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# The State and Your Hard-Earned Money

## A Survey on Moral Perspectives in Public Finance

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**The State and Your Hard-Earned Money: A Survey on Moral Perspectives in Public Finance**

**Prepared by Paolo Mauro\***

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**ABSTRACT:** This note provides an overview of recent studies that have begun to investigate how differing moral perspectives shape attitudes toward tax and spending policies. Recent advances in evolutionary moral psychology and their application to survey-based economic analysis yield promising insights. Understanding the moral underpinnings of various groups' views may help policymakers design and make the case for measures that can muster broader support.

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# Introduction

The discipline of public finance—the study and practice of how government expenditures and taxation interact with the economy—is inextricably linked to political and moral choices. How much of your hard-earned money is it fair for the state to collect through taxation? What should the state use that money for? Should the state collect taxes on the current generation or issue debt, shifting the burden to unborn generations? What goods and services should the state provide to all citizens? Does everyone have a right to education, health care, food, and shelter? How much redistribution from the well-off to those less fortunate or less talented is justified? To what extent should taxes be levied on inherited wealth rather than current income? Should consumption taxes be higher for alcohol, cigarettes, sugary drinks, or fossil fuels, than other goods? More generally, how can public policies give everyone a fair shot at gaining prosperity, or at least at earning a decent standard of living?

Public finance has traditionally focused on economic efficiency, occasionally considering tradeoffs with equity measured on the basis of equality of income or wealth. When addressing such distributional issues, it has generally sought to steer clear of moral considerations that could be seen as subjective. For the most part, redistribution has been analyzed in a way that requires users to input their own preferences with regard to inequality: tell economists how much you care about inequality, and they can tell you how much redistribution is appropriate through the tax-and-benefit system. People (or, in some cases, families/households) are usually considered as individuals, and the only relevant characteristics for these exercises are their income, wealth, or spending potential.

There are two—valid but incomplete—reasons for this approach. First, public finance is part of the social sciences and as such its scholars do not want to be viewed as apologists for a particular moral or political perspective; they seek to be objective social scientists. Second, most public finance scholars have been educated in a tradition that puts individuals at the center of the analysis, and where morality is fundamentally about the golden rule—treat other people the way that you would want them to treat you, regardless of who those people are. These are crucial but ultimately insufficient perspectives on how humans make moral choices.

This note does not seek to break new ground in economics or public finance—let alone moral philosophy. It aims to disseminate a few implications for public finance of recent advances in relating the study of morality to questions of economics, politics, and public policy.<sup>1</sup> Such advances include the “moral foundations theory” (as in Jonathan Haidt’s 2012 *The Righteous Mind*) as well as analyses that emphasize groups, communities, or nations, rather than individuals alone, to understand recent developments in the factors shaping public policies. The note sketches a few implications of these broader perspectives on morality for how policy choices are made or how policies could be presented more effectively to a diverse public that may hold a variety of moral points of view.

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<sup>1</sup> For a much more thorough survey of work by economists and moral philosophers that borders the two disciplines see, for example, Hausman and McPherson (1993). A book-length treatment of ethics and taxation is provided by Murphy and Nagel (2002), who argue that the morality of tax systems must be assessed in the broader context of the morality of property rights.

Consider, for example, two of the most heated and familiar debates in public policy today. First, the policy response to job losses attributable to automation and globalization. Until recently, economic analyses of long-term unemployment emphasized the need to liberalize the markets for labor and housing; if jobs were lost in a particular region, economists recommended the removal of barriers impeding the movement of workers to locations where new jobs were emerging. This approach emphasized individuals' ability to move, paying less attention to the role of communities in people's lives. Helping individuals, however, may not be enough if they identify with, and care for, a community that is no longer thriving. Having witnessed pushback against policies that failed to support the localities that lost jobs, economists and policymakers have become more conscious of the need to support communities left behind (Rajan, 2019, and Sandbu, 2020). Second, attitudes toward immigration, including the extent to which immigrants should have access to publicly funded services and benefits. Economists would usually analyze the costs and benefits to citizens (or residents), perhaps distinguishing between skilled and unskilled workers; in doing so, they would ordinarily eschew considerations regarding the preservation of cultural identity (for both native and immigrant communities). But to many people, cultural identities are relevant, and the social sciences are paying increasing attention to them (for example, Norris and Inglehart, 2019). More generally, the distinction between globalists (or universalists) and nationalists (or communitarians) has become commonplace in public discourse (Sandel, 2010).

Many economists have been trained in a tradition steeped in values of societies that are WEIRD (Western, Educated, Industrialized, Rich, and Democratic).<sup>2</sup> This makes economists less likely to consider moral perspectives that stem from factors such as community, authority, divinity, purity, loyalty, or sanctity, which are important not only in many non-Western countries across the world, but also among significant, politically influential segments of the population in the United States and other advanced economies (Haidt, 2012). From a domestic policymakers' perspective, differences in moral perspectives across groups within the same country are more relevant than potential differences across countries.<sup>3</sup>

Regardless of whether one agrees with those broader moral perspectives, familiarity with them makes it easier to understand the underlying motivations for various groups' positions in debates on public policies. Such understanding may facilitate the design of policies that can muster support from a wide range of groups with differing sets of moral values.<sup>4</sup>

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<sup>2</sup> The acronym was introduced by an influential article by Henrich, Heine, and Norenzayan (2010), who noted that most studies in psychology are on Western subjects (and a high share on undergraduates in the United States). The authors pointed out that available studies found significant differences across societies in values and how individuals perceive their roles vis-à-vis their families and communities. They thus called on the social sciences to diversify the pool of interviewees in empirical analyses.

<sup>3</sup> Moreover, measuring cross-country differences is challenging, because the variation within countries is large and the number of respondents within each country—typically in the thousands—may be too small to get an accurate picture. Thus far, neither the size of government measured by tax revenues or government expenditures as a share of the economy, nor the role and extent of state intervention in the economy more generally have been successfully related to differences in values. It is not known whether this lack of correlation is due to data constraints or whether cross-country differences in attitudes are of limited importance in reality.

<sup>4</sup> Whereas applications of behavioral economics to public finance (see, for example, Congdon and others 2011, Luttmer and Singhal 2014) explore how people can be persuaded to support and participate in desirable fiscal programs (paying the taxes they owe, signing up for retirement plans), work on moral perspectives seeks a deeper understanding of what policies people consider to be morally right, so that compliance might stem more naturally from the desire to do the right thing.

Economists have recently started exploring the relationship between people's moral views and their preferences for policies, including fiscal policies. Enke and others (2020) suggest that the traditional left-right divide—with the left favoring more foreign aid, affirmative action, environmental protection, welfare, and universal health, and the right supporting spending on the military, police and law enforcement, and border controls—is common across several Western countries and ultimately explained by whether individuals' moral values are primarily universalist or communitarian. They define universalist moral values as altruism or trust in others that is unaffected by social distance in terms of links by family, nationality, religion, and so on. Conversely, communitarian moral values are those where altruism and trust in others decline with social distance. Using surveys of individuals in the United States, Stantcheva (forthcoming) shows that notions of fairness are found to be more important than views regarding efficiency in determining people's attitudes toward progressivity in the taxation of income or inherited wealth.

The next section of this note provides a concise refresher on moral philosophy in the Western tradition that many economists have been exposed to. Section 3 summarizes the Moral Foundations Theory, drawing primarily on Haidt (2012) and illustrating it through simple applications to common policy questions in public finance. Section 4 summarizes a few recent applications in economics. Section 5 speculates on the implications for how public policies could be designed and presented in a way that appeals to a broader spectrum of the population holding different moral values. Section 6 concludes.

## Moral Philosophy for Economists—A Concise Refresher

To situate more recent work in context, this section provides a refresher on moral philosophy that many economists trained in the Western tradition have been exposed to. It is deliberately concise (at the cost of great philosophers turning in their graves).

The point of departure is usually that efficiency in the allocation of scarce resources does not tell us enough about whether such allocation is desirable; considerations regarding equity or fairness are also necessary in determining whether a policy or its outcomes are appropriate and desirable.

In fact, the concept of *Pareto efficiency*—central to large portions of economics, and welfare economics in particular—is highly relevant but usually insufficient to guide policies. Attaining a situation in which nobody can be made better off without making someone else worse off is a worthwhile goal. If policies could make someone better off without making anyone worse off, the current situation would surely be wasteful. In most circumstances, however, policymakers face trade-offs between the well-being of different people or groups of people, and further guidance is necessary. Many contributions in public finance during the past two centuries can be viewed as attempts to help policymakers navigate such tradeoffs, and have occurred at the interface between economics and philosophy.

An early and influential attempt to assess policies in the presence of tradeoffs is based on *utilitarianism*. In its simplest form put forward by Jeremy Bentham (1789), moral policies or actions are those that maximize the overall utility (happiness—the balance of pleasure over pain) of society. This requires a common metric for all

individuals' utility and a willingness to accept that some people may be made worse off if their total losses are outweighed by the total gains made by the winners.

But maximizing the overall utility of society may require infringing the rights of some individuals. As John Stuart Mill (1859) put it, people should be free to do whatever they want, provided they do not harm others.<sup>5</sup> Likewise, it would be wrong for policymakers to deprive a few individuals of their rights even if this increased the total utility of society as a whole. Today, most of us subscribe to the idea of *individual rights*, although different people (or different societies) may well disagree about exactly which rights are inalienable, and should thus be protected under law. Many individual rights are enshrined in the Universal Declaration of Human Rights proclaimed in 1948 by the United Nations General Assembly, and found in many national constitutions around the world. As economies have become more developed, the modern notion of the welfare state has often come to include a minimum amount of support in the form of income or public services as part of individual rights. For example, Franklin Delano Roosevelt (1944) stated that “true individual freedom cannot exist without economic security and independence,” and put forward the idea of a “second bill of rights,” economic in nature, to complement the rights to freedom enshrined in the United States’ founding documents and the 1791 Bill of Rights.<sup>6</sup> Debates on public policies often revolve around the extent to which people have a right to certain services (such as education, basic health, protection from crime, or protection from the economic consequences of old age, accidents, or unemployment) to be financed by the public purse.

Individuals become even more central, but their specific characteristics and preferences lose importance, in Kant’s rationality-based moral philosophy. Kant rejects utilitarianism because he believes that morality cannot be grounded in preferences, which may change as situations evolve. Rather, morality must have an unchanging, *universal* foundation. It consists in acting “in accordance with a maxim whereby you can at the same time will that it should become a universal law” (“categorical imperative,” founded upon reason, and for which the test is whether a behavior can be made universal with no contradiction). Kant’s alternative formulation of the categorical imperative is that people should be never be treated simply as a means, but rather as “ends in themselves.” This is close to the “golden rule” (treat others the way you would like to be treated, or a principle of reciprocity), although not exactly the same, because how people would like to be treated depends on personal preferences and is thus more difficult to universalize (Sandel 2010).<sup>7</sup> But the key point of relevance here is Kant’s universalism, in the sense that he calls on us to treat all people equally, regardless of nationality, community, family, and so on.

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<sup>5</sup> In this description, I am caricaturing utilitarianism by equating it with the maximization of the sum of utilities that are in turn determined solely by amounts of goods and services—as often ends up being the case in economics. Utilitarians are more sophisticated than that (indeed Mill was among them). For a powerful defense of utilitarianism, see Green (2013), who points out that utilitarianism is misunderstood when people interpret utility narrowly as wealth rather than happiness as experienced. He makes the case for utilitarianism as a metamorality to enable groups with conflicting moralities to live together and prosper.

<sup>6</sup> As has often been the case in political discourse in the United States, FDR argued for the welfare state on the basis of individual rights rather than social solidarity or communal/communitarian obligations (Sandel, 2010).

<sup>7</sup> Adam Smith’s (1759) device of the “impartial spectator” is thus arguably even closer to the “golden rule,” because the spectator is a person with feelings. Smith refers to the requirement that, when judging our own conduct, we “examine it as we imagine that any other fair and impartial spectator would examine it.” The element of impartiality is common to Smith and Kant, who both emphasize the need to avoid parochialism or favoritism.

Combining elements of utilitarianism with Kant's emphasis on rationality and universalism, John Harsanyi (1977) considers that "a correct moral rule is that particular behavioral rule that would maximize social utility if it were followed by everybody in all social situations of this particular type." In this regard, he is a "*rule utilitarian*." More generally, he sees ethics as a branch of the general theory of rational behavior—the latter defined on the basis of the pursuit of an objective such as expected utility. A society and its rules should be judged, in his view, on the basis of whether they bring about the highest expected utility for an individual who does not know what position he or she will occupy in that society.<sup>8</sup> He distinguishes between "personal" preferences—which assign greater weights to the interests of one's family members, friends, and close associates than to the interests of strangers, and "moral" preferences—which assign the same weights to the interests of everyone. This conception of morality as eschewing preferences for one's family and immediate circles has been challenged more recently, as discussed below.

Likewise, John Rawls (1971) builds on a foundation of rationality and impartiality to derive principles of *distributive justice*. He asks us to consider a hypothetical position (behind a "veil of ignorance") from which we had no knowledge about our physical, social, or biological endowments—factors determined by luck. From that vantage point, we would conclude that justice requires institutions that maximize the "primary goods" allocated to those who are worst off in society. In applications to income distribution, economists occasionally refer to a simpler version of this approach as maximizing the income of the poorest person in society. However, by "primary goods," Rawls means the inputs required for any happy or successful life (for example, nourishment, education, health care). His argument for maximizing the primary goods of the worst off, combined with his call for protecting civil liberties, can be broadly interpreted as making the case for "equality of opportunity" (Roemer and Trannoy, 2016).

Rawls' emphasis on identifying the institutional features of a "just society" has been criticized by Amartya Sen (2009), who instead favors an approach based on realization-based comparisons that focus on the advancement or retreat of justice. Sen's approach is perhaps more intuitive to economists because it involves assessing possible policy measures or societal changes on the basis of whether they increase or decrease justice in actual lives, with no need to take a view on what constitutes the institutional design of an ideal, perfectly-just society.<sup>9</sup>

Comparing well-being in different situations is the main objective of *social choice theory*, which has long been of core interest to economists. Some of its key results imply that there are severe limits on the ability to aggregate freely-chosen individual preferences into summary measures. For example, Condorcet's paradox tells us that if a majority of voters prefers A to B, a majority prefers B to C, and a majority prefers C to A, there is no way to reach a democratic consensus. Kenneth Arrow's *Impossibility Theorem* generalizes that insight to show that a social choice procedure cannot be both democratic and rational. Progress can only be made by

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<sup>8</sup> By emphasizing the perspective of someone who did not know what position he would hold in society, Harsanyi considered that he was a precursor of Rawls (see below). He thought, however, that one would maximize the expected utility of an individual in that society, rather than the utility of the worst-off individual. Harsanyi pointed out that the perspective of a sympathetic external observer was already used by Smith (1759).

<sup>9</sup> Sen (2009) favors a comparative approach to theories based upon a hypothetical "social contract." He clarifies that there is no need for complete or universally accepted orderings, and highlights the importance of a common resolve to fight for the abolition of gross injustices, such as famines or slavery.



obtaining more information on what underlies people's preference rankings, including the many factors that may lead them to prefer, say, A to B.

Given the complexities involved in aggregating different people's rankings that are determined by many factors, economics has often taken the shortcut of considering how a single external observer would compare different societal distributions of a single object of interest, such as income, wealth, or utility.

Economic analysis of income distribution and societal well-being has thus usually been based on aggregating the utility of individuals, letting them differ by level of income or, in a few cases, effort or talent. For example, Pigou (1920) considered that the optimal point was one where "the marginal pound transferred to the poor just balances the indirect evil brought about by the consequent reduction of the [national] dividend." One way of eliciting people's attitudes toward the trade-off between equality and efficiency is the "*leaky bucket*" thought-experiment devised by Okun (1975). Consider a scheme that taxes a rich family by an extra 4,000 dollars and gives four poor families 900 dollars each (a 10 percent leak, reflecting, for example, administrative costs or inefficiencies): would you consider the scheme worthwhile? What would the maximum acceptable leak be? Having identified a coefficient of aversion to inequality, societal well-being can be summarized in a single measure, such as Atkinson's (1970) *equally-distributed-equivalent income* (the equally distributed income that an external observer would consider just as desirable as the existing income distribution).<sup>10</sup> In the most up-to-date and well-developed treatments of inequality and redistribution (for example, Piketty and Saez, 2013), the emphasis remains on individuals rather than, say, communities.<sup>11</sup>

As redistributive policies by definition take resources away from some people compared with the status quo, a *libertarian* tradition has emphasized the conditions under which redistribution is justifiable.

In philosophy, Robert Nozick argued that respect for individual rights is the key standard for assessing state action and, hence, that the only legitimate state is a minimal state that restricts its activities to the protection of the rights of life, liberty, property, and contract. Nozick (1974) focuses on *justice in processes* rather than outcomes: in his view, justice depends on whether (i) the resources used to make your money were legitimately yours in the first place; and (ii) you made your money through legitimate means—either free exchanges in the marketplace or gifts voluntarily made to you by others.

A long tradition in economics with prominent voices such as Friedrich Hayek and Milton Friedman has argued that the government should not infringe upon *individual freedoms* and have called for letting free markets operate unfettered by regulation or redistributive taxes. Beyond considerations related to efficiency, these economists' arguments against, say, mandatory retirement programs or minimum wages, were based on the notion that people should be free to choose whether to participate in retirement programs, or accept low wages for their voluntarily supplied work (Sandel, 2010).

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<sup>10</sup> See Gaspar and others (2017) for an overview.

<sup>11</sup> Likewise, the empirical study of inequality (see IMF 2021, 2017 and Hellebrandt and Mauro 2016 for recent reviews) has primarily focused on income distribution using individuals or households as the basic unit of analysis, with insufficient work on factors such as race, gender, disability, ethnic or religious identity, region or residence, or place of birth (Posen 2014).

An important counterargument to the libertarian view is that people start their lives with different endowments, and that it is often difficult to claim that such endowments were obtained in legitimate ways, especially if one is willing to look sufficiently far back in history. Great-grand-children of tycoons, who in their days benefited from monopolies and exploited workers, get a different start in life than descendants of slaves.

Partly as a result, economists have also emphasized *equality of opportunity*, although there is no commonly accepted definition of such concept. Defining and pursuing equality of opportunity requires significant moral and political choices, especially because giving everyone equal chances to achieve some goal would require sizable redistribution of initial endowments, which some people might view as inconsistent with individual rights to property and to passing such property to one's children.

A pathbreaking line of empirical research most closely associated with the [Opportunity Insights](#) project (directed by Raj Chetty, John Friedman, and Nathaniel Hendren) has recently analyzed variation in economic opportunities over time (Chetty and others, 2017), across U.S. neighborhoods (Chetty and others, 2014), and across races (Chetty and others, 2020). For this purpose, economic opportunities have been defined in terms of intergenerational income mobility—for example, the probability that a child reaches the top quintile of the national income distribution starting from a family in the bottom quintile. Narayan and others (2018) estimate intergenerational income mobility in a large sample of countries. Not only actual but also perceived intergenerational mobility differs across countries, as documented by Alesina, Stantcheva and Teso (2018). These authors show that optimism about mobility (the gap between perceived and actual mobility) is greater among Americans than Europeans, consistent with the popular notion of the “American dream.” Using a clear definition of equality of opportunity makes it possible to analyze its determinants, including policies that can get societies closer to such an ideal. Even so, both the definition of the goal and the policies to attain it implicitly embody important value judgments.

Conceptually, determining whether there is equality of opportunity requires taking a view on people's degree of effort. Equal-opportunity policy should compensate persons for their disadvantaged social background, but hold them responsible for their effort (Roemer and Trannoy 2016).

Most people would agree that our societies are currently far from full equality of opportunity—including from the perspective of intergenerational income mobility. But while reducing the opportunity gap is desirable, would it be fair for policies to eliminate it fully? How far should the state go in redressing the balance in a world in which parents seek to give their children a head start? Should inheritances be taxed at 100 percent? Should parents be prevented from investing in private tutors for their children? Should highly educated parents not be allowed to tutor their children in their own free time, and forced instead to tutor children from underprivileged backgrounds? Where one draws the line in this regard depends both on practical considerations and on one's view on the morally appropriate extent to which one should treat one's family members better than unrelated human beings—a topic where views differ, as discussed below.

Although conceptually distinct, equality of incomes and equality of opportunities may be difficult to tell apart in practice, and may become even more difficult to distinguish in the future. For centuries, affluent families have helped their children access better educational opportunities. Some influential thinkers (for example, Hawking, 2018) have speculated that, in the future, human intelligence and DNA will be more and more manipulated based on parents' wealth and ability to purchase electronic aids and gene editing. Even if technological

progress does not literally change humans and thus their productivity, though, it can still cause income gaps to result in persistent opportunity gaps. In winner-takes-all industries, such as those relying on automation, networks, or artificial intelligence, the best technology will capture the global market and guarantee vast riches to its owners and their descendants.

Perhaps as a result of the difficulties in defining and pursuing equality of opportunity—as well as in identifying appropriate limits to its pursuit—an influential tradition has emphasized the provision of the means with which a child can have a chance to have a meaningful and productive life, such as basic education and health care. More subtly, differences in outcomes depend not only on education and health care, but also on physical and mental abilities, as well as life choices (including willingness to expend effort pursuing one's goals).

Consequently, in analyzing justice, Amartya Sen considers that interpersonal comparisons must be made in terms of *capabilities*, which he defines as the sets of possible lives one can choose from. Sen (1990, 1993) points out that it is important to distinguish capability—representing freedom actually enjoyed—from both (i) primary goods (and other resources) and (ii) actually chosen lives (and other realized results). Regarding the first distinction, an individual may require more resources than others—owing to differences in physical ability, age, gender, susceptibility to disease, and so on—in order to have a similar degree of choice over possible lives.<sup>12</sup> Regarding the second distinction, a person may end up with different outcomes compared with another person, not because of differences in resources, but because of differences in strategies followed, which in turn may be attributed to differences in objectives pursued. Thus, it is not enough to compare the resources different people have, or the outcomes they achieve. Rather, it is appropriate to compare the whole set of lives from which each person is able to choose.

Though conceptually appealing, measuring capabilities presents major practical challenges, and empirical applications have not been fully satisfying. For example, the capabilities approach inspired the United Nations Development Program's human development index (HDI), a weighted average of economic development (GDP per capita), educational attainment (mean years of schooling), and health (life expectancy at birth). However, the HDI does not capture several important aspects of the quality of life, such as security, participation in the political process, and so on. Moreover, it falls short of measuring the set of options people choose from. Additionally, the capabilities approach retains the focus on individuals as the relevant unit of analysis, both conceptually and in practical applications and measurement.

Michael Sandel (2010) points out that most people feel *special obligations* to members of their family, community, or nation, suggesting that morality cannot be as detached from our personal histories as one might think based on the application of Kant's categorical imperative or Rawls' idea of a hypothetical agreement behind a veil of ignorance. Most people feel that they have a special responsibility to help their children, siblings, or parents. Likewise, people usually feel a greater obligation to provide for their fellow citizens than for foreigners, while recognizing the value of foreign aid and shared humanity. Defending national borders or buying products from domestic companies are manifestations of perceived obligations of solidarity and belonging to one's nation. According to Alasdair MacIntyre (1981), our moral decisions are shaped by *narratives* that we tell ourselves about our life stories, which in turn can only make sense insofar as we are

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<sup>12</sup> According to Sen (2009), the concentration on income distribution prevents an understanding of the full scale of social deprivation, given that more than 600 million people globally are disabled.

bearers of a particular social identity that we did not choose (someone's child, a citizen of a given country, etc.). Our selves cannot be detached from our social and historical roles and statuses. Likewise, actions taken by our relatives (or even our ancestors whom we never met), our compatriots, or members of our communities often cause us to feel pride or shame, suggesting that we do not view ourselves as individuals truly unencumbered by particular moral ties.

This “*communitarian*” viewpoint, which builds on a longstanding conservative tradition, has gained prominence in moral philosophy in recent decades. Counterarguments are clearly possible: for example, one could argue that true morality consists exactly in resisting one's instincts to give preference to one's family, compatriots, or members of the same community. From a public policy perspective, it is important to recognize that the communitarian perspective is widely held. Policymakers need to be aware that many people retain stronger allegiances to communities they belong to, and may in some cases need to accommodate such allegiances, although abiding by equality before the law should remain a crucial protection against discrimination.

According to the *conservative* perspective, people come into the world burdened by obligations and subject to institutions and traditions that emerged gradually and contain a degree of wisdom, having been shaped by trial and error (Scruton 2017). Such institutions and traditions—laws, customs, nations, and religions—represent solutions to the problem of how to coexist and cooperate.

Moreover, conservatives believe that morality needs to occur in groups that are in-between the individual and the state—such as families, churches, villages, sports teams, clubs, communities, etc. Observing the horrors of the French Revolution, Edmund Burke (1790) argued that a state built on rational principles alone will degenerate into violence because it is not supported by overlapping in-between groups of people with shared bonds and allegiances. In this regard, the conservative perspective resonates with the renewed awareness of the importance of *social capital*—engagement in civic organizations such as clubs, leagues, religious groups, labor unions, etc.—whose decline since the 1950s has been associated with reduced trust in government and lower political participation (Putnam 2000).

Indeed, conservatives believe that people are inherently imperfect and prone to act badly when constraints and accountability are removed (Haidt, 2012, p. 337-8). They warn that giving up on institutions and traditions would lead to chaos. The sociologist Emile Durkheim (1897) worried about *anomie* (normlessness), arguing that “man cannot become attached to higher aims and submit to a rule if he sees nothing above him to which he belongs.”

This is consistent with the divide in present-day Western politics, between conservatives—who tend to assume that people will not behave cooperatively, and that the government will just serve the interests of the bureaucrats—and progressives—who tend to view people as more generous and the government as more likely to help.

Ultimately, as pointed out by Bertrand Russell (1946, cited in Haidt, 2012, p. 344), every community must balance risks at the opposite ends of the spectrum: ossification through excessive discipline or reverence for tradition, versus dissolution through foreign conquest or personal independence that makes cooperation impossible.

Although well-intentioned conservatism is one of the two foundations of Russell's balancing act, it is important not to let it slide into bigotry, or worse. Considering individuals, groups, political parties, or even governments, it is occasionally difficult to distinguish between instances in which their behavior reflects values such as a communities, country, or religion, rather than racism or intolerance toward other nationalities or religions. In the following discussion, the focus is on values and moral perspectives that respect fundamental human rights such as equal treatment regardless of race, nationality, or religion. In other words, it is assumed that this is a conversation among good people who differ in the relative importance they attach to different values.

## A Brief Overview of Moral Foundations Theory

Work by researchers who explore how morality develops in people and their societies, drawing on the insights of moral psychology and evolutionary approaches to morals, opens potential new avenues for economists, by nudging them to consider moral perspectives that have often been overlooked in traditional economics training. This section summarizes the recent work on Moral Foundations Theory, largely following Haidt (2012), whose point of departure is empirical evidence that we make moral judgments in the first instance based on our intuitions or instincts, responding to emotions such as disgust or aversion to disrespectful behavior, and later justify these judgments through reasoning.<sup>13</sup>

According to Haidt, six moral foundations have emerged as evolutionary responses:<sup>14</sup>

1. *Care/harm*. We as humans are usually sensitive to signs of suffering and disposed to care for those in need; we despise cruelty. These feelings evolved in response to the need for humans to care for their children.
2. *Fairness/cheating*. We value and reward collaboration and reciprocal altruism, whereas we want to shun or punish cheaters. These feelings emerged in humans because cooperation without getting exploited facilitates survival.
3. *Loyalty/betrayal*. We want to reward team players but want to punish those who betray our group. This foundation is similar to that of fairness/cheating but is more focused on membership of a specific group rather than humanity as a whole.
4. *Authority/subversion*. We respect rank or status and are sensitive to signs that other people are (or are not) behaving properly, given their position; this evolved in response to the adaptive challenge of living within social hierarchies.
5. *Sanctity/degradation*. We experience disgust when observing something that looks polluted (whether physically or figuratively). We sometimes long for purity in nature, feelings, or relationships. We

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<sup>13</sup> Haidt relates this contention to the tradition of David Hume (1751), who considered that "sentiment" is the first component of moral judgements and described morality as based on an instinctive approval (or disapproval) of actions that are conducive to (or detract from) public utility. According to Hume, reason is only capable of computing the public utility of a given action, but cannot move us to undertake such action. The push to perform an action must come from sentiment. Likewise, Adam Smith (1759) saw morality as stemming from our nature as social creatures capable of "sympathy" (feeling the happiness or sadness of others—today we would say "empathy"). He equated the moral point of view with that of an impartial but sympathetic observer.

<sup>14</sup> Modern psychologists (see, for example, Greene 2013, p. 23) consider that "morality evolved as a solution to the problem of cooperation within groups—a set of psychological adaptations that allow otherwise selfish individuals to reap the benefits of cooperation." Greene (2013) emphasizes that whereas feelings often promote cooperation within groups, they may on occasion stand in the way of cooperation across groups (as is the case, for example, for feelings that lead us to promote loyalty to a group).

sometimes consider objects, places, people, or principles as sacred, especially in the context of religions. This likely originated from the need to avoid pathogens.

6. *Liberty/oppression.* Humans often cooperate in hierarchical arrangements, but will band together to rebel against leaders who behave as tyrants and have not previously gained the trust of society (or of the group). On the left, the urge to oppose oppression and replace it with political equality is usually employed against capitalism or corporations. On the right, it is against government regulations or international treaties that restrain the liberty of individuals or sovereign nations, respectively.

Haidt argues that making appeal only to the first two foundations (as is the case for most analyses and policy proposals put forward by economists) misses an opportunity to reach people who are sensitive to the other four foundations.

One way of grouping these foundations, which has been adopted in early applications in economics (Enke, 2019), focuses on the distinction between “universal” principles that apply to everyone, versus “communal/communitarian” or “relational” values, such as in-group loyalty and respect, tied to particular groups or relationships. The first and second foundations—those that economists have usually focused on—are universalist. This is indeed a natural approach for economists, who tend to give equal weight to the welfare of all individuals. For the third, fourth, and fifth, the application of moral principles depends on who we are interacting with, and reflects considerations of “us versus them.” The sixth foundation could also be seen as universalist, in the sense that although it relates to the dynamics within a community or a society, it considers all members to be worthy of attention, focusing only on the difference between the leader and everyone else. The universalist versus communitarian distinction is helpful in some economic and political science applications—for example, Enke (forthcoming) shows that it is predictive of voting behavior and in-group favoritism in donations and volunteering.<sup>15</sup> Although the universalist-communitarian divide is empirically tractable and helpful, aggregating the six foundations into a single indicator may lead us to lose valuable information and miss opportunities. The richer classification into the six foundations may be even more helpful in thinking through a wide range of possible options to construct arguments that have a chance to persuade a broader spectrum of the population, whose moral palette may be more variegated than often assumed.

## Recent Work on the Increasing Relevance of Identity, Community

The organizing framework summarized above encompasses that of other researchers who have recently drawn attention to the relevance of values that economists have traditionally not focused on. For example, Norris and Inglehart (2019) have pointed to the rising importance of values such as loyalty, security, authority, and an “us versus them” mentality. Drawing on surveys of thousands of individuals in several Western countries, these authors suggest that as societies have—since the late 1960s or early 1970s—grown more liberal, more open to diversity and LGBTQ rights, more egalitarian, more secular, and more cosmopolitan, traditionalists have felt threatened, marginalized, and left behind. Some have turned toward forceful leaders who promised to turn

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<sup>15</sup> The ratio of donations (or hours volunteered) to local (rather than global) causes is higher for communitarians than for universalists (Enke and others, 2020).

against the rising tide. Norris and Inglehart consider that these gradual but major developments in societal values have led to a cultural backlash on the part of those who feel that they are no longer in the majority. They find an uptick in what they label authoritarian values: importance of security and order, conventionalism, hostility to those with different religious or ethnic backgrounds, loyalty to the leader (someone who “protects the tribe and reinforces the norms that are seen as morally right”). Survey evidence suggests that conservative values remain stronger among the Interwar Generation, non-college graduates, whites of European descent, the more religious, men, and residents of rural communities. The authors consider economic insecurity—the loss of secure, well-paid, blue-collar jobs, and the collective experience of living in declining communities—a compounding factor.

## Surveying How Values Differ Across People, Communities, and Countries

Surveys of people’s attitudes are increasingly making it possible to analyze how values shape the behaviors and policy choices of individuals, communities, and countries. Existing surveys allow a glimpse into attitudes toward loyalty and authority (much less on purity), but are only in the early stages of providing information for an in-depth analysis of these factors.

For example, the *World Values Survey* (founded by Ron Inglehart) has for decades surveyed people across the world on a wide range of attitudes vis-à-vis the state, family, religion, and other aspects of life related to moral perspectives. It is generally accepted that people differ in these regards, both across countries and, more importantly when it comes to shaping public policies, within countries. Yet a cursory look at the responses to questions regarding various aspects of loyalty, authority, trust in people from different religions or nationalities, etc. reveals that cross-country patterns are less straightforward than one might expect. A few questions elicit attitudes in these areas. For example, one question relates to the importance of religion: respondents in Argentina and South Korea are evenly split among “very,” “rather,” “not very,” and “not at all.” In Algeria, Georgia, and the Philippines, 85-90 percent of respondents say “very.” In China, Japan, and the Netherlands, 70 percent or more say “not very” or “not at all.”

Additional questions ask respondents whether they trust people from another religion or (in a separate question) of another nationality. The importance of “obedience” (among several choices of other important traits) for children ranges from less than 15 percent in China, Germany, Sweden, to more than 80 percent in Haiti and India. Other questions in a related vein ask respondents whether they agree that “tradition is important: to follow the customs handed down by one’s religion or family” or that “it is important to always behave properly; to avoid doing anything people would say is wrong.”

Gleaning cross-country differences from these surveys is challenging because even where the respondents number in the thousands, it is difficult to ensure that the samples are representative, and to control for other factors such as age, education, urban-rural residence, and so on. These factors may influence values to an even greater extent than nationality, and their impact may vary across countries, too (for example, the urban-rural divide may play differently in different countries). Indeed, it may be even more interesting to estimate empirical associations between, say, individuals’ education and attitudes pooling all countries together.

Survey data also provides information about attitudes toward policies that are more familiar to economists, such as preferences for certain public spending items and redistributive tax policies. For example, the International Social Survey Program, covering thousands of individuals in several advanced and emerging market economies, elicits respondents' views on the merits of additional spending on items such as education, health, and pensions, and on whether providing these services is the government's responsibility. Likewise, those surveyed are asked whether they believe that the tax burden is too high for low- and middle-income households compared with that of high-income households; in most countries, a majority of respondents seem to prefer more progressive taxation (International Monetary Fund, 2021, p. 40).

Assessing whether and how support can be mustered for, say, redistributive policies requires an understanding not only of where the majority (or the median voter) stands, but also of the intensity of feelings by various groups, and the relative size of such groups. For example, the *World Values Survey* makes it possible to find out whether individuals consider that redistribution through the tax-transfer system is an integral part of a democracy. Interesting differences emerge across countries. For instance, the results show that in Brazil, 30 percent of the population considers that redistribution through the tax-transfer system is not at all an integral part of a democracy (Figure 1). In the majority of advanced economies and several other emerging economies, that percentage is much lower—about five percent or less. At the opposite end of the scale, 50 percent of Pakistan's surveyed population considers that redistribution is an integral element of democracy, whereas the corresponding percentage for Brazil is 10 percent. In the Netherlands (and several other advanced economies), the most frequent answers on a scale from 0-10 ("not at all" to "fully integral part of democracy"), are 5–8.

Similar questions include whether the "government should take more responsibility to ensure that everyone is provided for" versus "people should take more responsibility to provide for themselves."

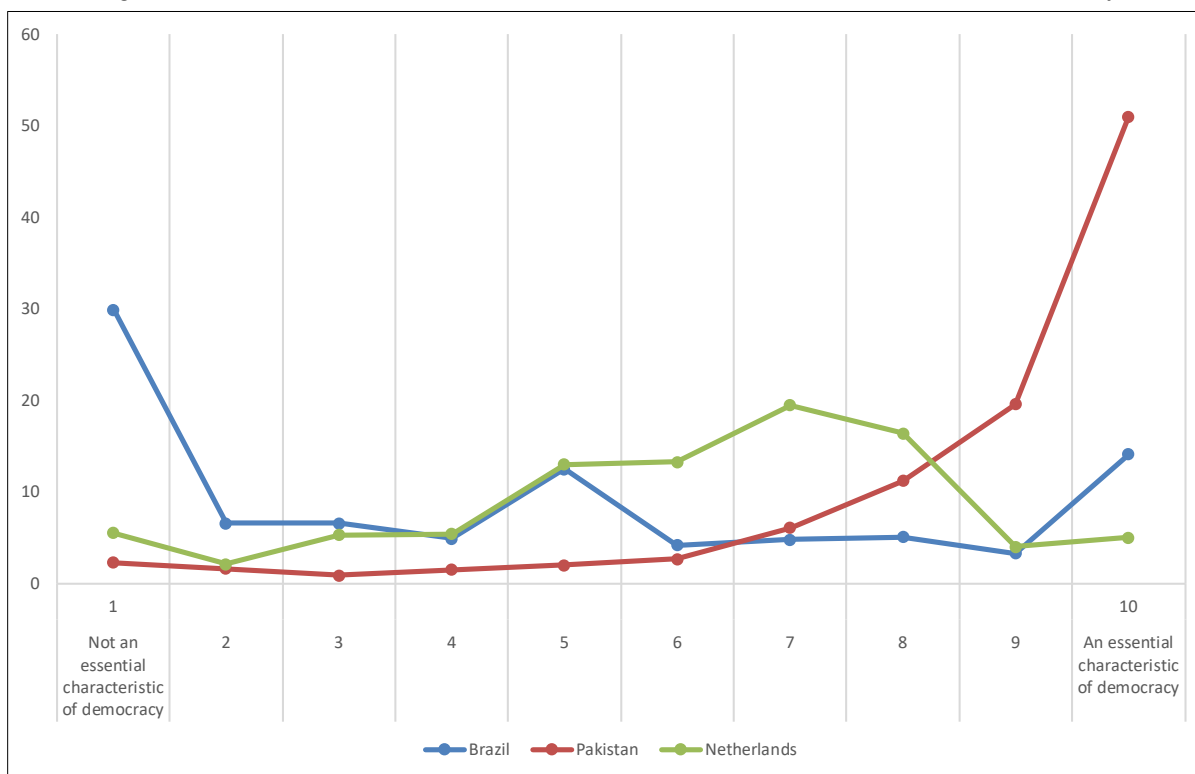
Cross-country differences in attitudes toward the state and the extent to which it should redistribute incomes or provide basic services are likely rooted in deep cultural or historical factors. For example, according to Friedman (2020), the widespread view in the United States (particularly among evangelicals) that helping those in need is a religious duty, and as such voluntary, rather than the role of government, stems from a longstanding religious tradition rooted in religiously based voluntary societies that emerged in the 1800s as the economy developed in the context of free markets and rising inequalities.

Views on appropriate policies are shaped not only by moral values but also by perceived intergenerational mobility and by beliefs about the existing distribution of incomes and opportunities, as well as beliefs about the governments' ability to ameliorate distribution. Alesina, Stantcheva, and Teso (2018) show that individuals who overestimate actual mobility by a smaller amount are less favorable to policies that aim to equalize opportunities (education and health) or to redistribute income (progressive taxation or safety nets). Moreover, among left-wing respondents, those who are more pessimistic about mobility support more redistribution, whereas among right-wing respondents, those who are more pessimistic do not—presumably, the authors suggest, because they have negative views of government. These authors show that optimism about mobility (the gap between perceived and actual mobility) is greater among Americans than Europeans, consistent with the popular notion of the "American dream." To take the analysis further, the authors provide respondents with additional information about actual mobility before giving respondents a chance to revise their answers. They find that left-wing respondents favor even more redistribution after being given further information, whereas right-wing respondents do not change their views. By exploring the impact of providing respondents with factual



information, this line of research opens the way to analysis of how policymakers can persuade citizens of the merits of proposed policies.

Figure 1. Views on Government Redistribution as an Essential Characteristic of Democracy



Source: World Values Survey

Note: Percent of respondents (vertical axis) agreeing that “Governments Tax the Rich, Subsidize the Poor” is an essential characteristic of democracy on a scale from one to ten (horizontal axis).

## Relevance of Moral Perspectives for Themes in Public Finance

The potential relevance of differing moral perspectives for various themes in public finance may become apparent through illustrations in the domains of taxation, benefits, and public expenditures. The simple examples below are numbered to match Haidt’s six-foundations nomenclature. They are assumed to be considered in the context of Western democracies where, as noted above, Enke and others (2020) documented common patterns in spending preferences for universalists versus communitarians.

Respondents are asked to vote on the following measures for their region of residence:	Do any of the following pieces of information make respondents more (or less) likely to vote in favor of the measure?
1. Extend the duration of unemployment benefits	(a) A study found that most job seekers have soft disabilities—they are able to work and do not qualify for disability insurance, but are slightly less competitive than other candidates. (b) Most job seekers are former soldiers returning from war.
2. Increase the property tax rate on high-end residences	(a) Most owners of large estates inherited them from their parents and house prices rose 20 years ago. (b) A majority of mansions are owned by entrepreneurs who started their own company.
3. Invest in a new hospital in a town with declining employment prospects and falling population	(a) Most original residents have left and sold their homes to recent (legal) immigrants. (b) When residents learned of the planned investment, they organized a patriotic celebration.
4. Provide additional funding for the armed forces	(a) The extra funds will be used for the aerobatic demonstration team. (b) The extra funds will be used for a call-in radio program where citizens can ask the military leadership any questions about their expenditure choices.
5. Increase transfers/subsidies for the purchase of food	(a) Newspapers report that some recipients sold food in exchange for drinks and cigarettes. (b) Most food subsidy recipients are single parents, and their children were born out of wedlock.
6. Raise the tax rate on personal income	(a) The proceeds will finance services for the poor. (b) The proceeds will provide additional resources for regulatory agencies.

Question 1 (Care/Harm foundation): extending unemployment benefits appeals to the care/harm foundation. Learning that the extension will give more time to (a) people with soft disabilities is likely to appeal to those sensitive to the care foundation; learning that most applicants are (b) soldiers returning from war would have additional appeal for respondents sensitive to the authority foundation.

Question 2 (Care/Harm foundation and Fairness/cheating foundation): increasing the property tax on residences of wealthy individuals appeals to the care/harm foundation because it raises revenues by taxing the rich to help the poor. From the fairness/cheating foundation perspective, however, allowing individuals to enjoy the fruits of their labor would seem fair, as long as they made their money legitimately. If one adds the information that (a) the wealth was inherited or that the owners were lucky to make capital gains on their property, then the appeal of the fairness argument is reduced. Conversely, adding the information that (b) the property owners are entrepreneurs who made their money through innovation or perseverance strengthens the appeal to the fairness foundation.

Question 3 (Loyalty/betrayal foundation): building a new hospital in a location that is losing people and opportunities would appeal to the values of loyalty and community. If one adds the information that (a) the beneficiaries of the new investment are not members of the original community, however, the investment

becomes less attractive from the standpoint of the loyalty/betrayal foundation. If one adds the information that (b) the community is brought together to celebrate the investment, and gathers around patriotic symbols, then the loyalty foundation is triggered.

Question 4 (Authority/subversion foundation): Providing resources to the armed forces appeals to the authority foundation and to those who value respecting social hierarchies. If one adds the information that the funds will be used to (a) provide displays of patriotic strength, it may also appeal to those who value loyalty to the national community. Instead, using the funds to (b) make it easier for citizens to ask the military leadership questions about why they made certain choices would appeal to those who are instinctively less obedient, tend to question authority, and require reasoned justification before abiding by decisions made by those in positions of authority.

Question 5 (Sanctity/degradation): Increasing the availability of subsidies for food will generally appeal to the care/harm foundation. If one adds the information that some recipients (a) sell the food and use the proceeds to purchase drinks or cigarettes, then the fairness/cheating foundation will be triggered because the program is not being used for its intended purpose and, even more strongly, the sanctity foundation will be triggered by the use of substance that may be viewed by some as frivolous or even immoral. Likewise, if one adds that (b) recipients are mostly single parents with children born out of wedlock, then the sanctity foundation is triggered.

Question 6 (Liberty/oppression): Increasing the personal income tax rate (a) to finance support for the poor is a straightforward application of the harm/care foundation. However, information about the uses of revenues provides many options for triggering other moral foundations. For example, if one adds the information that the revenues will be used (b) to finance the regulatory agencies, such information will simultaneously trigger a negative response by those who consider regulations as overly intrusive.

## **Empirical Applications of Moral Foundations Theory to Economics**

Enke, et al. (2020) use surveys to reveal that individuals holding universalist moral values are more likely to support policies generally associated with the political left in Western countries, such as foreign aid, affirmative action, environmental protection, welfare, and universal health care, whereas people holding communitarian moral values are more likely to support the military, police and law enforcement, and border control. The authors show that the left versus right divide does not simply coincide with preferences for large versus small government. In the case of welfare, non-universalists prefer less extensive coverage, to reduce the chances that cheaters from other groups might claim benefits that they are not entitled to. However, in the case of the police and security, non-universalists are willing to finance higher spending to reduce the chances that people from other groups might steal. They also show that people's moral views shape their attitudes toward public policies depending on specific design and presentation features rather than general spending categories. For instance, universalists' support of the military increases when it is directed to "peacekeeping and humanitarian missions abroad" whereas "ensuring American defense and security" is especially appealing to communitarians (from the United States, in this example). Likewise, communitarians are more likely to support redistribution of local tax revenues through the welfare system when they are used only within the local community from which they were raised. Communitarians may also be more likely to support environmental protection when it is applied to their local area and benefits their local community.

The result that communitarians tend to prefer some types of public spending whereas universalists favor other public spending items makes it easier to identify those belonging to each group without “priming” them by asking direct questions about moral values or political affiliation. Using this approach, for example, it is possible to document the extent to which universalists’ preferences for progressive taxation exceed those of communitarians, and how this gap may have changed in recent years (Klemm and Mauro 2021).

## Public Debt as a Moral Issue

Some crucial questions in public finance—such as the appropriate level of public debt—have received less attention from the moral perspective than might be expected. Throughout history, lender-debtor relationships have been viewed through a moral lens—including many religious prohibitions on charging interest—occasionally resulting in adverse or even violent consequences. In most cultures, repaying debts has been seen as the right thing to do. Even so, there is a longstanding tradition, going back to ancient middle Eastern societies, of calling for occasional or periodic jubilees whereby debts would be forgiven to allow people to restart from a clean slate after a prolonged buildup of crushing debt.

For the most part, the moral perspective on public debts has focused on inter-generational fairness. For example, George Washington, in his 1796 Farewell Address to the nation, after recalling the importance of morality as a foundation for good government, and the merits of using debt judiciously, discouraged his fellow citizens from “ungenerously throwing upon posterity the burden which we ourselves ought to bear.”

James Buchanan (1985) argued that the increase in public debt during the twentieth century resulted from an erosion of moral precepts. In Buchanan’s view, Victorian precepts of fiscal prudence had evolved as more modern cultural/moral norms that kept in check narrower/tribal allegiances. Keynesian economics made a rational, rather than moral, case for budget deficits during a depression. Thereafter, moral considerations for a return to fiscal prudence no longer carried force. Buchanan’s proposed solution—a constitutional amendment to require governmental budget balance—thus relied on an institutional fix rather than morality.

But moral considerations can also apply to public debt from the perspective of distributional implications for different groups that might well be in the same generation. Governments may have an incentive to borrow heavily to finance large spending on items that their political constituents favor, or to cut taxes that their supporters dislike. In the event that the incumbent is not reelected, a new government will be faced with lower ability to borrow and higher costs of servicing the debt. This well-known bias toward deficits, which is greater the lower the probability of reelection, can also be viewed through a moral prism: it may seem unfair for the incumbent government to overborrow simply because it can shift the burden of its actions onto a successor government and its constituents.

In modern times, a moral angle has been applied particularly to the external debts of low-income developing countries, through campaigns for jubilees and debt forgiveness, and debates on whether “odious debts” incurred by dictatorships should be repaid by successor, less repressive governments (Jayachandran and Kremer, 2006).

But moral perspectives, including moral foundations theory, may not have delved sufficiently yet into the question of how to persuade voters and governments to avoid a bias toward excessive public debts or, conversely, exaggerated fiscal prudence.

## Designing and Presenting Fiscal Measures with Broader Appeal

*We all know what to do. We just don't know how to get re-elected after we've done it.*

*Jean Claude Juncker*

Grounding public finance decisions in a wider range of moral perspectives presents opportunities to persuade more people of their rationale. By limiting themselves to the care/harm and fairness/cheating foundations, economists may be forgoing potentially useful ways of reaching the hearts and minds of broader segments of the population. Economists usually rely on the care/harm foundation when considering policies that seek to reduce inequities in incomes or wealth: we feel concern for the poor and want to help them meet their basic needs. And economists rely on the fairness/cheating foundation when considering how inequalities in opportunity can be reduced: we want everyone to have fair access to education, health care, transportation, and other necessary services so that they can become gainfully employed and ultimately independent and successful. But considerations related to purity, authority, and so on might be more convincing to people whose moral values are grounded in those foundations.

### The purity (or sanctity) foundation

The purity (or sanctity) foundation has several potential applications in public finance. The most obvious relates to public services that keep people healthy and in a pleasant, clean surroundings—such as trash collection, sanitation, and health care. These services prevent the spread of harmful bacteria and contaminants as well as of contagious diseases—the underlying evolutionary reason for the feeling of disgust.

The purity foundation is also applicable to preserving the natural environment against local pollution (clean rivers, smog-free air) as well as global pollution (oceans, global warming), preserving the natural environment in its pristine state, or protecting it from pollution caused by its exploitation for near-term profits accruing to a small group of people. Thus, a carbon tax, for example, could be presented as a way to preserve the purity of the earth in its natural state, leveraging similar moral sentiments as those elicited by other “sin” taxes such as those on alcohol or cigarettes. In addition, those holding communitarian views may be more favorable to arguments that emphasize preserving the purity of their local environment, rather than global warming.

In today's political configurations, the cause of purity in nature is usually associated with green parties and liberals. However, in principle these values do not neatly fit in today's standard left-right or liberal-conservative classifications.<sup>16</sup>

Beyond these straightforward applications, many people feel disgust (or at least embarrassment or guilt) when they witness what they perceive as injustice—including excessive disparities in well-being. Imagine that while you are enjoying a meal at an expensive restaurant, a homeless person taps on the window to ask for food: your appetite wanes. Or imagine that you observe children begging for change just in front of a sumptuous palace with golden decorations: many people would feel disgust at the juxtaposition—their reaction going beyond the care foundation.

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<sup>16</sup> For example, Henry David Thoreau in the United States in the mid-1800s longed for a return to nature while calling for smaller government, as well as the abolition of slavery and civil disobedience against unjust government.

Awareness of the purity foundation can also be helpful to understand why many people support policies that economists do not consider optimal. Consider, for example, the provision of in-kind transfers (such as food staples) instead of cash transfers. Economists usually consider cash transfers more efficient than the direct provision of foodstuffs, because they give recipients the flexibility to purchase exactly what they need, and to search for the best price/quality mix depending on what is available at each point in time. People whose moral values rely on the purity/sanctity foundation, however, may be reluctant to support the provision of cash transfers, because they fear that recipients will use the funds to purchase alcohol or drugs instead of necessities.

The purity foundation might also underlie the preference for balancing the country's budget, as expressed by many people in different countries and historical contexts—recent examples include the Tea Party in the United States until 2015, and the support for *schwarze null* (“black zero,” or zero deficit) in Germany in recent years. The often-used analogy to “leaving one’s house in order,” as in responsible decisions with a family’s budget, clearly evokes notions of purity.

### **The loyalty foundation**

Where people have feelings of loyalty or commonality, such as patriotism at the national level or a strong regional identity, taxpayers are likely to want to limit public services (health, education...) and support programs (unemployment and other benefits) to those with whom they share a national or regional identity.<sup>17</sup> Awareness of such feelings can help inform policies on border security or fiscal federalism—the extent to which spending choices are under the control of regional or local governments. It may also help us understand why countries with higher ethnolinguistic fractionalization (the probability that two individuals drawn randomly from the population belong to different ethno-linguistic groups)—typically owing to borders drawn by colonizers with scant regard for ethnic identities of the population—tend to have weaker institutions (Mauro, 1995, Easterly and Levine, 1997). But the loyalty foundation can also be leveraged for other policy goals. For example, to make the case for measures aimed at making the country more competitive in science, technology, or productivity, policymakers could usefully draw on the same patriotic spirit that motivates people to root for their national teams in sports competitions. This said, it is also possible to defuse loyalties to a single identity appealing to the fact that most individuals have multiple identities that they share with different people: a language, a religion, and profession, a location, a nationality, and so on. Whereas demagogues often appeal to a single identity, tolerance can be promoted by reminding individuals of characteristics they share with multiple and possibly overlapping other groups (Sen, 2009, p. 353).

### **The authority foundation**

Even in modern democracies, appeal to authority figures can serve as a useful function to persuade the public, or at least important voting groups, of the merits of certain policies. What constitutes an authority figure deserving of respect—police, military, teachers, doctors, the elderly, religious leaders—will of course depend on the audience as well as cultural traditions. With that in mind, messages in favor of a given policy—for example, an increase in education spending—may be more acceptable if they are accompanied by a reference to teachers as figures of authority deserving of respect. Likewise, a subsidy or pension supporting the elderly

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<sup>17</sup> By appealing to feelings of loyalty and affinity, this goes beyond the so-called “principle of benefit” in taxation, according to which it would be desirable for those who benefit from public services to pay taxes in order to fund them.

might in some contexts be more acceptable if it is presented as giving them the respect they are owed rather than protecting them because they are frail. Appropriately chosen authority figures can also be effective advocates for a policy. For example, a military doctor dressed in uniform might be more persuasive than a civilian doctor when making the case for additional health spending in front of a conservative audience. More generally, the outsized influence that sports, entertainment, or business celebrities have on public discourse, including in areas where they have no expertise, demonstrates the value of the authority foundation, if one includes fame in its definition.

### **The fairness/cheating foundation**

Economists are well aware of the fairness/cheating foundation and use it more often. Policymakers, especially conservative ones, deploy it regularly, especially to caution against excessive reliance on social safety nets. For example, they may insist on strict conditions for accessing social safety nets. As Haidt (2012) recalls, for example, David Cameron of the UK Conservative Party called for cutting benefits for those who refuse work. Even so, the fairness/cheating foundation may still be underutilized by some economists or policymakers. Reference to this foundation would seem especially appropriate when externalities are involved. Many anti-poverty programs make transfers conditional on actions that help the community, such as ensuring that children go to school and are taken to their routine prevention medical visits, including vaccinations. Likewise, taxes that discourage pollution or greenhouse gas emissions, pollution, or even smoking (which raises government funded health expenditures) could be presented as ways of dissuading people from cheating the rest of society.

### **The liberty/oppression foundation**

Many citizens are concerned about government overreach and excessive regulation, and advocate freedom from stealing and wasteful government. In this regard, the moral and analytical/technocratic perspectives can be reconciled if it is possible to engage in constructive conversations about the appropriate degree of regulation of the economy by the government. Economists have indeed pointed out that excessive government intervention in the economy—through trade restrictions, for example—can generate economic rents (supernormal profits) that in turn create incentives for rent-seeking activities such as unproductive lobbying or outright corruption (Krueger, 1974). Whereas with an appropriate degree of regulation, Adam Smith’s “invisible hand” delivers efficient production and consumption outcomes, an overly intrusive government’s “grabbing hand” can waste public resources, thwart entrepreneurship, and become a source of failure (Shleifer and Vishny, 2002). For economies to thrive, the rules of the game must be clear and enforced in an evenhanded manner but should not stifle individual creativity. Achieving the right balance requires political dialogue and economic analysis. If the moral foundation that favors liberty and fights oppression can be constructively channeled into constructive dialogue based in facts and analysis, the outcome can be positive.

### **Information and persuasion**

Policies can be made more appealing if they are designed and presented in a way that considers how they would be perceived by people with different moral perspectives, such as those outlined above. But persuasion also presupposes a certain degree of information, or at least openness to considering information, on the part of the audience. Extreme positions on policy matters may reflect lack of information, as shown by experiments conducted by psychologists (Fernbach and others, 2013; Sloman and Fernbach, 2017; see also a summary in Greene, 2013, p. 297). These researchers asked individuals to consider controversial policy proposals, such as

a single-payer healthcare system or the cap-and-trade system for reducing carbon emissions, and recorded their views. They then asked respondents to explain how these policies would work. Then the researchers asked respondents again for their views on the policies. Confronted with their lack of understanding, respondents adopted more moderate positions. Thus, rather than asking people why they support a certain policy, a better conversation starter may be to ask them factual questions about how that policy work.

These results suggest that providing information may in some cases be the beginning of persuasion. Indeed, several recent survey-based studies in economics (such as, for example, Alesina, Stantcheva, and Teso, 2018, and Stantcheva, 2020, mentioned above) ask people for their opinions, then provide them with additional factual information, and ask for their opinions again to measure how learning facts can reshape attitudes vis-à-vis policies.

Moreover, a challenge in designing and making the case for policies that seek to give everyone a fair shot in their lives is that views on whether effort accounts for differences in outcomes are shaped by personal experience. Surveys of individuals in the United States, for example, find that the percentage of respondents who agree with statements such as “one of the big problems in this country is that we don’t give everyone an equal chance in life” is higher for ethnic groups that have been historically disadvantaged, and is lower for the college-educated than for those without college education. Against this background, it is important to provide information (at least in the form of anecdotes) to correct misperceptions of how difficult it may be for members of disadvantaged groups to overcome differences in opportunities.

## A Final Caveat

The material presented above assumes that people are fundamentally well meaning, despite differences in moral perspectives. (Indeed, the subtitle of Haidt’s book is “why good people are divided by politics and religion.”) This assumption is appropriate when seeking to muster broad support for policies through persuasion.

However, history also teaches us that some people, often including those in influential positions, may behave in ways that are inconsistent with any moral perspective and may be uninterested in dialogue or persuasion. Moreover, policy choices are often shaped by power relationships, which negate equality of opportunity. Power can derive from inherited wealth, connections, or education, and it can be deployed to favor one’s descendants, community, or ethnic group. Even in democracies, wealth can buy opportunities to make one’s voice heard, and in some cases to shape the design and application of laws and regulations, or even the way that democracy works.

Pre-existing positions of advantage can be used to the detriment of others not only by the rich, but also by those who are nearer the bottom of the income distribution. Martin Luther King (1968) related this tendency to the “drum major instinct,” by which he referred to the human desire “to lead the parade,” to be first, to be praised, to be considered better than others, to belong to exclusive clubs or groups. He narrates that while he was in jail in Birmingham, he discussed race with the white wardens, and pointed out to them that they were just as poor as the people they were jailing. He told them that they should be marching too, and that they were supporting their oppressor, because through prejudice and blindness, they were made to feel superior on the basis of the color of their skin.



Recent work has begun analyzing the tendency for people to derive utility from things that others want but do not have (Imas and Madarász, 2020), which could potentially explain why people whose earnings are just above the minimum wage often oppose increasing it, or why recent immigrants oppose further immigration. Likewise, people may derive utility from belonging to a group that possesses attributes or has access to goods and services (health care, government transfers, clubs, right to rent or own property in a certain area, etc.) that other groups (for example, new immigrants, other races) want but do not have. This work complements earlier studies (for example, Darity, Hamilton, and Stewart, 2015) that look beyond individual attributes to structural/contextual factors that preserve the relative status of dominant groups via intergenerational transfer of resources or exclusionary practices to explain intergroup disparities.

In cases where these people's attitudes toward policies are motivated by a desire to maintain their superior position for its own sake, considering different moral perspectives is less valuable.

## Conclusion

Policy choices in public finance affect the distribution of income, wealth, and opportunities across people belonging to different groups defined by income, geography, and ethnic/linguistic/religious characteristics with which they identify. When considering tax or spending policies, most people focus on their implications for fairness perhaps even more than for economic efficiency. The analysis of policy options in public finance may thus be enriched by considering a richer palette of moral perspectives than has traditionally been the case, and may ultimately help policymakers design measures that will have a greater chance of mustering sufficient consensus. Large scale empirical studies that build on these insights have only recently begun to come to fruition, partly because they require new or significantly redesigned surveys. Even prior to systematic empirical analysis, however, reasoning based on how a certain policy may be designed to be more acceptable and presented in a more appealing way to citizens with different moral perspectives can be a helpful starting point.

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