

Closing Panel

Marc Fleurbaey, Dan Hausman, Greg Mankiw, Tim Scanlon
Moderator: Nathan Hendren

Marc Fleurbaey

I want to respond to a point raised by Matt Weinzierl and Itai Sher, about whether and how we should be aggregating welfare. There is an easy solution adopted by many: simply take wellbeing as the object to be aggregated by some social welfare function. But after this first level, then we must decide which social welfare function to use and what measure of wellbeing to use. This second level is resolved perhaps only through democratic deliberation. I want to encourage all of us to talk more about concrete measures of wellbeing and avoid remaining steeped in abstractions—for instance, deliberations over the use of a concave social welfare function. Building on Matt's discussion of envy, I also think we need to wrestle with the question of where to draw the line separating which preferences are kosher.

Turning to business ethics, the academy needs to realize that we are living in a corporate economy and not a market economy. Research should pay more attention to what is happening inside the firm rather than treating it as a black box and considering individual micro-utility on its own. Understanding the role of organizations in determining the distribution of welfare is critical.

Turning to population ethics, should we put a lower weight on future people? Should we try to make happy people? The God perspective, which considers the whole stock of potential people who will ever exist, is dominant in this literature. Given that population ethics is a nightmare that is full of conundrums, Partha's approach that considers the procreation choice made each generation might be an interesting way to narrow the question.

Dan Hausman

Economics is an individualistic discipline, and yet economists don't care about consequences for individual people. Both positive and normative economists have adopted a spare model of the world—a minor variation on folk psychology. They explain behavior using preferences, constraints, and beliefs, where preferences are subjective evaluations of alternatives. Because preferences are cognitive and therefore determined by reasons, economists can say that they have already accounted for reasons and can slide back and forth between the preferences and reasons as though they were interchangeable.

If you adopt such a model and further assume that people are self-interested, competent at evaluating alternatives, heroically do not have false beliefs, and are rational (i.e. preferences

satisfy certain axioms), choices will actually reflect preferences and what is best for people. So-called revealed choice allows economists to slide back and forth between preferences and choices.

Greg Mankiw

I am a low brow applied macro economist, so you might ask why I would be interested in translating between the disciplines of economics and philosophy. I am here primarily to nuance the theory of the firm and to help my students in Ec10 to see the links between fields. Moreover, when I think about policy, I need to understand better the perspective of philosophers.

Economists are utilitarian; we spend most of our time maximizing subject to constraints and often take the general framework as given. But I have come to think that utilitarianism is the wrong framework. The Mirrlees optimal tax problem is all about unobservable type in a second-best world. However, if we could achieve the first-best, a utilitarian setup yields a result in which more productive people have less utility. This is a completely antimeritocratic world, so I don't think that this should be what we are aiming for. Economists need to think more about desert, especially given that our intuitions are often about desert. The Occupy Movement, for example, is all about desert. It was not Occupy Taylor Swift or Silicon Valley. It was Occupy Wall Street. To my mind, there are three big questions about desert that economists and philosophers need to tackle: What is deserved? How do we formalize desert? And how do we quantify desert?

Tim Scanlon

I was not going to address desert, but since the subject was just raised, I will explain my view. Prior to arriving at a desert basis in economics, it is first necessary to justify the social and economic institutions that determine the allocation of benefits and burdens. Only then can outcomes be thought of as deserved. However, it is a mistake to think that there is some separate, pre-institutional notion of desert in economics.

Turning to the topic of wellbeing and following up on some of Marc's comments, wellbeing is an overrated concept. It is important morally but in a different way than people normally think. Theory must inform us what it is about you that we need to care about; there is no independent idea that informs us. In particular, welfare cannot be fulfilled by considering preferences. After all, we have preferences about everything. (Arrow's impossibility theorem starts with a domain that defines a notion of *relevant* preferences.)

On preferences versus reasons, I want to make a plea in defense of reasons. To have a preference is to have a view about reasons; but the fact that an individual has a preference doesn't itself provide a reason. Rather, preference is the expression of a reason. Claims about preferences are claims about peoples' psychologies. While this is undoubtedly important as a predictive science, welfare economics goes one step further and attributes normative significance to preferences. This reliance on preferences does not rest on any endorsement of particular preferences. In fact, this agnosticism is acknowledged as an advantage of this approach. It would be paternalistic to judge preferences, and we should be neutral as social planners.

In Matt's paper on how to treat envy-based preferences, we are confronted by an additional, hidden claim about preferences in welfare economics. We have a neutral social planner but also should consider the other people in society with their preferences. The social planner is telling everyone that the policy outcomes must be accepted by virtue of other people's preferences. In other words, other people's preferences for envy is the reason why I [other people] should have less. It is helpful to see here that this agnosticism is a generalization of religious tolerance in the face of the law. Religious tolerance, as explained by Karl Marx, is not about expressing the view that all religions are equal but merely that, from the point of view of law, we cannot make that judgement.

Q and A

Glen Weyl: I want us to think about racism and how that connects to the corruption of values, as Michael Sandel discussed yesterday. One way to think about discussions around racism—for instance when discussing racial profiling—is that we want people to operate from behind the veil of ignorance. Otherwise, we will corrupt the public sphere.

Marc Fleurbaey: When, if ever, should we take on board people's strong feelings just because they have preferences? What are respectful preferences?

Greg Mankiw: On Glen's comment about the morality of statistical discrimination, we must come to grips with the fact we will continue to do this all the time in the presence of incomplete information. There is a separate question of when it is acceptable to use statistical discrimination.

Glen Weyl: I find our conversation to be flat on a sociological dimension. We cannot ignore race because we have created these racial categories that have long run effects.

Matt Weinzierl: I have a methodological question. Three of you mentioned having opinions that have evolved on central issues. Do we think that we [in the academia] are all learning from each

other? Or should we only take seriously your [the panelists'] final books? Given that our disciples are not like physics, how do we know when we are making progress?

Tim Scanlon: We find mistakes over time. Some questions, you just need to get there yourself over time. Other questions, the more you think about, the less settled you are.

Marc Fleurbaey: Our job is to figure out what is reasonable and what is not reasonable achieve a consensus as to what questions should be on the table. There are some things that we all agree are on the table.

Tim Scanlon: What is on the table must be given to us, and it is changing over time. For instance, ethnic identity is a new topic.

Itai Sher: Al Roth says that we need to bring to bear a larger moral consideration. Some people think that it is not for economists to cast judgement on such moral considerations. How, then, do economists supply something useful with respect to other people's judgements?

Nathan: Who should we think of as the audience of our deliberations?

Answer: Maybe individuals are our audience, and we are helping them to live better lives. Or politicians, to help them make better political choices.

Greg Mankiw: First we need to convince each other—the academy—and then voters. Politicians are elected followers, not leaders. For instance, we need to convince individuals to support a carbon tax and then politician will follow.