



# Editorial: Giving public finance a human face for the political renaissance of the citizen

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## Editorial

### **Giving public finance a human face for the political renaissance of the citizen**

Democratic life is intimately linked to citizens' right to elect their representatives. However, we know that 50% of voters do not feel concerned by this share of power that they have at their fingertips. Naturally many reasons lay behind this phenomenon, but there is one that seems to be neglected by political commentators: the lack of interest in the importance that public finance choices have in our daily lives. This means that if citizens felt – or rather were certain – that their representatives made decisions in order to ensure the well-being of as many people as possible, then maybe they would feel more concerned and a lower proportion of them would shun the ballot box. While the public finance decision-making process is complex and is the result of interactions between numerous bureaucratic, jurisdictional and political institutions, its legitimacy is ultimately embodied in France's Parliament, in accordance with the law and in the eyes of the people.

In fact, the legitimacy of public finance decision-making is founded on the principle under which Parliament is its preeminent site. The adoption of the budget is therefore the exclusive jurisdiction of the legislator, with some exceptions set out in the Constitution.

Within this framework, citizens – through their representatives – are meant to be at the foundation of the mechanism steering the public finance system. However, such a mechanism can only be effective if these citizens are aware of the importance of public finance and that it is a determining factor in their quality of life. This concerns the fiscal decisions made as well as how public money is used, in other words how taxes are spent. But there is more. These citizens must also have confidence in parliamentarians' ability and will to make decisions in this regard that are favourable to the people and that these decisions are made for them and not against them.

In other words, they must be certain that public money, meaning the money from their taxes and therefore a portion of their resources and

assets, is used in their own personal interest for those who are the most individualistic, and in the general interest, going as far to include the interest of the entire planet, for the most universally minded citizens.

If this is not the case, people start to distrust their elected officials. For many voters, this distrust is manifested in protest votes, abstention or even in protests characterised by their spontaneity and the diversity of their participants. Underneath these various reactions looms the rejection of representative democracy while direct democracy takes shape, particularly the desire to directly decide public policies. In this regard, it would be helpful to reconsider the proposal made almost fifty years ago by the economists of the School of Public Choice concerning the decision-making method for collective goods and services. We are referring to the process that attempts to make taxpayers aware of their responsibilities by allowing them to make well thought-out decisions corresponding to their needs.

Known as the demand revealing process, it is founded on direct democracy by proposing a modified referendum format. The basic principle is that each voter needs to be given the choice to either accept a decision taken while they abstained from voting, or to modify the decision depending on what they want, provided however that they pay a tax – the Clarke Tax<sup>1</sup> – equal to the net cost needed to tip the balance in their favour and against another voter<sup>2</sup>.

The purpose of the Clarke Tax mechanism is to ensure that each individual expresses the intensity of their demand for a particular good or service. The voter's choice must be reasonable and decided based on the usefulness that they believe they will obtain from acquiring the goods or services. Furthermore, they should not limit themselves to voting as they would in a referendum. Moreover they must make known the price they would be willing to pay if the community chose the good they prefer. The good or service with the highest monetary value will be chosen. However, to avoid the pitfall of the traditional majority-based system that fails to make citizens aware of their responsibilities and for the expressed demand to effectively reflect the individual's need (meaning the intensity of their demand), a tax is created that will be paid for by the voter whose choice is selected.

The payment of the Clarke Tax is designed according to the following model: once a vote has taken place, the goods and services that would have been chosen are determined if a resolute voter had abstained from

1. Named after its creator, the American economist Edward H. Clarke.

2. See Vol. XXIX-2 of the Public Choice Review (spring 1977).

voting (this process is carried out for each voter). If the choice remains unchanged, it is considered that the voter's demand did not significantly influence the vote, and that their need for this good or service is not very intense. In this scenario, their choice has no financial consequence for them, and they will not pay the Clarke Tax. However, in the event the citizen's vote determined the outcome, in other words their abstention would have resulted in another choice for the collective, it is deemed that the intensity of their demand is significant and that this good or service is very useful to them. The voter must then pay a tax equal to the difference between the value calculated by taking their vote into account and the value calculated in the event they had abstained from voting.

According to this process, everyone faces the following choice: either to abstain from voting and to submit to the choice of the other voters, or to vote by expressing a demand of varying intensity depending on the expected usefulness of the good chosen and then accept to pay for its expense based on the principle stipulating that the person who benefits from society must pay the price.

When this process was evoked in the early 1970s, it was quickly made clear that it considerably lengthened the decision-making process in the long term and assumed that the dissemination and gathering of information would be much too costly for it to be feasible. However, the possibilities currently offered by artificial intelligence should easily allow us to overcome this inconvenience without the likelihood of such a mechanism actually being extended to the entire public spending sphere. It should still be noted that an advantage of this process would be an improved adjustment to the supply and demand of public goods and service as well as more transparency in how taxes paid for by citizens are used.

Such a form of taxation based on a direct democracy could as a result return citizens to their place at the foundations of public finance governance. However, an economy based on large-scale growth cannot be derived from a public finance pedagogy, at the risk of bringing about a surge in ultra-individualism: a process of division that is contrary to solidarity, which is vital to a society's balance and maintaining the social contract. This is very important because "taking a position on the affairs of the community and doing it from a rational point of view" requires "understanding what it means and the ability to understand what is at stake", as the philosopher Éric Weil so eloquently once said<sup>3</sup>.

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3. E. WEIL, *Philosophie politique (Political Philosophy)*, Vrin, 4<sup>th</sup> ed., 1985.