

Behavioral Public Economics based on Unconditional Love and Moral Virtue

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Abstract

Behavioral economics has not yet developed a basis of systematic public policy evaluation such as Pareto efficiency in traditional economics. Pareto efficiency is a good basis if preferences are assumed to be stable and exogenous to the economic system. In behavioral economics, however, preferences are often assumed to be unstable and endogenous. For example, in the literature of cultural preference formation, parents influence preferences for their children. For value judgment in policy evaluation, it is desirable to have a basis that is stable and exogenous. “Unconditional love” is unchanging and exogenous unlike conditional love such as “I love you because you are my child,” “I love you because you belong to the same religion,” or “I love you because you are young and beautiful.” If we assume that at least most people are not able to unconditionally love, then a policy that helps them to learn to unconditionally love can be judged to be desirable. This idea leads to policies that promote moral virtue. For example, in a cultural transmission model of preferences called the tough love model, if a parent spoils a child with high consumption during her childhood, then she grows to be impatient (without obtaining a virtue of patience). If the government lowers the bequest tax rate in this model, then the parent has less incentive to spoil the child during her childhood.

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