

Roger E. Backhouse, Antoinette Baujard, and Tamotsu Nishizawa, eds., *Welfare Theory, Public Action, and Ethical Values: Revisiting the History of Welfare Economics* (Cambridge: Cambridge University Press, 2021), pp. ix + 338, £75 (hardcover). ISBN: 9781108841450.

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This collective book edited by Roger E. Backhouse, Antoinette Baujard, and Tamotsu Nishizawa is a valuable outcome from the ongoing project “Welfare Economists and the Welfare State in Historical Perspective,” which also gave rise to several workshops between 2013 and 2017. It brings together thirteen chapters with a substantial introduction and conclusion by the three editors. It is a book that proposes a thesis, a rare and difficult achievement for a collective work. Specifically, the claim made in the book is the following: “whether we are talking about old, new or contemporary welfare economics, when economists have tackled practical problems, they have adopted a much broader range of ethical judgements beyond welfarism” (p. 1). To better understand the stakes and the scope of this claim, one may turn to Philippe Mongin (2002), whose famous essay “Is There Progress in Normative Economics?” is a reference to the history of welfare economics. Mongin proposes in particular to distinguish several stages in the history of welfare economics (on this subject, see also Baujard 2016): while the first stage corresponds to the first welfare economics and the second stage corresponds to the new welfare economics, “the third stage corresponds roughly to two different forms of normative economics, that is, social choice theory on the one hand, and public economics on the other” (Mongin 2002, p. 147). Having stated this, he adds:

there is some evidence that normative economics might be undergoing a fourth change. The bulk of social choice theory up to the mid-1980s, and public economics throughout as far as I can judge, are *welfarist*. That is to say, they take the information provided by the individuals’ utility functions to be necessary and sufficient data for the social choice or the public decision. This was the element of continuity between the third stage and the first two, as it were. (Mongin 2002, pp. 147–148)

The book therefore proposes to challenge the now standard view that only the fourth stage of normative economics is beginning to really emancipate itself from the hitherto dominant welfarism and to introduce non-welfarist elements into the analyses. On the contrary, according to Backhouse, Baujard, and Nishizawa, non-welfarist elements are present from the very beginning of the history of welfare economics, especially “when (seemingly welfarist) economists engage with practice” (p. 7). The editors identify three ways in which welfarism has been challenged by its promoters: by taking into account other ethical values such as freedom or distributive issues; by challenging individualism and including considerations specific to the collectivity or to the community; and by questioning welfarism itself. Having observed that the economists involved in this departure from welfarism have effected that departure in several ways, the editors opt for a chronological plan, a pertinent and coherent choice but one which has the minor disadvantage of presenting a description of the chapters that is slightly disturbing on first reading for they are reviewed depending on these different departures (pp. 8–14).

The first part of the book (“Plurality of Welfare in the Making of Welfare Economics”) has six chapters, and the second part (“Developing Modern Welfare Economics”) has seven. In Chapter 1, Yuichi Shionoya brings together the two sides of John Ruskin’s thought (economics and his treatment of art) and shows in particular that Ruskin argued that the criterion for distributing wealth should be based on social affection, self-sacrifice, and justice. Chapter 2, by Peter Cain, depicts Ruskin’s influence over John Hobson and explains why the latter finally adopted the ideas of the former regarding the definition of the good life. In Chapter 3, Tamotsu Nishizawa shows that Alfred Marshall’s framework is based on a conception of “organic life-growth,” which deals with improvement in human character and capabilities. Chapter 4, by Satoshi Yamazaki, aims at showing that Arthur Cecil Pigou’s work comprises non-welfarist aspects, especially when it comes to practical requirements. Richard Arena’s Chapter 5 demonstrates that the view that Léon Walras can be seen as a welfarist contradicts the foundations of Walras’s economic and social philosophy. Chapter 6, by Rogério Arthmar and Michael McLure, explores Vilfredo Pareto’s thought and shows how he departs from welfarism when he turns to sociology. Kotaro Suzumura, in Chapter 7, attempts to explain John Hicks’s mystery by scrutinizing his famous 1959 Manifesto on the state of welfare economics. Roger Backhouse’s Chapter 8 documents the origins of Paul Samuelson’s ideas about social welfare, which include ethical judgments from outside positivistic economics. Chapter 9, by Steven Medema, shows that when the Coase theorem was applied to environmental economics, economists resorted to non-welfarist criteria. In Chapter 10, Maxime Desmarais-Tremblay explains that Richard Musgrave has always implicitly argued for a more collective approach beyond individualism, especially when it comes to the issue of merit goods. Chapter 11 by Nao Saito attempts to show that Kenneth Arrow progressively evolves from welfarism to non-welfarism regarding the issue of justice. Chapter 12, by Constanze Binder, demonstrates that the capability approach, which goes beyond welfarism by focusing on the intrinsic value of freedom, faces a tension between preference adaptation (a problem raised by utilitarianism) and the risk of paternalism (a problem raised by resources-based theories), while a promising path to escape this tension is a focus on agency. Muriel Gilardone’s Chapter 13 documents the evolution of Amartya Sen’s thought via his involvement in international institutions and his applied work on famines, gender inequalities, and the human development approach.

As one easily sees and as explicitly stressed by the editors, aside from Ruskin and Hobson, the book covers “many of the major figures in twentieth-century welfare economics—Marshall, Pigou, Pareto, Hicks, Samuelson, Coase, Musgrave, Arrow and Sen” (p. 14), which is consonant with Backhouse, Baujard, and Nishizawa’s original proposal to “revisit” the history of welfare economics. The book is admirably constructed in that there is a genuine conceptual and chronological consistency throughout the text and from one chapter to another: this undeniably a real asset of the book; and another is the fact that all thirteen chapters have been written by eminent specialists on each of the authors considered. Therefore, beyond the flow of ideas that leads the reader progressively from Ruskin to Sen, each of the chapters presents real interest in itself. While I do not have room here to comment on each of them individually, I would nevertheless like to come back to three points that seem to me to be crucial in terms of the general problematic of the book before discussing it.

First, it would be interesting to establish the connections and differences between Chapter 6 (on Pareto) and Chapter 8 (on Samuelson). Indeed, as depicted by Abram Bergson (1982) and Samuelson (1981, 1983), the elaboration of the so-called Bergson-Samuelson social welfare function goes back to their common Harvard days during the late thirties, when both tried to understand the “more obscure chapters of Pareto’s *Manuel*” (Hicks 1975, quoted by Backhouse 1985, p. 170). Yet, stressing the difference between Pareto’s “maximum *for* the community” and “maximum *of* the community” and speaking of the latter, Rogério Arthmar and Michael McLure claim surprisingly that “the lack of ‘Paretian’ preference ordering, the use of a ‘sociological bridge’ to facilitate interpersonal comparisons of utility and the removal of the Pareto test for the maximum of the community ensures that Pareto’s sociological approach to ‘social utility’ did not anticipate the social welfare function of the Bergson-Samuelson variety” (p. 152). Now, regarding ophelimity, the contrary applies: “differentiating the role of the Ministry of Production from that of the Ministry of Justice, recognizing that there is ‘no bridge’ by which economists can make comparisons of ophelimity between individuals; subjecting welfare analytics to the Pareto test or the compensation criterion” (p. 148). It could thus be argued that the Bergson-Samuelson social welfare function indeed achieves a reconciliation of the two opposite views elaborated by Pareto, since it implies both Paretianism and a kind of interpersonal comparison of utility as stressed by Samuelson: “anyone who excludes interpersonal comparisons of individual utilities will get no reliance at all from Pareto efficiency” (Samuelson’s papers, Samuelson to Suzumura, May 21, 2004),¹ not to mention “the notion of ‘an imposed-from-outside’ function that represented a particular set of ethical values” as stressed by Roger Backhouse (p. 191).

Second, Kotaro Suzumura’s Chapter 7 on Hicks’s Manifesto, which is particularly well placed at the heart of the book by tracing stages one and two of welfare economics and setting clear milestones for those to come (which will be developed in the second part of the book), also offers some very stimulating reflections by embracing the history of welfare economics from Pigou to Sen (2009) and his famous distinction between the comparative approach to social justice and transcendental institutionalism. Kotaro Suzumura seems to suggest here and there that some works or authors correspond more to one or the other of these approaches described by Sen (see, for instance, p. 164 or p. 166). Such subtle comments thus raise the interesting question of whether Sen’s distinction could be used as a key explanation to describe the evolution of welfare economics from its utilitarian foundations up to now.

Third, it seems that the important formal and conceptual discontinuity between the “new” welfare economics—which encompasses the Bergson-Samuelson social welfare function—and Arrow’s impossibility theorem—which marks the passage from stage two to stage three following Mongin (2002)²—could have been more emphasized, especially in Nao Saito’s Chapter 11 on Arrow. And while Samuelson’s attitude with respect to ethical judgments is very clearly depicted in Chapter 8, Chapter 11 is a bit more allusive and lacking in quotations from the primary literature that would fully convince the reader of Arrow’s evolution from welfarism to non-welfarism. Is, for

¹ For details on this specific issue, see notably Fleurbaey (2003), Fleurbaey and Mongin (2005), and Igersheim (2019).

² “It is often said that Arrow’s *Social Choice and Individual Values* in 1951 gave a fatal blow to the new welfare economics” (Mongin 2002, p. 147).

instance, the young Arrow a pure welfarist? One might doubt it when one thinks of the distinction he drew between values and tastes in *Social Choice and Individual Values*. Further, it has to be recalled that his famous impossibility result amounts to concluding that one should reintroduce interpersonal comparisons of utility into the analysis so that imposed or dictatorial social preferences can be avoided. If, with Lionel Robbins ([1932] 1969), one equates non-neutral judgments with interpersonal comparisons of utility, is this not a way to implicitly promote the reintroduction of non-welfarist ethical judgments into economics? On the other hand, in his late years, Arrow still had doubts regarding the appropriateness of imposing his ethics on others, as stressed by Saito herself (p. 268 n12). For instance, in the Suzumura interview, Samuelson remains convinced of his important difference with Arrow on this issue (in Suzumura 2005, p. 341):

Arrow has said more than once that any theory of ethics boils down to how the individuals involved feel about ethics. I strongly disagree. I think every one of us as individuals knows that our orderings are imperfect. They are inconsistent; they are changeable; they come back. ... There are no ideal individuals who, as adults, suddenly become these perfect individuals. People talk about paternalism as if we were bowing down to a dictator, but it is wrong in ethics to rule out imposition, and even dictatorship, because that is the essence of ethics.

Let us now turn for a brief moment to the general thesis of the book. While to me it appears convincing as a whole (i.e., their claim that “economists ... have repeatedly engaged in non-welfarist analysis,” p. 321), I must say that the notion of linking this idea with practice (e.g., “these departures from welfarism occurred when economists engaged with practice,” p. 321) does not seem as appealing, all the more so given that the editors acknowledge that “such a distinction [between theory and practice] is impossible to draw precisely” (p. 321 n2). For several of the authors addressed in the book (such as Marshall, Pareto, or Samuelson), the shift beyond welfarism does not occur in practice but precisely in their theoretical framework. Besides, if one adopts the definition proposed by Backhouse, Baujard, and Nishizawa right from the start of the introduction (“welfare economics is the part of economics that deals with evaluating states of the world and formulating recommendations for policies that would improve the well-being of society as a whole,” p. 1), isn’t welfare economics always in a sense concerned with practical considerations? In such circumstances, isn’t any welfarist economist engaged in practice from the very start of his reflection?

To end this review, allow me raise two last questions/comments; for we know well that any work as stimulating as this will open up more new research questions than it solves! First, the editors end their introduction by stressing that in the light of their thesis, “there is a strong case that the history of welfare economics should be rewritten” (p. 14). One would like to know more about their ideas on this issue. Is this to imply that the four steps described by Mongin (2002) and Baujard (2016) have to be revised? If so, in which direction? Second, in the last section of the conclusion (“Economics as a Moral Science”), the editors stress that the two fundamental theorems of welfare economics in particular have led to the “specialization” of normative issues, i.e., “consideration of the principles underlying welfare economics ... became a specialized activity” (p. 327), thus promoting the reintroduction of ethical judgments in economics, which would force economists to go beyond welfarism and formal models but without falling into the

fetishism of data. This idea is also underlined by Gilardone, following Sen: “we should not reduce the wealth of information about how human beings in each society live and what substantive freedoms they enjoy to pure numbers” (p. 315). Is there a way here to truly reconcile economic theory and empirical issues, not only in normative economics but in economics as a whole? This seems to be a promising path.

In a nutshell, while one may in some circumstances agree with Hilary Putnam that “the worst thing about the fact/value dichotomy is that in practice it functions as a discussion-stopper, and not just a discussion-stopper, but a thought-stopper” (2002, p. 44) (recalled by Suzumura in Chapter 7 and by Backhouse, Baujard, and Nishizawa in their conclusion), the very least we can say about this brilliant collective book is that while it deals with this dichotomy, it is far from being a thought-stopper. Quite the contrary: it offers magnificent food for thought.

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