

— VALERIO FILOSO

The Impossible Unanimity

Knut Wicksell's fiscal liberalism

STOREP Annual Conference 2026



— THE MAN

Knut Wicksell

Stockholm 1851 – Stocksund 1926

1880

Neo-Malthusian
lecture

1896

The treatise on
just taxation

1909

Convicted
for blasphemy

*The radical agitator who became the most rigorous
fiscal theorist of his generation.*

c. 1903–1909

THE PROBLEM

When is it just to tax?

To tax is an act of **coercion**: it imposes an asymmetric split of costs and benefits across a community. Under what conditions can it be legitimate?

Wicksell refuses to take the answer for granted: legitimacy cannot be presumed — it must be **produced** by rules that free individuals could accept. The whole inquiry follows from that single question.

ROADMAP

01 The making of an unlikely economist

02 A new principle of just taxation

03 The unanimity rule

04 Wicksell rediscovered: Musgrave vs. Buchanan

05 From taxation to liberty

PART ONE



The making of an unlikely economist

A mathematician who converted to the social question

Uppsala, 1869 — mathematics, physics, astronomy; a doctorate in mathematics in **1885**. For over fifteen years his training was that of an exact scientist, not an economist.

The radical Uppsala milieu — the *Verdandi* student society, the Scandinavian "Modern Breakthrough" of **Strindberg, Ibsen and Brandes** — and **neo-Malthusianism** turned him. His 1880 lecture defending contraception against poverty made his name a byword for scandal.

His nonconformist, anticlerical stance **cost him dearly** — in **1909** he would be convicted of blasphemy. The same restless conscience is what turned a mathematician toward the social question.

FORMATIVE YEARS

1869	Enters Uppsala — mathematics & physics
1876	Licentiate in mathematics
1880	Neo-Malthusian lecture; lasting notoriety
1885	Doctorate in mathematics
1909	Convicted for blasphemy

Mathematics was never set aside — it became the analytical instrument he would wield for the rest of his career.

LONDON · 1887

The classics & liberty

Reading at the British Museum, he takes in the English classical tradition and the first marginalism of **Jevons** — the analytical vocabulary he will carry into every later argument.

The deeper mark is political. From **Mill's *On Liberty*** he draws a permanent reference: the defence of minorities against the **tyranny of the majority** — the seed of the veto he will later build into the budget.

BERLIN

The Historical School

An inductive, history-first economics — the camp Wicksell will spend his life arguing **against**, in the *Methodenstreit* over method.

Gustav Schmoller

METHOD AS TARGET

Economics built from **historical detail**, not deduction — the posture Wicksell flatly rejects.

Adolph Wagner

PUBLIC FINANCE

A science of state spending — and "**Wagner's law**" of its inexorable growth.

From the school he rejects, he keeps the decisive inheritance: **public finance as an autonomous discipline**, and the reformist conviction that the state's fiscal action is a proper object of science.

VIENNA · 1888–89

Toward pure theory

The Austrian year turns him decisively to theory — closer to **Vienna's subjectivism** than to Walras's Lausanne.

Carl Menger

SUBJECTIVE VALUE

Value rooted in individual **marginal utility**, not labour or cost — the method Wicksell makes his own.

Böhm-Bawerk

CAPITAL & TIME

Capital as **roundabout production**; interest as the price of time — the spine of his later capital theory.

What he carries forward is lasting: a theory of capital and the gap between the **natural and the market rate of interest** — the *cumulative process* at the heart of his monetary economics.

On the question of method he stands squarely with **Menger against the Historical School** — yet he thought the *Methodenstreit*, once it dragged on, a waste of effort: abstract methodological dispute, taken too far, settles nothing.

The program, now set: abstract theory in the service of social reform — a second-generation marginalist who could see the limits of each tradition he had passed through.

He borrows Walras's machine — to deny its conclusion

A mathematician who could have been a Lausanne formalist, he sided instead with the Austrians — **Menger, Böhm-Bawerk, Wieser** over an architecture of simultaneous equations. Yet he keeps the **general-equilibrium frame** as scaffolding (*Über Wert, Kapital und Rente*, 1893) — then presses on its weak points.

CRITIQUE 1

No money in it

The monetary side of the Lausanne system is **incomplete** — the gap Wicksell's own monetary theory will fill.

CRITIQUE 2

No time in capital

It lacks a **temporal concept of capital** — exactly what Böhm-Bawerk supplies and Wicksell builds in.

CRITIQUE 3 — THE DECISIVE ONE

The harmony is apologetic

He rejects the reading that competitive equilibrium **always maximizes social welfare**. True only in the rare, unguaranteed case of a **fair distribution of income**.

That last objection is the distributive prerequisite in embryo — efficiency means nothing without a just distribution, a thought we will meet again at the heart of the argument.

PART TWO



A new principle of just taxation

Finanztheoretische Untersuchungen · 1896 · English translation only in 1958, by Buchanan

Against the state as benevolent planner

He rejects the idea of a state that computes the optimal allocation from above. In 1896 the target is German *Finanzwissenschaft* — but the same posture returns from Edgeworth to Pigou, down to modern **optimal taxation theory**.

The flaw: it **presupposes what it must explain** — a planner who already knows citizens' preferences, when the real problem is precisely how to reveal them.

Taxes are the price of public goods

Each should contribute in proportion to the benefit drawn from public services — the price citizens pay for goods all enjoy at once, without exclusion: national defence, street lighting, public order.

Already in the Italian *scienza delle finanze*. He faults

Mazzola: a desirable equilibrium named, with no mechanism to reach it.

THE MARGINAL RULE

Produce each unit while its benefit exceeds its cost. The optimum — and the tax rate — sits where

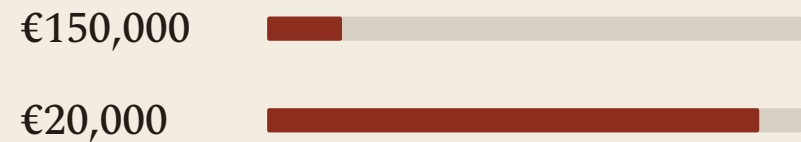
$$MB = MC$$

Equal sacrifice

Purely redistributive taxes are not just *by definition* — if a group funds others' benefits with no return, the equivalence of sacrifice and benefit breaks.

Yet the **weight** of a tax depends on income — so progressivity realigns sacrifice with benefit, and makes the levy itself fair.

€100 OF TAX — SAME EUROS, A DIFFERENT SACRIFICE



But equal sacrifice on an unequal base is still injustice — which forces the prior question.

Consent under deprivation is void

The benefit principle is only fair if what people start with is fair. Wicksell's answer is a **two-stage** one — and the order matters.

STAGE ONE

A just distribution

Secured *before* the budget acts — by reforming the structure of **property and inheritance**, not through the tax system. The fair starting point is a **precondition**, not an outcome of fiscal choice.



STAGE TWO

Taxation by consent

Only on that fair base do the **benefit principle** and the **unanimity rule** yield outcomes that are genuinely just.

The prerequisite is met outside the fiscal mechanism — so the consent rules never have to produce it themselves. Hold that thought.

Two tools to make the base just

The fair starting point is reached **outside the tax-price mechanism** — by two structural instruments, distinct from the progressivity that makes the levy itself fair.

Inheritance & wealth taxes

BETWEEN GENERATIONS

Their job is intergenerational: to stop inequality being **passed from one generation to the next** — equity between generations, not only within one.

Land reform

RENT AS POWER

Strikes ground **rent as illegitimate power** — the source of unearned advantage that distorts the starting distribution.

Everyone free rides

In a purely voluntary setting, each person has an incentive to **understate** his willingness to pay for goods he'll enjoy anyway.

Wicksell's move: don't abandon the benefit principle — **turn it into an institutional rule.** Equivalence must be enforced by collective procedure, not left to individuals.

The unanimity rule

01

Every new expenditure is presented **together with its financing scheme**.

02

Parliament votes on **joint spend-and-tax packages**, never separately.

03

Approval by **(quasi-)unanimity** — each participant holds a veto.

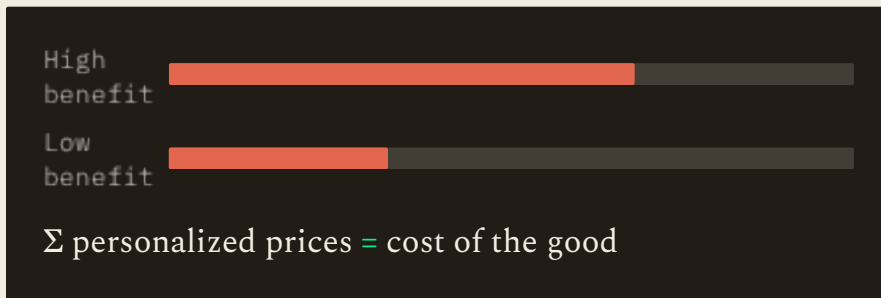
A package passes only if no one is left net worse off — a Pareto-improvement criterion for the public budget — yet one that yields justice only on the fair base the prerequisite demands.

Lindahl makes it mathematically precise

His student Erik Lindahl, 1919, turns the unanimity intuition into an equilibrium — then the same act reveals exactly where it breaks.

THE LINDAHL EQUILIBRIUM

Each citizen pays a **personalized price** equal to his own marginal benefit; an iterative bargain raises provision until the shares just cover the cost.



THE THEORETICAL SNAG

It is only an **ideal**: reaching it assumes truthful revelation — **reinstating the very voluntarism** Wicksell attacked in Mazzola.

THE PRACTICAL SNAG

One “no” blocks what nearly all want; a veto invites blackmail. So Wicksell retreats to **very qualified majorities** ($\frac{3}{4}$, $\frac{5}{8}$, $\frac{7}{8}$).

A curious footnote: Wicksell **never cited his own student's formalization** in his later work.

The voluntariness lives in the decision, not the payment — once a package passes, taxes are collected by force. Which raises the harder question...

“It would be absurd to speak of a *just part* of an unjust whole.”

The two requirements collide: the just base can be reached only by redistribution that imposes net losses on the rich — precisely what the unanimity rule can never authorize. Consent and a just distribution cannot both be produced by the same rules; Wicksell leaves the circle open.

PART THREE



Wicksell rediscovered — two divergent readings

Richard Musgrave carries Wicksell into English

FORMED IN GERMANY

He met Wicksell during his formative years in Germany — and could read the *Finanztheoretische Untersuchungen* in the **original**, before any translation existed.

1958 with Alan Peacock

Classics in the Theory of Public Finance — the **first English Wicksell and Lindahl** (with Sax and De Viti de Marco). The Wicksell essay itself rendered, partially, by the young Buchanan.

The Theory of Public Finance 1959 · the three branches

Allocation Provide the goods the market under-supplies.

Distribution Pursue justice in the distribution of income — now a permanent function of the budget.
 THE WICKSELLIAN CORE

Stabilization Full employment and price stability — the Keynesian charge.

By making distribution a co-equal branch, Musgrave institutionalized the distributive prerequisite — and his three-branch model became the organizing framework of post-war public finance.

Four lessons from Wicksell — and a way around the impasse

1**Public goods, private rules**

He keeps Wicksell's **benefit principle** intact — public goods judged by the same efficiency standard as private ones.

2**No tax without spending**

The *taxation-only view* is an **analytical error** — tax and spend must be judged together.

3**Unanimity as a shield**

Early on, the unanimity rule as **protection of minorities** — though he sees its practical limits.

4**Justice before efficiency**

The **distributive prerequisite** — made the fulcrum of his whole architecture.

HIS WAY AROUND THE IMPASSE

Unanimity gives an efficient allocation but cannot ground redistribution — the levy provokes resistance and distorted valuations. So Musgrave **splits the budget**: coercive instruments, based on **ability to pay**, are confined to the **distribution branch**; once distribution is corrected, the **allocation branch** runs Wicksell's benefit-and-consent mechanism on a fair base.

James Buchanan reads Wicksell the other way

1986 Nobel lecture

He recalls discovering Wicksell's book as an **intellectual epiphany** — and names him “*the most important precursor of modern public-choice theory.*”

THE TRANSLATOR

A nice circularity: the young Buchanan produced the **partial English translation** of Wicksell's essay for Musgrave & Peacock's 1958 anthology.

Three founding elements drawn from Wicksell

Methodological individualism

Collective choices from free interaction — no organicist state.

Homo oeconomicus in politics

Self-interest reaches politicians and bureaucrats — no benevolent planner.

Politics-as-exchange

The fiscal process as **contract** — taxes the price of public goods, the budget its record.

From these three premises grows the entire public-choice program — politics analyzed with the tools of the market.

Three readings — and the move to the constitution

1

Unanimity, recast

He recasts Wicksell's veto as the public-sector **mirror of market efficiency** — its meaning shifted from justice to allocative efficiency.

2

A new lexicon

Justice in taxation becomes **rational agreement** — justice an output of procedure, not an end.

3

The cut

The **distributive prerequisite** acknowledged but treated as non-binding (1952; *The Limits of Liberty*, 1975).

4

A composite genealogy

Wicksell's **proceduralism** + Hayek's epistemic argument; *homo oeconomicus* is Buchanan's own.

HIS WAY AROUND THE IMPASSE

Lift unanimity from current decisions up to the **constitutional level**. In *The Calculus of Consent* (1962, with Tullock), unanimity is impractical for ordinary laws — so it governs the **choice of the rules** (fiscal principles, voting procedures, deficit limits). Behind a **veil of uncertainty** over your own future position, agreement on the rules is possible; ordinary politics then runs by qualified majority.

One impasse, two escapes

Both inherit the same deadlock — unanimity delivers efficiency but cannot ground redistribution. Each escapes by giving up **one** of Wicksell's two commitments.

Richard Musgrave

KEEPS THE JUST DISTRIBUTION

He confines redistribution to a **coercive branch** of the budget and works **ex post**: let the market run, then correct the outcome.

Distributive justice is secured — at the cost of consent.

Sacrifices — the unanimity rule

James Buchanan

KEEPS CONSENT

He lifts agreement to the **constitutional level** and works **ex ante**: unanimity on the rules, not on each outcome.

Consent is preserved — at the cost of the prerequisite, the move critics call “the cut.”

vs.

Sacrifices — the distributive prerequisite

Wicksell demanded both at once — consent and a just distribution. Neither heir could hold the pair; the axis on which they divide is precisely the distributive prerequisite.

Efficiency and preference revelation

Samuelson (1954) shows that an efficient public-goods outcome exists, but it isn't directly implementable: everyone keeps an incentive to understate willingness to pay.

Wicksell's intuition, made exact — the seed of **mechanism design** (Hurwicz, Maskin, Myerson). Not an anticipator: he lacked game theory — but he saw the problem with clarity.

Mechanism design: what you cannot have at once

For non-excludable goods, **efficiency, truthful revelation** and a **balanced, voluntary budget** cannot be guaranteed together — Wicksell's intuition, turned into theorems.

VCG

Truth can be made dominant

Vickrey–Clarke–Groves elicits honest valuations and reaches an efficient outcome — **but cannot balance its budget.**

GREEN-LAFFONT

The trade-off is general

For public goods, **no rule** is at once efficient, strategy-proof and budget-balanced.

MYERSON-SATTERTHWAITE

Add consent, lose the rest

With **voluntary participation**, even bilateral trade has no efficient, balanced, individually-rational mechanism.

The field's coming-of-age: the 2007 Nobel to Hurwicz, Maskin and Myerson — the free-rider problem in public goods placed at its origin.

PART FOUR

IV

From taxation to liberty

An unlikely liberal

A neo-Malthusian agitator — anticlerical, imprisoned for blasphemy, at home among radical reformers — who nonetheless authored one of liberalism's sharpest claims: **taxation is legitimate only by the consent of those who bear it**. He joins the line of Constant, Madison, Mill and Tocqueville — but by an economic, not a philosophical, route.

Wicksell

STRUCTURE OF THE DECISION

Guards the minority by giving each a **veto** over any spend-and-tax package. On that footing he can *admit* coercion on rent and inheritance — a liberalism with a redistributive spine.

Hayek

GENERILITY OF THE LAW

Like Wicksell, he **rejects the omniscient, benevolent state**. But he guards the minority by **forbidding the state to single anyone out** — law must be general and uniform. So progressivity reads as selective coercion, and is ruled out.

Same fear, opposite cures: one shields the minority by denying the state a target, the other by giving the minority a refusal — and they part exactly over progressivity.

His rule survived — its justification did not

16

US states now require a **supermajority** to raise taxes — $\frac{2}{3}$ in California, $\frac{3}{4}$ in Arkansas.

But the threshold sits on **revenue alone**. Modern fiscal constitutions inherited Wicksell's veto and quietly dropped the **distributive prerequisite** that once justified it — the procedure, without its soul.

*“Both you and I are **Kantians**; whereas all of the optimal-tax people are really Benthamites.”*

BUCHANAN, TO MUSGRAVE — CITIZENS AS MORAL SUBJECTS, NEVER AS OBJECTS OF OPTIMIZATION

CONCLUSION

• THE DISTRIBUTIVE PREREQUISITE

He held together what everyone after him pulled apart

Consent counts only if the distribution of property and income makes it real. He offered no way out of the circularity – yet from that single incompleteness grew Musgrave's three branches, Buchanan's constitutional economics, and the preference-revelation problem.

Each kept one aspect; none kept the whole.