Economics meets Psychotherapy

DR MICHAEL TRIBE *examines social and economic equity addressing some of the many challenges of having more equitable income distribution**

POVERTY REPRESENTS A form of personal and social disability. It creates and maintains inequality and discrimination, violating the individual's right to physical and mental health and self-affirmation; it undermines the foundations of civil society. The issue of social and economic equity – ie a socially acceptable income distribution – lies at the heart of discourse about poverty and its implications.

A mounting body of opinion supports the case for economic policy designed to achieve a more equitable income distribution. In the UK attention has been focused on the extremely high remuneration provided for private sector bankers and 'captains of industry' while government 'austerity' measures have been cutting welfare payments to the more vulnerable and less privileged parts of society.

Internationally, support for a more equitable distribution of income and wealth has come from Christine Lagarde, Managing Director of the International Monetary Fund – not a body renowned for a left-leaning approach to economic policy. However, much of the training of economists, particularly in the microeconomic area, is grounded on theoretical approaches biased against redistributive policies.

Achieving a more equitable income distribution requires either a) economic growth biased towards lower income groups, or b) policy aimed towards income redistribution – reducing the incomes of higher income groups through higher taxation and providing transfers to lower income groups.

Reliance simply on economic growth (the a) option) as a means for reducing poverty, and for some element of income redistribution, can be effective – but only after a considerable time lag. This is described as the 'trickling down' approach: favoured by neo-liberals who regard 'the market' as the prime arbiter for economic outcomes, with income distribution being a natural outcome of market forces. The second (the b) option) would achieve more rapid results and is favoured by liberals, social democrats and socialists as a more 'interventionist' approach – but would meet with robust political opposition from neo-liberals and the more privileged members of society.

From the 1960s economists became more wedded to the notion of 'positive economics' aiming to emphasise the scientific nature of economics – based on logical analysis and eschewing value judgments (or socio-economic objectives). What economists mean by 'value judgments' is, for example, an opinion about the desirable income distribution. Views about what a desirable income distribution might be vary widely across society. What is desirable to one individual or group might be undesirable to another based on different moral and ethical principles. 'Positive economics' claims to eschew the 'human factor' as represented by value judgments. 'Normative' economics, on the other hand, takes into account value judgments which are important in political decision making, and is regarded by neo-liberals as being devoted to 'what should be'. However, the explicit recognition within dispassionate socio-economic analysis of various value judgments can contribute to a richer, more relevant, discourse. A broader, more meaningful, form of 'positive' economic analysis would systematically include a variety of value judgments and socio-economic objectives without specifying 'what should be'. Problematically 'mainstream' (or 'positive') economists treat the world as an abstraction from value judgments.

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Contemporary 'mainstream economics' poses a number of specific methodological problems regarding income distribution and economic policy. Most significantly it tends to the view that income distribution is not a variable, and that the existing income distribution is determined immutably by 'market forces'. This amounts to the neo-liberal view that market forces should not be diverted by government intervention. What most mainstream economists overlook is the fact that this position is itself a value judgment. In other words, to

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accept the existing income distribution without countenancing changes represents a clear politically motivated stance. Contemporary literature in microeconomic theory, particularly that related to economic policy, places strong emphasis on ‘Pareto optimality’ or ‘Pareto efficiency’.**

Paretian reasoning argues that any change (such as policy intervention) cannot lead to improved economic welfare unless at least one person is better off as a result and nobody is worse off. Pareto optimality (or efficiency) rules out income redistribution based on taking income away from some individuals and giving it to others. The way in which this is described in textbook explanations is that any significant policy intervention should be based on unanimity and not on a majority view. Theoretically the Pareto condition is clear and logical, however from a policy viewpoint it is impractical because a) most policy interventions affect income distribution regardless of whether this has been a prime policy objective, and b) many policy interventions are undertaken with the express objective of changing the income distribution.

Therefore, in making the Pareto condition the central plank of economic policy analysis mainstream economists are essentially making their contribution irrelevant. One of the most dangerous attributes of mainstream economics is its conscious (or unconscious) bias, with adherents claiming that it is value free. An alternative theoretical approach is needed. Indeed, persisting in a conceptual framework which precludes changes in income distribution makes it unsurprising if politicians shun mainstream economists for policy advice and turn to other more multidisciplinary sources.

As expressed in the opening paragraph, within this context poverty can be regarded as a ‘chronic’ condition. A vast amount of research within social psychiatry has confirmed strong links between socio-economic factors and mental illness, emphasising the need for a ‘psychotherapy of the community’. This is part of the cultural and methodological roots of transactional analysis; we know that Berne’s work was influenced by Erikson’s and Harry S. Sullivan’s thinking. Claude Steiner’s radical psychiatry comes from the same roots.

Leaving poverty and inequality unaddressed creates a vicious circle which we need to break. Poverty both creates conditions within which mental illness can develop on an epidemic scale, and also prevents people from accessing support and treatment. Low income also restricts the accessibility of education and training which would enhance systems providing psychotherapeutic support. Hence the connection between the worlds of economics, poverty and inequality, and psychotherapy.

**Dr Michael Tribe particularly wishes to thank* Pietro Cardile *for his contribution to this article.*

***Wilfredo Pareto was a 19th century thinker who articulated strict conditions for the analysis of economic welfare.*

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