Richard Musgrave

Richard Abel Musgrave, Professor emeritus of Harvard University, Adjunct Professor of Economics of the University of California, Santa Cruz, and founder of modern public finance, died on 15 January 2007 in Santa Cruz. He is survived by his wife Peggy Boswell Musgrave, also an economist.

Born in Koenigstein/Taunus, near Frankfurt am Main, on 14 December 1910, Musgrave studied economics at the University of Munich in 1930/31, Exeter College, and, from Fall 1931, at the University of Heidelberg where he acquired the diploma degree in May 1933. In Heidelberg he was deeply influenced by the young Privatdozent Jacob Marschak, and his seminars on Keynes’s Treatise on Money and on integrating fiscal flows into the national incomes accounts. He got a further stimulus from Otto Pfleiderer, who, together with Gerhard Colm etc al., had contributed to the renaissance of fiscal policy which took place in Weimar Germany. Most of his teachers were dismissed shortly after the Nazis’ rise to power, and the young Musgrave emigrated to the United States in Fall 1933. There he continued his studies at the University of Rochester and from 1934 at Harvard, where he became Master of Arts in 1936 and received his PhD in economics, with H.H. Burbank, only one year later. Musgrave was teaching economics as an Instructor at Harvard until 1941. In those years he published his seminal article with H.H. Burbank, only one year later. Musgrave was teaching economics as an Instructor at Harvard until 1941. In those years he published his seminal article with H.H. Burbank, only one year later. Musgrave was teaching economics as an Instructor at Harvard until 1941. In those years he published his seminal article with H.H. Burbank, only one year later. Musgrave was teaching economics as an Instructor at Harvard until 1941. In those years he published his seminal article with H.H. Burbank, only one year later.

Musgrave, who became a US citizen in 1940, left Harvard for Washington in 1941 where he worked as a research economist with the Board of Governors of the Federal Reserve System until 1947. In dealing with the New York Reserve Bank Musgrave in particular acquired a deeper knowledge of debt finance. He never lost contact with academics, which is best reflected in one of his most distinguished contributions to taxation theory, jointly written with Evsey D Domar. In contrast to prevailing opinion, the authors showed that it is quite likely that taxation of capital income with full compensation of losses will enhance relatively risky investment activities. The article, which contains the first systematic application of decision theory under uncertainty to taxation problems, is one of the most influential contributions on tax incidence theory which gave a major stimulus to the modern literature on the influence of taxation on risky investment decisions.

Musgrave returned to academic life in the late 1940s. After a year in which he taught economics at Swarthmore College in Pennsylvania, he joined the Department of Economics of the University of Michigan at Ann Arbor in 1948, being appointed Associate Professor in 1949 and Full Professor in 1950. Musgrave stayed at the department in Ann Arbor, which included his friend and co-émigré Wolfgang F Stolper, Kenneth Boulding, Gardner Ackley etc al… and offered a most congenial and productive environment, for one decade. In this period, in which he taught public finance and macroeconomics, his most important book The Theory of Public Finance (1959) came into being.

In 1958 Musgrave moved to Johns Hopkins University whose department, including Simon Kuznets and Fritz Machlup, also was in full blossom. In 1961 Musgrave changed from Baltimore to the newly founded Woodrow Wilson School of Public Affairs at Princeton University, before he finally returned to Harvard University in 1965 where he stayed until his retirement in 1981. Musgrave joined Harvard as professor of economics in the Faculty of Arts and Sciences and at the Law School. He shared the public finance courses with Martin Feldstein, the later long-time President of the National Bureau of Economic Research. In 1969 Musgrave became H H Burbank Professor and the Chairman of Harvard’s standing committee on Afro-American studies. From 1969-1975 he also was editor of the Quarterly Journal of Economics. After his retirement Musgrave moved to the Bay area where the University of California, Santa Cruz appointed him Adjunct Professor and where he remained an active researcher until the end of his life.

Richard Musgrave’s many outstanding contributions comprise studies on public goods and merit goods, studies on tax incidence, tax progressivity and the effects of taxation on risk-taking, fiscal systems, the role of fiscal policy in stabilizing the economy, and the careful editing of classic texts in the theory of public finance which made them available to an English readership.

In particular Musgrave transformed the discipline of public economics with his opus magnum The Theory of Public Finance which offered a unifying perspective on public goods. His famous division of governmental economic activity into the three branches of the allocation of resources with related questions of efficiency, the distribution of income via an integrated tax and transfer system, and the stabilization of the overall economy became a trademark which had a strong influence on the research frontier for decades as well as it became a core issue for many generations of students in economics. Particularly redistribution issues or interventions into consumer sovereignty in the provision of merit goods raised many prob-
lems and controversies. In the (social) democratic tradition of Wicksell, Musgrave repeatedly had pointed to the importance of democratic decision processes concerning the shaping of the tax and transfer system or the provision of public goods.

Musgrave’s works are characterized by a fruitful combination of the Anglo-Saxon and German traditions of public finance. The former had developed as part of standard economics and shared the rigor of its analysis. The German tradition of Finanzwissenschaft had a broader perspective, including institutional, historical, sociological, and legal aspects. Musgrave’s multiple theory of the public sector with its tendency for classification, a more positive view of the public sector, and allowance for distribution as a fiscal concern, also indicates German influences in the emigrant’s baggage.

This came to be combined with the more market-oriented Anglo-Saxon traditions in which, with the outbreak of the Keynesian revolution, macro concerns penetrated into the mainstream of fiscal thinking. In general Musgrave’s work is an outstanding example of a fertile crossing of traditions, and is not untypical for the group of emigré economists at the borderline between the first and the second generation — old enough to have acquired academic degrees in Germany and Austria but young enough to continue the studies in the UK or the US and to be open to the integration and development of new ideas. No wonder Musgrave is among those emigrés who, despite all the unpleasant consequences of expulsion and emigration, regard themselves as Emigrationsgewinner, i.e. ‘emigration profiteer’.

Like his friend Wolfgang Stolper and his colleague in public finance, Gerhard Colm, Musgrave strongly engaged himself in the post-WWII reconstruction process of the German economy and democracy. Already in 1948 he was a member of a special mission, together with Alvin Hansen and Walter Heller, to examine Germany’s need for U.S. aid.

In the early 1990s he was appointed as an honorary member of the Center for Economic Studies at the University of Munich. There a remarkable event took place in March 1998. Richard Musgrave, who initiated the resumption of the Wicksell-Lindahl tradition of public finance in the Anglo-Saxon World, and James Buchanan, for whose treatment of public goods the Wicksell-Lindahl line was equally important, met for a one-week symposium to discuss their contrasting visions of the public sector.

Richard Musgrave received numerous honours and awards. In 1978 he was elected a Distinguished Fellow of the American Economic Association. In the same year he was named Honorary President of the International Institute of Public Finance. Three years later he received the Frank E Seidman Distinguished Award in Political Economy, in 1986 he was elected to the National Academy of Sciences, and in 1994 he received the Daniel M Holland Medal from the National Tax Association. Among his five honorary doctoral degrees is one which the University of Heidelberg, his alma mater, awarded to him in May 1983, fifty years after he received with the diploma his first academic degree at that institution, in which during his student days ‘...concern with a communal want approach had remained much in the air’.

Harald Hagemann
University of Hohenheim

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