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*Welfare Theory, Public Action, and Ethical Values: Revisiting the History of Welfare Economics*, Roger E. Backhouse, Antoinette Baujard and Tamotsu Nishizawa (Eds). Cambridge University Press, 2021, ix + 338 pages.  
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In many aspects, economics remains apart from other social sciences. For instance, many economists have long been far more insistent than their social scientist colleagues on the necessity to avoid making value judgements in scientific inquiry. On the other hand, economics is also an exception in being the only social science with an explicitly 'normative' branch. Unsympathetic or malicious commentators could interpret this apparent contradiction as an instance of a presumed ideologically driven duplicity that pervades the economic profession. A more charitable – and in my opinion, more plausible – reading is that it results from the sincere willingness of major economists to offer an analytic and objective treatment of normative issues, especially related to economic and social policy. Welfare economics, and more generally normative economics, are born from this willingness. This characteristic of the discipline calls for an historical perspective to understand how economists have dealt with normative issues.

There is some sort of folk history of welfare economics that is relatively well-known. The 'old' welfare economics has grown from the utilitarian roots of marginalism and early neoclassical economics. Its foundations were shaken in the early 20th century after Pareto's and Robbins's respective attacks against cardinalism and interpersonal comparisons of utility. From these shaken foundations rose the 'new' welfare economics and its emphasis on Pareto optimality and compensation tests. Then came Arrow's impossibility theorem, announcing the 'death' of welfare economics. Finally, contributions in the then-new social choice theory by Arrow, Sen, and others opened the way to new directions for normative economics, sometimes in close association with ethics and political philosophy. The core element of this folk history is the idea that welfare economics has, from its beginnings to its recent history, been tightly associated with *welfarism*, i.e. the view that – broadly – normative economics consists in evaluating states of affairs in terms of social welfare, the latter being

exclusively a function of the individual welfare of the members of the relevant population. *Welfare Theory, Public Action, and Ethical Value* (henceforth, *Welfare Theory*), a collection of essays edited by three internationally recognized historians of economics, convincingly shows that this folk history needs some serious revisions. In this review, I first provide some details on the individual contributions that, together, show that major welfare economists have at times departed from welfarism. I then reflect on some of the implications for the current and future status of welfarism in normative economics, and its relationships with moral and political philosophy.

### 1. Welfare economics, beyond welfarism

*Welfare Theory* compiles contributions presented at the occasion of a series of workshops held in Japan and France. It gathers the work of historians of economic thought and philosophers of economics who cover almost 100 years of the development of welfare economics, from the dissident views of critics of early neoclassical economics (Ruskin, Hobson) to Sen's work on capability theory. The introduction by Roger Backhouse, Antoinette Baujard and Tamotsu Nishizawa clearly states what is the unifying theme of all the contributions:

The claim made in this book is that whether we are talking about old, new or contemporary welfare economics, when economists have tackled practical problems, they have adopted a much broader range of ethical judgments beyond welfarism. (1)

Not just one but two claims are announced here: (i) on many occasions, influential welfare economists have departed from the welfarist principles which are thought to be constitutive of the discipline; (ii) they departed from welfarism when confronted with practical problems, especially concerned with public policy issues. Backhouse *et al.* distinguish between two definitions of welfarism, both related to Sen's characterization in several 1970s papers (e.g. Sen 1979). Sen famously characterizes welfarism as a restriction of the informational basis for social choices, where only information about individual utilities is used to order social states. On a first definition then, welfarism is 'associated with a focus on subjective, ordinal, individual utilities, such as have become standard in microeconomic theory' (4). A second definition is however less restrictive regarding the interpretation and the properties of the utilities that are aggregated. Welfarism is then 'the claim that social welfare depends only on the welfare of the individuals in the society being considered, but does not need to consider how individual welfare is defined' (4). The essays in the book clearly show that major welfare economists have departed at times from the first definition. As I shall point out below, it is less clear however that they significantly went beyond welfarism in its more extensive definition.

The chapters of the book are organized in broadly chronological order, with the first part made up of six chapters covering the old welfare economics, and the second part made up of seven chapters focusing on new and contemporary welfare

economics. The book starts with two chapters, respectively by Yuichi Shionoya and Peter Cain, discussing the criticism made against marginalism and early neoclassical economics by two heterodox thinkers, John Ruskin and John Hobson. The rest of the chapters discuss authors who are all more or less associated with the development of standard welfare economics. Chapter 3 by Tamotsu Nishizawa focuses on the ideas of progress and human well-being in Alfred Marshall's thought. It shows that when Marshall was tackling normative issues, he used a notion of welfare that had a broader meaning than 'economic welfare' as measured by material wealth. Chapter 4, written by Satoshi Yamazaki, offers a non-welfarist reading of the work of the father of welfare economics, Arthur Cecil Pigou. Yamazaki shows that even in Pigou's main writings, significant space is given to non-welfarist themes. In particular, it appears that Pigou had a complex conception of well-being, encompassing three different approaches: well-being as desire satisfaction, as mental states, and as needs (in an objective sense). In Chapter 5, Richard Arena discusses how Léon Walras conceptualized welfare. This is a rich chapter pointing out that it would be a mistake to reduce Walras's thought to a narrow view of welfare as economic efficiency. Departing from methodological individualism, Walras emphasized that the State 'exceeds the sum of existence of all individuals who are part of it' (129) and its role in fostering social justice. Chapter 6 closes the first part of the book. Rogério Arthmar and Michael McLure point out the role of value judgements in Pareto's economic and sociological account of welfare. They argue that Pareto's thoughts on welfare underwent a significant change, starting with an emphasis on economic welfare and characterized by a claim of 'ethical neutrality', and evolving toward a non-welfarist conception in his late sociological work.

The second part starts with a fascinating Chapter 7 by Kotaro Suzumura on John Hicks's non-welfarist manifesto, published in 1959. Hicks is of course closely associated with the new welfare economics. But Suzumura also argues that he features at a pivotal place in the chain leading from the early developments of welfare economics to the critiques of welfarism by Sen and others. Hicks's manifesto appears to be the first self-conscious call for non-welfarism and even non-consequentialism among standard welfare economists. Chapter 8, written by Roger Backhouse, is dedicated to another major figure of 20th-century welfare economics, Paul Samuelson. Samuelson, along with Abram Bergson, is generally credited as being the pioneer of an alternative approach in the new welfare economics with the concept of a social welfare function (Hicks's and Kaldor's compensation tests being the other approach). Backhouse emphasizes that, though Samuelson (in contrast to Bergson) did not consider it to be the job of the economist to take a stance on which value judgements should enter into the social welfare function, he nonetheless expressed clear preferences for a non-individualist and non-welfarist ethic.

In Chapter 9, Steven Medema outlines the importance of non-welfarist themes in debates that emerged following the publication of Ronald Coase's article 'The Problem of Social Cost', especially in environmental economics. The so-called Coase theorem has been attacked in this context for its inability to tackle equity issues, and for downplaying the value that the preservation of the environment has independently of efficiency considerations. Chapter 10 discusses the idea of community in

Richard Musgrave's work. Maxime Desmarais-Tremblay emphasizes the influence of the German historical school on Musgrave's early work. He then shows how Musgrave's thought has evolved to give an increasing place to collective concepts, culminating in the 'communal' reading of merit goods Musgrave provided in a *New Palgrave* entry on the topic in 1987. In Chapter 11, Nao Saito discusses the non-welfarist elements in Arrow's work in normative economics. It appears that Arrow progressively became sceptical of the ability of the market and democracy to achieve objectives stemming from non-welfarist values, e.g. equity and justice. The last two chapters cover two themes related to Sen's contribution to welfare economics. Constanze Binder focuses, in Chapter 12, on the contribution and limitations of Sen's capability approach in addressing the problems of welfarism. Binder convincingly argues that the capability approach falls short of providing a fully satisfactory account of freedom that would permit us to move beyond welfarism. In Chapter 13, Muriel Gilardone shows how key concepts and ideas developed in Sen's late non-welfarist theory of justice are related to his collaborations with international organizations such as the International Labour Office or the United Nations Development Programme.

The book ends with a conclusion written by the three editors. They usefully summarize the various reasons that have motivated influential welfare economists to move beyond welfarism when confronted with practical issues. The recognition that non-welfarist values matter is obviously among those reasons: fairness, freedom, autonomy, equality of opportunity or life fulfilment all are values that are reflected in deeply entrenched moral intuitions and which, at least for some of them, are incompatible with welfarism. For instance, Pigou, Samuelson or Arrow have all emphasized in their writings that the fairness of the distribution of resources matters. Marshall, and heterodox economists such as Ruskin and Hobson, have also highlighted the importance of life fulfilment. Other notable reasons are the difficulties related to getting reliable and meaningful information about individual welfare (emphasized notably by Hicks and Samuelson), perceived problems with market outcomes (Pigou, Musgrave), and ontological or normative views about the relationship between individuals and society (especially discussed by Walras).

## 2. Why is welfarism still alive?

The contributions presented in *Welfare Theory* aim to explain why, contrary to the folk history, welfare economics cannot be reduced to welfarism. The book, as a whole, is a highly valuable contribution in the context of pressing issues such as growing economic inequalities or climate change that call for the consideration of a wide range of ethical values. The reasons to account for the necessity to go beyond welfarism developed in the chapters and summarized by the editors in the conclusion are compelling. However, they trigger a question: how do we explain that welfarism remains so popular, both in the theoretical work developed within academia and in the more applied studies produced in the context of policy analysis? For instance, despite its well-known shortcomings, cost-benefit analysis is still widely used in the elaboration and justification of public policies, in a perspective that still seems to be essentially welfarist.

Debates in the economics of climate change, despite revealing deep evaluative disagreements, are nonetheless firmly entrenched in welfarism. Finally, the recent policy controversies amid the current global pandemic have indicated that welfarist evaluations still have the upper hand among the community of economists and even beyond.

This is obviously a deep and difficult question that I cannot address here. There are however considerations, some of them suggested (rather than explicitly addressed) in several chapters of *Welfare Theory*, that can be mentioned. We have to return here to the definitions of welfarism given in the Introduction of the book. As I have pointed out, two definitions are submitted. The first, according to which social welfare depends on individual welfare as measured by ordinal and noncomparable utilities, emerges from the new welfare economics. The limitations of welfarism so defined are obvious and well-known. By refraining from making interpersonal comparisons, new welfare economists have made it impossible to deal theoretically and practically with any issue related to the values of justice and fairness. This is however no longer true for the second definition of welfarism that has at its disposal a significantly larger informational basis, allowing for interpersonally comparable cardinal utilities. Most of the chapters in *Welfare Theory* explicitly or implicitly suggest that welfarism cannot deal with equity issues. This is however not the case for the contemporary definition of welfarism. Matthew Adler's recent work on welfarism and social welfare functions (Adler 2011, 2019) forcefully illustrates how prioritarian or sufficientist values can be defended within a welfarist framework, for instance. This ability to encompass at least some of the values initially rejected outside the domain of normative economics surely contributes to explain why welfarism remains popular in the practice of normative economists, especially in the context of policy analysis. I consider this to be an aspect that is neglected in *Welfare Theory*, in part because it mostly discusses authors whose writings pre-date this relatively recent development.

Regarding the origins of this development I cannot resist to point out the irony here – which probably would have deserved a chapter – about the ambiguous role Sen has played in the development of modern welfarism. Sen's work in the 1970s and after has contributed much to enhancing our understanding of the limits of welfarism, from the inability to articulate liberal rights and efficiency to its ignorance of the mechanisms of preference formation and the importance of autonomy. On the other hand, it is Sen who has contributed the most to the resurrection of welfare economics and welfarism by showing how, through the concept of social welfare functionals, impossibility results could be avoided by enlarging the informational basis. Still today, it is not easy to characterize Sen's position. While he remains a critic of welfarism, he also explicitly endorses a social choice approach to equity and justice issues, against the social contract tradition that he vehemently criticizes in *The Idea of Justice* (Sen 2009).

### 3. Economics as a moral science, but how?

This leads to the hard question that underlies all the contributions in *Welfare Theory*: what should be the relationship between economics and (descriptive and

normative) ethics? In the conclusion, the three editors argue that economics should be conceived of as a moral science. They do not give precise indications on how economists should proceed, however. Welfare economists' pretence of ethical neutrality is part of the folk history I have recalled above. This is illustrated by Samuelson's views about value judgements in his work on social welfare functions. As Suzumura's and Backhouse's chapters indicate, Samuelson considered that the origins of value judgements that are captured by a social welfare function are not an issue of relevance for the normative economist. A social welfare function may reflect the values of the economist herself, or a benevolent autocrat, or anyone else. As Backhouse's chapter clearly states, Samuelson's idea was to avoid any controversial axiological commitment and to stick to generally accepted ethical judgements. This view still largely prevails today, as illustrated for instance by Fleurbaey's statement that 'many results in normative economics are mathematical theorems with a primary analytical function. Endowing them with a normative content may be confusing, because they are most useful in clarifying ethical values and do not imply by themselves that these values must be endorsed' (Fleurbaey 2021). The appeal of welfarism may then come from the fact that it builds on relatively uncontroversial value judgments (e.g. Pareto optimality), while talk of non-welfarist values (freedom, autonomy) immediately raises complicated philosophical controversies.

The alternative route is obviously for normative economists to confront (in collaboration with philosophers and other social scientists) the problem of the origins and justification of value judgements. This seems to have been the view of Bergson, who, contrary to Samuelson, argued that a social welfare function should reflect the values of the community (see again Suzumura's and Backhouse's chapters). There is a descriptive and a sociological part to this project, which would consist in identifying and possibly explaining what are the value judgements held by some set of individuals, and why. The normative part would be to inquire into which values can be justified to the members of a community. This is the route already taken by a distinctive strand of normative economists who reject welfarism to endorse a contractarian account of morality, building on the concept of mutual advantage (e.g. Buchanan 1975; Sugden 2018). Sen's (2009) hybrid view combining a social choice approach with public reason is another possibility.

There is a last approach that is still up for exploration. It would consist in articulating the two traditions that Sen opposes, the social contract tradition of Rousseau, Kant and modern contractualist philosophers (Rawls, Scanlon), and the social choice approach. Back in 1951, Arrow (1963) was already suggesting, quoting Rousseau, that the choice of a decision procedure depends on the possibility of finding a unanimous agreement on some normative principles. Suzumura (2009) develops this idea more extensively, suggesting that Rawls's veil of ignorance could be the appropriate device to reflect on the choice of the appropriate social welfare function. Finally, Sen (1970 [2017]: 115) himself has emphasized that the values determining the choice of collective choice rules may be different from the values reflected in individual preference orderings. Social choice theorists have thus long been aware that the social contract theorist's question of the foundations and justification of the original agreement on

normative principles cannot be ignored. Going beyond welfarism may necessitate returning to this early intuition.

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