JEAN-BAPTISTE SAY, THE FATHER OF AUSTRIAN PUBLIC FINANCE: VIEWS ON TAXATION

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Carl Menger, the founder of the Austrian School of economics, was instrumental in developing the Austrian analytical framework. However, the foundation of Austrian theory predates Menger by centuries. Beginning with the Scholastics of the sixteenth century, there developed a tradition of economic thought on the European continent that includes the French school of the Turgot-Cantillon era. An important link in that chain of thought is the work of Jean-Baptiste Say.¹

Austrians have recognized Say’s contributions to economics in general and his link to the Austrian School of thought in particular,² particularly his work in the areas of methodology, entrepreneurship, monetary theory, and the theory of value.³ Say is particularly famous for his Law of Markets, arguing that the problem that limits wealth is not underconsumption (commonly

¹Erich Roll (1939, p. 200) calls Say “a continental popularizar of Adam Smith.” Although this is a commonly held view, Murray Rothbard (1995b, pp. 3–4) argues that Say’s analysis stands squarely in the Turgot-Cantillon, and therefore Austrian, tradition. Rothbard (1976a) traces the development of economic thought from the Scholastics to the French Liberal School. Also, Joseph Salerno (1988) examines the French School and explains why this tradition has been neglected.

²Rothbard (1995b, p. 3) recognizes Say’s “‘pre-Austrian’ logical clarity.” According to Larry Sechrest (1999, p. 45), Say “deserves to be remembered, especially by Austrian economists, as a pivotal figure in the history of economic thought.”

termed, in modern macroeconomics, a lack of aggregate demand), but a deficiency of production. Say demonstrates that taxation, not underconsumption is a factor limiting production. His analysis of taxation, in particular, was exceptional.

Economists of the nineteenth and early twentieth centuries generally had less to say about taxes than do their current counterparts. In a period of relatively limited government, tax analysis generally was a secondary consideration. Say, however, developed an early approach to taxation that was far ahead of the classical economists of his time. The purpose of this paper is to examine Say’s analysis of taxation and show that his work foreshadowed Austrian thought in this area.

The second section of the paper provides biographical information on Say. Say’s political-economic views, his principles of taxation, and his analysis of tax incidence are considered in sections three through five. Section six provides concluding remarks.

Biographical Note

Born in Lyons in 1767, Say spent most of his early life in Geneva and London. Having read Adam Smith’s Wealth of Nations at the age of 21, he began a career in lecturing and writing on political economy, became a leader of the laissez-faire group in France, the philosophes, and was the first editor of the major journal of this group, La Decade Philosophique, which was launched in 1794, at the height of the Terror.

Say held a top government position, as a member of the French tribunate, from 1799 to 1802. He left Paris in 1803 due to Napoleon’s crackdown on the philosophes after the publication of Say’s Traité d’économie Politique in 1803. This work, in its various editions, was the source of much of Say’s fame and

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5Say’s tax analysis has been described by Rothbard (1995b, p. 40) as “brilliant and unique.” Rothbard (1997, pp. 92–96), in his critique of the quest for a neutral tax, also examines Say’s views on taxation. Hoppe (1993, p. 27) asserts that “almost everything that should be understood today about the economics of taxation had been correctly and convincingly stated” by Say.