

Reflective Discussion 4

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Course

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Date

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1. From a governance standpoint, how do you get everyone on the same side when developing budgets and priorities for using resources?

From a governance perspective, it is challenging to align everyone towards the same goal during the course of the development of the budget and its disbursement as people and organizations are different and have different motives, agendas, and values. In line with Haidt (2023) discussion on moral foundations in *The Righteous Mind*, it is evident that political polarization, such as that observed in the *tilelês* and *coxinhas* in Brazil, has a foundation in moral reasoning. The first group may have values of Sanctity and Loyalty, while the second group has values of Care and Liberty. These values thereby dictate their approach to the distribution of resources. For example, while the *coxinhas* (conservatives) might have their interest in maintaining stability and safeguarding the interests of their own group, the *tilelês* (liberals) might have an interest in integration and fairness (Haidt, 2023).

Thus, compromising means searching for similarities in values that can be used to overcome the conflict. Deliberative democracy or participatory budgeting models are integrated into governance systems to promote the idea of open discussions and citizens' understanding of each other's needs and wants (Bateman Jr, 2019). For instance, some local governments foster citizen assemblies, where various stakeholders deliberate on the budget proposals and make suggestions. In these settings, it might be useful to seek a balance between Care, such as dealing with social welfare issues, and Authority, such as maintaining law and order.

Furthermore, although it is almost impossible to achieve complete consensus, it is crucial to emphasize shared cultural objectives – these are ideas of education improvement or

inequality reduction, for instance. The process must also ensure that it is not only catering for the most vulnerable in the society, but at the same time, it has to be stable. By engaging in structured negotiations, prioritizing self-interests while addressing the common interests, and cultivating the culture of empathy, governments can guarantee that the most important needs are met, while avoiding resentment.

2. Discuss the principle of moral hazard. What is it and what causes it to occur. Provide an example and discuss this example from the individual level and the collective level. In your opinion, who benefits and who loses? Why?

Moral hazard is the concept that describes the condition in which one party gains or behaves in a certain way with the knowledge that it will not be held accountable for the losses or consequences resulting from its actions (Ali et al., 2024). This arises when people or organizations lack the ability to suffer from the consequence of their actions, most probably because they are backed by others or they have insurance. Moral hazard can either be individual or systemic.

One of the most common and easily identifiable instances of moral hazard at the individual level exists in the healthcare sector. Comprehensive health insurance means people may not feel the need to take care of their health or avoid dangerous behavior because they will be covered financially when it comes to medical expenses. This results in moral hazard where the individual engages in higher risk without having to go through its cost.

At the collective level, moral hazard is often seen in the context of government bailouts. For example, during the 2008 financial crisis, major banks were bailed out by the government, which led to a moral hazard. These banks, knowing they would not face the full consequences

of their risky financial decisions, continued to engage in high-risk behavior, which eventually contributed to the crisis.

In both cases, the individual or institution engaging in risky behavior benefits in the short term because they are protected from the full consequences of their actions (Ali et al., 2024). However, the broader society or the taxpayer ultimately bears the long-term costs. At the individual level, society as a whole ends up bearing the costs of higher healthcare premiums or other negative health outcomes. At the collective level, taxpayers are often the ones who foot the bill for corporate bailouts or the societal costs of reckless financial practices (Ali et al., 2024).

In my opinion, those who lose in cases of moral hazard are the broader public. They are left to deal with the externalities of others' behavior—whether it is higher taxes or inflated costs of services. Those who benefit are the individuals or corporations that are shielded from the consequences, leading them to act with less consideration for the wider impact of their actions. This asymmetry—where the benefits are privatized and the costs are socialized—is the core reason why moral hazard is harmful in both individual and collective contexts.

References

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