, Antonio. 1934. *First Principles of Public Finance*. London: Jonathan Cape. 1936. Translated from *Principi Di Economia Finanziaria*.
- Desmarais-Tremblay, Maxime. 2014. "Normative and positive theories of public finance: Contrasting Musgrave and Buchanan." *Journal of Economic Methodology* 21 (3): 273–89.
- . 2015. "Musgrave, Samuelson, and the crystallization of the standard rationale for public goods". *mimeo*.
- . 2016. "The normative problem of merit goods in perspective." Forthcoming in *Forum for Social Economics*.
- Folkers, Cay. 1974. "Meritorische Güter als Problem der normativen Theorie Öffentlicher Ausgaben." *Jahrbuch für Sozialwissenschaft*, 25(1): 1–29. Translated in English by W. Ver Eecke, "Merit Goods: A Problem in the Normative Theory of Public Spending". And reproduced in *An Anthology Regarding Merit Goods*, edited by Ver Eecke. 2007.
- Galbraith, John K. 1958. *The Affluent Society*. Cambridge, MA: The Riverside Press.
- Gruchy, Allan G. 1972. "Gerhard Colm's Economics of National Programming." In *Contemporary Economic Thought*, 237–85. Clifton, NJ: Augustus M. Kelley.

- Hammond, J. Daniel. 2015. "Paul Samuelson on Public Goods: The Road to Nihilism." *History of Political Economy* 47(S1): 147-173.
- Hansen, Alvin H. 1947. *Economic Policy and Full Employment*. New York: McGraw-Hill.
- . 1957. *The American Economy*. New York: McGraw-Hill.
- Head, John G. 1966. "On Merit Goods." *Finanzarchiv* 25 (1): 1-29.
- . 1988. "On Merit Wants: Reflections on the Evolution, Normative Status and Policy Relevance of a Controversial Public Finance Concept." *Finanzarchiv*, 46, 1-37.
- Heller, Walter W. 1957. "Economics and the Applied Theory of Public Expenditures." In *Federal Expenditure Policy for Economic Growth and Stability. Papers Submitted by Panelists Appearing Before the Subcommittee on Fiscal Policy*, 98-107. Washington, DC: U.S. Congress.
- Johnson, Marianne. 2015. "Harold Groves, Wisconsin Institutionalism, and Postwar Public Finance." *Journal of Economic Issues*, 49(3), 691-710.
- Krohn, Claus-Dieter. 1987. *Intellectuals in Exile. Refugee Scholars and the New School for Social Research*. Amherst: The University of Massachusetts Press.
- Lampman, Robert J. 1966. "Towards an Economics of Health, Education, and Welfare." *The Journal of Human Resources* 1 (1): 45-53.
- Lindahl, Erik. 1919. "Just Taxation – A Positive Solution." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 168-76. London: Macmillan & Co. 1958
- Mackscheidt, Klaus. 1974. "Meritorische Güter: Musgraves Idee und Deren Konsequenzen." Translated in English by W. Ver Eecke. And reproduced in *An Anthology Regarding Merit Goods*, edited by Ver Eecke. 2007.
- Marciano, Alain and Steven G. Medema. 2015. "Market Failure in Context: Introduction." *History of Political Economy* 47(S1): 1-19.
- Mazzola, Ugo. 1890. "The formation of the Prices of Public Goods." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 37-47. London: Macmillan & Co. 1958
- McLure, Charles E. Jr. 1968. "Merit Wants: A Normatively Empty Box." *Finanzarchiv* 27 (3): 474-83.
- Medema, Steven G. 2009. *The Hesitant Hand: Taming Self-Interest in the History of Economic Ideas*. Princeton: Princeton University Press.
- . 2015. "'Exceptional and Unimportant'? The Rise, Fall, and Rebirth of Externalities in Economic Analysis." *Working paper*.
- Mehrling, Perry G. 1997. *The Money Interest and the Public Interest. American Monetary Thought 1920-1970*. Cambridge, MA: Harvard University Press.
- Mill, John Stuart. 1848. *Principles of Political Economy*. Indianapolis: Liberty Fund. Vol. III. 2006.

- Moss, Laurence S. 2005. "Richard A. Musgrave and Ludwig von Mises: Two Cases of Emigrè Economists in America." *Journal of the History of Economic Thought* 27 (04): 443–50.
- Musgrave, Richard A. 1937. *The Theory of Public Finance and the Concept of "Burden of Taxation"*. PhD thesis. Harvard University.
- . 1939. "The Voluntary Exchange Theory of Public Economy." *The Quarterly Journal of Economics* 53 (2): 213–37.
- . 1941. "The Planning Approach in Public Economy: A Reply." *The Quarterly Journal of Economics* 55 (2): 319–24.
- . 1944. "Goals for America; A Budget of Our Needs and Resources. Where Is the Money Coming From? Problems of Postwar Finance. By Stuart Chase." *The American Economic Review*, 34(2), 381–383.
- . 1945. "Fiscal Policy, Stability, and Full Employment." In *Public Finance and Full Employment*, 1–21. Washington: Board of Governors of the Federal Reserve System.
- . 1957a. "A Multiple Theory of Budget Determination." *Finanzarchiv* 17 (3): 333–43.
- . 1957b. "Principles of Budget Determination." In *Federal Expenditure Policy for Economic Growth and Stability. Papers Submitted by Panelists Appearing Before the Subcommittee on Fiscal Policy*, 108–15. Washington, DC: U.S. Congress.
- . 1959. *The Theory of Public Finance: A Study in Public Economy*. New York: McGraw Hill.
- . 1966. "Guns and ... Butter or Oleo?" *Challenge* 14 (5): 32–34.
- . 1969. "Provision for Social Goods." In *Public Economics: An Analysis of Public Production and Consumption and Their Relations to the Private Sectors*, edited by Julius Margolis and Henri Guitton. London: Macmillan.
- . 1983. "Public Finance, Now and Then." *Finanzarchiv* 41 (1): 1–13.
- . 1985. "A Brief History of Fiscal Doctrine." In *Handbook of Public Economics*, edited by Alan J. Auerbach and Martin Feldstein, Vol. 1:1–59. Elsevier.
- . 1986. "In Retrospect." In *Public Finance in a Democratic Society, Volume I: Social Goods, Taxation, and Fiscal Policy*. Wheatsheaf books.
- . 1987. "Merit Goods." In *The New Palgrave Dictionary of Economics*, edited by John Eatwell, Murray Milgate, and Peter Newman, 1958–60. Palgrave.
- . 1996. "Public Finance and Finanzwissenschaft Traditions Compared." In *Public Finance in a Democratic Society, Volume III*, 33–80. Cheltenham: Edward Elgar.
- . 1997. "Crossing Traditions." In *Zur deutschsprachigen wirtschaftswissenschaftlichen Emigration nach 1933*, edited by Harald Hagemann. Marburg: Metropolis-Verlag. Reproduced In *Public Finance in a Democratic Society, Volume III*. 2000. Cheltenham: Edward Elgar.

- . 1999. "The Nature of the Fiscal State: The Roots of My Thinking." In *Public Finance and Public Choice: Two Contrasting Visions of the State* by James M. Buchanan and Richard A. Musgrave, 29–49. Cambridge, MA: MIT Press/ CESifo.
- Musgrave, Richard A. and Alan T. Peacock (eds.). 1958. *Classics in the Theory of Public Finance*. London: Macmillan & Co.
- Musgrave, Richard A., Walter Heller, and James M. Buchanan. 1972. "Discussion of 'Quantitative Research In Taxation and Government Expenditure' by Shoup." In *Economic Research: Retrospect and Prospect Vol 4: Public Expenditures and Taxation*, edited by Carl S. Shoup, 61–74. National Bureau of Economic Research.
- Neck, R. 1989. "Emil Sax's Contribution to Public Economics." *Journal of Economic Studies* 16 (2): 23–47.
- Olson, Mancur Jr. 1965. *The Logic of Collective Action. Public Goods and The Theory of Groups*. Cambridge, MA: Harvard University Press. Second edition 1971.
- Pantaleoni, Maffeo. 1883. "Contribution to the theory of the distribution of public expenditures." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 16–27. London: Macmillan & Co. 1958
- Pica, Federico. 2003. "The Voluntary-Exchange Theory of Public Finance: The Writings of the First Half of the Twentieth Century and Pertinent Current Contents." *Il Pensiero Economico Italiano* 11 (1): 43–73.
- Pickhardt, Michael. 2005. "Some Remarks on Self-Interest, the Historical Schools and the Evolution of the Theory of Public Goods." *Journal of Economic Studies* 32 (3): 275–93.
- . 2006. "Fifty Years After Samuelson's 'Pure Theory of Public Expenditure' What Are We Left With?" *Journal of the History of Economic Thought* 28 (4): 439–60.
- Pigou, Arthur C. 1932. *The Economics of Welfare*. London: Macmillan. 4th edition.
- Pulsipher, Allan G. 1971. "The Properties and Relevancy of Merit Goods." *Finanzarchiv*, 30(2): 266–286.
- Ritschl, Hans. 1931. "Communal Economy and Market Economy." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 233–42. London: Macmillan & Co. 1958. Translated from "*Gemeinwirtschaft und kapitalistische Marktwirtschaft*".
- Samuelson, Paul A. 1947. *Foundations of Economic Analysis*. Cambridge, MA: Harvard University Press.
- . 1954. "The Pure Theory of Public Expenditure." *The Review of Economics and Statistics* 36 (4): 387–89.
- . 1955. "Diagrammatic Exposition of a Theory of Public Expenditure." *The Review of Economics and Statistics* 37 (4): 350–56.
- Sandel, Michael J. 1996. *Democracy's Discontent. America in Search of a Public Philosophy*. Cambridge, MA: Harvard University Press.
- Sax, Emil. 1887. *Grundlegung Der Theoretischen Staatswirthschaft*. Wien: Alfred Hölder.

———. 1924. "The Valuation Theory of Taxation." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 177–89. London: Macmillan & Co. 1958.

Schlesinger, Arthur Jr., and Seymour E. Harris. 1957. "Introduction." In *The New America by Adlai Stevenson*, edited by Seymour E. Harris, John Bartlow Martin, and Arthur Jr. Schlesinger, xiii–xxx. New York: Harper & Brothers.

Sidgwick, Henry. 1883. *The Principles of Political Economy*. London: Macmillan & Co. First edition.

———. 1897. *The Elements of Politics*. London: Macmillan. Second edition.

Sinn, Hans-Werner. 2009. "Please Bring Me the New York Times: On the European Roots of Richard Abel Musgrave." *International Tax and Public Finance* 16 (1): 124–35.

Smith, Warren L., and John M. Culbertson. 1974. "Introduction." In *Public Finance and Stabilization Policy. Essays in Honor of Richard A. Musgrave*, edited by Warren L. Smith and John M. Culbertson, 1–5. Amsterdam: North-Holland.

Stevenson, Adlai E. 1957. "Liberalism and Responsibility." In *The New America*, edited by Seymour E. Harris, John Bartlow Martin, and Arthur Jr. Schlesinger, 256–65. New York: Harper & Brothers.

Sturn, Richard. 2006. "Subjectivism, Joint Consumption and the State: Public Goods in Staatswirtschaftslehre." *The European Journal of the History of Economic Thought* 13 (1): 39–67.

———. 2010. "'Public Goods' Before Samuelson: Interwar Finanzwissenschaft and Musgrave's Synthesis." *The European Journal of the History of Economic Thought* 17 (2): 279–312.

———. 2015. "The Merits of Merit Wants." In *Individual and Collective Choice and Social Welfare: Essays in Honor of Nick Baigent*, edited by Constanze Binder, Giulio Codognato, Miriam Teschl, and Yongsheng Xu. Heidelberg: Springer.

Tuck, Richard. 2008. *Free Riding*. Cambridge, MA: Harvard University Press.

Ver Eecke, Wilfried. 2003. "Adam Smith and Musgrave's concept of merit good." *Journal of Socio-Economics*, 31(6): 701–720.

———. 2007. *An Anthology Regarding Merit Goods: The Unfinished Ethical Revolution in Economic Theory*. West Lafayette, Indiana: Purdue University Press.

———. 2008. *Ethical Dimensions of the Economy: Making Use of Hegel and the Concepts of Public and Merit Goods*. Berlin: Springer-Verlag.

———. 2013. *Ethical Reflections on the Financial Crisis 2007/2008: Making Use of Smith, Musgrave and Rajan*. Heidelberg: Springer-Verlag.

Wagner, Adolf. 1883. "Finanzwissenschaft." Extracts from Part 1 translated in *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 1–15. London: Macmillan & Co. 1958

———. 1886. "Systematische Nationalökonomie." *Jahrbücher für Nationalökonomie und Statistik* 12(3): 197-252. Extracts of which are translated and presented in "Wagner on the Present State of Political Economy." *The Quarterly Journal of Economics* 1(1): 113-133.

———. 1892. *Les fondements de l'économie politique*. French translation of *Grundlegung Der Politischen Oekonomie*. 1904. Paris: V. Giard et E. Brière.

Walras, Léon. 1896. "Le Problème Fiscal." In *Œuvres économiques complètes de Auguste et Léon Walras*. Vol. IX : *Études d'économie sociale*, edited by Pierre Dockès, 391-424. 1990. Paris: Economica.

Wicksell, Knut. 1896. "A New Principle of Just Taxation." In *Classics in the Theory of Public Finance*, edited by Richard A. Musgrave and Alan T. Peacock, 72-118. London: Macmillan & Co. 1958.