

Reply to Hill and Rushton

Two years ago in this Journal, I criticized mainstream or neoclassical public finance.¹ I took as my foil several high-profile texts since these are an accurate distillation of the thinking on the subject by leading economists in the field. I suggested that these writers were guilty of conflating normative and positive economics. I maintained that their justification of the state and taxes (all of them) was flawed. Specifically, I charged that serious errors had been made by them regarding market failure, perfect competition, monopoly, decreasing cost industries, the economics of information, external economies and dis-economies, the internalization of externalities, social (public) goods, excludability and rivalrousness, merit goods, equity, charity, the ability to pay and benefit principles, growth and development, the market's time myopia, the public sector's social rate of discount and stability.

Hill and Rushton answered me without ever once mentioning, let alone attempting to refute, any of these points.² How did they accomplish so herculean a task? Simple. By reversing the usual assumptions about burden of proof.

My article did not fail to make the case for *laissez faire*, as they charge. It did not even make this attempt. All I did was indicate some of the problems with the opposite perspective, the public finance economist's case for taxation and government intervention.

Had I been disposed to make the positive case for free enterprise, I would have recognized that I could not do it as a value-free economist. I would have started out with explicit value judgments (e.g., the great worth of personal and property rights, the importance of the non-initiation of violence, etc.) and then tried to show that free markets, and only free markets, are compatible with this vision.³

On the contrary, I did not offer a refutation of *all* arguments made for governmental involvement in the economy, only the ones commonly proposed in the public finance literature. It is totally compatible with the position I

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staked out that there may yet be other arguments (unmarred by the normative positive conflation) that lead to such a conclusion.

Here are some further problems with their reply to me:

1. Hill and Rushton assert that I am guilty of doing the very thing of which I accuse the public finance theorists: confusing normative and positive economics.⁴ But this is no more than the *tu quoque* fallacy. Even were it true – they offer no citations or evidence for their contention – they in effect *concede* that I was correct in my original contention: the leading neoclassical public finance theories are indeed guilty as charged. If I also slip into this error in uncovering theirs – so what? – the public economists are in any case guilty of it.

2. Hill and Rushton see the importance of “the search for practical rules of action to attain given ends such as equity and efficiency. This requires consideration of both positive and normative economics.”⁵ These authors assume that I disagree with them on this, but I do not. I, too, see the importance of this search, and I, too, hold that both positive and normative economics must each play a role in it. Where these authors and I part company, however, is that I insist we carefully *distinguish* between these two very different aspects of economics, and they, along with the other “public economists” I criticized, seem willing to play fast and loose with the boundaries between the normative and the positive.

3. I do not at all read “public finance texts ... as claim[ing] that government action is ‘perfect’ and always justified.”⁶ This is a straw man argument. Even the Soviet economists see *some* room for private markets.

4. The charge of “rationalist” does not apply in this case. My article does not deny the value of “the collective experience, traditions, or the circumstances of real human beings in this particular time and place,” nor does it demand institutions and policies “invariant to all times and places.”⁷ They cannot show this to be true, otherwise they might have been tempted to quote me to these effects. All I did was uncover errors widely practised in public finance economics. I made no positive claims of my own.

Notes

- 1 Walter Block, “Public finance texts cannot justify government taxation: a critique” *CANADIAN PUBLIC ADMINISTRATION* 36, no. 1 (Summer 1993), pp. 225–62.
- 2 Roderick Hill and Michael Rushton, “Walter Block and public finance: a comment,” *CANADIAN PUBLIC ADMINISTRATION* 37, no. 2 (Summer 1994), pp. 365–6.
- 3 For a case in point, see Hans-Hermann Hoppe, *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy* (Boston: Kluwer, 1993).
- 4 Hill and Rushton, “Walter Block and public finance,” *CANADIAN PUBLIC ADMINISTRATION*, p. 365.
- 5 *Ibid.*
- 6 *Ibid.*, p. 366.
- 7 *Ibid.*