

Economic Policy and the Common Good

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Introduction

- For the individual to flourish, society must flourish, and for society to flourish the individual must flourish
- Economists' individual centric worldview is at odds with this. Economics is more Walras than Smith
- Calls to make economics more reflective of reality: more behavioral and institutional
- But it is the individual rather than society that still is central to economic analysis
- Why? Little or no understanding of the common good

Defining the Common Good

- Aristotle
 - The good life, the highest good at which the community, individually and severally, aims. It is the common good.
 - As the highest good it is desired for itself alone.
 - The good life of the city-state, that is the common good, had priority over the good life of the individual citizen.
- Aquinas
 - Pursue the good and avoid evil
 - Love your neighbor as yourself
 - Live in and contribute to the life of the family and society
 - seek knowledge
 - develop practical reasonableness
 - Together they lead to human flourishing
 - Supported by natural law

Defining the Common Good

- Mill
 - Greatest happiness principle
 - Ideal guide to behavior is the golden rule
 - Laws, institutions and customs should be such that the happiness of the individual and the happiness of the whole are complementary
 - Education and opinion should inculcate the bond between own happiness and universal happiness
- Rawls
 - Justice as fairness
 - Basic structure - society's fundamental institutions, including but not limited to its political constitution, legal system, economic system and personal domestic arrangements
 - Veil of ignorance

Shared Features

- Well functioning political, legal and judicial systems
- Good civic and civil institutions
- Good societal customs and norms
- Equality of opportunity
- Redistribution of income and wealth
- High quality education available to all

Both I and We

- Society, in the form of an overweening state, must not be allowed to suffocate the individual
- The individual cannot live a fulfilled life outside the embrace of society
- For the individual to flourish, society must flourish, and for society to flourish the individual must flourish

Failures of Society to Flourish: Evidence of Exclusion from the Common Good

US

African Americans

Native Americans

Rural Poor

Poor Whites

Ireland

Travelers

Non-Whites

Disabled People

Rural Poor

Failures of Economic Policy to Promote Inclusion

- Individual rather than community centered policy design: the curse of Pareto
- Labor activation: human capital rather than humans, and humans rather than communities
- Trickle down tax policy: but the trickle goes the other way
- Trade liberalization: spoils only to the victors
- Education: enhances socio-economic divides

What Can Be Done?

- Policy must be designed to treat social ills at societal level as well as at the level of the individual
- Policy must be made in a general equilibrium framework where the implied effects of any policy cannot be made under an “all else equal” assumption
- Economists must work with others in multidisciplinary teams when conceiving and formulating policy in the recognition that the ultimate aim of policy is the common good of society and only thereby the individual