

Reply to comments on ‘Approaches to well-being, use of psychology and paternalism in economics’

I would like to thank the referees and the reader for taking the time to read my paper, and for their thorough comments. In the following, I group them by theme in order to answer them.

Focus of the paper

First of all, the comments made clear to me that I should have been explicit on why I focus on the three approaches I chose. I discuss Scitovsky, happiness economics and the constitutional approach because (1) they explicitly discuss the question of the definition of welfare and (2) they use psychology to support their position on this question.

A number of important contributions to the literature were not discussed originally because they do not fulfil both criteria. Behavioural economics and “soft paternalism” use psychology to find systematic patterns of behaviour. That part of the research is strictly positive. Some of these patterns appear to go against the “best interest” of individuals. This is where some normative element comes in. So far, soft paternalism has been very careful to focus on areas where the “best interest” of individuals appeared rather uncontroversial (healthy food, pension contribution, etc.). The definition of an individual's welfare in this approach is not supported by the use of psychology, rather by “common sense”. Sugden’s opportunity criterion is a reaction to the findings of behavioural economics and to soft paternalism. Sugden does take an explicit normative position on the definition of welfare. But he does not use psychology to support this normative position.

In order to avoid giving the impression that my presentation is incomplete, I plan to include a subsection which discusses the approaches mentioned above and presents the argument I make here. I hope that this will help situate my point in the literature, and convince the reader of the appropriateness for my purpose of discussing further only some approaches.

Contribution

My purpose is to show how the three approaches I describe face the same question. That question is: can economics talk about the definition of welfare while still remaining a positive science? I take that the answer is no by definition, since stating how welfare should be defined is a normative exercise. Yet, some economists keep trying to bring their arguments about the definition of welfare closer to positive science. Pigou attempted to do so, and the three approaches I discuss and their use of psychological findings or methods can be seen as apparent attempts. Scitovsky and some happiness economists can be read as attempting to close the gap between defining welfare and being scientific. Other happiness economists, and in particular the tenants of the constitutional approach, would probably subscribe to the argument that this gap cannot be closed. Still, they appear to find it important to use scientific instruments to measure what they see as an important part of welfare, or to use scientific evidence to support the claim that autonomy is essential to a good human life.

My paper starts from Pigou because he is an influential example of “an attempt to argue scientifically about welfare” (Backhouse (2009), p.481). His equation of individual choice with individual welfare seems to have been accepted by many economists for a long time as positive science, and not questioned as normative. It seems to have been interpreted (wrongly in my view) as providing a positive answer to the question above. Now that the equation of individual welfare with individual choice is being increasingly questioned from different sides, some economists make new normative statements about the definition of welfare. Some of them also use a positive science, psychology, to

support their claims. However, this cannot be, and is not, a way to fully reconcile welfare definition and positive science. The choice of a normative position by the three approaches I discuss goes ahead of, rather than it follows from, the use of psychology. In addition, there is, even in the positive realm, room for interpretation of the findings of psychology when using them as a basis for recommendations. I will revise the formulations in the paper in order to make this point clearer.

Definition of welfare

The paper does not focus on welfare as subjective well-being. It focuses on how some economists argue about the appropriate way to define welfare (or well-being, which I use interchangeably). Obviously, they take different positions on this point. I agree with Referee 2 that the approaches in economics which talk about the definition of welfare are “many more than three”. This paper only addresses those which use findings from psychology to support their position. I plan to mention the different contemporaneous approaches in economics which argue about the definition of welfare in the additional literature subsection mentioned above. This means that I will also mention the capability approach by Amartya Sen. This is an approach which does explicitly address the definition of welfare (and therefore fulfils my first criterion for inclusion mentioned above), but does not use psychology to support this definition (and therefore does not fulfil my second criterion).

Preferences

The Reader is quite right to point me to the distinction between the content and the coherence of preferences, which was not made originally in the paper. Indeed, the equation of individual choice with individual welfare made by neoclassical economics is independent of the content of preferences, but relies on a number of assumptions about their coherence. I plan to integrate this idea into my discussion of the meaning of the Pareto criterion and into the additional subsection on the broader literature.

Paternalism

It is certainly not my intention to suggest that “an economist who expresses his or her judgements about other people’s well-being is being paternalistic” (Referee 1). Certainly, expressing such judgements is part of discussion in a free society. This is why the paper concentrates, among other things, on making explicit the normative positions and personal judgements which are sometimes implicit in the approaches discussed. Because such judgements *can* in some cases lead to paternalistic implications, it is important to be clear about the underlying position as regards the definition of well-being. This enables a better discussion about the implications and recommendations. The paper is not interested in detecting the “presence or absence of paternalism in each approach” (Referee 2). It rather aims at showing where each approach could offer a basis for paternalistic recommendations. To answer both (closely related) comments, I plan to re-examine my formulations carefully in order to avoid giving the impression that I see paternalism where I only see potential for it.

The point of the paper is not about “the evaluation of different degrees of paternalism” (Referee 2). According to the definition given by Brennan and Brooks (2011), paternalistic policies are those which intervene in people’s lives for their own good, and not just to internalize negative externalities. Scitovsky’s approach and happiness economics are shown in the paper to potentially legitimate such interventions. Such interventions can, admittedly, be more or less coercive. (Scitovsky (1992 [1976]), among other things, also recommends “more mandatory liberal arts courses in the school curriculum” (p. 247), which seems to score rather high on a paternalism scale.) By contrast, the constitutional approach to happiness does not offer support to any kind of paternalistic policy.

The fact that “there is always some degree of paternalism” (Referee 2) embodied in social norms is mentioned in the conclusion as one of the arguments to defend approaches which could bear potential for paternalism. The point of the paper is to show that approaches which define well-being and use psychology as a supporting argument are just invoking and reinforcing alternative norms. But crucially, the fact that they use psychology does not make their position a purely scientific one, because the choice of the psychological theory (or instrument) they use was a result, and not a prior, of their normative position.

Scitovsky

It is true that Scitovsky’s use of normative judgement is not hidden at all in his work. However, the paper is not about showing that Scitovsky develops a conception of the good life, which is indeed “glaringly obvious” (Reader), but rather about showing exactly in which way the psychological findings he uses support his conception of the good life. What I want to show is that the findings of psychology do *not* support his conception of the good life on their own, but only if one assumes that what human beings naturally tend to do is the same as what is good for them. That latter assumption remains implicit in the *Joyless Economy*. The Reader is right to stress that this goes against the argument made by Hume (1739 [2012]) that normative statements cannot be derived from descriptive ones.

In the *Critical Review* (mentioned by Referee 2), Friedman and McCabe (1996) describe how Scitovsky “challenged the central tenet of modern liberalism” (p. 472) by examining the consequences of free choices rather than postulating a priori the right to free choice. They stress: “It is not difficult to find ground for paternalism in Scitovsky’s argument”, because “the heart of Scitovsky’s view is that an untutored desire need not serve the interest of its possessor” and “Scitovsky’s argument emphasizes that what people want may be bad for them” (p. 475). They stress that Scitovsky recommends, for instance, more mandatory liberal art courses in the school curriculum. At the same time, Sen (1996) states that “the last thing that can be said about The Joyless Economy is that it is paternalistic in spirit” (p. 485) and stresses that Scitovsky recommends the development of consumption skills to increase freedom of choice. Sen presents an alternative interpretation of Scitovsky’s argument as “the identification of the need for more self-examination of what it is that we really want, rather than considering it simply as an external diagnosis that what people will profit from most is stimulation rather than comfort” (p. 485). He, however, also stresses that this interpretation remains implicit in Scitovsky’s argument. The Appendix to the second edition of the *Joyless Economy* contains a quote which illustrates this tension between the promotion of a particular lifestyle, thought to be better than another, and the wish not to impede too much on individual freedom: “The big question is how to motivate people to prefer benign to malignant activities and make such choices on their own initiative” (p. 295). I do not want to accuse Scitovsky of having paternalistic intentions. My point is the one stressed by Friedman and McCabe: that Scitovsky’s argument bears potential for paternalistic implications. I plan to refer to the discussion in the *Critical Review* in the revised version of the paper.

It is true that Scitovsky devoted a lot of attention to intrinsic motivation. He referred to the work of Edward Deci, for instance in *How to bring Joy into Economics* (Scitovsky (1986), note 13). However, the main part of the psychological evidence used in the *Joyless Economy* comes from other sources (Berlyne, Hunt). Scitovsky does not refer explicitly to self-determination theory, which was developed only subsequently (as mentioned by Pugno (2014), note 13), while the constitutional approach to economics does. This is why I associate SDT with the latter.

Happiness economics

Referee 2 is right to stress that happiness economics “does not imply any specific claim on the issue of paternalism”, and that this is illustrated by the different positions taken for instance by Frey and Layard. The only claim I am making is that happiness economics *can* lead to paternalistic implications. It does not *have to*, as illustrated by Frey’s positions. I plan to be more explicit on this point, mentioning the different existing positions when discussing the link between happiness economics and paternalism. I will also include two examples of actual paternalistic implications derived by some authors from happiness economics.

To answer a number of minor comments on happiness economics by the Reader:

- The distinction between affective happiness and life satisfaction is not ignored on p.8, it is addressed as one of the objects of normative choice for happiness economists: between rating of life satisfaction after reflection and measures of more direct experience.
- I do not think that mentioning the long catalogue of objections against happiness economics would contribute to the main argument of the paper.
- It is true that eudaimonia is not the same as the capability approach. They are both classified by Brey (2012) as “objective list” theories of well-being. This will be corrected.
- The contributions by Stevenson and Wolfers (2008) and Kahneman and Deaton (2010) which go against Easterlin’s findings will be mentioned, as suggested.

Welfare economics in the thirties

It is indeed unclear whether it was Pigou’s aim to “solve the problem to issue normative statements while upholding the positive character of economics” (Reader). But Pigou maintained that economics is a positive science while making normative statements. So he at least contributed to upholding the illusion that this problem could be solved. As mentioned above, Backhouse (2009) interprets his welfare economics as “an attempt to argue scientifically about welfare”. I fully agree with the Reader that the narrowing of focus on economic welfare and the equation of welfare with preference satisfaction was an implicit normative step, and not a real solution. Indeed, this is what I argue on p. 4.

The Reader is right, there are enough approaches in normative economics today (including happiness economics and the capability approach) which do not equate welfare with economic welfare. Pigou’s focus on economic welfare is mentioned because it is an important step towards his equation of welfare with preference satisfaction. But it is certainly not as central to the argument of the paper as the identification of welfare with choice is. Also, the Reader is entirely right to stress that Kaldor and Hicks are rather isolated within the New Welfare Economics in their focus on economic welfare. I plan to reduce the attention given to the equation of economic welfare with welfare by Pigou and some of his followers, in order to make the focus of the argument clearer.

I entirely agree that “negative externalities are not at all the only reason” (Reader) why narrowing welfare to economic welfare does not make sense. The mention on p. 4 was there only to illustrate one potential problem with this approach. I plan to leave this argument out, to avoid giving the impression that I think it is the only one. The reasons why welfare and economic welfare are not the same have been discussed extensively in the literature already, and it is not necessary for the main argument of the paper to give a summary of that discussion.

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