Wilfred Beckerman

Economics as Applied Ethics

Fact and Value in Economic Policy

Second Edition



CONTENTS

1	Introduction		1
Par	t I	Basic Principles	
2	Pr	eview	7
	1	Value Judgements in Welfare Economics	7
	2	The Welfare of the Individual	8
	3	From the Individual to Society	9
	4	Equality and the Distribution Problem	10
	5	Valuing Life: The Ultimate Value Judgement	11
	6	National Income and GDP	11
	7	Happiness	12
	8	The Boundary in Space and International Justice	13
	9	The Boundary in Time and Intergenerational Justice	15
	N_{ϵ}	ote	16
3	The Main Concepts		17
	1	David Hume and the Health Fanatic	1 <i>7</i>
	2	Value Judgements and Intrinsic Values	18
	3	Normative Propositions and Positive Propositions	21
	4	What Is Welfare Economics?	23
	5	The Construction of Welfare/Normative Economics	26
	$N\epsilon$	otes	29

x CONTENTS

4	Fact and Value in Personal Choice	31
	1 The Pain of Personal Choice	31
	2 The Basic Theory of Consumers' Choice	32
	3 The 'Utility Function' in Economics	33
	4 Preferences and Theories of 'the Good'	34
	5 The Economic Concept of Rational Choice	36
	Notes	37
5	How to Make 'Bad' Choices	39
	1 Why People Make 'Bad' Choices	39
	2 Information and 'Rational Ignorance'	43
	3 Consumer Sovereignty or Paternalism?	44
	4 Altruism and Commitment	48
	5 Conclusions	51
	Notes	52
6	Fact and Value in Public Policy: Three Examples	53
	1 The Equality-Efficiency Trade-Off	53
	2 The Price Stability Objective	58
	3 The 'Fair Trade' Problem	61
	4 Conclusions	61
	Notes	62
7	From Economic 'Efficiency' to Economic Welfare	63
	l Cost-Benefit Analysis in Welfare Economics	63
	2 Cost-Benefit Analysis and 'Franklin's Algebra'	65
	3 Pareto Optimality and the Compensation Test	66
	4 Practical Limitations on the Compensation Test	67
	5 Pareto Optimality and the Distribution of Incomes	68
	6 Introducing the 'Social Welfare Function'	70
	7 Conclusions	75
	Notes	76
8	The 'Mindless Society'	77
	1 Is There a 'Society'?	77
	2 Social Choice Theory and the Impossibility Theorem	78
	3 An Example: Local Air Pollution	81
	4 The Welfare Economics Approach	84

CONTENTS	X1
CONTENTS	Λı

	5 An Example: The 'Summers Memorandum'	86
	6 Conclusions	88
	Notes	90
9	Utilitarianism: The Search for an Overriding Value	93
	1 Introduction	93
	2 The 'Right' or the 'Good'	94
	3 Utilitarianism	95
	4 Utilitarianism in Economics	97
	5 What Is 'Utility'?	99
	6 Main Varieties of Utilitarianism	100
	Notes	102
10	Utilitarianism and Its Constraints	105
	1 Constraints on Utility Maximisation	105
	2 'Special Obligations' and 'Agent Relative Ethics'	108
	3 Plural Values and Incommensurability	110
	4 Incommensurability and Rational Choice	113
	5 Conclusions	115
	Notes	115
Par	rt II Applications	
11	GDP and Friends	119
	1 Limitations on the National Income Concept	119
	2 Economists and the GDP-Welfare Link	120
	3 Values in the GDP Concept	122
	4 'Measurable Economic Welfare'	123
	5 Other Measures of 'Well-Being'	124
	6 Human Development and 'Capabilities'	127
	7 Is GDP a Useful Concept?	131
	8 Conclusions	132
	Notes	133
12	Well-Being and Happiness	135
	1 Why Not Just Measure 'Happiness'?	135
	2 But What Is 'Happiness'?	136

xii CONTENTS

	3	The Overall Results	140
	4	Does More Income Make People Happier?	142
	5	Happiness and Policy	147
	Notes		
13	The Discount Rate		153
	1	Introduction	153
	2	The Market Rate of Discount	154
	3	Private Versus Society's Rate of Time Preference	155
	4	The Social Rate of Discount	158
	5	Which Country's Discount Rate?	163
	6	Conclusions	164
	N	otes	166
14	The Price of Life		169
	1	'Life' or 'Risk to Life'?	169
	2	The Value of Life to Society	171
	3	Measures of the Value of Risk to Life	1 <i>7</i> 4
	4	The Broome Challenge	177
	5	The 'Individuation' Problem	178
	6	Conclusions	182
	7	Annex	183
	N	otes	184
15	Ec	quality: 'Fact' or 'Value'?	187
	1	The Recent Increase in Inequality	187
	2	Possible Consequences of Increasing Inequality?	192
	3	The Instrumental Value of Equality	194
	4	The Intrinsic Value of Equality and the Stagnation of	
		Earnings of the 'Worst-Off'	196
	5	The Libertarian Critique of Egalitarianism	200
	6	The 'Levelling Down' Critique of Egalitarianism	201
	7	Prioritarianism	202
	Notes		206

16	Equalit	ry of What?	209
	-	ferent Concepts of Equality: Conflicting or	
		nplementary?	209
		ality of Welfare	211
		ality of Opportunity	213
	4 Equ	ality of Resources	215
		ality of 'Capabilities'	217
		tical Equality	218
	7 Whi	ich Economic Variable?	221
	Notes		225
17	The Boundary in Space: International Justice		
		Is There a Problem?	227
	-	imunitarianism	229
	3 'Con	ntractarianism' and the Political' Conception of Justice	230
		nopolitanism	232
		er Theories of International Distributive Justice	236
		clusions	238
	7 Ann	ex: How to Share Out Equitably the Burden of	
		ibating Climate Change	242
	Notes		247
18	The Bo	undary in Time: Intergenerational Justice	249
		ice Between Generations: A New Problem	249
	2 Auth	bority and a Contractarian Theory of Justice	250
		ice and Rights	252
	4 Raw	ols and Just Savings'	256
	5 Fair	ness and the Role of Initial Endowments	258
		e's 'Proviso'	260
	7 The	'Non-Identity Problem' and Conflicting Intuitions	261
		clusion	263
	Notes		265
19	The Rol	le of Welfare Economics	269
	Notes		2.72

xiv CONTENTS

Bibliography	273
Author Index	287
Subject Index	291