The Limits of the Economic Approach to Public Policy Studies※

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It is highly desirable for policy-makers to acquire a deeper understanding of the "economist's view of the world" [Rhoads, 1985], the essence of which is in emphasizing the primacy of cost considerations and proposing economic incentives as a dominant policy measure. Economists' conceptions of 'cost' and 'benefit', especially those underlying cost-benefit analysis, are, however, too narrow to capture the real benefit and cost of a policy for *society as a whole*. Resorting to economic incentives is not always an effective policy measure. This paper has two objectives; first, to clarify what it means to pay due attention to the notion of 'opportunity cost', and second, to critically examine the role of cost-benefit analysis in public policy studies with particular attention to the need of preference launderings.

Ⅰ. The interests of society as a whole

Governments all over the world have made tremendous efforts to correct market failures (inefficient resource allocations), providing public goods, regulating industries prone to natural monopoly, taking policy measures against externalities and information asymmetries. Adequately dealing with market failures is only one among various legitimate government functions. Governments have also shown considerable concern over policy-relevant values other than efficiency such as justice, liberty, equality, and solidarity, committing themselves to public policies designed to enhance them. The efficiency norm, however, is never absent from policies of this kind.

There is little in this world that comes to us as free gifts from heaven. To get whatever we want we must be prepared to give up some other good, be it money, time, amenity, immediate amusement, or a favorable job opportunity. Public policies are no exception to this rule. Though much may be gained by implementing a policy, much is to be lost in the process. Policy benefits are always accompanied by no small cost. Herein lies the essence of the notion of opportunity cost as applied to the context of public policy studies.

The benefit of a policy is generally in direct proportion to its cost. Higher costs normally result in higher benefits, and smaller costs in smaller benefits. It goes without saying that the smaller the cost and the greater the benefit, the better. Policy-makers are therefore expected to find the best possible combination of costs and benefits among the available choices. They must always turn their eyes to the cost as well as to the benefit of a policy.

This much might well be true. No one dare claim that we may simply ignore policy costs. The real issue lies then not in whether or not we should attend to costs at all, but rather, in how and to what extent we should do so.

Those committed to the philosophical or ethical approach to public policy studies tend to emphasize the primacy of ethical considerations. What is of crucial importance is to deduce the minimum requirements to be satisfied (the minimum level of values to be realized) by a policy from a certain system of values (worldview) deemed most appropriate, be it human rights theory, a Rawlsian theory of justice, or a different standard. Any policy short of satisfying the minimum requirements must be discarded, however excellent it may be in other respects. Such approaches are admittedly not totally indifferent to policy costs, considering that even in this framework the most cost-saving alternative of those likely to satisfy the given requirements would be chosen. Nevertheless cost considerations would be secondary and any huge amount of cost, as long as it was reasonably believed to be indispensable to attain the policy objective, would be tolerated.

Similar inclinations are often found among professional researchers and practitioners who work in specific policy areas and firmly believe it their mission to supply the best possible government services. Interest-group leaders and politicians having much stake in the decisions to be made, and front-line government bureaucrats having to deal with them, are more likely than not to put the cost consideration aside.

There are four related reasons why costs must be taken more seriously. First, the implementation of public policies is always accompanied by the consumption of resources including labor, capital, land, and natural resources. The proportion of resource costs to total policy costs, though varying from policy to policy, is generally quite large. Given that the public and private sectors are vying for available resources, and that the former tends to be less competent than the latter in the efficient use of resources, excessive resource consumption by the former (big government) necessarily results in less social welfare. Many contemporary societies facing serious economic difficulties would surely be better off if they allocated more resources to the private sector.

Second, different policy domains compete over scarce resources allocated to the public sector as a whole. Each domain is not free from internal conflicts, either; different policies within each domain rival each other for resources. As each domain has its own legitimate goals, it is not always easy, sometimes next to impossible, to determine the fixed order of importance (lexical orderings) among different policy domains. Prospects for restraining the expansion of the public sector with the introduction of lexical orderings are, therefore, rather poor. The same is also true with intra-domain conflicts.

Third, some welfare loss unavoidably results from any policy with good intentions, and welfare loss is generally to be counted as policy cost together with resource costs. There are numerous policy objectives that cannot be attained without making some or many people worse off. The implementation of policies expected to facilitate economic growth, decrease crime-rates, protect privacy, to mention just a few, appears to be undoubtedly in everyone's interest. On closer examination, however, such measurers are not free from negative effects, which normally become larger as the level of policy goals to be attained (policy objectives) becomes higher. Living in a super-safe society, for example, is a dream beyond reach unless we are ready to accept a formidable police state allowing us little room for privacy. Pareto-optimal policies for the citizens of today may not be in the interest of future generations. Considerations of negative effects, as well as of resource costs, should therefore be given an essential role in the very process of determining policy objectives.

The fourth reason why cost must be taken more seriously is that since revenues sustaining government's purchase of resources needed for policy implementations are limited and almost entirely derived from taxes, there must also be restrictions on government expenditures. Voters in advanced democracies have come to be increasingly sensitive to tax-hikes.

For the above-mentioned four reasons, prudent policy-makers must pay as much attention to what is likely to be lost as to what is expected to be gained in policy implementation processes. Policy-makers are often prevented from choosing the technically or morally best alternative because of cost-constraints, which they should never lament. There is no policy goal so critical as to override any cost consideration.

According to one of the most popular policy-making strategies among policy theorists and practitioners, we need first to identify policy objectives with the highest political feasibility, and then search for the most cost-saving alternatives expected to attain them. This strategy, however, does not necessarily guarantee the policy choice most desirable from the societal point of view.

With regard to marketable goods and services, only those who are willing to pay costs are allowed to receive benefits. Given that each person's disposable income is limited, one is forced to do without some or all units of certain goods. The price paid to purchase a good is equal to the value of what is given up by doing so, that is, its opportunity cost. Each consumer thus reveals, consciously or unconsciously, his or her valuation of various commodities through market behavior. Aggregate market demand for a good is then, except when it is grossly distorted, a fairly reliable measure for social benefits accruing from its consumption.

This does not necessarily hold for government programs. Those who do not bear program costs may still enjoy their benefits. It is not impossible for us to free ride, receiving many policy benefits at the cost of others. Most of us, unless we have been successfully socialized to behave otherwise, would rather seize an opportunity to free ride than not, seeking the largest possible political rents for ourselves. We would tend to reveal inflated policy demand we might not hold if we actually had to personally pay policy costs. [Adachi, 1999:230-232] The policy alternative with the highest political feasibility, the one most favored by the majority of political actors, is, therefore, not always the most appropriate one for society as a whole.

This is also the case with the policy-making strategy prescribing us first to determine the maximum costs and then to choose the most cost-effective policy alternative, the one expected to bring about the largest benefits within the fixed limits of the cost. There does not seem to be any reliable method rationally to establish the upper limit of costs. It is usually determined through more or less 'dubious' political bargaining.

The policy-making strategy most congruent with the notion of opportunity cost must then, as is now clear from what has been discussed thus far, be the one giving equal weight to the costs and benefits of a policy. And, giving equal weight to the costs and benefits of a policy implies that 'net benefits' (benefits less costs) must be the ultimate criterion for policy choice. Of course, all of the costs and benefits of a policy could not possibly be expressed in the same monetary terms. Some benefits and costs are meaningfully expressed only in physical terms other than money, or in qualitative terms. To believe that the amount of net benefits can always be mathematically calculated may surely be an illusion. It does not follow, however, that the notion of net benefits as the ultimate criterion for policy choice must be invalidated. It is highly desirable that policy debates be conducted in terms of the shared criterion of net benefits, that is, the criterion of the interests of society as a whole.

The following sections will be devoted to the critical examination of the conception of net benefits underlying cost-benefit analysis, which has been by far the most influential analytical method for decades in the world of policy science.

Ⅱ. Considerations not adequately covered by cost-benefit analysis

Let me briefly summarize the basic idea of cost-benefit analysis. One of the most vital concepts in the field of public policy studies is that of the 'interest of society as a whole'. For cost-benefit analysts who share the individualistic or atomistic view of society, it is nothing but the sum of private interests. Every policy that produces positive net benefits is 'efficient', that is, in the interest of society as a whole.

Economists in general including cost-benefit analysts have been hostile to the conception of 'interest' that allows paternalistic interventions of government with our free choice. Anything is in one's interest as long as it satisfies one's preferences. The total benefit of a policy can be determined, according to them, by estimating our willingness to pay, that is, how much we are ready to pay, to obtain desirable policy impacts. The total cost of a policy is the sum of resource costs plus the aggregate amount of our willingness to accept undesirable policy impacts.

The monetary value of policy impacts upon marketable goods could be calculated, at least in theory, by making use of either market prices or, in cases of serious market failure, shadow prices. But it is not the case with non-marketable goods like time, quiet, and amenity. Goods of this kind are no longer free gifts, though they might have been in pre-modern agricultural societies. If we want to save time, move to quiet and safe neighborhoods, enjoy magnificent views, we are forced to sacrifice some other goods no less valuable to us, such as money or profitable job opportunities. Preferences we reveal in such market transactions *qua* consumers or producers are the bases upon which cost-benefit analysts estimate the amount of our willingness to pay for desirable impacts and willingness to accept undesirable policy impacts. This fact explains why we may not always depend on cost-benefit analyses in estimating the 'real' net benefits accruing from a policy.

It may be too much to say that we have nothing else in mind besides narrow economic (private) interests when we act as consumers or producers. Entrepreneurs these days have become cautious not to be accused of being immoral or antisocial. Consumer behavior is not always 'rational' in the narrow economic sense, either. Consumers often hesitate to buy products from a company with a dirty image, even when they are more competitive in price and better in quality than comparable products from other companies. Some consumers buy goods from a retailer because he or she is known as a very devoted philanthropist.

Undoubtedly, civic concerns (preferences) revealed in such 'irrational' behavior are public virtues indispensable for social cohesion. Prudent policy-makers should see to it that they be strengthened rather than weakened. Such civic concerns, however, are normally reflected in our market behavior only to a small extent, much smaller than is deemed socially optimal, though from time to time they are dramatically elevated. It will not be unfair, then, to conclude that they are not within the analytical scope of cost-benefit analysis.

The distinction between consumer and civic preferences has long vexed the field of public finance. For example, Richard A. Musgrave stated: "The individual voter dealing with political issues has a frame of reference quite distinct from that which underlies his allocation of income as a consumer. In the latter situation the voter acts as a private individual determined by self-interest and deals with his personal wants; in the former, he acts as a political being guided by his image of a good society". [Musgrave, 1959: 87-88] Steven Maglin argued in a similar vein that "the preferences that govern one's unilateral market actions no longer govern his actions when the frame of reference is shifted from the market to the political arena. The Economic Man and the Citizen are for all intents and purposes two different individuals". [Maglin, 1963: 95]

The majority of political scientists and philosophers have tended to show less interest in economic preferences vis-à-vis civic preferences. According to Mark Sagoff, "The values which motivate Americans to transform the workplace, control pollution, and improve public safety and health are not always self-interested: they are often impersonal and ethical. As consumers, indeed, we buy the least expensive goods, and in that way reveal a preference for lower worker safety standards, since they bring lower prices with them. Yet as citizens we may regard ourselves as Americans together and therefore as responsible for the decency of workplace conditions". [Sagoff, 1986: 311]

To be mentioned in passing is the formative role of politics as a shaper of civic preferences. The important assumption underlying the use of surveys in policy formulation is that coherent preferences on policy issues actually exist, which are susceptible to measurement and reasonably stable. Uncertainty, lack of information, the novelty of survey situation, question construction, and phrasing often make public opinion on policy issues unintelligible if not misleading. The development of stable and intelligible civic preferences occurs through the workings of the political process—the public forum for raising, defining and debating public issues.

Though cost-benefit analysts simply define the concept of 'interest' as the satisfaction of preferences we now happen to hold, it is often the case that satisfying our present preferences will not be in our long-term interest. The notion of 'happiness' should be related to the furtherance of long-term interests rather than to the mere satisfaction of passing preferences. Tending to people's happiness, as well as enhancing civic concerns, must always be one of the legitimate policy goals.

There are few people who are grotesquely indifferent to the welfare of infants, fetuses, and future generations. More and more people have come to realize moral responsibility for preserving bio-diversity, scenic beauty, and historic monuments. True, concerns of this sort minimally influence our decisions as to what to sell and what to buy in the market. To that extent, but only to that extent, the welfare of beings unable to directly express their own preferences could be taken into account within the analytical framework of cost-benefit analysis.

Cost-benefit analysis could not possibly do justice to policy proposals aiming to launder consumer and producer preferences. Why? Because cost-benefit analysts exclusively attend to preferences actually revealed in market transactions, ignoring the possibility that they change, usually gradually but sometimes even in an instant. As Olson and Clague wrote more than a quarter of a century ago, the assumption that preferences can be taken as given "lies at the core of mainstream economics, for its abandonment calls into question not only the efficiency of the competitive market, but also many of the tools economists use to study efficiency" [Olson and Clague, 1976:86].

Finally, our revealed preferences are the products of institutions and previous policies, at least to some extent. There seems to be something odd, therefore, in taking the preferences formed under the influence of existing institutions and policies as given, and using them as the guideline for future-oriented institutional and policy reforms.

Ⅲ. Two conceptions of 'net benefits'

There lies an unbridgeable gap between the conception of net benefits dominant among cost-benefit analysts on the one hand, and the extended (broader) one I endorse on the other. The crucial difference is in what to include in calculations of benefits or costs of a policy.

For cost-benefit analysts, the benefit of a policy is, as already clarified in the last section, the sum of policy-induced narrow economic gains (aggregate amount of willingness to pay for the policy). The cost consists of resource costs plus economic loss caused by the policy (aggregate amount of willingness to accept the undesirable policy impacts). In short, any policy that produces whatever impacts people desire *qua* policy consumers, at the cost they are ready to bear to get those impacts, is good from the standpoint of cost-benefit analysis. Consumer sovereignty is thus the leading ideology underlying cost-benefit analysis. The extended notion we are to introduce, on the other hand, suggests that policy-induced gains and loss, in more than just the economic sense, should also be counted as benefits or costs of a policy.

Ironic though it may sound, cost-benefit analysts have played a critical role as a watchdog over public sector performances partly because of the very fact that they narrowly define the cost and benefit of policies. Excluding from analysis, rightly or wrongly, the kind of policy gains and loss that are vague and untenable to quantitative measurements, enables them to fully exploit a set of sophisticated analytical tools of economics and econometrics.

As has been persuasively argued by public choice theorists, contemporary democracies tend to allow privileged interest groups colluding with influential politicians and bureaucrats to usurp undue political rents. Hayek and Lowi are of the same opinion when they diagnose the wicked aspects of contemporary democracies as "bargaining democracy" [Hayek, 1979]or "interest-groups liberalism" [Lowi, 1979] respectively. Because cost-benefit analyses accord equal weight to all interests, whichever group one may be affiliated with, we can reasonably expect them to block the tyranny of the so-called 'iron triangle' and to protect the kind of interests often neglected in the policy-making process.

That cost-benefit analysis is an effective analytical tool to compensate for the weakness of contemporary democracies has been widely acknowledged, even by its stubborn critics. James Campen, a well-known radical economist, concedes that cost-benefit analyses have played an important part in preventing water resource projects from becoming pork barrel. [Campen, 1986:67-68] The late Aaron Wildavsky, who was not, as a rule, sympathetic to cost-benefit analysis, defended its utility in avoiding the worst projects, stressing that we must make every effort to avoid the worst where we can never accomplish the best. [Wildavsky, 1966]

Government agencies, unlike private companies, need not worry about bankruptcy. Whereas revenue is a function of cost for private companies, the reverse is true of government agencies; all that is institutionally expected of government agencies is simply to manage to use up, within the limits of law, their budget (revenue) approved by legislators. Correctly valuing government outputs is a cumbersome task. For these reasons, 'X-inefficiency' (agency loss) in government agencies tends to be more severe and prolonged than in private companies. Were it not for such grave and long-term X-inefficiencies, we could enjoy better government services at the same or even lower costs. True, government agencies could not be free from X-inefficiencies as long as they remain governmental organizations. All we can reasonably hope is to make such complications less serious and less permanent. We can expect cost-benefit analysis, which may justly be characterized as an analytical endeavor aiming to imbue government agencies with the 'cold' logic of the market, to make an important contribution in this regard.

The above-mentioned advantage of adopting the narrow conception of 'net benefits', that is, the advantage of calculating the cost and benefit of a policy in terms of preferences revealed in market transactions, however, is accompanied by no small cost. Is the best policy for cost-benefit analysts really the very best one? Will it really be in the interest of society as a whole? When its implementation does seem to make everyone worse off in the long run, deteriorate the welfare of future generations, or cause irreversible environmental damage, the prospect of deriving the best policy choice through this method seems very doubtful. Hence arises the need to adopt the broader conception of net benefits.

When there are few relevant costs and benefits in their broad sense to be considered, we may rightly judge the net benefits of a policy on the basis of cost-benefit analysis. In some cases, even when there seem to be several kinds of relevant costs or benefits which are untenable to cost-benefit analysis, it might nevertheless not be totally inadmissible to take the 'net benefits' identified by cost-benefit analysts as their approximate value. When choosing a policy with serious influences upon people's long-range interests or the welfare of those who have no means by which to directly express their own preferences, however, more prudence is badly needed. It would be risky for policy-makers to put too much confidence in cost-benefit analyses, when they have good reason to worry that the majority of people *qua* consumers or producers are too myopic or too self-centered. In such cases, policy-makers should make every effort to estimate the net benefits in the broader sense, though such endeavors demand of them much time and deep insight (imagination).

Ⅳ. Good enough compensation

As argued in the first section, it is highly desirable for policy debates to be conducted in terms of the shared criterion of efficiency, that is, in terms of net benefits (interests of society as a whole). To take efficiency as the ultimate criterion for policy choice, however, is justified only when two conditions are met. First of all, the concept of 'net benefits' is to be broadly interpreted. Secondly, deep distributive concern for 'good enough compensation' is to be incorporated into the system of public policies. This section focuses on this second condition.

Two conflicting conceptions of efficiency are traditionally employed in Welfare Economics. One is the Pareto Improvement Criterion (PIC), and the other Potential Pareto Improvement Criterion (PPIC). According to PIC, a policy is efficient (i.e., in the interest of society as a whole) when it improves the welfare of at least one person without deteriorating that of any other person. For a policy to qualify as efficient by this standard, it must incorporate compensatory measures so that no one is to incur loss without compensation. On the other hand, all PPIC demands of an efficient policy is hypothetical compensation; any policy accruing net positive benefits is efficient as it can potentially satisfy PIC.

In the context of public policy studies, it is undeniably more reasonable to adopt PPIC as the efficiency benchmark. Cost-benefit analysts have always done so. First of all, there are certainly a number of cases in which we had better not compensate those experiencing some welfare loss due to policy implementations. For example, policy-makers need not compensate companies having long enjoyed unfair political rents for the loss they may suffer with the introduction of a fairer and more competition-promoting policy. Secondly, it is difficult to conceive of a policy that will not lead to a degree of deterioration of welfare. Once PIC is adopted as the efficiency benchmark, almost all public policies will be labeled as inefficient. The efficiency criterion will then be deprived of any practical use as a guide to policy choice.

Nevertheless, PPIC allows many people to be left without compensation for which they believe they are morally or legally entitled. They will then be forced to make unduly large sacrifices for an otherwise efficient policy. Herein lies the main reason why so many people have been hesitant to accept 'aggregative' [Barry, 1965] policy principles like efficiency. And it is quite understandable they have done do. Unless governments are committed to the idea of good enough compensations inherent in PIC, efficiency-enhancing policies will have little hope for smooth implementation.

Being sensitive to the issue of good enough compensation is one matter. Incorporating actual compensatory measures into a policy is quite another. There are cases in which it is neither easy nor desirable to do so. Of course governments should do so whenever it is both feasible and necessary. To give an example, no highway project that fails to provide adequate compensation for highway-induced damages, and to count those compensations as a necessary policy cost, will ever be approved.

Also noteworthy is the fact that the economically and socially fragile are often the principal victims of an efficiency-enhancing policy, the implementation of which is most likely to be in the long-term interest of society as a whole. It is unquestionably desirable in terms of efficient resource allocations that labor, natural resources, and capital are to shift rapidly and smoothly from declining factories (and industries) to expanding ones. But, this process often engenders severe suffering.

No one will probably deny the significance of a policy measure to levy a special kind of tax on pollution-emitting factories. It is usually an effective policy measure for dealing with externalities and promoting efficient resource allocation. Any factory that fails in dramatically reducing the marginal production cost by means of technological innovations and organizational reforms will be forced to withdraw from the industry with the implementation of such a policy. And, in principle, there is nothing wrong with this. When that factory is one of the few job-creating institutions in a small isolated local community, however, the story will become a little more complicated. Just imagine the fatal damages incurred by factory employees, their families, and the community as a whole.

Is it possible for the government to make compensations for policy-induced sufferings of this sort? Quite unlikely, as long as we take good enough compensation to mean choosing a policy alternative that makes no one worse off. There are cases in which no compensatory measure is effective enough to actually make up for welfare loss. Thus arises the need to interpret the notion of 'compensation' in a rather weak sense. It is not impossible for the government to devise and provide a series of policies, the cumulative effects of which are expected to be able to make up for such welfare losses as are the by-products of efficiency-enhancing public policies. We have good reason to believe that the implementation of such policies may make it easier for all to comply with otherwise efficient policies. Given that compensations in the strong sense (i.e., literal compensations) are not always desirable or feasible, all we could possibly do in the name of good enough compensation would be to prevent any group of people from being destined to being persistently victimized. To repeat, prudent policy-makers must see to it that there remain few people that feel as if they are consistently given unfair treatment.

Of special import in this regard are two types of public policies. One is s series of public policies to guarantee a ‘social minimum’ to every citizen in a political community. The other is to provide job training and educational opportunities that will make it easier for anyone to better adjust oneself to radical changes in industrial and employment structures, which are more or less unavoidable in contemporary dynamic economies.

Schulze seems to support a similar conception of good enough compensation. He points out that there are three ways in which society can deal with welfare losses accruing from an efficiency-enhancing policy. The first is to prevent the particular changes from taking place, thereby mooting the question. The second is to make up for the losses either with monetary payments or with offsetting changes that improve their welfare (logrolling). The third is to use the tax-and-transfer system to ensure that the cumulative effect of all changes is an income distribution that meets society’s standards of fairness and equity, rather than to compensate for each change. After conceding that each of these three ways of dealing with losses has its own advantages and disadvantages, he defends the last one as the most appropriate in most cases. [Schulze, 1977:22-24]

Ⅴ. Economic incentives as a policy means

Economists have never tired of emphasizing the importance of ‘the public use of private interest’ [Schulze, 1977]. Given that the majority of people are, and will continue to be, strongly motivated by selfish desires, prudent policy-makers are generally advised to adopt policy measures by which selfish people are induced to socially desirable behavior, taking their preferences as given. Manipulating taxes and subsidies is the most common among such policies. Measures of this kind are not without flaws, however. They are not panacea.

Policy-makers often find it difficult to estimate exactly how selfish people are, that is, how many people will respond to just how much economic incentive. If people turned out to be more selfish than policy-makers had anticipated, only a few exceptionally public-minded individuals would respond to the economic incentives offered by a policy. Providing economic incentives generous enough for most people on the other hand, however effective it might be in attaining policy objectives of immediate concern, would tend to encourage widespread selfishness. People may no longer respond tomorrow to the level of incentives to which they do today, hence a vicious circle of selfishness and incentive hikes. Policy-makers are therefore advised, while pursuing the greatest possibility of the public use of private interests, to always consider how to launder people’s private preferences towards more publicly-oriented ones.

There is reason to believe that “the danger of omitting important values is much greater when participants neglect the values in their immediate care in favor of what seems to them a broader view” [Wildavsky, 1984:66]. True, nothing is more dangerous for democracy than to demand of people selfless devotion to public enterprises. This does not mean, however, that one’s private interests should never be limited. Political economists of the Public Choice School have made it clear that each one’s pursuit of private (egocentric) interests in the contexts of market transactions on the one hand and in politics on the other results in opposite consequences. While in the former context it results, without market failure, in the maximum social wealth, that is, private vices lead to public virtues, it almost always causes various types of government failure in the latter context. Private vices do lead to public vices in politics. Hence the need of preference launderings.

In laundering the preferences of political actors, the role of public forums needs to be emphasized more. Political actors are expected to learn to refine their preferences by actively joining public forums, which require of each participant to give good enough reasons from the public point of view for policy claims. Also to be stressed is the need to consciously pursue the possibility of preference launderings as an integral part of policy goals.

Finally, allow me to emphasize, lest a misunderstanding should arise, that the idea of preference launderings does not necessarily imply our preferences being transformed into more altruistic ones. True, preferences revealed in market and political transactions are too self-centered, when the concern for the welfare of other people, future generations, animals, and inanimate materials occupies too small a space in our utility functions. This, however, is only one side of the story. Those who depend upon, without compunction, the good will of other fellow citizens or welfare transfers by the state, are no less self-centered. They are not public-spirited enough. Every one of us is required to struggle to the best of his or her ability not to become a burden on fellow citizens. Only those who do so are entitled from the moral point of view to demand of others behavior based on altruism and solidarity. The core of being a public-spirited citizen is in having a spirit of independence and self-help as well as in showing due concern for others. To consider which policy alternative is most likely to strengthen such a spirit in the long run, then, must be a critical task for policy-makers.

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