

Paternalism and the Public Household

On the Domestic Origins of Public Economics

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Abstract:

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

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

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

In *The Constitution of Liberty*, F. A. Hayek warned against the expansive use of the state's coercive power to satisfy individual needs. Expanding power for that purpose, Hayek argued, would deprive citizens of their liberty to spend their income as they chose. In exercising such power, the state would in effect act as a father does toward his family—that is, with complete authority. Tyranny could then not be far behind. Whereas Hayek opposed substantial government redistribution of resources, another economist, Richard A. Musgrave, recognized that some transfers in kind were indeed a responsibility of the government. In his *Theory of Public Finance*, Musgrave (1959) defended the provision of merit goods by the government to satisfy important individual needs that could not be left to market allocation. Musgrave posited that the government had to subsidize school lunches, health services and housing for the poor, even if these goods could technically be allocated by the market. In contrast, collective goods caused market failures and their provision by the government was less disputed by economists, in part because they could be roughly provided according to individual preferences, thereby respecting consumer sovereignty.

However, the provision of merit goods violated the principle of consumer sovereignty, thereby challenging a central tenet of the New Welfare Economics.² As a result, the concept was rejected by many economists. For instance, Charles E. McLure (1968, 482) argued forcefully that “Musgrave’s entire concept of merit wants [goods] has no place in a normative theory of the public household based upon individual preference.” In an assertion which evoked the libertarian attack of Hayek, McLure warned that “to argue that the government knows what is best for the uninformed or misinformed citizen is to invite paternalism and authoritarianism” (p. 481). Charles and Westaway (1981) also rejected the concept of merit wants for its paternalistic character. Nonetheless, not all economists have been troubled by Musgrave’s merit wants, even if they were aware of their paternalistic tone. In 2008, Samuelson remarked that “Sciences both progress and regress. Since about 1980, under the influence of libertarians like Milton Friedman, the quasi-paternalistic ‘merit wants’ of Musgrave have too often become forgotten.”

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

² On the origin of the concept of consumers’ sovereignty in the interwar period and its contested meaning in the postwar period, see Desmarais-Tremblay, 2020; and Chirat, 2020.

accusation of paternalism should not come as a surprise once the *domestic* elements in Musgrave's conceptualization of the public sector are highlighted. It is precisely those elements that would be rejected by proponents of a *catallaxis* approach like James M. Buchanan and Hayek.

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

Second, it is important that the public and the domestic spheres be kept separate, for as Hannah Arendt famously argued, it is only in the public sphere that citizens realize specific dimensions of their human existence, dimensions that are distinct from the natural and necessary interactions of the domestic life organized

for biological survival. This translated into a defense of the autonomy of the public sphere for political activity from the economic activities of production and consumption for the satisfaction of basic needs. By combining both a reference to the domestic and to the public spheres, Musgrave's public household appears in this perspective as an oxymoron. It reflects a long-standing tension in the discipline to which Arendt (1958, 28) alluded to when she claimed that "the very term 'political economy' would have been [to the Ancients] a contradiction in terms".

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

Despite the revolutions that have shattered the discipline, I show there is a continuity of a practical discourse on the economy between the Ancient Greeks and Modern public economics. I am not trying to provide an accurate history of western states, but rather to highlight some idealistic models of the state which continue to inform our modern representations of the public sector in economics. Furthermore, I argue that this practical, or normative, discourse has an ethical dimension. Hence, I

disagree with the view, defended for instance by Dumont (1977), that political economy departed from moral considerations in the eighteenth century. The Aristotelian definition of economics is often dismissed as irrelevant to the modern economy. I show that it still influences the way we conceive the public economy. Yet, I argue that the domestic analogy clashes with liberal values associated with the public sphere ever since the latter's emergence in the eighteenth century. Musgrave's model of the public household represents one episode of this continuing tension in liberal political economy. Moreover, I am not claiming Musgrave and others are fully conscious of this tension. I am not judging this as good or bad, neither do I claim we can completely resolve this tension. Rather, as Lorraine Daston (2002, 374–75) put it, the role of historical analysis is to highlight this underlying tension:

Unlike psychoanalysis, history does not claim that tracing the genesis of a neurosis or a pattern of thought and sensibility will ipso facto liberate one from either. At best, historical analysis can show the contingency of such subterranean patterns and drag them into the light of conscious scrutiny. It can neither refute nor replace them.

One contribution of the paper is thus to underline recurrent themes in the history of political and economic thought. Another is to show how a specifically German tradition in economics kept alive the original practical orientation of economic discourse. This continuity was heavily challenged at two points: at the demise of Cameralism in the end of the eighteenth century, and at the brink of World War II when German-speaking academics immigrated to the US and had to integrate into a new intellectual environment. Besides, this paper also contributes to our understanding of the deep intellectual background of Musgrave. An investigation of

Musgrave's framework is justified by the importance he had on the orientation of modern public economics. I will present a historical sketch of the analogy in the first section, before turning to the specific points in Musgrave's *Theory of Public Finance* in the second section.

A Historical Sketch of the Household Analogy

Without parallels and analogies between one sphere and another of thought and action, whether conscious or not, the unity of our experience—our experience itself—would not be possible. [...] The models, once they are made conscious and explicit, may turn out to be obsolete or misleading. Yet even the most discredited among these models in politics—the social contract, patriarchalism, the organic society and so forth, must have started with some initial validity to have had the influence on thought that they have had (Berlin 1962, 18).

The Greek *Oikos*

In Classical Greece, the father, or householder, and the statesman were often thought of in connection with each other, implying that their roles were comparable. Plato suggested in the *Statesman* that there was no significant difference between “the grandeur of a large house and the majesty of a small state,” both statesmanship and householding were objects of the same practical science (Plato 1925, 13). Aristotle (1995, 1) disagreed, but he acknowledged that the household and the state were both communities, associations with a commonly shared object, organized for a purpose. In the *Nicomachean Ethics*, he drew the analogy between the different communities: “One can also find in households resemblances to these political

systems and, as it were, models of them. The community of a father and his sons has the form of a kingship, since the father cares for his children.” (Aristotle 2000, 1160a-1161a, 156).

It is well known that the word economy derives from the Ancient Greek *oikonomia*, which in turns derives from *oikos*, the household, and *nomos*, the law. Roughly speaking, the semi-autarkic private estate was the center of economic life in Classical Greece.³ The household was a natural association of persons organized for the purpose of needs satisfaction. The relations of domination and subordination between the master and the other members—wife, children and slaves—were nevertheless bonded by a mutuality (*philia*) (Booth 1993, 38–39). In the (pseudo)Aristotle’s *Oeconomica*, the four economic activities of the head of the household are: acquiring resources, preserving or guarding what was acquired, ordering his property, and making proper use of these resources (Aristotle 1920). A thrifty organization of his estate allowed the master to dedicate most of his time to nobler activities. Hence, the surplus of household production was not generally reinvested for growth but was rather consumed in leisure time and political involvement in public affairs (Leshem 2016, 229). For the Greeks, the economic activity of the household was embedded in a larger ethical conception that placed political activity at a higher level of the good. Household management was also preparing men for a virtuous public life (Xenophon 1923; Aristotle 1995, 18–19).

³ Clearly, the households were not completely autarkic, and some level of trade was conducted within the cities, and between them, but such commercial ventures were generally reserved for outsiders.

Political liberty could be enjoyed by citizens because their economic household had (objectively) freed them from their needs. And since the households were mostly self-sufficient, the citizens in the *polis* would also be free from dependence of others, which allowed them to interact as equals (Booth 1993, 8; Arendt 1958, 32). Arendt stressed the superiority of public life in Aristotelian Greece: animals can satisfy their needs in common, but only humans are capable of political life composed of action (*praxis*) and speech (*lexis*). The *polis* also contributed to securing the happiness of its citizens by guaranteeing material security to the private households (Ritter, 1963, 171).

Aristotle envisaged a practical philosophy composed of ethics, (domestic) economics and politics. Its object was the realization of human nature through *praxis* (Ritter 1963, 148). It was a normative discourse according to which man realized its *nature*, not spontaneously, but *ethically* through virtuous behavior embedded in the proper institutions (Ritter 1967, 127). The good ethical life could not be determined a priori as it was relative to the ethos of the community to which the citizen belonged (Ritter, 1967, 110).

By the time Aristotle was writing in the fourth century BC, the model of public life he was rationalizing was already fading away, but it continued to frame economic and political thought for centuries. As Peter Groenewegen (1987, 7806) argued, “political economy has invariably experienced difficulties in discarding earlier views, and traces of old doctrine are intermingled with the latest developments in the science”.

The Medieval and Early Modern Conceptualizations

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

Foucault (2007) suggested that the Church power so dominant in the West for centuries relied on the pastoral model. The Church's actual effectiveness was based on its ability to copy the bureaucratic structure of the Roman empire, but it presented itself to the world as a large family. Originally an Eastern Mediterranean idea, the pastoral imaginaries evoke the relation between a shepherd and his herd. The Church's hierarchical structure is modeled on the image of the benevolent pastor who cares for the well-being of his flock. The good shepherd is dedicated to his sheep; he feeds them, heals them, and protects them from dangers. The pastoral economy is definitely not centered on production and accumulation: it is an economy of care and a politics of paternal authoritarian rule. Living in troubled times, the early Christians took comfort in being part of a large universal community which was explicitly modeled on the family. The pastors assumed the roles of fathers, and the other members occupied roles of brothers, sisters, sons, and daughters. Scholastic thought explicitly extended the authority of God on earth to that of kings over their temporal domain and to that of fathers over their

households. Remnants of the medieval patriarchal model survive to this day in the Church's discourse, for instance in its Social doctrine.⁴

The agricultural economy of the feudal age was conceptualized in early modern times in popular husbandry tracts on the management of the rulers' estates (Tribe 2015, 27–42). This practical discourse bore the influence of Christian morality. In the 16th and 17th centuries, the German *Hausväterliteratur* presented a neo-Aristotelian vision of the patriarchal figure (*Hausvater*, or husbandman) as the central figure of the good government of the estate (omitting the subtleties of Aristotle's political thought). His duties included attending to the well-being of its members like a good shepherd. (Tribe 2006, 530). In his *Théâtre d'Agriculture et mesnage des champs*, the French Protestant Olivier De Serres taught to the head of a family how to be a good economist (*œconome*), that is how to govern his house and how to cultivate the land, raise animals, cultivate useful plants, and how to manage forests, orchards, water sources, bee colonies, etc. (De Serres, 1600, v. 1, clxxxix ff ; 40).

As a matter of philology, the French word *mesnage* (*ménage*) used by De Serres is the root of *management* and translates into *household* in English. The German term *Haushaltung*, which translates into *householding*, was used to describe the catering for one's group, whether it is a family, or a kingdom (Polanyi 1977, 41). Today *Haushalt* also means budget; hence in nineteenth century public finance *Staatshaushalt* (or *öffentlichen Haushalt*) will be used to describe the public budget

⁴ See Leo XIII's *Rerum novarum* (1891) and Pius XI's *Quadragesimo Anno* (1931).

or the Public household, a double meaning from which Musgrave will draw to build his own view (see Section 2 below). Besides *Oekonomie*, the German lexicon has another word for economy: *Wirtschaft*, which comes from *Wirth*, meaning both administration of the property and hospitable reception (Singer 1958, 34). It is the root of *Wirtschaftlehre* which translates into economics. The term still embodies its practical orientation of purposeful action.

Besides the practical economic texts, new forms of political discourse also emerged in the 16th century. Renaissance political thinkers felt the need to position themselves with respect to Aristotle (Becker, 2017). In his quest to understand the source of state authority, Jean Bodin argued that “the well-ordered family is the true image of a commonwealth [*république*], and domestic power resembles sovereign power. It follows that the right government of the household is the model of right government in the commonwealth.” (Bodin, 1576, 8) For Bodin, states were not isomorphic to households since each state was composed of multiple families. Still, both were ruled by a *pater familias* (Becker, 2014).

At the same time, new tracts centered around the idea of reason of state taught to princes how to justify, enlarge, and maintain their power over land and population. Rejecting the trickery and opportunistic approach advocated by Machiavelli, the German Cameralists proposed practical advice on the management of the state in a benevolent way by linking the power and greatness of a monarch to the well-being of the population. In a sense, the cameralist approach was a practical discourse on the public household (Sturn 2016). *Cameral-Wissenschaft* was written

for the administrators of the *Kammer*, originally designating the palace of the Prince—in Latin, *Camera* means chamber (Tribe 1995, 9). Many were directly inspired by the Aristotelian corpus (Schefold, 2016). In spite of being conceived as the management of the realm of the Prince, Cameralism adopted an early-modern outlook as it was not modeled on the family; rather it concerned the government of a population as a more complex object than an aggregation of families (Foucault 2007, 105). In the narrow sense, *Kameralwissenschaft* designated a normative discourse on the public finance of the prince. In its broader meaning *Kameralwissenschaften* referred to several sciences of the state taught to prospective administrators: *Oekonomie*, *Polizei*, and Finance (Lindenfeld 1997, 14–18).

In the second half of the 18th century, attempts were made to systematize cameralism following the deductive method of the mathematician and philosopher Christian Wolff.⁵ The most remarkable contribution in that regard was made by Johann H. G. von Justi. He theorized the internal administration of the state as the science of the police (*Polizei*). As part of the discipline of Cameralism, the police was mainly concerned with urban administration. By extension, the police comprised “everything that can contribute to the happiness of the citizens, mainly maintaining order and discipline, the regulations that tend to make life convenient and to provide the things which they need to subsist” (von Justi, 1769, 18). Following Wolff,

⁵ While influenced by the metaphysics of Leibnz, Wolff had been teaching practical philosophy using the old Aritotelian triptych of ethics, domestic economic and politics (Ritter 1967, 107; Garner, 2006, 34).

Justi argued that states had a moral goal to favor the happiness (*Glückseligkeit*) of the population (Backhaus, 2009). For Justi, nations which attended to the welfare of their population would be stronger states (Garner 2006, 40).

Beyond the economic regulation of the trade of goods, the public health measures, and the thrifty administration of the finances, von Justi also advocated a perfectionist government of public mores (Senellart 2001). The government had to care about the education of the people, encouraging them to develop their talents by learning a specific trade. Besides, it had to condemn luxury, waste and idleness (Justi 1769, 26). The good prince had to provide public gardens, opera houses, art galleries and many landmarks which contribute to the embellishment of the city (Justi 1769, 57). Interestingly, these policy proposals, whether it be the correction of undesirable behavior, or the funding of cultural goods, resemble Musgrave's merit goods, albeit in a totally different context. In that pre-liberal age, what would be considered today as paternalistic policies did not pose any problem. Cameralism was a non-judicial direct form of state intervention through ordinances and regulations. There was no conceptualization of an autonomous and self-regulating civil society (Tribe, 1988, 64; 1995, 12). The social order was under the direct control of the Prince and needed constant regulation (Tribe 1988, 31–32).

The Emergence of Political Economy

The first texts explicitly dealing with *political economy* drew from the domestic model inspired by Aristotle (Tribe 2015, 31). For instance, in his *Traicté de l'œconomie politique*, the 17th-century Frenchman Antoyne de Montchrestien argued that “private occupations make the public one. [...] Thus, political art depends mediately on the economic; and because it conforms to it, it also has to follow its example. Since, when it is properly addressed, the good domestic government is the template and the model for the public one” (Montchrestien 1615, 17). A century later, the Scott James Steuart explicitly adopted the household perspective in his *Inquiry into the principles of political oeconomy*, subtitled *Being an essay on the science of domestic policy in free nations [...]*. He defined economy as “the art of providing for all the wants of a family, with prudence and frugality” (Steuart 1767, 1). Hence, an economy, generally speaking, corresponded to the Early Modern counterpart of the Aristotelian authoritative model of the family: “The object of it, in a private family, is therefore to provide for the nourishment, the other wants, and the employment of every individual”. Children and servants were considered “object of the master’s care and concern” (ibid.). Steuart drew explicitly on the analogy: “What oeconomy is in a family, political oeconomy is in a state: with these essential differences however, that in a state there are no servants, all are children” (ibid., 2). Nevertheless, for Steuart, the laws of political economy could not be designed in the same arbitrary way that the master of the household could set its own. The statesman took over a country with already existing institutions and a population

that had its own national character. His actions were constrained by human nature and the historical path taken by the nation. Yet, many points of the analogy still held, for instance, the presence of a head of the community who cares for the well-being of its members. Moreover, economy was an art, with a practical orientation, and guided by prudence. Finally, the economy had a purpose, that of satisfying wants (ibid.).

Steuart's text stands unevenly at a crossroads in the history of economic thought, for it clearly recognized the importance of self-interest as a guiding force in the commercial societies of Europe. Yet, he wrote his treatise for the point of view of the statesman and endowed the economy with a purpose. Unsurprisingly, Steuart's thinking bore both the influence of David Hume and that of the cameralists (Hont 2005, 298; Tribe 2006, 546). Steuart's *Inquiry* breaks from the Cameralists in that the right policies were to be revealed by an empirical and comparative historical analysis and they would consist mostly of indirect interventions by "inducing" the subjects, by "alluring to their private interest" (Steuart 1767, 3). Government was not a matter of direct authoritative and constant intervention. Nonetheless, Steuart adopted a more interventionist stance than Adam Smith (Hont 2005, 98). His perspective to write for the head of state was unfavorably received in Britain, but in nineteenth century Germany, he drew the attention of Friedrich List and G. F. Hegel (Skinner 1999, 147; Hont 2005, 151; Chamley 1963).

Liberalism

A century before Steuart proposed his political economy, Hobbes had brought the distinction between paternal rule and the State into philosophical modernity. In *Leviathan*, Hobbes acknowledged that there was a structural continuity between the domination of a father over his household and that of a small king over his realm (Hobbes 1651, 142). These natural forms of dominion were sustained by the common fear of the ruler. Yet, individuals could form a covenant to protect their life against the potential threat posed by others, and by doing so instituted a commonwealth which replaced the natural forms of domination. The social contract changed the relations between men, who would owe obedience to the sovereign (whether it be a single monarch or an assembly of men), but also within the family where civil law would hereafter apply.

A few years later, John Locke refined Hobbes's arguments by criticizing the paternal model that Robert Filmer had used to justify absolute monarchy. Using Bodin for his absolutist cause, Filmer argued that God had given sovereignty over the world to Adam, who transmitted it to his heirs, thus justifying the kings' absolute power over their realm. The natural subordination of children to their father would be the source of legitimate domination of the kings over their subjects (Filmer 1680, 57). In the first of his *Two Treatises of Government*, Locke (1689) set out to refute Filmer's argument on his own ground, by debunking inconsistencies and resorting to theological arguments. In his *Second treatise*, Locke proposed his own positive solution to the problem of the state's legitimacy. His criticism of absolute monarchy

rested on a careful analysis of the difference between the family and the political community (Locke, 1689, *ST* §2, 101; See also Grant 2003). For Locke, the authority of the sovereign was based on a voluntary agreement by free, equal and rational individuals for the purpose of protecting their life, liberty and property. In contrast, the family was centered around a voluntary contract between a man and a woman for the purpose of raising children (Locke 1689, §78, 133). The “conjugal society” lasted as long as it was necessary to support and educate the young ones and to allow them to become fully rational individuals (Locke 1689, §58, 124). This meant that parental authority was temporary in nature and could not therefore be the model for the formation of a political community (ibid. §55, 123). To achieve his criticism of the household model of politics, Locke reconceptualized the family as a voluntary compact between a man and a woman, thus bringing it farther from the despotic model of the Greek *oikos* (Booth 1993, 148).

The foundation of a legitimate political government on the consent of free individuals was a common theme of modern liberal thought. It was also addressed by Rousseau in his *Discourse on political economy*. Rousseau started off from the common understanding of the term *économie* in France in the 18th century, explicitly distinguishing between Aristotle’s understanding of *oikonomia* and its extension to the government of the great family that the state constitutes (Rousseau 1755, 3). Siding with Locke against Filmer, Rousseau argued that paternal power was natural and benevolent, whereas political power was conventional and sometimes abused by the rulers. In the domestic sphere, the heart guided the action of the father, but public reason and the law should guide action in the political

sphere. A few decades later economics and politics departed, thanks in part to the reframing of the subject of political economy by Jean-Baptiste Say (Tribe 2015, 60; Lallement 2002). In the preface to his *Traité d'économie politique*, Say criticized Steuart and Rousseau for confusing political economy and politics. For Say, the former was an inquiry on the production, distribution and consumption of wealth, and should not be an extension of the practical household rules to the larger political family (Say 1803, 29). The influence of the British classical tradition also fostered this isolation as economists focused more on theorizing the natural law of value, at the cost of moral and political examinations.

At the end of the century, Immanuel Kant borrowed from Locke's and Rousseau's contractarian doctrines of the state to construct what should be the founding principles of a just state. In that respect, Kant followed the a priori method of natural law established by Wolff, while rejecting his dogmatic metaphysics and his teleological conception of nature. Kant also rejected the eudemonistic orientation of the state defended by Wolff and von Justi (Garner 2006, 246). Kant remarked that individuals might in fact be happier in a despotic regime or in Rousseau's state of nature. The constitution of the state should rather be based on principles of right (Kant 1797, 460).

The newly emerging civil society was characterized by a right to freedom so that "each may seek his happiness in the way that seems good to him, provided he does not infringe upon that freedom of others to strive for a like end which can coexist with the freedom of everyone in accordance with a possible universal law

(i.e., does not infringe upon this right of another)” (Kant 1793, 291). The rise of civil society was concomitant with the emergence of a new public sphere constituted by private agents making a public use of their own understanding (Habermas 1962, 116). Looking over the past century, Kant saw the Enlightenment as humanity’s coming of age: “Enlightenment is the human being’s emergence from his self-incurred minority.” (Kant 1784, 17). Stretching the metaphor, this meant that the rise of a modern public sphere was correlative of a rejection of the authoritarian view on individual’s epistemic and moral abilities. Following Locke and Rousseau, Kant explicitly rejected the paternalistic political model of the state as despotic:

A government established on the principle of benevolence toward the people like that of a father toward his children - that is, a *paternalistic government* (*imperium paternale*), in which the subjects, like minor children who cannot distinguish between what is truly useful or harmful to them, are constrained to behave only passively, so as to wait only upon the judgement of the head of state as to how they *should* be happy and, as for his also willing their happiness, only upon his kindness – is the greatest *despotism* thinkable (a constitution that abrogates all the freedom of the subjects, who in that case have no rights at all) (Kant 1793, 291).⁶

The liberal reconfiguration of the economy and politics that I have been outlying from Hobbes to Kant underlined two important and related features of Modernity.

⁶ In the *Metaphysics of Morals*, Kant argued that a paternalistic despotism can arise when government takes on legislative power "since it treats citizens as children". Instead, a good *patriotic* government "treats its subject as members of one family but it also treats them as citizens of the state, that is, in accordance with laws of their own independence: each is in possession of himself and is not dependent upon the absolute will of another alongside him or above him". (Kant, 1797, p. 460)

First, human beings are conceptualized as equal individuals, endowed with natural rights. Their conscience and rational powers allow them to shape their own lives. In other words, the individual is sovereign (Audard 2009, 55 ff.). This implied the rejection of the autocratic paternal model for both the family and for the state. It also implies that governments must abide by the rule of Law. The law allows government to rule individuals by treating them equally and without depriving them of their freedom.⁷ Kant went even further than Rousseau: not only was self-government by laws a necessary condition for political freedom, it was also a condition for the inner freedom (autonomy) of the person. This stood in contrast to the rule by decrees and direct interventions advocated by cameralist professors and state officials.

Second, Rousseau and Kant, but also Francis Hutcheson, Bernard Mandeville and Adam Smith, witnessed the rise of civil society with its own set of laws. In the eighteenth and nineteenth centuries, civil society designated the sphere of economic activity where contractual relations between traders, capitalist entrepreneurs, and workers took place. Because the household was no longer sufficient to sustain life, individuals had to sell their labor in the market. Although subject to the laws of the state, labor was not under its control. Smith (1776) theorized the functioning of this commercial society as an autonomous economic order, arguing that the welfare of all would be generally increased if the sovereign did not get involved into business

⁷ According to Constant, citizens of modern countries understand liberty as an individual “right to be subjected only to the laws” (Constant 1819, 310).

matters. In sum, the reconfiguration between economic activity, political life and the population gave birth to liberalism, a new art of government (Foucault 2008, 294).

Closer Ancestors of Musgrave

Before turning to Musgrave's model of the public household, I have to briefly delineate how the household approach of the cameralist thinkers had evolved into the practical economic theories of the state in the nineteenth century. Tribe (1988, 152) argues that at the end of the 18th century the Cameralist orthodoxy was shattered by the breaking up of the world it was rationalizing into distinct entities of economy, civil society and the state. The emergence of the liberal discourse which I highlighted above, especially in the Kantian synthesis, made room for a new *Nationalökonomie* to rise in the nineteenth century, borrowing from Smithian and 'Sayian' economics, as well as from elements of the old Cameralist concerns for the State (Tribe 1988, 92, 150; 1995, 28 ff.). Garner (2006, 381) also stresses the discontinuity, arguing that a concern for the construction of a national market space replaced the cameralist focus on direct management of the population and exploitation of local territories.

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

2014, 88). These new disciplines also kept the practical orientation required for the training of bureaucrats and eventually trying to satisfy the aspirations for social change of the younger generation at the end of the nineteenth century.

The central transitional figure was Karl Heinrich Rau, whose *Lehrbuch der politischen Oekonomie* constituted the reference textbook for the major part of the century (Lindenfield, 1997, 119). Rau taught old cameralist subjects like agriculture, commerce, and political science, as well as new theoretical economics. In the first volume of his textbook, Rau (1837, 2) argued that the purpose of the economy was to satisfy needs. This end would be studied at the level of the individual (or the family), thus constituting domestic economics, or at the level of the state, which was the object of political economy (or public economics). By conferring needs to the state, Rau extended the human anthropology of needs to the juridical person of the state. Even if Rau studied extensively the causal laws of the economy, he also paid great attention to the practical economic sciences. The duty of government was twofold: promote productive activities by ways of regulation and gather the resources in order to satisfy its own needs. Yet, Rau rejected the organic community of goods and adhered to a liberal vision of the relation between individuals and the state: "An organization which would make the State as a single family would destroy the essence of private life, would impede one of man's greatest motives for using his forces, and would create a dangerous omnipotent power" (Rau, 1837, 9). Even if economic policy incorporated some of the rules of the *Polizei*, it should not aim at directly controlling the behavior of individuals. According to Rau, the duties of social welfare could not be adequately fulfilled by the government without acknowledging

the needs of the individuals for material enjoyments. In terms of promoting national welfare, government intervention could not completely replace the benefits of self-interested action to accumulate (reasonable) wealth (Rau 1837, 13).

Rau's *Lehrbuch* was edited eight times during his life. Upon his death in 1870, Adolph Wagner took charge of writing a new version of the *Lehrbuch* that still reflected the comprehensive scope and the classificatory and deliberative approach of Rau (Lindenfeld 1997, 244). By the next decade, the importance of the practical dimension of political economy was still acknowledged, even by Carl Menger, who otherwise did more than anyone else to challenge the German approach to economics. (Menger 1883, 211).

The work of the so-called historical school also bore the influence of the cameralist tradition (Lindenfeld 1997, 156, 174). In his *Principles of Political Economy*, Wilhem Roscher used the household analogy to describe the origin of a nation's economy:

The public economy of a people has its origin simultaneously with the people. [...] Just as it may be shown, that the family which lives isolated from all others, contains, in itself, the germs of all political organization, so may it be demonstrated, that every independent household management contains the germs of all politico-economical activity. The public economy of a nation grows with the nation. (Roscher 1878, 84)

This line of argument was also followed by Schmoller who associated the conceptual origin of *oeconomia* to the historical origins of social relations: the family is the starting point of economics and is also the basic social unit from which larger and more complex social organizations grew (Schmoller 1900, 8 ff.). Neither Roscher nor

Schmoller believed that a household could serve as a direct model for the national economy of Germany in the nineteenth century. Rather, the national economy, as the economy of the national community, was thought of as the union of private and public economies (Schmoller 1900, 13).

The historical economists showed through detailed analysis how the growth of social needs resulted from the development of industrial society. Already at the beginning of the century, Hegel (1821, § 195, 231) had pointed out the limitless dynamic of wants generation. The economic sphere took an increasing hold on the life of individuals. As their private households were less and less able to satisfy their needs, individuals increasingly depended on the hazards of the capitalist system, resulting in the pauperization of a large share of the population. This problem was framed as the Social question in the 19th century. *Laissez-faire* policies led to a counter-movement, to social protests, to which the authorities responded by proposing welfare measures. In Jürgen Habermas' words, this historical process led to a concomitant "socialization of the state" and a "nationalization of the society" (Habermas 1962, 150). The social question was both a historical and "sociological" problem to be explained, as well as a burning political issue to be resolved. *Kathedersozialisten* (chair socialists) were German academics who believed in human progress through political reform. In his inaugural manifesto for the foundation of the *Verein für Socialpolitik* in 1872, Schmoller argued that the state was the great moral educational institution of humanity (see St-Marc, 1892, 29; Schmoller, 1894). Wagner thought that political economy and the law should not only take man as he is, but also should show him how "he could develop psychically

and morally” (Wagner 1892, Vol. I, §6, 30). For him, the state had an ethical civilizing role to play in society; like a father for his household, it had the duty to shape the moral attitudes of members of the community (Corado and Solari 2010; Prisching 1997).

The outwardly ethical and value-laden reformist agenda of the old guard of the *Verein* was criticized by younger “sociologists” like Max Weber and Ferdinand Tönnies (Hagemann 2001, 165, Lindenfeld 1997, 216-321). Whereas Schmoller was interested in the broadly defined social constitution of the national economy, Tönnies gave in his most famous work a narrower meaning to the concept of social. He proposed a dualistic model of human relations: the communal type and the social type. Community (*Gemeinschaft*) stemmed from the kinship bond, as society (*Gesellschaft*) was the sphere of self-interested and impersonal exchanges. The traditional family was taken, once again, as a model for the small communities: “Within the bonds of kinship all natural authority is summed up in the authority of the father. The idea of paternal authority also survives in the office of prince or ruler, even where the basis of the relationship is essentially one of neighborhood” (Tönnies 1887, 30). Even larger communities were modeled on the family: “Study of the household is the study of community, just as study of the organic cell is the study of biological life” (Tönnies 1887, 39). Moreover, the household was a consumption-based unit: “The table is the embodiment of the household itself, in that every member has his place there and receives his due portion” (Tönnies 1887, 40).

Despite major changes in political economy during the 19th century, the legacy of a practical theorization of the state was transmitted through the generations down to the teaching that Musgrave received during the Weimar Republic (Sturn 2010).

Early twentieth-century literature on the public economy often resorted to sociological categories to conceptualize complexity in terms of typical economic units such as the firm, or the household. The dean of public finance, Adolph Wagner, had already conceptualized the public budget as *Haushalt* in his *Finanzwissenschaft* treatise (1883). In the years that followed, the household became a typical model for conceptualizing the public economy beyond the question of the budget.

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

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

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

The continuous use and procurement of goods (either by production or exchange), whether for (1) the purposes of one's own provision, or (2) obtaining other goods used by oneself, is called householding [*Haushalt*]. (Weber 2019, 174; 1922, 46).

Furthermore, the generality of the category was acknowledged: “The form taken by the ‘household’ is a matter of indifference. Both a ‘state budget’ and a worker’s budget come under the same category.” (Weber 2019, 178).

The interwar revival of *Finanzwissenschaft* also saw some attempts at bringing the new economic sociology to bear with organic and nationalistic conceptions of the state. Hans Ritschl (1931a), for example, explicitly borrowed Tönnies’ conception of *Gemeinschaft* for his fiscal theory of the state. Ritschl started his study of the economic nature of the state by noting that the analogy between the state and the private economy “have been retained in our discipline”, even if it had receded lately (Ritschl 1931b, 5). Yet, Ritschl still thought it was a good starting point to analyze the communal nature of the public economy:

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

Before reviewing the literature on the difference between a state and a private economic unit, Ritschl mentioned the obvious points of comparisons. They are both (1) distinct individual economies [*Einzelwirtschaften*] and basic forms of human economy [*menschlichen Wirtschaftens*], (2) headed by a united will [*einheitlichen Willen*], (3) economies of consumption, or householding [*Verbrauchs- oder*

Haushaltswirtschaft], and (4) can produce for their own consumption [*Eigenproduktion*], or for the market.

Musgrave's Public Household

Musgrave's approach to the public sector sits at a crossroads in the history of public finance. Born in Königstein in 1910 in a family of Jewish background, Richard Abel-Musgrave attended the University of Munich and the University of Heidelberg, where he graduated in 1933 (P. Musgrave, 2009). His initial training was broad, including courses in economics, law, sociology and public finance. Upon graduation, he received a scholarship that allowed him to continue his studies in the United States for one year. He decided to stay longer and obtained a PhD from Harvard in 1937. In his dissertation, Musgrave took advantage of his acquaintance with the European scholarship in public finance, especially the German tradition. In this second section, I show how he borrowed from the practical domestic models of the economy. Yet, thinking of the public in terms of the private conflicted with the liberal underpinning of his theory.

The Structure of His Approach

In the first chapter of his thesis, Musgrave reviewed the main approaches to the study of public finance. He then sided with the German tradition represented by the late-nineteenth century triad of A. Schäffle, L. von Stein, and A. Wagner, as well as to more recent interwar theories, notably that of H. Ritschl. Musgrave's choice is clear:

Confronting the interpretation of Public Economy as communistic or household economy with the previously discussed interpretation of Public Economy as economy of exchange, similar to Market Economy, the 'household approach' must be given the preference. The latter approach is more realistic and hence more useful for the solution of practical problems of Public Economy [...] (Musgrave 1937, 70).⁸

The German scholars he referred to conceived the National Economy as composed of multiple interacting individual economies, including a market system and a public economy, each with its own set of rules (Musgrave 1937, 50).⁹ In their perspective, which Musgrave adopted, the public economy "arises out of the inability of the competitive system of Market Economy to satisfy certain wants, collective in nature" (ibid.). Additional features of the German approach were also borrowed by Musgrave to construct his "rational" model: the public economy is a complement to the market economy in the sense that most needs are satisfied by the latter. Besides, it is a planned system which hinges on compulsion (ibid., 52). Since the subject of the budget is a budget planner, and not a simple aggregation of individuals, the public economy can override the market process to directly satisfy certain needs of paramount importance.

When he came back to academia after a stint at the Federal Reserve during the war, Musgrave reformulated the "public household" model of his dissertation into a larger American synthesis of different strands of public finance. His normative theory assessed public expenditures and taxation from the point of view of modern

⁸ For a discussion of the "Public Economy as economy of exchange" tradition, see Johnson (2015).

⁹ Musgrave quoted the aforementioned passages of von Wieser and Weber.

welfare economics. It revolved around a central budget composed of sub-budgets, each corresponding to a revenue-expenditure process oriented to a specific function: macroeconomic stabilization, provision for the satisfaction of social wants, and adjusting the distribution of income (Musgrave 1959, p. vii). While Musgrave referred less and less explicitly to German scholars at the time, the structure of his theory still reflected their influence, and through them, the centuries-long tradition to conceptualize the nature and the role of the state by analogy with the household.

Unfolding the Household Analogy

In this last section, I draw attention to three specific points of correspondence between the private household and Musgrave's Public household. These household aspects of the public economy are important for the concept of merit wants (or merit goods). Thus, it is not surprising that merit goods are rejected as paternalistic because they embody these elements which a model of the public economy based on market exchange would not possess.

The Communal Basis

The private household and the public household are founded on human communities. The domestic household directly constitutes a community. The public household is not a community per se, but it relies on the existence and knowledge of a society. This fact makes it radically different from the conceptions of the state from Antiquity to the Early Modern age. The gradual recognition of an emancipated civil

society led to a specific economic and later sociological knowledge on its functioning. In his dissertation, Musgrave argued that the budget planner could provide goods to satisfy both individual and collective wants. Both had to be compared, homogenized, to build an ordering of national priorities for public expenditures. For Musgrave, this task relied on a “sociological analysis”, or knowledge of the “sociological process” (Musgrave 1937, 337, 348). For Aristotle, a community had a common purpose, it was organized toward a common goal. In the contractarian tradition, the common purpose of civil society is mutual protection: the state emerges to protect the citizens from aggression – whether the threat is internal or external to the community. Contemporary pluralistic societies cannot be said to have such a unique purpose. Nevertheless, a community has something in common: shared understandings and values. Members might not share all the same values, but stable communities might share some political values which allow for what John Rawls called an overlapping consensus. The possibility for a shared sense of justice is one starting point to justify merit goods (Musgrave 1987).

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

Furthermore, the existence of a community with interpersonal ties allows for the assumption that individuals will act in other-regarding ways, whether it be altruistic or a stronger communal spirit. The idea that individuals follow non-selfish motivations when acting in their collective capacity on matters that concern the whole community is central to the discussion of public goods in the German tradition. The communal basis of the concept was not acknowledged by Musgrave in the 1950s, at a time when methodological individualism and a neo-positivist spirit were very strong in economics, but he did defend it later in his life (Desmarais-Tremblay, 2021).

A Central Direction

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

public household as a planned unit which “is essentially communistic”; at an abstract level, “the theory of Public Economy is identical with that of the socialist economy” (Musgrave 1937, 60, 74).

As Gunnar Myrdal remarked, the very act of *economizing* assumed the existence of a conscious purposeful agent. The terminological legacy allowed economists to conceptualize a social household (*gesellschaftlichen Wirtschaftsführung*) oriented toward a purpose (Myrdal 1932, 140 ff.). This way of looking at the state as a planning unit was reinforced under the influence of Weberian economic sociology in which ideal types, like the public household, are often conceptualized as rationally oriented toward a goal. Yet, the central planner need not be an autocrat. Their job is to respect the values of the community. The collective goods provided by the public household have to reflect, in theory, individual preferences. Hence, the problem of the allocation branch is rather similar to that of the socialist market economy (Musgrave 1959, 46 n.1). Yet, merit wants represent an exception to this mechanical solution because they do not respect everyone’s preferences, or at least not their revealed preferences. However, Musgrave thought that they could be—or should be—made compatible with western democratic values (Musgrave 1999, 31). Still, in stark contrast with Buchanan, Musgrave implicitly assumed that the central planner was benevolent (see Buchanan, 1999, 89).

The last point of comparison which has to do with the centrally planned dimension of the household is the possibility of operating transfers in kind. Just as

the domestic economy relies on exchanges of services (usually) without monetary compensation, the state can directly provide goods to its citizens. This is especially important in times of war when the public household can conscript labor and control the distribution of necessary goods. Even putting aside this exceptional case, Weber argued that in planned household “natural accounting [or calculation in kind] is at root oriented to consumption, the meeting of needs” (Weber 2019, 192, 207). Transfers in-kind was the first conceptualization of merit goods enunciated by Musgrave (1957). The market requires a universal means of exchange to facilitate decentralized transactions, but the family and the state can avoid the distribution of resources according to monetary demand. They can thus enforce (moral) limits on what money should not buy.

Consumption to Satisfy Needs

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

(Desmarais-Tremblay 2017a). Likewise, merit goods are better understood as merit wants, as specific human needs that deserve public attention. They become social or public wants not because of some specific characteristic of the goods, but because the government wants to cultivate their consumption (or reduce it in the case of *demerit* wants).

The main difference between the economy of the Greek *oikos* and Musgrave's public household is that the latter is a complement to the market where most of the needs are satisfied. The market does a very good job at allocating resources to satisfy most of the needs of the community, and the public household should aim at optimum satisfaction of needs while causing "a minimal of disturbance regarding the want satisfaction retained in the sphere of Market Economy" (Musgrave 1937, 76). As a thinker of his time, Musgrave also adhered to the freedom of the Moderns and respected the private enjoyments of the domestic sphere, up to a certain point (see Musgrave, 1957, 341). It is true that some merit goods represented public encroachment upon individual private choices, but they had to be democratically supported, and could not be arbitrary like the cameralist edicts. One important feature of the household approach which sets it apart from the way markets satisfy needs is the assumption of interpersonal comparisons. The head of a family constantly assesses the relative urgency of the needs of the members in deciding how to invest time and spend money. Likewise, Musgrave assumed that a science of society could provide the economist (or the social planner) with a "social value scale" (a direct antecedent of the social welfare function) in order to decide how much public money was needed for different goals. This implied making

interpersonal comparisons of welfare, which did not seem to trouble Musgrave very much in the 1930s. Following Lionel Robbins's condemnation interpersonal comparison of welfare, a New Welfare Economics emerged to draw policy recommendations on narrower, allegedly more scientific, bases. Musgrave wanted his theory to be useful for public decision and thus had to stay closer to the "old welfare" of A.C. Pigou. Musgrave held to an objective conception of economic welfare: "The capacity to enjoy benefits is after all but part of the general nature of 'man.' It being the generally accepted procedure to define certain general characteristics of men, there is no reason why no typical degree of intensity for the enjoyment of benefits could be assumed" (Musgrave 1937, 274). Even in his *Theory*, Musgrave (1959, 108 f.) acknowledged the New Welfare criticism, but pondered whether it went too far in rejecting interpersonal comparison of the marginal utility of income (required for taxation according to equal sacrifice).

Although they are labeled as "merit wants", the distribution criteria at stake in the allocation branch is not merit, nor desert.¹⁰ Rather, the distributive principle in a household is generally need: "each is given in accordance with his needs" (Bell 1974, 31). To be sure, the provision of merit goods only aims at attaining certain minimum standards of consumption (or maximum standards of demerit goods), not at a radical equalization of conditions.

¹⁰ For elements of a genealogy of Musgrave's expression of merit wants, see Desmarais-Tremblay 2017b.

Conclusion

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

In Ancient Greece, *oekonomia* was a practical discourse focused on improving the quality of life by way of good management of the household, but also very concerned with the good life. Some strands of discourse have perpetuated this approach to economic life. For instance, in early modern times, the Cameralists connected the power and greatness of rulers to the well-being of the population. They proposed a benevolent governmentality of populations by way of direct, non-judicial, interventions. The first treatises on political economy also framed the subject as an extension of the rule of the father to that of a kingdom.

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

Nevertheless, practical discourse did not disappear from economics. For instance, the “contradictions” of this apparently self-regulating economy gave rise to many idealistic solutions to the Social question in the nineteenth century. Chief among them was the mixed economy with an interventionist state taking over responsibilities of the family and charities. Although they carried many of the ways of thinking of prior economic discourse, the new economic theories of the state accepted the liberal reconfiguration, thus incorporating a tension between the centrally directed welfare orientation of the domestic household and public liberal values. These ideas flourished in the German-speaking world at the end of the nineteenth century and in the interwar years of the twentieth century before they were disseminated in Europe and in the United States. Raised and trained in

Germany, Richard Abel-Musgrave brought elements of this tradition with him in the United States and helped to keep alive the breadth of German scholarship in *Staatswithshaft*.

This historical sketch does not pretend to be a comprehensive history of the analogy between the domestic economy and the state. However, I have provided sufficient evidence to make the point of a continuous use of the analogy throughout the history of economic and political thought. As every generation of economists—until recently—read the classical texts, the analogy was transmitted over time. In the twentieth century, economists have devised theories of the state borrowing from models of the market and that of the family. I have pointed out three elements of Musgrave's public household which relate to a domestic model: relying on a community, assuming a central direction, and being oriented toward a specific goal (that of wants satisfaction). These points are exactly what advocates of a *catallaxis* approach to the economy like Hayek and Buchanan would contest in an economic theory of the state.

Is the household model of the public sector still relevant today? Multiple historical forces played on its significance. Clearly, the analogy was reinforced by the transference of responsibilities from the family to the state. Wagner (1892, 379–82) captured this trend in his Law of increasing public expenditures. Already at the end of the nineteenth century the German state took over some welfare duties which were traditionally fulfilled by the family or by charities. In the UK and in the US, the welfare state grew rapidly after the Second World War. It is in this context that

Musgrave coined his concept of merit wants. The possibility of the government allocating resources directly to satisfy the needs of children, the poor and the elderly was also bolstered by the confidence gained by economists in war planning. These trends reinforced the analogy between the state and the family. On the other hand, the American postwar fear of socialism cleansed the economic vocabulary of any reference to central planning. Hence, Musgrave eventually stopped using the word planning to describe his general approach to public economy and used the noun only in the more modest expression of “budget planning.” As he reflected many years later, the semantics of “planning” had become loaded and politically more delicate after the war (Musgrave 1977, 53). The result of these forces might explain why the expression “public household” that Musgrave imported from the German tradition was not picked up in the nascent field of public economics in the 1970s. Already in their introductory textbook to public finance, Musgrave and Musgrave (1973) did not use the expression “public household,” but rather the expression “public sector.” In 44 years, the expression “public household” appeared only four times in the *Journal of Public Economics*. It is nowhere to be found in the five volumes of the *Handbook of public economics*. When Musgrave defended his dissertation in 1937, there was no expression for the economic theory of the public sector—he had to import and translate the German concepts.¹¹

¹¹ The expression “public sector” was used only twice in published articles in the JSTOR database before 1937, compared with 522 occurrences between 1937 and 1959, and 73 160 occurrences between 1959 and 2007. (<http://dfr.jstor.org>)

Geoffrey Brennan (1987, 3) argued that Musgrave's normative approach constituted the foundation of standard public economics. Even if he does not use the expression of public household, Joseph Stiglitz also remarked that Musgrave's three branches framework was a foundational approach to the economic responsibilities of the state (Stiglitz 2000, 20). If this is true, perhaps the tension highlighted in this paper has carried over to contemporary economic policy, for instance in the current debate on liberal paternalism. One could argue that behavioral public policy which tries to influence individuals by *nudging* them to make choices that would improve their well-being also reveals part of the tension that I have discussed in this paper. Like Musgrave's public household, the new behavioral public policy is welfare oriented and centrally directed. As a matter of fact, recent scholarship makes the case for reconceptualizing merit goods as behavioral policy interventions, such as *nudges*.¹² Yet, nudges do not rely on the fact that individuals are part of a community or a society. Their proponents do not consider the social context in which needs and desires are generated. However, nudges seems to face the two normative problems I mentioned in the introduction: behavioral policy often treats adults as children by endorsing a paternalistic attitude, as well as treating citizens as animals. It does not consider them as autonomous rational beings who can shape their own lives and deliberate in the public sphere about the type of governmental action they wish to endorse.

¹² See Munro 2009; Mann and Gairing 2012; Kirchgässner 2017; White 2016.

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