

Policy Evaluation Based on Moral Virtue Ethics in the Tough Love Model

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Abstract

Three major ethics theories are utilitarianism, deontology, and moral virtue ethics. Policy evaluation in traditional economics by Pareto efficiency is based on a broadly defined utilitarianism which does not require comparisons of utilities between individuals. However, in behavioral economics, there are many difficulties in using Pareto efficiency because utility functions are endogenous in many models. This paper proposes to use moral virtue ethics as the basis for evaluating policies in behavioral economics. For the purpose of analyzing policies in a mathematical model, we employ a tough love model. In the model, the parent is faced by a trade off between giving material satisfaction of the child during the childhood versus focusing on development of a virtue of patience during the childhood by avoiding spoiling her. We compare government policies that are based on utilitarianism and those based on moral virtue ethics.

Key Words: Moral Virtue, Tough Love, Intergenerational Altruism, Endogenous Discounting

JEL Classification Numbers: D03, D1, D64, D91, E2

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