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THE BASIC IDEA OF FISCAL SCIENCE

by HANYA ITO

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I. Object of This Treatise

This is a methodological study concerning the basic idea of fiscal science. It is generally believed that the science of public finance is a discipline which treats of the economy of the state and other public authorities. Contrary to this popular notion, I should like to assert that fiscal science should have the economy of compulsory acquisition as its basic idea. This view was first expounded more than twenty years ago in my work, written in Japanese, Principles of Fiscal Science, Tokyo, 1931, which was devoted, among other subjects, to the relationship between the science of public finance and the philosophy of knowledge. Since that time I have asserted the same idea slightly revised in the following monographs in Japanese: Public Finance in Planned Economy, Tokyo, 1933; Theories on the Principles of Taxation in Fiscal Literature, Tokyo, 1935; and Elements of Fiscal Science, Tokyo, 1943. Here I shall explain in English what I have set forth in these works.¹

Not only in fiscal science but in all historical-cultural sciences in general, it is hardly possible to determine whether or not an idea is adequate as a basis of any science, unless there is a reliable criterion. What then should be the criterion? A school of thought may say, "What has been dealt with in most of the works on public finance constitutes fiscal problems in some sense," and insist that this is the very criterion needed. But a careful perusal of the books on public finance reveals that miscellaneous problems are treated from various points of view, not infrequently without order and system which strict logic demands. For example, in the chapters on taxes, the general theories of taxation and the tax systems

¹ This study is founded on the methodology of the neo-Kantian philosophy, and I have derived valuable suggestions from studies of this school, especially from the following: Heinrich Rickert, Die Grenzen der naturwissenschaftlichen Begriffsbildung, 4th ed., Tübingen, 1921; idem, Kulturwissenschaft und Naturwissenschaft, 5th ed., Tübingen, 1921; Kiichiro Soda, Geld und Wert, Tübingen, 1909; idem, Die logische Natur der Wirtschaftsgesetze, Stuttgart, 1911 (Tübinger Staatswissenschaftliche Abhandlung, 17. Heft, ed. by C. J. Fuchs); idem, Problems of Economic Philosophy, Tokyo, 1917 (in Japanese); idem, The Cultural Value and the Marginal Concept, Tokyo, 1922 (in Japanese).
of some countries are explained. In the chapters on government enterprise, we find fiscal analysis on industry, trade, transportation, etc., but some go so far as to interest themselves in the principle of management, whether railways should be put under government or private operation. Again in the chapters on public expenditure, besides explanation of its size and items, discussions on public administration are very often set forth, arguing, among other things, that the budgetary amount of expenditure for education or social security is too large or too small; in some cases they even include a detailed explanation of the pension system, etc., etc. Should all these be proper subjects of fiscal science? If this be true, it would be something in the nature of an encyclopaedia. Needless to say, fiscal science is not an encyclopaedia. It is a special discipline with its own scope and subject of study.

Now, the question boils down to what is to be interpreted as an essentially fiscal phenomenon. Contending that what has commonly been dealt with in the popular works on public finance should be subjects of fiscal science is nothing more than a tautology. For those who maintain such an opinion, it is absolutely necessary to demonstrate why such a position is justifiable from a logical standpoint. Unlike in the case of jurisprudence, economics and sociology, methodological studies of this kind are lacking in fiscal science. It is, therefore, all the more necessary to take up such studies.

The basic idea of fiscal science is an a priori or guiding concept per-

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Footnotes:
1. This is in fact one of the problems standing on the border line between fiscal science and philosophy. It is a subject of fiscal philosophy, and what is treated in this essay, constitutes, as it were, a point of departure of fiscal studies.
2. What should be a subject matter of fiscal philosophy still remains to be discussed among scholars concerned. Setting aside this question, the word "fiscal philosophy" itself has seldom been used. Wilhelm Andreae, on page 1 in the preface of his Grundlegung einer neunen Staatswirtschaftslehre, Jena, 1930, used the term "Finanzphilosophie" and this with a note "sit venia verbo!" This is the first instance of this term I have ever seen in Western literature. But there have been some expressions similar to fiscal philosophy. M. Edelstand du Méril, for example, published a work in two volumes under the title "Philosophie du Budget," Paris, 1835-36. In this book, the author made a noteworthy study of national expenditures. Weston and others introduced the term "philosophy of taxation" in the following: S. F. Weston, Principles of Justice in Taxation, N. Y., 1903, pp. 39, 42, 48, 98, 103; Alfred Marshall, "National Taxation After the War," p. 317 (in After-War Problems, ed. by Dawson, London, 1917). Recently Harold M. Groves used the term "budget philosophy" in his Financing Government, 3rd ed., N. Y., 1950, p. 546, and "philosophy of taxation" too in the subtitle of another of his work, Trouble Spots in Taxation, Essays in the Philosophy of Taxation and Other Public Finance Problems, Princeton, 1948. It may also be noted that H. G. Moulton entitled his study, The New Philosophy of Public Debt, Washington, D. C., 1943. These are a very few instances I have seen in Western literature. However, it must be pointed out that these terms practically mean the general theories or principles on budget, taxation and public debt, but not at all philosophy in our sense. After all, such expressions as fiscal philosophy and the like are not in wide use. And this clearly indicates that studies along this line have not yet been developed as they should.
taining to all fiscal activities. And it is certainly this concept that makes public finance a science in the real sense. Logically speaking, such a concept should be compatible with the following criteria:

1. It should show characteristics by which fiscal phenomena can be distinguished from other social phenomena. In other words, it should be of a nature that without it public finance as such cannot exist, and it should constitute the basis of all fiscal phenomena always and in all places.

2. It should be, among other features, of historical reality, insofar as fiscal science is a kind of historical-cultural science.

What then is the idea compatible with these postulates? I wish to expound at first my own view and then to comment on what has been advocated by others.

II. Basic Idea of Fiscal Science and Its Empirical Forms

The basic idea of fiscal science, or the fundamental concept of public finance, is, in my opinion, the economy of compulsory acquisition.

Public finance is part of the economy in the wide sense of the term. As for the meaning of "economy," opinions differ widely among economists. But here I refrain from examining them in detail, and simply state my view that "economy" consists in activities and organization to acquire the material means of satisfying human desires. In giving a formal definition of economy, some authors include in the concept "economy" activities themselves to satisfy human desires. Irrespective of formal definitions, however, the central idea upon which discussions and explanations are based, is in most cases concerned with the supply of the means to satisfy human desires. In other words, economists entertain divers concepts of economy which vary more or less, but agree in the fact that the nucleus of economy is, after all, the acquisition of the necessary means for human life.

Public finance is the economy of compulsory acquisition, and as such is a specie of economy. If the word economy is understood as in the preceding paragraph, it may appear unnecessary to say "economy of compulsory acquisition," but simply "compulsory economy." In using the term "economy of acquisition" I wish to stress the acquisition of means.

Public finance is not a free economy which is carried out in compliance with the free will of the parties concerned as may often be seen in private economy at present, but it is a special kind of economy which is controlled in accordance with unilateral will, irrespective of the will of the other party concerned. In short, public finance is the economy of acquisition by
compulsory measures.

Where in the empirical world nowadays does such economy of compulsory acquisition present itself in the most clear-cut form? The answer is in the revenue economy of the state and other public authorities. This is the reason why the revenue of central and local governments is believed to be the subject matter of fiscal science according to the prevailing theory. In my opinion, however, phenomena embodying this idea, can be found not only in the economy of governing bodies, but also in other branches of our economy as well. If this be true, the treatment of these fields too must logically fall within the province of fiscal science. For instance, those activities of organization which have, practically or legally, a monopoly in the production or supply of necessaries of life are phenomena of fiscal significance and constitute problems of fiscal science. Even in the case of those organizations which are established in accordance with the free will or the members of which are free to join or recede at their own will, if there exists something compulsorily in their acquisitive economy, they also must come under the scope of fiscal science. A good example of this compulsory economy is the economy of the medieval religious societies in Europe. In the medieval age, when the church often exercised the same or greater authority than the worldly state, and its economy of acquisition was largely of a compulsory nature, its activities would be a subject matter of our science. It is simply a secondary issue whether compulsory power originates from custom and other psychological and physiological desires, or from law and government authority, no matter whether it derives force from the will of the majority of the people or the single will of the dictator. What is of primary importance is whether or not the economy at issue is one of compulsory acquisition.

Many scholars have admitted, expressly or tacitly, that the basic concept of fiscal science must be sought in the compulsory nature of the economy in question. For instance, the French fiscal economist, Gaston Jèze, points out as essentials of fiscal phenomena the following three conditions: 1) monopoly, 2) compulsion and 3) political or social considerations. Upon these, Jèze asserts, rests the autonomy of fiscal science (Gaston Jèze, Cours de Finances Publiques, Paris, 1926, p. 23). Strictly speaking, however, it can be said that there are two, i.e. positive and negative aspects about compulsion, which present themselves in forms of command and prohibition, and monopoly is a sort of prohibition, which is comprehended by the wider concept of compulsion. Political considerations are also included in the concept of compulsion. As for social considerations, they are common to all other social sciences, not only to the science of public finance. Suffice it to point out compulsion as the main feature of public finance.

Wilhelm Gerloff, in his outstanding study, "Grundlegung der Finanzwissenschaft," in Handbuch der Finanzwissenschaft, 1. Bd., 1st ed., Tübingen, 1926, distinguishes the object of fiscal science in the wide sense or Erfahrungsobjekt, from that in the narrow sense or Erkenntnisobjekt, and seeks the characteristic of fiscal science in the fact that public economy differs from private economy in the method of obtaining the means of living. He says, "Im engeren Sinne kann man daher als Objekt der Finanzwissenschaft (Erkenntnisobjekt) die öffentlich-wirtschaftliche Beschaffung und Bereitstellung der einer öffentlichen Wirtschaft zur Ertüllung ihrer Zwecke erforderlichen Mittel bezeichnen" (ibid., p. 9). And he points out, "Die Anwendung von Zwang ist charakteristisch" (ibid., p. 32). In the second edition of this work published in 1950, there is no alteration in his opinion (cf. pp. 17, 43). But we must observe that Gerloff's view, though full of suggestion, does not differ much from the prevailing theories in that it confines the "Erfahrungsobjekt" of fiscal science to public economy alone and compulsion (as an essential feature of public finance) to that which derives from government authority.
III. **Public Economy and Fiscal Science**

The science of public finance cannot be considered an autonomous discipline simply because it concerns itself with the economy of the state. On the contrary, the economy of the state becomes a subject matter of this science because that economy involves much of the element of compulsory acquisition. The traditional idea that public finance is the economy of the state and local authorities, logically speaking, reverses this relationship. Should the same or similar principles as, for instance, the principle of free exchange, prevail in both public and private economies, there could be no room for fiscal science to assert itself as autonomous learning independent from pure economics. If, on the other hand, there exist some activities and organizations which carry on the economy of compulsory acquisition in the same manner as the central and local governments, they as well as these public bodies should be put under consideration in fiscal science.

The autonomy of fiscal science is not based on the fact that it deals with the economy of the government but on the grounds that its fundamental concept is the economy of compulsory acquisition. There can be no doubt that, historically speaking, the typical form of the economy of compulsory acquisition first originated from and flourished in such compulsory organizations as the state and local authorities. In fact, however, there are some other economic activities which involve much of compulsion in the form of "determination by the unilateral will," e. g. the economy of the church in the medieval age, the economy of such bodies as chambers of commerce and industry and the revenue economy of monopolistic suppliers of daily necessaries of life at present. In principle, there is a good deal in common in the collection of the church tax and that of the national tax, as there is in the determination of the prices of monopoly goods and the imposition of the consumption tax. All these aspects of compulsory acquisition naturally require special and integral treatment in our science. It is inevitable, however, that, depending upon the actual structure of economic society, the scope and area of application of the principles concerning the economy of compulsory acquisition vary according to time and place. The scope of application of such principles may be the smallest in economic societies where individual absolutism prevails as, for instance, in the community of anarchism. In a liberalistic society, it may be larger than in an anarchistic society but far smaller than in a society of controlled economy. It is in the economic life where social absolutism, such as Plato's in *Politeia*, predominates, that the principle of compulsory acquisition is applied in its full vigour.
It is admitted that as free economy gradually gives way to controlled economy in our economic life, the field of application of the principles of fiscal science will grow wider in contrast to the contraction of the sphere of application of the principles of free exchange economy. For instance, the strengthening of price control by the government and the compulsory regimentation of consumption can be construed as enlarged application to the national economy of the principles of fiscal science.

IV. Basic Idea of Science and Empirical Reality

For the autonomy of th science of public finance, it must needs have as its basic idea the economy of compulsory acquisition. Fiscal aspects of empirical reality, i. e. only the aspects which relate to this idea constitute the subject matter of fiscal science.

Generally speaking, the empirical reality as such is an object neither of fiscal nor of any other science. It has a variety of aspects which have to be studied by several kinds of science. Take for instance a desk. It has divers aspects which are to be dealt with by various branches of learning. For example, its price is a problem of pure economics; as a commodity of trade it is an object of the study of merchandise; its manufacturing process is a matter of engineering technique; and if any tax is imposed on it as a means of internal revenue, this aspect is treated by fiscal science. Almost the same can be said of all other phenomena. In trying to determine the subject matter of any science, therefore, we can not take up an empirical reality as such, because its manifestations are divers and complex. It is not empirical reality itself that determines whether or not it is an object of any science. On the contrary, we must first be clear about the basic and central idea of any science and then the scope or object of study is fixed by selecting the particular aspect of that reality which relates to this basic and central concept.

Taxes, for instance, at first glance appear to be a subject matter related only to fiscal science, but as an empirical reality, some aspects concern other than the fiscal science. To take an illustration, as the tax system often has close relations with the nation's economic life, taxes must in this sense be studied by pure economics. On the other hand, as taxes have bearings upon the profit and loss account and the cost calculation in business enterprises, this aspect constitutes one of the main themes of the science of business management and accounting. The excise on alcoholic drinks and tobacco exercises an influence not only on the consumption of those goods but also on the nation's health, and so it is one of the subject matters of hygiene. As the tax on the celibate, as levied in Italy during the
reign of fascism, affects the population of a country, it is a problem related to the theory on population. Furthermore, as some taxes are closely connected with the distribution of wealth, they have aspects which interest us with respect to social policy, and so forth. Thus the social phenomenon which we call taxation has diverse aspects which have to do with various disciplines. But the reason why taxes are usually regarded as one of the main subjects of fiscal science, is the fact that the fiscal aspect presents itself most prominently.

In starting a scientific study, therefore, it is essential to set up a basic and central idea indigenous to that science. In the case of fiscal science, such a concept is the economy of compulsory acquisition. With this as a guiding idea, we select from empirical realities fiscal aspects and make them object of study. In the empirical realities themselves, there exists nothing fiscal.

To sum up, the science of public finance studies those aspects which are related only to the economy of compulsory acquisition.

Now what do the words “related to the economy of compulsory acquisition” mean? And what are such phenomena? There are many such phenomena, but most of them are divided into the following three categories:

1. Those phenomena the fiscal aspect of which constitutes their primary cultural significance. For instance, those which are created or used deliberately for fiscal ends. Quoting Max Weber’s terminology, these may be called fiscal phenomena in the “narrow sense of the term.” Leading examples of this category are the tax and the government enterprise, the basic and direct aim of which lies in the supply of material resources for the government. Even in empirical facts of this kind, needless to mention, there are some non-fiscal aspects.

2. Those phenomena, which do not primarily interest us with respect to their fiscal significance, but which, however, do acquire significance in this regard, because they have consequences of interest from the fiscal point of view. As defined by Max Weber, they may be called the fiscally “relevant” phenomena. The quality and quantity of government expenditure is a good example. As will be explained later, the size and items of public expenditure, though they are not a fiscal phenomenon as such in the narrow sense, affect the fiscal life of the state.

3. Those phenomena which are in essence not fiscal in our sense and the fiscal effects of which are of no, or at best slight interest to us, but which are influenced more or less strongly by fiscal motives or factors. In accordance with Max Weber we call this phenomena fiscally “conditioned.”
The protective import duty is one of the examples.4

There can be no doubt that not only the phenomena of the first category constitute the main problem of fiscal science, but also the fiscal aspects of the second and third categories fall within the limits of this discipline. From olden times up to the present, the economy of compulsory acquisition presents itself in the most typical and representative form in the economy of the government. This is the reason why fiscal science at present is exclusively concerned with this kind of economy.

V. Fiscal Aspects of Government Activities

What part of government activities, then, is the main domain of fiscal science? It is the revenue of the government. But there are various kinds of public revenue. They are taxes, fees, domains, government enterprises, etc. A comparative study will show that the element of compulsory acquisition presents itself in varying degrees according to the nature of the revenue and the time and place of its acquisition. Fiscal science naturally attaches much importance to those revenues in which the element in question predominates, but almost all kinds of public revenue come under the scope of fiscal science because the government is a compulsory organization which is well able to exercise authority at all times and, accordingly, its revenue has a compulsory character in a more or less degree. Thus public revenues constitute the main problem of our science. As for public expenditures, they should be studied by fiscal science only insofar as and as long as they tend to affect the revenue of the government or as they are related to our basic idea.

A historical study reveals that from olden times up to the present, the concrete forms of government finance have developed in the following order: (1) domains, (2) regalia and monopolies and (3) taxes. Indications are increasing that government enterprise as the fourth form will gain in importance in the future. It will be observed that the element of compulsory acquisition is in more or less degree inherent in all these forms of finance since the beginning of fiscal life to the present days. But it has shown itself more prominently in the course of historical development. In domains, for instance, the idea of compulsory acquisition did not appear in a clear-cut form, and it is in taxes that it presents itself first in full-fledged form. There is good reason to believe that it will manifest itself in almost pure form in government enterprises of a socialistic order.

It may be concluded that the basic idea of fiscal science is a product of

historical development and has presented itself in a distinct form, first at a later stage of historical progress of public finance. However, we must bear in mind that in case of systematic research, we must needs start from the basic idea. Otherwise, neither the course of historical development from the beginning to the present, nor the perspective of a future organization can logically be surveyed. Unless based, as a logical premise, upon the basic idea born after a certain course of historical development, any systematic research in fiscal science would be impossible. It is simply with this idea as a logical premise and as an inherent assumption that every stage of fiscal development can be construed not as an arbitrary and contingent concourse but as a necessary and inevitable sequence. We have to distinguish the point of departure of scientific study from the beginning of historical development of any phenomenon.

It is to be feared that this methodological study may appear to some to be metaphysical and unpractical. But I firmly believe that such research, and this alone, will provide a foundation for the autonomy of fiscal science. Some may oppose such inquiries on methodology and the philosophy of knowledge on the ground that they do not contribute anything directly to the amplification of the contents of special disciplines. They fail to recognize that studies of this kind originally bring about results for practical use only in an indirect way. Kant's philosophy of criticism, for instance, did not contribute directly to the amplification of the special sciences, yet his philosophy has had great influence not only on the method, but also, though indirectly, on the contents of the sciences. In academic circles of fiscal science, methodological studies have been disregarded. Therefore it is all the more necessary to promote research of this kind.

Methodological inquiries have often turned out to be of practical use. First, it will become clear as a result of such studies that unexpectedly close relations exist between phenomena which have previously been considered as having little to do with each other. For instance, at a first glance there appears to be little relationship between the principle of taxation and that of fixing railway rates, and these are studied by two different branches of science. However, if it becomes clear that the railway and tax revenues can be integrated in the basic idea of the economy of compulsory acquisition, a study on the one may be applied, with or without necessary alteration, to research on the other, thereby eliminating a waste of academic effort. As is well known, railway rates are subject to principles of the cost of services, the value of services, the ability to pay and equal sacrifice. These terms are the same as those in use for
taxation in fiscal science and their meanings are similar. They are in fact two forms of economy derived from one and the same root, which we call the economy of compulsory acquisition.

I wish to emphasize as the basic idea of fiscal science the economy of compulsory acquisition, and to point out the public revenue of governments as its typical embodiment. As there are various objections to this idea, I will try to review them one by one in the following part of this essay.

VI. Theory of Making Public Expenditure a Main Problem of Fiscal Science

As the first of the oppositions to my view, attention must be paid to the theory that fiscal science needs to examine the practical appropriateness...
of public expenditures as well as the public revenues of the state. An opinion along this line appears to gain ground of late among fiscal experts. For instance, Dalton, Goldscheid and Kuczynski, who lay stress on the social significance of public finance, advocate that it is the main issue of fiscal science to pass judgment upon the appropriateness of public expenditure itself and complain that fiscal science has thus far been too much inclined to study public revenue rather than pay due consideration to public expenditure. Authors of this opinion are too numerous to be cited here.

I am opposed to this view. So far as public revenue and expenditure of the state are concerned, it is essential to decide upon the following three matters: 1) size or the total amount of public expenditure, 2) items of expenditure, or its apportionment for various government functions, and 3) measures to be taken for raising public revenue to support this expenditure. These are so closely connected with one another that either of them cannot be dealt with independently. It is needless to mention that the size and items of public expenditure reflect the features of government policies concerned, such as economy, social welfare, education, peace preservation and others, and are determined by these policies. Passing judgment on the practical appropriateness of public expenditures, therefore, is the task of such other disciplines as education, economy, peace preservation and so forth, and not the business of fiscal science as such. It belongs to the domain of general theory of the state and the basic principles on public administration, that unify and coordinate all these studies (including public finance). As people nowadays are usually inclined to deal, in both thinking and conduct, with various aspects of their life by separating one from another, although they take for granted the ultimate unification and coordination of these aspects, so in activities of the state, various organs take charge of their respective functions separated from one another. The recent tendency of ever-increasing specialization of public functions and the ever-extensive differentiation of social and political sciences is to be construed as reflecting this characteristic of our way of life. What I wish to emphasize is not the fact that it is of no use to examine the adequacy of public expenditure, but that this does not fall within the sphere of fiscal science. Indeed, it is true that textbooks and other works on public finance not seldom concern themselves with the study on the justness or otherwise of public expenditure, but this is simply for the sake of convenience, and not from pure logic.

By advocating that the main issue of fiscal science does lie primarily in the field of public revenues or the supply of necessary means to public

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bodies, I do not mean that public revenue can be treated with no respect to other spheres of public activity. The autonomy of fiscal science does not imply its isolation from other academic studies. That public finance deals with the acquisition of means for the government does not signify that, in the operation of government policies, the necessary means can be raised without paying regard to public expenditure. What I wish to say is that it is not the business of public finance but of the science of public administration and other disciplines to determine public expenditure. A tax, for example, imposed on the people should be fixed by comparison of the social values to be created through public expenditure and the loss of social values or social sacrifice incurred by taxation. This comparative study of social values concerning public income and outgo, with a view to producing maximum social values by government activities is a subject matter of the general theory of the state or synthetic study, which evaluates and enables all policies to be in right places. Every policy or discipline of the special branches of government functions, such as education, economy, social welfare, peace preservation and so on, on the other hand, is, each of them, a special assignment of that general policy. To determine the social values created by public expenditure is the task of such special policies or disciplines. It is with the social value of public expenditure given as a premise or assumption, that the study of public finance is carried on. The proper purpose of fiscal science is to obtain at the least social sacrifice, or at a minimum cost, the means necessary for public expenditure. However, in case it becomes clear that the marginal sacrifice to be incurred by raising the revenue, e.g. by taxation, would exceed the marginal value of public expenditure, it would contradict the principle of the maximum social value to continue to collect further means from the private economy beyond this limit. Thus, the curtailment of public expenditure would be required in such a case, because the limit of taxation is already attained. To determine what kind of expenditure then should be curtailed is the business of other sciences. Fiscal science, after all, concerns itself with the means necessary for public expenditure in accordance with the principle of minimum social sacrifice, within the limit of the marginal value of public expenditure determined by other disciplines.

VII. Theory of Making Finance Minister’s Affairs
an Object of Fiscal Science

Based upon the fact that the Finance Minister in many countries, compiles the budget and examines the adequacy and fitness of public expenditure as one of his important functions, some scholars contend that a
study on the appropriateness of public expenditure belongs to the scope of fiscal science. This is the second objection to my theory.

In practice, it is usual that the Finance Minister, in making an estimate, compares the social value of expenditure with the social sacrifice of revenue or resources for such expenditure. Taking into consideration the people's ability to pay taxes and other factors, he sometimes demands the reduction or cancellation of some expenditures requested by other Ministers. This clearly indicates that the Finance Minister is concerned with the judgment and determination of public expenditure itself. Some authors resting on this fact, insist that fiscal science should comprehend such a study of public expenditure as one of its subject matters. I believe this view to be unjustifiable. In practice, the division of public affairs among the competent Ministers does not necessarily coincide with the separation of studies among the various branches of learning. It is often determined for the sake of convenience of practical administration. For instance, matters concerning banking, insurance, international trade and foreign exchange are under the jurisdiction of the Finance Minister in some countries but in others under that of the Minister of Commerce and Industry.

In these circumstances, according to that way of thinking, as the scope of fiscal science is considered to be determined mainly by the Finance Minister's jurisdiction, a study of banking for instance would fall within the province of fiscal science in some countries and not in others, as the case may be. I believe that it is unjust to consider anything as a problem of fiscal science simply on the ground that it is included in practice in the activities of the Finance Minister. Indeed it is true that budget making and judgment on public expenditure demand close investigation of the whole field of public administration. But the fact that the Finance Minister in many countries at present examines the expenditure of various Ministries should be construed as beyond the proper sphere of public finance. In practice not only the Finance Minister, but also all other Ministers concern themselves with matters relating to various branches of science. As the Finance Minister takes charge of other administrative affairs than public finance, so all other Ministers take public finance into consideration as well as affairs under their respective jurisdiction. The Education Minister, for instance, will refrain from working out an educational plan that would demand huge expenditure exceeding the people's economic ability to pay, although he is mainly in charge of the affairs of education and general culture. This means that the Education Minister keeps in mind public finance as well as his main branch of administration.

All this speaks of the existence of inseparable correlations and interdependence of various activities and functions of the state just in the same way as in individual life. No policy can be determined and enforced,
isolated from and without respect to relationship with all other policies, because intimate connections exist among them all. Generally speaking, empirical reality is the nexus of interrelated factors, and every field of human life is intertwined with all others in a baffling tangle. Such being the case, it becomes necessary in any science, to find out its basic idea or to reply on what in the practically infinite and immeasurable complexity of concrete reality should be interpreted as an a priori or guiding concept of that science. It is essential to distinguish the fact that infinite and innumerable interrelations exist among phenomena of our real world from the theoretical claim that any science requires its own basic idea.

VIII. Theory of Completely Eliminating Public Expenditure From Scope of Fiscal Science

Whereas the first and second objections above explained tend to extend unduly the domain of fiscal science, the third, which I shall now examine, is inclined to restrict unduly the scope of this science. This is the theory of Kaizl of Bohemia and Leroy-Beaulieu of France who hold that public expenditure be eliminated entirely from the sphere of fiscal science. I am opposed to their view, as I believe they seem to define too narrowly the theme of this science and to limit it merely to "fiscal phenomena in the narrow sense," by eliminating those "fiscally relevant" and "fiscally conditioned."

I am of the opinion that public expenditure, though it does not constitute the main problem of our discipline as already explained, has on the other hand fiscal significance. The size and items of public expenditure as such, but not judgment on the appropriateness of the same, are of fiscal importance, because they are factors affecting public revenue, main field of fiscal science. In other words, they should be considered phenomena fiscally relevant. For example, as the means necessary for disaster relief expenditure is naturally raised as soon as possible, it is generally believed to be adequate to finance them by public debt. On the other hand it is usually considered to be appropriate to finance, say, a ten year program for expansion of the educational institutions by means of taxation. Even in the case of this expenditure for education, if a very large amount is required, it is sometimes thought justifiable to raise the money by public borrowing. To sum up, as the size and items of public expenditure have influence on the methods and measures of public revenue, this aspect of public expenditure should be considered phenomena fiscally relevant. This does not imply, however, that the appropriateness of public expenditure itself should be discussed in fiscal science. What I wish to propose, is that the size and
items of public expenditures must be made clear as a prerequisite of the study of public revenue. These must be strictly distinguished from each other.  

IX. Theories of Földes and Moll

Many scholars, such as Földes, Moll and Gerloff, have tried to make clear the proper position of public expenditure in fiscal science. I look upon their theories with high regard, but I do not agree with them in some respects. As for Gerloff, mention has already been made in this treatise, and references will be made in this part to Földes and Moll.

1 Kaizl argued as follows: „Die selbständige Wissenschaft, deren Gegenstand die wirtschaftliche Erwerbstätigkeit politischer Verhältnisse ist, heisst Finanzwissenschaft; sie heisst deshalb so, weil die Geldeinnahmen des Staates, welche durch die Erwerbstätigkeit beschaffen werden, seit Langem Finanzen heissen. Finanzwissenschaft ist daher Wissenschaft von den Finanzen, d. h. von den Einnahmen des Staates und der Gemeinden überhaupt, oder anders gesagt, die Wissenschaft von der Deckung der wirtschaftlichen Bedürfnisse des Staates und der niedrigeren Gemeinden“ (Josef Kaizl, Finanzwissenschaft, trans. from the Czech language into German by Körner, Part 1, Vienna, 1900, p. 34 et seq.). Kaizl confined his fiscal studies to the revenue of the state and other public authorities. Except brief remarks on collective wants and government activities in Chapter 1, Part I of his Finanzwissenschaft, the public expenditure is not at all touched upon in this work. With his sharp insight, Kaizl asserted about a half century ago that „Die Finanzwissenschaft ist methodologisch bisher wenig ausgebildet“ (ibid., p. 40).

He endeavoured to systematize fiscal science from the sociological standpoint, making himself a distinguished figure of the social theory of our science. His academic contribution in this respect cannot be praised too much. But it is undeniable that he was too engrossed in the methodological purification of the science to pay proper attention to the fiscal aspect of public expenditure.

Leroy-Beaulieu is noted for his figurative explanation about the scope of fiscal science in which he appropriately compared the task of the fiscal economist to that of an architect. He observed, „Si vous faites venir un architecte pour vous construire une maison, ce n’est pas son affaire de s’enquérir si cette construction est trop vaste pour votre fortune ou pour votre situation sociale; ce qui le concerne, c’est de faire cette maison aussi solide, aussi commode, aussi belle que possible avec le minimum de dépenses pour le propriétaire. De même celui qui écrit sur la science des finances peut plaindre sincèrement les États qui font de trop grosses dépenses, mais sa tâche réelle consiste à indiquer comment un État peut se procurer des ressources en mâignant autant que possible les intérêts des particuliers et en respectant la justice“ (Leroy-Beaulieu, Traité de la Science des Finances, tome 1, 8th ed., Paris, 1912, pp. 2-3).

If we investigate fiscal literature, we find that most authors, regardless of formal definitions, have emphasized the sphere of public revenue in their studies. To give examples, older German experts such as Justi, Eiselen and Malchus, and English classical economists, except Adam Smith, eliminated explicitly or implicitly, studies of public expenditure from their fiscal theories. This sort of thinking, i. e. the idea that the main theme of fiscal science lies in public revenue, has been followed by many others since the turn of the twentieth century. Typical examples are: C. C. Plehn (Introduction to Public Finance, 4th ed., N. Y., 1924, p. 6), Béla Földes (Finanzwissenschaft, 2nd ed., Jena, 1927, p. 91 et seq.), Eheberg-Boesler (Grundriß der Finanzwissenschaft, 7th ed., Leipzig, 1936, pp. 7-8), W. Gerloff (op. cit., pp. 4-13), Bruno Moll (Probleme der Finanzwissenschaft, Leipzig, 1924, p. 24 et seq. and Lehrbuch der Finanzwissenschaft, Berlin, 1930, p. 37 et seq.), and Paul Momber (Grundzüge der Finanzwissenschaft, Leipzig, 1928, p. 14 et seq.).
Földes, recognizing that public expenditure as such belongs to the scope of other sciences, especially the science of public administration (Verwaltungslehre), asserts that, with the principles concerning the aim of the state and the satisfaction of its public wants taken for granted, fiscal science is to confine its studies merely to the "fiscal aspect of expenditure." Indeed, he can be said to have entertained a nearly right and just opinion about the treatment of public expenditure in fiscal science. But as for the problems of public expenditure to be dealt with by this science, he states as follows:

"Die Finanzwissenschaft wird daher nach Entscheidung der Prinzipien sich darauf beschränken, zu untersuchen, wie gross der Staatsbedarf ist, wie derselbe am zweckmässigsten zu befriedigen ist, welches Verhältnis zwischen den Ausgaben angestrebt werden soll, wie die Bedarfsbefriedigung der Zeit nach verteilt werden soll, welche Reihenfolge in der Befriedigung gewisser Bedürfnisse befolgt werden soll, ob die Staatsausgaben eine steigende oder sinkende Tendenz zeigen und was die Ursache dieser Tendenz usw." 9

Among the various problems cited above, studies of the proportion between various expenditures and the order according to which public wants are to be satisfied, do concern the judgment on the appropriateness of public expenditure, and it seems to me to be inconsistent with his general theory of fiscal science, to the effect that "Die Staatshaushaltslehre kann sich nicht mit den prinzipiellen Fragen der Ausgabenwirtschaft befassen. Diese Probleme gehören in den Bereich anderer Wissenschaften, so namentlich in den Bereich der Verwaltunglehre." 10

Moll claims the possibility of autonomous fiscal science, and opposing the two extreme views that the study of public expenditure should be eliminated from fiscal science and that detailed inquiries should be made as regards the adequacy of public expenditure, he takes the golden mean, saying that, as an ideal, only the fiscal aspect of public expenditure should be the object of study in fiscal science. 11 I completely agree with him in this conclusion.

As a reason for his opposition to the theory that fiscal science should pass judgment on the appropriateness of public expenditure, Moll holds as follows:

"Wenn diese Nützlichkeit und Notwendigkeit, Zweckmässigkeit oder Berechtigung öffentlicher Ausgaben schlechthin diskutiert wird, so verlässt man zweifellos den Boden der Wissenschaft, mindestens der Finanzwissenschaft und begibt sich völlig auf das schwankende Brett der Politik. Es

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10 Ibid., p. 91.
ist leicht einzusehen, dass das Werturteil, das hier gesucht wird, immer ein stark subjektives, niemals aber eine objektiv zu begründende oder eine schlechthin dem Nachdenken oder der Erfahrung entspringende Feststellung sein kann."12

I cannot concur with Moll in this respect. He denies the possibility of scientific and objective treatment of the justness or fitness of public expenditure, on the ground that this falls within the area of policy, and that value judgment (Werturteil) of a subjective nature is always unavoidable in studies on policy in general. If this be true, the policy of public finance, being a specie of policies, would inevitably be of subjective character, and for this reason, the study of this policy would have to be excluded from the domain of fiscal science. For all this, Moll recognizes the possibility of scientific treatment of financial policy, as explained in the footnote 14.

This problem has a bearing upon the value judgment controversy. I myself, having already expounded my opinion on this controversy in my works, refrain from going into details on this subject.13 What I wish to point out here is that I do not subscribe to Moll's ground for the proposition that studies of the appropriateness of public expenditure itself are not within the scope of fiscal science. To repeat, I concur in his proposition, but on different grounds, which I have already explained.14

X. Theory of Confining the Domain of Fiscal Science

Only to Public Economy

Opponents of my proposal that the scope of fiscal science be extended to the economic life other than that of the state and other public bodies,

14 Bruno Moll, in his following works, Probleme der Finanzwissenschaft, Leipzig, 1924, pp. 1-23 ; Lehrbuch der Finanzwissenschaft, Berlin, 1930, p. 25 et seq. ; and "Gibt es eine exakte Nationalökonomie?," a lecture delivered at Leipzig, 1924, emphasizes the subjectivity of the value concept and says that the value judgment is always and in all places inevitably of subjective nature. But he admits that there exists a difference of degree in the subjectivity of evaluation, and there is sometimes a subjectivity of such an objective nature to be just close to objectivity in the strictly logical sense of the term. For instance, he says, the judgment as to war financial policy that taxation is more adequate and expedient than public debt, has a subjective character which is far closer to objectivity than the judgment whether or not a blonde is more beautiful than a brunette (Probleme der Finanzwissenschaft, Leipzig, 1924, p. 6 et seq., and Lehrbuch der Finanzwissenschaft, Berlin, 1930, p. 29 et seq.). I believe that among judgments on the appropriateness of public expenditure, there exist in fact some which are of a subjective nature quite close to objectivity as in war financial policy, and it follows that those studies must belong to the scope of fiscal science. Moll, nevertheless, opposes the inclusion of all studies of the adequacy of public expenditure in the sphere of our science.
contend that this contradicts the traditional idea of fiscal science. This view is supported by a large number of authors. Although I have already explained my view elsewhere in this article, I shall re-examine it from another angle.

When analysing natural or social phenomena, we often find that those which appear to be widely apart from one another in appearance will turn out to be just the same in nature. To take an illustration, in the days when our ancestors had little intercourse with foreigners, only those who spoke the same language and had the same complexion as theirs were considered as mankind, and their personality was fully recognized, while foreigners were regarded as if they were beasts. But when it became clear, after investigation of the nature of mankind, that a human being is a reasonable animal, every being endowed with reason was regarded as a man, regardless of racial origin, language or features. In the same way, the conventional idea that the domain of fiscal science should be confined to the economic life of the state and other public authorities is none other than an opinion prejudiced by mere appearances. When it becomes clear that the fundamental concept of this science is the economy of compulsory acquisition, any empirical fact even in a field other than the public economy, becomes fiscal with logical necessity, insofar as it involves the element of this concept, and this fact or this aspect of reality should be studied as a fiscal problem.

Walter Lotz recognized fiscal significance in the household economy of the Christian church in olden times.\(^\text{15}\) It is also noteworthy that recently such a new idea as "quasi-public finance" has come to be used among Japanese scholars. It signifies the economy of such quasi-public organizations as chambers of commerce and industry, agricultural cooperative societies, associations for social welfare, and religious orders. The economy of these organizations is studied as "quasi-fiscal science" on the basis of fiscal principles with necessary adjustments. These problems have been included in public finance or fiscal science in the wider sense of the term.\(^\text{16}\)

In Germany, too, the idea "intermediäre Finanzgewalt" has gained ground in academic circles. It is also called "hilfsfiskalischer Haushalt," which means an organization with fiscal authority other than the state and local public bodies. This is an organization which has compulsory power to raise money, in the form of membership fee, premium, etc. The church, chambers of commerce, economic associations, social insurance agen-

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\(^\text{16}\) This new concept was proposed by the following studies in Japanese: Masao Kambe, *Public Finance*, revised and enlarged ed., Tokyo, 1935, pp. 4-5; and "Quasi-Public Finance," an article in the supplementary volume of *Dictionary of Economics*, ed. by the Institute for Economic Research in the Osaka University of Commerce, Tokyo, 1936.
cies, etc. belong to this category. It is said that in Germany before World War II, the total raised by such organizations accounted for about 50% of the amount collected by the National Treasury.\(^{17}\) Even a book on this subject was published in 1936: Walter Herrmann, *Die Intermediären Finanzgewalten*, Jena, 1936, in which the intermediary fiscal authority is dealt with as similar in nature to state and local finance.

Thus, it is worthy of note that in Japan and in foreign countries the prevailing theory of confining the problem of fiscal science to the state and local authorities has begun to give way to a wider idea covering quasi-public organizations. What is the implication of this tendency? I wish to call the reader's attention to this fact.

XI. *Relation Between Economy of Compulsory Acquisition and Taxation, Government Enterprise and Public Debt*

The last group of dissenters contends that my opinion is not applicable to government enterprises and the public debt, although it holds true of taxation. Let us re-consider this opposition. The economy of compulsory acquisition as I put it means that, with a view to obtaining the necessary means of life, a certain economic organization executes what has been decided upon by its own unilateral will (needless to say, in the case of modern democratic states, this is ultimately determined by the majority will of the people). Its practical forms differ widely according to the prevailing social and economic conditions of time and place. As already mentioned elsewhere, there are various forms other than taxes as concrete forms of the economy of compulsory acquisition.

Let us first consider government enterprises. In a society where the national economy is strongly controlled, the government uses its enterprises extensively as a means of economic control and as a source of revenue. In such a case, government enterprises are operated by the controlling will of the state, and their revenue is of a compulsory nature. Such public enterprises, therefore, are one kind of economy of compulsory acquisition. Among those enterprises, however, there are some which are operated for other purposes than fiscal revenue, and which do not come under the scope of fiscal science. Even in the case of government enterprises with a fiscal purpose, its compulsory character varies widely in degree. In fiscal monopoly, for instance, the compulsory element presents itself in many countries more distinctly than in the case of a public railway. In short, we cannot say that all public enterprises, without exception, have fiscal significance in the same degree. It varies in accordance with the nature of business

and its time and place. Nevertheless it is quite certain, that many of
them have fiscal implication in some sense or other.

As for the public debt no one can deny that it constitutes a kind of
acquisitive economy. The question is whether or not it has a compulsory
nature. There can be no doubt that forced loans are compulsory acquisi-
tion and fiscal phenomenon in the narrow sense. But the question arises: How about voluntary loans? These, though voluntary in appearance,
being the liability of the state or other public authorities, have in essence
some elements of compulsion more or less in latent form. For instance,
even in the case of voluntary loans, terms and conditions for interest
payment, conversion, redemption, repudiation of debt, etc. are often deter-
mined unilaterally by the government. Especially when the central bank
takes up the bulk of public debt, there is little difference between public
debt and direct currency issues by the state in the sense of compulsory
acquisition. Here the coercive nature of the public debt explicitly mani-

_ests itself. Moreover, in a society where tax economy prevails, the public
debt is considered to rest upon the tax economy itself, in the sense that
its issue is made in full consideration of the people's ability to pay and
capital redemption and interest payment are financed by means of taxes
in the long run. These are reasons why we attribute fiscal significance to
the public debt.

It would be rash, however, to conclude that all matters relative to
public debts come under the scope of fiscal science. As already pointed
out, empirical reality as such is not in the least a subject matter of study
for any science. The public debt, for example, functions not only as a
source of public revenues but also as a means for savings and investment,
control of money and credit, and development of national economy. Such
non-fiscal aspects of public debts should be studied by branches of science
other than fiscal science, such as the theory of money and banking, econo-
ic policy, and so on. Therefore, the aspects of public debt to be studied by
various disciplines vary widely according to the nature of their basic ideas.
Fiscal science concerns itself mainly with that aspect of public debt relating
to the economy of compulsory acquisition. As already pointed out, the
same can be said of government enterprises, and taxes which are generally
regarded as the most typical forms of fiscal phenomenon. In conclusion,
it can be said that both public debts and government enterprises have
fiscal aspects.

In this treatise, I am mainly concerned with literatures of foreign
countries. But I have to mention at this opportunity that I have been the
recipient of valuable advice and suggestive criticism from a large number
of Japanese specialists since I first made public this theory about twenty
years ago.