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CHOICE AND VALUE IN ECONOMICS

By JOHN BROOME

1. The choice-value thesis

THE business of welfare economics is to evaluate states of affairs in society. On what should it found its evaluations? The routine view is that one can use for this purpose the choices which people make between alternatives offered to them or, in cases where the decision between the alternatives in question is not actually in their hands, the choices they would make if it were. It is commonly acknowledged that there may be difficulties over aggregation, the way in which different people's choices should be put together to arrive at an over-all evaluation. But this paper is not about that; it is about whether choices are the right basis for making evaluations in the first place, a question which is prior to problems of aggregation. I shall, in fact, be taking for granted this much of the received framework: to fix values on social situations one should first evaluate them in relation to each member of the society individually, and then in some way or other aggregate the separate evaluations. It is the first of these operations I shall be concerned with. I shall question the standard prescription for performing it, in the following minimal version:

If Jane, were she to choose between two states of affairs A and B, would choose A

then, so far as Jane is concerned, A is at least as good as B.

This, which I think is the least that standard welfare economics is committed to, I shall call 'the choice-value thesis'.

The force of the expression 'so far as Jane is concerned' is simply to indicate that the thesis means to set up the evaluation with respect to one person only, as a preliminary to aggregating it with similar evaluations made in relation to others. It must not be read in the colloquial sense meaning 'in Jane's opinion'.

Since welfare economics is a practical subject, 'good' and 'bad' are meant to have a practical interpretation and refer to what should or should not occur. That is to say, for instance, that 'A is at least as good as B' means the same as 'it is false that B should come about rather than A'.

My general aim is to show that the choice-value thesis is unreliable. I shall examine the arguments which are used in its defence, and explain where they break down. In the course of doing so, I shall provide several counter-examples to the thesis.

2. The liberal defence

It is a widespread belief that the spirit of welfare economics is a liberal one, and that the choice-value thesis is its embodiment. Liberalism has many faces, and perhaps the thesis may be called a liberal tenet. But what is not true is that it can be deduced from the principle (which I shall call 'the fundamental liberal principle') that people ought to be left free to make their own choices in situations where the rights of others are not affected. (We shall not be concerned with the definition of 'rights'.) A proof of the choice-value thesis cannot be obtained from that premise, and that is what this section demonstrates.

An attempt at such a proof might be expressed like this:

Our hypothesis is that Jane, given the choice between A and B, would choose A. Where the rights of others are not affected, the choice between A and B ought indeed to be left to Jane. If it is, then the outcome will be A. A is therefore a better outcome than B in such circumstances.

I shall start by examining this liberal defence of the choice-value thesis.

It will be convenient to call a choice 'private to Jane' if it is one which, according to liberalism, ought to be within Jane's domain because it does not affect other people's rights. A choice which affects more than one person's rights I shall call 'public'.

In a moment I shall explain that the logic itself of the above argument has to be treated with caution. Before that, however, I want to point out that in any case it misses its target. Spelt out, it purports to prove:

If Jane, were she to choose between two states of affairs A and B, would choose A

then, provided the choice is private to Jane, A is better than B.

This is not the same as the choice-value thesis stated in Section 1. There are two differences.

One is that it concludes 'A is better than B' rather than 'A is at least as good as B'. Of course, the latter follows from the former, but many adherents of the choice-value thesis will think that the defence from liberalism tries to prove too much. These will be people who believe that Jane may be indifferent between A and B and that if so neither alternative is better than the other, so far as Jane is concerned. Even though indifferent, Jane may have to select one of the two. Should it happen that she would, perhaps by chance, plump for A, that is no reason to think A better. The liberal argument imputes a value to A just because it is chosen, whereas this differing view values a person's choice as an indicator of

something else, generally a preference. It will be treated in Sections 3 and 4. But for the present this particular disagreement between the choice-value thesis and the conclusion of the liberal defence is rather by the way, and for the rest of this section I shall ignore it. We shall forget the possibility of equality in value between A and B.

The second difference between the two is more to the point. The choice-value thesis is about the comparative value of A and B for Jane, which is intended to be balanced in some way against their value for other people. It says how Jane, among others, should be taken into account when the situation as a whole is judged. The liberal argument, by contrast, deals solely with private choices, where the value to people other than Jane may supposedly be disregarded because their rights are not affected. It does not even pretend to provide a basis for aggregating different people's concerns. For public choices the fundamental liberal principle is frankly irrelevant. Yet the choice-value thesis is regularly applied to public choices, so that on this part of its application it does not receive even token support from the liberal defence. (At the end of this section I shall describe a simple extension of the liberal principle which allows it to apply to choices agreed between several people whose rights are involved, but certainly not to any situation where people's choices conflict.)

Now, as for the logic of the liberal defence itself, as it is expressed above, its pattern is: X should occur; if X occurs then Y will occur as a consequence; therefore Y should occur. 'X' stands for 'Jane is allowed to choose between A and B'; 'Y' for 'A comes about rather than B'. A deduction of this type can, I think, be read in a way which makes it valid, but if so it gives the conclusion 'Y should occur' a very limited force. Either X will occur or it will not. If it does not, the argument cannot be taken to imply that Y should then occur. If it does, the argument still does not imply that Y should occur, only that it will. No claim is made that Y ought to be brought about by any means except the bringing about of X, and then the occurrence of Y is no benefit added to the occurrence of X. The conclusion that Y should occur is wedded to the occurrence of X and cannot stand by itself. In our application the defence from liberalism cannot justify bringing about A except by allowing the choice to Jane, and then it is her freedom of choice which is desirable, not the outcome A. This defeats it as a defence of the choice-value thesis, for in the latter the conclusion that A is better than B is intended to stand independently of how A actually comes about. In particular it is meant to apply even when the decision is not in fact Jane's.

Now we may generalize beyond the particular formulation of the liberal defence shown at the beginning of this section. We can see as follows that from the fundamental liberal principle we cannot possibly

obtain the bald conclusion that, for Jane, A is better than B, even in the case of Jane's private choices. Suppose a person who accepts the liberal principle believes that the choice between A and B is private to Jane, so that the decision ought to be left to her. Suppose that this liberal also knows that, given the choice, Jane would pick A. None of this requires him or her to think that, on its merits, A is the better alternative for Jane. It would be entirely consistent to think the opposite. Suppose in fact that the choice is not given to Jane but arrogated by some authority. Our liberal might reasonably favour its selecting B, despite what Jane would have done. The liberal principle, having been overridden, becomes irrelevant. For example, imagine that Jane takes opium, which the liberal considers dangerous but within her rights. Now imagine she has been put into an institution where authority, perhaps as an experiment, makes her take various drugs without any regard for her desires. It would not be illogical for our liberal to think it wrong for her to be given opium in such circumstances.

The attempt to prove the choice-value thesis from the liberal principle is bound to fail because they are about different things. Someone who adopts the latter is committed to believing that the right to make certain decisions belongs to particular people. This is an aspect of the organization of society. On the other hand, the subject matter of the choice-value thesis is the merits of the states of affairs which emerge from decision-making processes, whatever the processes may be. On this the liberal is not committed to any particular view. To argue from the liberal premise to the choice-value thesis is, as it were, to try to transfer value from the manner of allocating rights of choice to the outcomes of the choices themselves. Such a transfer simply does not work. That is the reason why the conclusion that A should come about rather than B cannot shake itself clear from a requirement about the manner of its coming about, namely that Jane should have chosen it.

The most that can be got out of the liberal's argument is this:

If Jane, were she to choose between two states of affairs A and B, would choose A

then, provided the choice is private to Jane, A should come about rather than B, provided it does so as a result of Jane's choosing.

This may be called 'the counterfeit choice-value thesis'. In comparing it with the genuine thesis stated in Section 1, remember that we are ignoring the possibility of equality in value between A and B, because it is not particularly germane. So the genuine thesis, rather than 'A is at least as good as B', might as well say 'A is better than B', which in turn is equivalent to 'A should come about rather than B'. Thus, the signifi-

cant difference remaining between the two theses is the two provisos contained in the counterfeit. It is a counterfeit in that it looks more like the real thing than in fact it is. Its demand that Jane should have the choice alters its whole nature. What is valued in the choice-value thesis is the outcome A; what is valued in the counterfeit is Jane's free choice. It is really no more than the fundamental liberal principle in fancy dress, worded so as to resemble the choice-value thesis.

The two provisos in the counterfeit thesis do, of course, restrict its application. But we must examine just how restrictive they are, because it might turn out that the counterfeit could do much the same work in welfare economics as the choice-value thesis itself. If that were so it would rather upset the point of what I have said in this section. My purpose was to show that the fundamental principle of liberalism does not constitute a basis for the choice-value thesis, but it does entail the counterfeit thesis, and if the latter is similar in effect to the former my efforts have been wasted. So let us see if there are any parts of welfare economics where the counterfeit thesis can be successfully substituted for the real thing.

Much of welfare economics has to do with making recommendations to authorities about how to decide between alternatives. Since the counterfeit thesis is limited to cases where the person concerned makes the decision herself or himself, all that part of the subject may seem¹ to be beyond its scope. That is not quite true, however, as the following example illustrates.

Jane is on the waiting-list of the Ministry of Housing, and has told it that she would rather live in Abingdon than in Brackley. Assuming that this matter is a choice private to Jane, in which of these towns ought the Ministry to allocate her a house? A liberal has two ways of treating this question. He or she might say that the decision is in any case in the hands of the Ministry, not of Jane. The liberal principle claims that Jane should have the choice, but since that is anyhow denied her, it has nothing to say about which way the Ministry's decision ought to go. Looking at the situation differently, however, the liberal might, if the Ministry sent Jane to Abingdon, construe that as implementing the choice which Jane herself has made, whereas if it sent her to Brackley that would be simply overruling her. Then the liberal's counterfeit thesis is clearly in favour of the former. Which of the two interpretations is the correct one will depend on the circumstances. For instance, if Jane were given a house in Abingdon, but for no reason which had anything to do with her preference, that could hardly be counted as implementing her choice.

¹ And did seem to me until Amartya Sen brought me to understand the point which follows.

If, though, the second interpretation does apply, then what has happened is rather remarkable. The counterfeit choice-value thesis has arrived at a conclusion which has the force of a prescription to authority about what state of affairs it should institute. This is just the sort of thing that the real thesis does. In applications of this type, then, the two theses have the same practical implications. Notice, however, that they are still quite distinct in essence, because a person who believes in the fundamental liberal principle, and hence in the counterfeit thesis, is still perfectly entitled to dispute the choice-value thesis itself. In our example, this person might, with complete consistency, believe it would be better for Jane to live in Brackley (for her health, say). He or she must think, nevertheless, on liberal grounds, that the Ministry should allocate her to Abingdon, but the point is that that belief cannot detach itself from the requirement that the decision is construed as putting into effect Jane's own choice. From the liberal principle it cannot be deduced, without qualification, that Abingdon is better, so far as Jane is concerned, than Brackley.

If welfare economics were to be rewritten on the basis of the principles of liberalism, it would have to be confined to applications where the result of its recommendations counts as putting into effect a person's own choice. We have just seen that that is not quite as limiting as might be thought. Before considering it further we need to see what can be done to loosen the other limitation of the counterfeit choice-value thesis, its restriction to choices which are private to one person.

That restriction would, indeed, be fatal, since economics is very rarely interested in private choices, but it may be evaded quite simply. Suppose a choice between two alternative states of affairs affects the rights of several people. We shall call the choice 'jointly private' to these people. If they can all come to an agreement to select one or other of the alternatives, then it is an extremely natural extension of the fundamental principle of liberalism to say that they should be left free to do so. If this widening of the principle is allowed, it leads to the following extension of the counterfeit choice-value thesis:

If each of several people, were they to choose between two states of affairs A and B, would choose A

then, provided the choice is jointly private to these people, A should come about rather than B, provided it does so as a result of the people's agreeing to choose it.

With this formulation in hand, we are at last in a position to assess just how much of welfare economics can be rested on the basic principle of liberalism, together with the new extension permitting agreed choices.

(1) If there are some people who would choose one of the alternatives, and some who would choose the other, then somebody has to be overruled. Should one of the parties have no rights in the matter (a possibility which rarely concerns economists) then the liberal principle is clear that the other party should get its way. But otherwise adjudicating conflicts is beyond the principle's capacity. By this, nearly all of practical welfare economics is excluded.

(2) Where, on the other hand, there are no conflicts, welfare economics employs the so-called 'Pareto principle', a version of which can be derived from the choice-value thesis. Suppose each of a number of people would, given the choice between A and B, choose A. Then the choice-value thesis says that, so far as each one is concerned, A is at least as good as B. If these happen to be all the people who are concerned, then it follows that A is actually at least as good as B. So we may write the Pareto principle:

If each of several people, were they to choose between two states of affairs A and B, would choose A

then, provided these are all the people concerned, A is at least as good as B.

The extended version, given above, of the counterfeit choice-value thesis differs from this chiefly in its demand that the outcome must be the result of the people's agreed choice. Under (3) below I shall consider a case where that demand is definitely satisfied. Sometimes, however, it is not. Often welfare economics makes use of the Pareto principle in order to recommend some action to an authority. I have explained earlier that on occasion the counterfeit thesis can do that too. Circumstances might be such that the recommended action can be considered a case of the authority's putting into effect a choice actually made by agreement among the people, and if so the counterfeit thesis and the Pareto principle will come to the same conclusion about it. However, I do not think that every application of the Pareto principle is of this sort. For example, in one typical idealized situation treated in the theory, the government tries to set up a proposal A (some public work together with a pattern of charges and compensations for the people affected by it) which everyone would choose rather than the present state of affairs, B. It finds out their hypothetical choices by, in theory, asking them. If the government can set up such a proposal, which everybody would choose if the choice were theirs, the Pareto principle advocates going ahead with it. Suppose that happens. This outcome cannot be said to have been chosen by the people individually, since when each person was asked what he or she would choose, there was no suggestion that the choice was actually up to him or her. Each person might have been overruled, and it was only good luck that nobody was.

Nor can there be said to have been an agreement among the people to carry out the proposal; it was a decision of the government. If the government were constituted by the people as an agency for negotiating agreement among themselves, perhaps the case would be different, but factually it is not so.

(3) There is one very important place in welfare economics where liberalism and the choice–value thesis seem decidedly to concur, and that is in advocating free exchange. Here is the routine argument for free exchange, in the simple case where two people exchange together, and no-one else is affected in any way:

Assume that, if permitted, the two people would make a certain exchange. Let the state of affairs without the exchange be B, and with it A. We know, then, that out of A and B, each person would choose A. These two are the only people who are concerned in the transaction, or whose rights are affected. Permitting trade is a means to bring about the outcome A in a manner that results from agreement between the two people. Therefore, trade should be permitted.

I have phrased this argument in such a way that the conclusion follows both from the Pareto principle and from the extended counterfeit choice–value thesis. Both, that is to say, can perform the same job here. It seems, therefore, that at least this one piece of welfare economics is a consequence of liberalism.

Now, it is true that liberalism and standard welfare economics come to the same conclusion about free exchange, but that should not be allowed to conceal the great difference between them even on this point. To a liberal the argument I have written out above may be formally acceptable, but it is specious. It accomplishes nothing more than the simple remark that an exchange ought to be permitted because it is an instance of free agreement between people to do what is within their rights. The exchange is good for its own sake. The liberal is not committed to believing that the outcome of the exchange must be beneficial. If it was the sale of a dangerous and addictive drug, for instance, that would not affect his or her reason for allowing the exchange. By contrast, welfare economics, arguing from the Pareto principle, claims that exchange is beneficial because it achieves a beneficial result. In the case of the sale of a dangerous drug the argument, presumably, fails. It is obvious that welfare economists think that the above argument is not specious but important, and in that opinion they display their distance from the liberal way of thinking.¹ I conclude that even when they appear to approach most closely, the

¹ J. S. Mill (*On Liberty*, Chapter 5) agrees that the argument for Free Trade does not derive from basic liberal principles.

arguments based on the fundamental principle of liberalism and those of welfare economics, which have their source in the choice–value thesis, are entirely different.

3. The defence from preferences

A crude utilitarian defence of the choice–value thesis would be to say that if Jane would, given the choice, choose A rather than B, then A must give her at least as much pleasure as B. According to utilitarianism that would imply that A is at least as good as B, so far as Jane is concerned. Alternatively, the defence might mention happiness instead of pleasure. I shall not discuss this sort of argument since its defects are fairly obvious, and it is in any case no longer popular. In economics it has been superseded by this:

(Premise) Jane, were she to choose between two states of affairs A and B, would choose A.

(Step 1) Therefore, either she prefers A to B or is indifferent as between them.

(Conclusion) Therefore, so far as Jane is concerned, A is at least as good as B.

In this section of the paper and the next I shall examine the merits and deficiencies of this argument from preferences.

The contention that the argument's conclusion is a valid deduction from step 1 might be called 'the preference–value thesis'. It is the subject of the present section. I do not know of any explicit defence of such a thesis in the literature of welfare economics. Nevertheless, it does have some plausibility, and the first thing I want to do is to draw out the reason why. This preliminary discussion will have a certain vagueness which is caused by the vagueness of the notion of preference. For simplicity it will also ignore the possibility of indifference.

Let us start with a notorious argument which may, perhaps unfairly, be attributed to J. S. Mill.¹ It tries to prove that 'the good' is the same as what people desire, by saying simply that what is desired must be desirable. That is to say, it is to be desired, which is another way of saying that it is good. Since a preference is, I suppose, the comparative version of a desire, we may adapt the argument to our needs as follows.

If Jane prefers A to B, then, so far as Jane is concerned, A must be preferable to B. That is to say, so far as Jane is concerned A is to be preferred to B or, in other words, A is better than B.

What is wrong with this? In the first place, there is some ambiguity in the expression 'so far as Jane is concerned, A is preferable to B'. 'A is

¹ See Mill's *Utilitarianism*—Chapter 4.

preferable to B' means that, rationally, A ought to be preferred to B, that it would be irrational to prefer B to A. It needs to be made clear, however, *who* ought to prefer A to B. On the one hand 'so far as Jane is concerned A is preferable to B' can simply mean that Jane ought to prefer A to B. It may mean, on the other hand, that somebody evaluating the merits of A and B and taking account of several people in the way described in Section 1, ought, in so far as Jane is to be taken into account, to prefer A to B, or, in other words, to count A as better than B. The above argument gets to its conclusion by mixing up these two interpretations. However, I do not consider that a serious defect because I believe that if 'so far as Jane is concerned A is preferable to B' is true in one sense it is also true in the other. Since this is a matter of serious dispute in ethics I shall not try to argue it out here, beyond a few words I shall say about it when I come to recast the whole discussion in terms of reasons for action, later in this section. The result is that, if it can once be established that Jane ought rationally to prefer A to B, I think the rest of the argument goes through. The one significant problem it has left, therefore, is simply the possibility that Jane might, irrationally, prefer an alternative which is not actually preferable.

So far as I can see it is a quite inescapable presumption underlying the preference-value thesis that Jane's preferences are rational. Suppose that Jane picks the alternative A although there are better reasons for her to prefer B. Then it can hardly be said that A is better than B so far as she is concerned. Suppose, for instance, that rather than giving up smoking Jane prefers to carry on, at least in the sense that she does carry on, even though it is bad for her health and she gets no pleasure or benefit from it. Then it would be better, so far as she is concerned, if she stopped.

A preference, to be a basis for assessing value, must be rational. I would not expect that to be doubted but for two things. Firstly, there is the liberal opinion that people's choices, even if they are irrational or arise from irrational preferences, should not be interfered with so long as they respect the rights of others. Section 2 of this paper has examined the application of this liberal idea to our subject, and shown it to be very limited. A second source of disagreement is a philosophical view that ultimately preferences are not subject to rational assessment. The idea is that people's preferences about the ultimate ends they desire are just a given fact about them; the function of rationality is simply to find the best way to achieve the given ends. I cannot enter into an argument on the philosophical basis for such an opinion, but I do not think that in practice it need anyway lead anyone into serious disagreement with me. Everyone will agree that at least some preferences can be judged irrational, if only because they are inconsistent with other preferences, and that will generally

be enough to make what I say acceptable. There are just two places in this paper where the more fundamental disagreement may show through: the arguments in Section 4 about altruism and incommensurability. A few comments are made there which are relevant to it.

I now want to make all this discussion more precise, and to take account once more of the possibility of indifference. To do so I shall employ the language of reasons for action.

Of two alternatives A and B there will be reasons for bringing about A and others for bringing about B. Imagine, for instance, that the issue is whether to prohibit certain imports (A) or not (B). There are reasons in favour: increased employment in Britain, more income for capitalists in certain industries, and so on. There are reasons against: higher prices in Britain, reduced employment abroad, and so on. If the reasons for bringing about A are stronger than those for bringing about B, or as strong, then that is another way of saying that A is at least as good as B.

The reasons on both sides of an issue can be broken down and traced to the interests of particular people. There will be reasons deriving from Jane's interest for bringing about A, such as, in our example, the greater likelihood of her finding a job. Also deriving from her interest will be some reasons for bringing about B, such as the increased prices she would have to pay if the imports were stopped. How these reasons deriving from Jane's interest are to be weighed against those deriving from the interests of others is a matter of aggregation which does not concern us. But, considering the reasons which derive from Jane's interest alone, if the ones in favour of A are at least as strong as those in favour of B, then that is another way of saying that A is at least as good as B, so far as Jane is concerned.

Now, there is an ambiguity here which matches the ambiguity in 'preferable' I mentioned earlier. Of any reason for bringing about A or B one may ask: for whom is it a reason; to whom does it apply? A reason deriving from Jane's interest for bringing about A is clearly a reason for her, a reason why she should bring about A if she can (which will, of course, have to be set against countervailing reasons). But in the preceding paragraph and particularly in its last sentence, I have implicitly also treated such a reason, which *derives* from Jane's interest, as a reason *for* anybody to bring about A if they have the power to do so (which must, of course, be set against contrary reasons deriving from Jane's and other people's interests). For instance, the statement that A is at least as good as B so far as Jane is concerned (understood in the sense specified in Section 1) is a guide offered to anybody who is deciding between the alternatives and taking Jane into account, among others, in assessing their merits. I have taken it, then, that a reason for action is not confined in its applicability

to any particular person, though it derives from a particular person's interest.

In the context, I do not think that many people will be upset by that. From the start of this paper it has been axiomatic that alternative courses of action should be evaluated by taking into account the various members of the society. The effect of my treatment of reasons for action is simply to make this a little more specific: the evaluation should be done by taking into account all the reasons deriving from the interests of the various members of the society. This is not likely to be disputed. There may, however, be some objections in principle to my procedure, founded on the view (which I disagree with) that statements with a moral content, like 'so far as Jane is concerned A is at least as good as B', are of a quite different type from statements about what is rational, like 'the reasons deriving from Jane's interest for bringing about A are at least as strong as those for bringing about B'. Hence, it is claimed, the one cannot possibly be deduced from the other. Since a discussion of ethics would be out of place in this paper, I shall, in answer to this, simply make a reference to Thomas Nagel's *The Possibility of Altruism*,¹ which is my most direct source, and say also that the theoretical dispute probably makes no difference to the point of what I am saying. We are interested in how some authority should decide between A and B. I have claimed that a reason deriving from Jane's interest for bringing about A is automatically a reason for the authority to bring it about. For the sake of anyone who disagrees that that is automatically so, we can make it so by an extra very natural assumption. We need only impute to the authority a desire to respect Jane's interest. (I would say that reason requires the authority to have such a desire.) That, I think, should resolve the disagreement.

Now look back to the defence from preferences stated at the beginning of this section. After all this preamble we can now insert into it, between step 1 and the conclusion:

(Step 2) Therefore, the reasons deriving from Jane's interest for bringing about A are at least as strong as those deriving from her interest for bringing about B.

What I have just been arguing is that this step 2 does indeed validly entail the conclusion that A is at least as good as B so far as Jane is concerned. What is still problematic about the argument from preferences is whether step 2 can be deduced from the premise that Jane would, given the choice, select A. But now, in deciding this the intervention of step 1 with its reference to Jane's preferences is more of a hindrance than a help. The meaning of 'prefer' is confusingly flexible. Indeed, economists often

define preference in terms of choice in a way that makes step 1 of the argument from preferences actually equivalent in meaning to the premise itself.¹ Nothing, then, is lost by leaving that step out of the argument entirely. It then becomes

(Premise) Jane, were she to choose between two states of affairs A and B, would choose A.

(Step 1') Therefore, the reasons deriving from Jane's interest for bringing about A are at least as strong as those deriving from her interest for bringing about B.

(Conclusion) Therefore, so far as Jane is concerned, A is at least as good as B.

When I have to refer to this form of the argument I shall call it 'the defence from reasons'. But as I have indicated, I think it correctly represents the intention of the defence from preferences. It only makes explicit what was implicit in the latter, the presumption of rationality.

Section 4 examines the gap between the premise and step 1'.

4. The defence from preferences (continued)

Section 3 has brought us to the point of asking: of two alternatives, would Jane necessarily select the one for which the reasons deriving from her own interest are stronger? More succinctly: would Jane necessarily make the choice which is in her own best interest? Quite obviously the answer is no. Apart from simple mistakes, there are, I think, four types of situation which lead to that answer, and thereby contravene the choice-value thesis. Each may be economically significant. I shall mention them in turn, giving examples.

Bad information

Of the alternatives A and B, Jane may select A in the belief that the reasons deriving from her own interest for doing so are at least as strong as those for choosing B. In this, however, she may be wrong if her information is incorrect or incomplete. There may actually be stronger reasons, deriving from her interest, for selecting B. In that case, contrary to the choice-value thesis, so far as she is concerned B will be better than A.

For example, suppose that Jane lives in a friendly but decayed neighbourhood. Not knowing what it will be like, she accepts the offer of a house on a new estate for herself and her family. She finds in the event that the loneliness is not at all compensated for by the extra comfort. So, it would have been better for her not to have moved. Planners, acting

¹ For instance, see I. M. D. Little, *A Critique of Welfare Economics*, 2nd edition, Oxford University Press, 1957, p. 23.

on the choice-value thesis, will undervalue friendly but decayed neighbourhoods for as long as people make the same mistake as Jane.

I think that economists generally realize that bad information creates a problem for the choice-value thesis.¹ But the problem is more pervasive than is, perhaps, generally realized. It arises both from misinformation and from lack of information. Very often decisions have to be made when it is not known exactly what the result will be. They may then turn out to have been mistaken, in which case the choice-value thesis is contravened.²

Lack of effective deliberation

Many choices are not the result of deliberation. With these there is no immediate presumption that they are made with good reason, although they may be. Take, for example, the case of Jane, an intelligent but unimaginative daughter in a conventional middle-class family. She never considers extending her education beyond school, becomes a secretary, marries early, turns into a bored mother, and declines into middle-aged stupidity. Had she chosen some less routine career it would have exercised her talents and made her happy. If this sort of thing is frequent welfare economics, basing itself on the choice-value thesis, will make various mistakes, including underestimating the value of traditional women's work.

Enough choices of economic importance are made without deliberation, or not as a result of whatever deliberation does take place (as when someone decides not to smoke but does smoke all the same), to make this a major breach in the choice-value thesis. It is, however, possible to make too much of it. For one thing, many choices that do not result from deliberation may yet be in the best interest of the chooser. Nor need this simply be a matter of good luck. Consider, for example, that large number of choices which are habitual. For most people this category includes going to work every day instead of staying in bed. These people generally have stronger reasons for going to work than for staying in bed, even though they do not rehearse them each morning. That is why they formed their habit. Many habitual choices are like this: made with good reason although not deliberated.

There is another error to be avoided in this context. When a person's choice has to be explained we often do so by giving his or her reasons. When the choice does not result from deliberation, however, it is generally

¹ Although there is sometimes a reluctance to acknowledge it. See, for instance, E. J. Mishan, *Cost-Benefit Analysis*, George Allen and Unwin, London, 1971, p. 172.

² In another paper I have examined a bizarre instance of the mistakes that arise from forgetting this: John Broome, 'Trying to value a life', *Journal of Public Economics*, viii, 4 (March, 1978).

more appropriate to explain it in terms of causes other than reasons. We say, for instance, that it was done out of habit or, in the case of Jane in the example above, we show how her upbringing prevented her from considering the alternatives seriously. Now, causal explanations can be very successful in explaining a great deal of economic behaviour; it is very often possible to trace the forces which make us do what we do. This fact is commonly raised against the idea that in market economies 'the consumer is sovereign', that people's choices determine what the economy does. On the contrary, it is correctly said, the economic system determines people's choices. Whatever may be the significance of this correct point, it is a mistake to think that it constitutes, by itself, any objection to the choice-value thesis.¹ Finding a causal explanation of some decision of Jane's does not preclude the possibility that she made it with good reason and even deliberately. The causal forces that created a female labour force at the start of the industrial revolution are doubtless plain enough, and many women were forced by them into the factories. But, if a woman was forced to take a factory job, that means precisely that she had a very good reason for doing so.

Altruism

If the defence from reasons is to work it is necessary that Jane, when she chooses A, does so because the reasons deriving from her own interest, her self-interested reasons, are at least as strong for A as they are for B. The assumption is, then, that she acts self-interestedly. Choices which are in any degree altruistic will upset the choice-value thesis. To see why, let us use the following example. Jane would much rather marry and have children but instead she stays at home for many years to look after her old mother. Let us adopt the standpoint of a person who is evaluating this situation in the manner described in Section 1. The alternatives are that Jane stays at home (A), or that Jane leaves her mother to the care of the social services (B). These are to be judged by weighing together the interests of the people concerned, who are, of course, particularly Jane and her mother. We may presume that the balance of the reasons which derive from the mother's interest are in favour of A rather than B. The choice-value thesis claims that, so far as Jane is concerned also, A is at least as good as B, because she has voluntarily selected A. The thesis, then, puts both people's interests on the same side of the scale. But that is quite wrong. Our hypothesis was that the reasons deriving from Jane's interest are more strongly for her leaving her mother. Her interests are

¹ Paul A. Baran, in *The Political Economy of Growth*, Penguin edition, pp. 19–28, where there is an extensive discussion of the consumer sovereignty question, is careful not to make this mistake.

opposed to her mother's. Her choice, however, was determined by her mother's interest rather than her own. The choice-value thesis is actually, in this case, double-counting reasons. When calculating the relative merits of A and B so far as Jane's mother is concerned, it counts once the mother's reasons for having Jane at home. Then it counts them again when evaluating the alternatives so far as Jane is concerned, just because Jane is partly motivated by these reasons deriving from her mother's interest.

This sort of error on the part of the choice-value thesis will lead to the under-provision of social services that might release Jane and others like her. Generally, indeed, it will lead to the exploitation of people who concern themselves about others.

There is just one worry, I think, which might incline people to dispute what I have just said. It is the thought that, in a sense, altruism is impossible. A thought like this is embedded in the way that concern for others is normally formulated in economics. In the example, Jane would be given a utility function which increases when her mother's utility increases. So long as this is simply meant behaviouristically as a way of representing Jane's actions, it may be harmless. But when it comes to be used in welfare economics it is generally assumed to be a benefit to someone to increase their utility. The implication is, then, that Jane's looking after her mother must be a benefit to Jane, and that is why she does it.

What gives rise to such an unprepossessing idea is, I think, the theory that actions can only be motivated by desires. Because Jane elects to stay at home, the theory goes, she must have some desire to treat her mother well, a desire which arises out of sympathy. It is satisfied by staying at home. Now, this desire is treated as an extra ingredient in the calculations. It is a reason for Jane to stay at home which was not enumerated above, and because Jane in fact does stay at home, it must be strong enough to balance the reasons she has to leave. If, now, we say also that satisfying a desire of Jane's is a reason for action which derives from Jane's interest, then the balance of reasons deriving from Jane's interest, including the sympathetic desire, turns out to be in favour of the alternative A, staying at home. Then the choice-value thesis is confirmed.

The idea is more deeply rooted than might appear from its superficial implausibility. Since I want to avoid arguments in ethics, I shall not try to answer it.¹ But I will, without argument, sketch an alternative posi-

¹ Some references: Thomas Nagel, *The Possibility of Altruism*, Clarendon Press, Oxford, 1970; G. E. M. Anscombe, *Intention*, 2nd edition, Blackwell, Oxford, 1963; Richard Norman, *Reasons for Action*, Blackwell, Oxford, 1971; David Gauthier, *Practical Reasoning*, Clarendon Press, Oxford, 1963; J. C. B. Gosling, *Pleasure and Desire*, Clarendon Press, Oxford, 1969.

tion. It is undoubtedly true that Jane must want to treat her mother well; it is a simple matter of logic that people must want to do what they do voluntarily. Also, this desire *may* be a sympathetic 'passion', in which case the satisfying of it *might* be considered a benefit to Jane and hence a reason for action deriving from Jane's interest. On the other hand, Jane's desire to treat her mother well may not be something that she just happens to feel but arise, at least partly, from accepting it as her duty after rationally considering the situation. (The test of this is that her desire would be lessened, or vanish altogether, were she to become convinced that actually she did not have such a duty.) In this case, her desire is at least partly the *result* of the reasons there already are to treat her mother well, rather than an extra reason to do so.

Incommensurability

The defence from reasons speaks about the relative strengths of reasons for action. The use of the strength metaphor can be misleading, because it can give the impression that either the reasons for bringing about A are stronger than those for bringing about B, or they are less strong, or else the two sets of reasons are equally strong. Let us test the metaphor by making its meaning explicit. When we say that the reasons for A are stronger than those for B we mean that it would be irrational to select B rather than A should the choice arise. But what about equality of strength?

Suppose that Jane is offered a choice of two identical apples. Whatever reasons she has for taking one are matched by equivalent reasons for taking the other. It does not matter at all which she selects. There are doubtless also instances of choices where the reasons are not identical on each side, but where they balance up in such a way that it does not matter which Jane chooses. These may be called cases of rational indifference, and for them it is quite appropriate to say that the reasons are equally strong on each side.

But there is a different type of situation, exemplified by the following story. Jane, who lives beyond the reach of the welfare state's sheltering arm, has suffered an injury. It causes her moderate, intermittent pain, which will continue all her life. A treatment is available which can restore her health entirely, but it is very expensive. She has to decide whether to accept the treatment. What she ought to do will depend on the circumstances, on the type of person she is, and on the cost of the treatment. For most people it would be irrational to turn down the treatment if it does not cost very much, and for most people it would be irrational to undergo it if the cost is enough to commit them to hunger and unrelieved labour till they die. Normally there will be a range of prices for the treatment, somewhere between these extremes, which make it neither irrational

to accept it nor irrational to reject it. Let us suppose that the actual price happens to be within that range for Jane, say £5,000. The reason for undergoing the treatment is the cessation of pain; the reason for refusing it is the saving of £5,000. We have assumed, since neither course of action would be irrational, that, in the metaphorical language, neither of the reasons is stronger than the other.

However, the situation is certainly not one of rational indifference, in which it does not matter which alternative is chosen. If it did not matter, then Jane could, without great concern, select one or the other at random, as she could with identical apples. But in fact decisions like this are immensely difficult. The difficulty is not, incidentally, caused by uncertainty over the possible consequences of the decision, for we may assume that Jane has had long experience both of economic deprivation and of the pain. Nor is it simply that the subject-matter is so much more important than apples; a choice of identical houses would give her no trouble either. Nor is there any difficulty of calculation; the two alternatives are straightforward. The difficulty is that rational principles decline to adjudicate between the two quite disparate reasons, pain and money, just where Jane needs a decision.

The alternatives cannot be called rationally indifferent, and it would be inappropriate to say that the reasons for them have equal strength. This may be confirmed as follows. We have assumed that, when the price of treatment is £5,000, neither accepting it nor rejecting it would be irrational. It would be extraordinary if that were true for only one price; let us assume that at a price of £6,000 also, neither accepting nor rejecting the treatment would be irrational. If both of these were cases where the reasons on each side of the choice are equal in strength, then the saving of £6,000 would be a reason of equal strength to the saving of £5,000, since both would be equal in strength to the cessation of pain. But this is false, since if Jane were in some way offered a choice between saving £5,000 and saving £6,000 it would be irrational for her to choose the former.

It is not important, of course, how we apply the term 'strength' to reasons. The important thing is the significance for the choice-value thesis. Since it would not be irrational for Jane to choose either of the alternatives, neither is better than the other so far as Jane is concerned. They are not equally good either, for if they were we could show, as in the previous paragraph, that £5,000 and £6,000 are equally good so far as Jane is concerned, which is false. So it is wrong to say that either alternative is at least as good as the other. The choice-value thesis contains a presumption that there is a single scale of goodness, so far as Jane is concerned, from worst to best, and that every state of affairs occupies a

place on the scale. There seems to be no warrant for such a simple view of the world.

So far, I have taken no account of what Jane actually chooses. That is because her choice is only of interest as an indicator of the strength of the reasons for it, as I explained in Section 3. In the present case we know that, whatever Jane chooses, the reasons do not determine her choice. Suppose she decides to have the treatment. Before she made the decision, it would not have been irrational for her to have chosen to refuse the treatment, and no more would it have been irrational now she has made the decision.

We must beware of confusing the situation with one where the choice is a matter of taste. Suppose Jane were offered a choice between an apple and a pear. Neither choice, it might be said, would be irrational, so the choice is analogous to the one I have been discussing. Yet, if Jane selects, say, the apple, that may well be because, as a matter of taste, she happens to prefer it. It follows, of course, that, so far as she is concerned, the apple is better. Does not the same apply to the case of pain and money? Actually, though, the apple and pear example has been misdescribed. If it is true that, as a matter of taste, Jane prefers apples, then, contrary to what was said, it would be irrational for her to select the pear. Her choice, in so far as it indicates her tastes, makes that plain, so that in this situation the choice-value thesis applies. On the other hand, when I described Jane's decision about the treatment of her injury as one where neither alternative would be an irrational choice, I meant that Jane's personal characteristics, tastes included, had already been taken into account. By assumption she is not, for instance, a person to whom material deprivation means very little. Therefore, the decision she eventually makes cannot point to a sufficient reason she has for making it. There is a temptation to believe that Jane, because she can make the choice, must have some ground on which to make it. But, whether or not she has a ground, the choice has to be made.

Imagine that Jane decides not to be treated, but after a while changes her mind and has the treatment. If we assume that neither choice was irrational, are we forced to assume that something must have changed in the meanwhile, if not in the situation then in her personal make-up? Must there be something analogous to taste which governs her decisions and which must have altered between the two occasions? I think not. Each time the reasons on each side of the question may have been the same; she simply decided differently between them. Of course, the decisions a person makes do themselves to some extent actually constitute his or her personality; having a taste for apples consists, partly, in regularly choosing apples when given a choice. But making a decision certainly

does not, of itself, create a reason for acting in a particular way. If it did, then Jane, in changing her mind, must be acting irrationally (if none of the other reasons have altered), because her first decision not to be treated would have created a reason not to be treated which she then ignores. I do not think, however, that changing one's mind is necessarily irrational.

Comparing the reasons for bringing about A with those for bringing about B, my argument has been that there are four possibilities: the former are the stronger; the latter are the stronger; they are both of equal strength; or none of these is true. Correspondingly, so far as Jane is concerned, A may be better than B, B may be better than A, the two may be equally good, or none of these may be true. When the fourth possibility applies, it is often said that the alternatives are *incommensurable*. The word is a good one for economics. It raises an image of somebody trying to measure a good of one sort, say the removal of pain, against another, say money, as a scale. It turns out to be like measuring the brilliance of a painting with a light-meter. Pigou recognized that not everything can be measured with the measuring rod of money. Recent welfare economists, on the other hand, seem to acknowledge no limit to the scope of their method. At first sight there is no plausibility at all in supposing that, for example, pain might be valued in terms of money. However, it is inevitable that people, if put in a position of having to, can make choices between incommensurable alternatives. Given that, the choice-value principle translates their choices into valuations; that is its function. It enables welfare economics to stretch its tentacles into unexpected places. The point of my argument is to show that there are, indeed, fields where welfare economics is not competent to venture, because the application of the choice-value thesis is illegitimate. When two alternatives are incommensurable, they are not made commensurable by the mere fact that people can choose between them.

5. Summary

Welfare economics, when it has to decide the relative merits of alternative states of affairs, traditionally bases its decision on the choices that people would make between them if they were in a position to choose. I began this paper by formulating the principle according to which this is done, and set out to see how far it could be justified.

It can appear that the method amounts to no more than allowing people to make their own choices, which is just good liberalism. I argued, however, that the procedures of welfare economics cannot be justified on liberal grounds. The basic reason is that welfare economics does not actually insist that the choices be left to the people concerned. (Indeed, in

cases of conflict it could not.) Its data are the choices which people *would* make *if* it were left to them, but that is a different matter.

There is a second, more traditional, argument that choices are the right basis for evaluations in welfare economics. People's choices are thought to represent the preferences they have between the alternatives, and it is thought to be a good thing to satisfy people's preferences. I pointed out that for such an argument to be acceptable it is essential that the preferences be rational. If somebody selects one of the alternatives rather than the other, but has no good reason for doing so, then there is no reason to say that it is the best alternative for him or her. To be more exact, the choice needs to be based on good, self-interested reasons. They must be self-interested, because if a person were to make a choice for a reason which was not self-interested, then by considering the choice alone we should not get a proper indication of this person's interest, as opposed to the interests of other people.

I investigated cases in which it is not true that the choice rests on good self-interested reasons, and gave some examples of their economic significance. I also explained how there can be difficulties over incommensurable choices. These are ones where the reasons for choosing one way or the other do not settle which is the right alternative to choose. I argued that by ignoring the difficulties of incommensurability, welfare economics has trespassed on domains where it does not belong.

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