

Referee report

Paper MS 1114: ‘Approaches to well-being, use of psychology and paternalism in economics’

Aims of the paper

The aims of the paper are “to review a number of approaches in economics which use insights from psychology to support their approach to well-being”, and to “show that when using psychology, those approaches make a normative choice and have room to use personal judgement.”

For this purpose, the paper takes “welfare economics in the thirties” as the benchmark, and then it attempts to investigate the “approaches in economics which have recently re-opened question of the definition of well-being (...), and which use insights from psychology to try and answer this question.”

The paper examines three approaches: Scitovsky’s book *The Joyless Economy*, happiness economics, and the constitutional approach to happiness in economics. For each approach the paper discusses, in particular, “whether the approach yields potential for paternalism.”

General comment

The aims of the paper are interesting, and also quite broad, because, at least, they require discussion of a number of different but related approaches to economics and psychology. However, the paper appears rather unsuccessful. The presentation is incomplete and partially misleading, and the analysis is unclear in several respects. The revision would require a sharper focus, restructuring, and clarifications.

Specific comments

The paper is not clear whether it focuses on welfare as subjective well-being or not. Taking the economics of the 1930s would seem not. But in this case, the approaches to be considered would be many more than three. If the paper is limited to subjective well-being, then the approach should be one, called Happiness economics, which instead appears as one of the three approaches considered.

The most striking omission in considering the case of welfare in general, and its connection with psychology and paternalism regards behavioural economics. In this case, the paper should discuss it, because behavioural economics largely uses insights from psychology in order to study individuals’ and social welfare without necessarily addressing only economic welfare. The problem of paternalism has also been specifically studied in behavioural economics as 'light', and it has raised a large debate.

If the focus of the paper is on subjective well-being, considering Happiness economics as a distinct approach with respect to the other two approaches is misleading. Happiness economics is the study of ‘subjective well-being’, of its determinants, and of its use in different fields. It uses insights from psychology, but it does not imply any specific claim on the issue of paternalism. For example, Layard and Frey are two major contributors to happiness economics, but they maintain two different normative positions. This is partially acknowledged by the paper by discussing the constitutional approach to happiness (which is Frey’s approach) as a separate approach. But then, what the paper calls 'Happiness economics' as a distinct approach should be better defined. Not only, but even Scitovsky used Easterlin’s findings on happiness in support of his book.

A specific observation concerns the paper's discussion on how Scitovsky's approach is paternalistic. This issue is rather old, but it is not well-developed in the paper. Indeed, the debate goes back to the contrast in *The Critical Review* between Friedman/McCabe and Sen, who thus commented that "[t]he last thing that can be said about *The Joyless Economy* is that it is paternalistic" (1996, p.485). Mostly important, the paper does not consider that the argument of Scitovsky against the criticism of paternalism rests on the crucial role in his analysis plaid by the development of 'consumption skill'. Encouraging this development would make people more free, because able to choose on a wider option set (see Scitovsky in the Appendix to second ed. of the book). Furthermore, Scitovsky referred to Edward Deci (the founder of the Self-Determination Theory) in talking about 'intrinsic motivations', which underlie the acquisition of the consumption skill. Therefore, Self-Determination Theory may better linked to Scitovsky, rather than to the constitutional approach to happiness, as discussed in the paper.

My last comment, which is clearly raised by the case of Scitovsky as amended above, regards how the paper detects paternalism. Indeed, the paper appears to be interested in detecting the presence or absence of paternalism in each approach, but the matter rather regards the evaluation of different degrees of paternalism. For example, encouraging cultural activities by subsidising the price of cultural services, as suggested by Scitovsky, appears to be less paternalistic than, e.g., banning or imposing some other activity. Secondly, the paper detects the presence of paternalism in an approach when the theory is "translated into practice", but this is not very meaningful. Indeed, the alternative case of no paternalism is very theoretical; in practice, there is always some degree of paternalism, for example, when it is embodied in social norms.