

Report on Marion Collewet, „Approaches to Well-Being, use of psychology and paternalism in economics”

This is an ambitious paper: The use of insights from behavioral economics to improve normative theorizing is still a largely underresearched topic. Yet it's highly relevant, as the buzz about “Libertarian Paternalism” (Thaler and Sunstein's well-known innovative approach to policy-making and regulation) illustrates. Collewet tries to show that three other important contributions to the field, namely, Scitovsky's, standard happiness economics and what she refers to as the “constitutional approach to happiness economics” yield potentially paternalistic implications and are based on “normative choices” and “personal judgment”.

While the problems covered in the paper are highly important and deserve critical scrutiny, the paper fails to deliver that, for essentially three reasons:

First, the way the paper is motivated is somewhat sloppy. For instance, the author states that “[i]t may seem like the use of psychology could help the economist resolve the dilemma between the normative and the positive” (p. 2), without clarifying the origin of such a bizarre impression and without clarifying nature of the alleged “dilemma” (if the author means Pigou's alleged problem as sketched on p. 3, then that is certainly not a “dilemma”). In the following exposition the author fails to properly distinguish between (i) the fact that any definition of well-being is necessarily normative (which hardly anyone disputes) and (ii) the Weberian observation that “when choosing which psychological theories to use, economists take a normative step”. The following “second” point (about room for personal judgment) is in fact closely related to the latter claim, but unrelated to the former. Moreover, the Weberian origins of both insights are never acknowledged in the paper! When introducing Pigou (p. 3), again it remains elusive in which sense Pigou tried to “solve” the alleged problem to issue normative statements while upholding the positive character of economics. I doubt that this was his original aim (unfortunately, the author doesn't provide any references except to Pigou himself!) and I fail to see how the narrowing of focus on “economic” welfare (*normatively* defined as preference satisfaction) could be of any help. BTW, the author is wrong in claiming that the New Welfare Economics (NWE) in general endorsed the narrow focus on “economic” welfare (p. 3). Besides Kaldor and Hicks (who may be interpreted as still doing so), there were Samuelson, Little etc. The mainstream of NWE certainly did *not* equate welfare with economic welfare! Moreover, “negative externalities” (p. 4) are not at all the only reason why this narrowing doesn't make sense. Finally, sometimes the author apparently fails to identify violations of “Hume's Law” (on the gap between positive and normative statements), e.g., when she says on p. 6 that “Defining what subjects naturally tend to do as what is good for them is a normative step made by Scitovsky”. It's obviously more than just a “normative step”!

Second, the author focuses on issues that border the trivial. Pigou's idea to focus only on “economic” welfare is utterly irrelevant in modern normative economics, and the two Weberian claims described above are hardly disputed by anyone and in any case not very difficult to prove. For example, the use of normative judgments (to avoid the misleading term “normative choice” used by the author) in Scitovsky is glaringly obvious since Scitovsky, in his *Joyless Economy*, explicitly introduces a specific theory of the good life! I don't say that this is in any way a problem for him; it's a problem for the author to restrict herself to the trivial task of “showing” what is so obvious.

Third, the author seems to neglect the specific character of the standard neoclassical notion of well-being as the satisfaction of perfectly coherent preferences, which is to be distinguished from both Scitovsky's notion (as apparently overlooked on p. 6!) and a notion of well-being as the “fulfillment of individual preferences whatever they are” (as put in the Abstract). If by the latter is meant “...whatever their contents and coherence”, it is actually identical to Robert

Sugden's notion of "opportunity" (e.g. Sugden *AER* 2004, *Const.Pol.Economy* 2008, *Econ.&Phil.* 2010). This is an important and highly relevant innovative contribution to the problem of using psychological insights to improve normative theorizing and to the problem of doing so in a non-paternalistic way. Sadly, the author seems to ignore this work.

Some minor remarks:

- the author is sloppy about what "paternalism" implies (p. 7)
- Easterlin (1974) is mentioned, but not the contemporary (partial) refutations, such as Deaton/Kahneman or Stevenson/Wolfers.
- the distinction, central in happiness economics, between affective happiness and life satisfaction is ignored (p. 8)
- "eudaimonia" does *not* equal "capability" (p. 8)
- the long catalog of objections against happiness economics is ignored (pp. 8-9)
- "explicit" on p. 11 should be "implicit" (and *that* constitutes a problem!)