

Collective Welfare (v. 1)

University of Bayreuth

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S6 (GW2)

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OVERVIEW

Here are some questions which are of strong concern in both economics and philosophy: What makes the lives of people in a society go well? How do we measure well-being in robust and transparent ways? How should we judge complicated distributions of well-being in which some are much happier than others? How do we compare welfare between people? And what, after all, makes one person's life go better than that of another?

In this interdisciplinary seminar, we will broach some of these questions. The course will be split into six parts: (1) welfare in philosophy, (2) welfare in economics, (3) methods of comparing and aggregating welfare, (4) welfare in happiness research, (5) GDP and alternative welfare measurements, and (6) implications for political theory and practice.

The seminar aims to be widely accessible, with a focus on underlying ideas. Discussion of formal aspects of welfare measurement will be held to a minimum.

CREDIT POINTS

One ECTS credit point equals around 30 hours of student workload. Using this formula, here's a rough calculation how you will earn two credit points:

Attendance at seminar	20 hours
Required readings and literature review (10 texts, 2½ hours for each text)	25 hours
Preparing an essay or presentation	15 hours
Total	60 hours = 2cp

If you wish to take this seminar for more than 2 credit points, you will need to write a Hausarbeit (see below). As a rule of thumb, I will expect a Hausarbeit to be 5,000–8,000 words, depending on the amount of credit points taken.

REQUIREMENTS

Literature Review

Before the seminar starts, you need to send me a **literature review** of required readings (see right). In your literature review, you should briefly summarise the main claims of each of the papers. You should also add some comments about or critique of the paper in question. From reading your reviews, I must get the impression that you have read the papers, grasped their central points, and given critical attention to them. There's no set word limit, but a good review of each paper is usually around 200 words.

Deadline: **the day before the seminar**, please send per email. If you send your review earlier, I also have a chance to take them into account when preparing for the seminar: for example, if you have questions or critical remarks. Literature reviews are graded on a pass/fail basis.

Required Readings	
1	Parfit (session 2)
2	any text from sessions 1-3
3	Angner (session 4)
4	Hausman/McPherson (session 6)
5	any text from sessions 4-6
6	Di Tella/MacCulloch (session 10)
7	Easterlin (session 11)
8	Reader on GDP (session 13)
9	any text from sessions 13-16
10	Diener/Seligman (session 18)

Presentations

In some sessions, there will be slots for student presentations. Presentations should be short (~10 mins.). Keep them easy and accessible. Your presentations should highlight one central point or argument to your fellow students. They should not be summaries of the literature: it's your job to extract the central point from the papers you read.

Deadline: **7 December**, per email. I expect your presentation by this date (slides or notes). I will send you feedback on your presentation, and I expect you to change your presentation accordingly. If you are not planning to use slides, please send me notes on your presentation, or your planned handout. Presentations are graded on a pass/fail basis.

Short Essays

Students who do not present will have to write an essay on a topic from the reading list, engaging with the literature for that topic. Essays should be 1,500–2,500 words long, and the deadline for them is **12 December**. Essays are graded on a pass/fail basis.

In your essay, I expect you to give an independent argument for a narrow claim. Thus, a good paper is not merely a retelling of one's opinion, or a rhetorical appeal to some authority. Rather, it progresses from clear premises through a number of transparent steps to a conclusion. I have more information about the requirements of a good philosophical essay on my website.

Hausarbeiten (*Research Essays*)

If you want to write a *Hausarbeit*, we will decide together on a topic. The topic must be roughly related to the seminar, but does not have to be from the issues on the seminar list. It is best that you have a rough idea of what you want before the seminar, so that we can talk about it while I'm in Bayreuth.

There will be three strictly enforced deadlines: **15 January** for a one-page proposal (I will not accept Hausarbeiten after this date!), **28 February** for handing in a draft (optional), and **31 March** for the finished version.

SCHEDULE

This is the timetable as currently planned. Shorter breaks are included in the posted times. Please note that all times are approximate and will be adjusted as the seminar proceeds.

Friday	12½-13		Welcome
14th Dec		PART I. Welfare in Philosophy	
	13-13½	Lecture	1. Introduction/What is Welfare?
	13½-14½	Pres&Disc	2. Approaches to Welfare
	14½-16	Interactive	3. Developing a Theory of Welfare
		PART II. Welfare in Economics	
	16-17	Pres&Disc	4. Branches of Economics
	17-18	Interactive	5. Utility and Preferences
Saturday	10-10½	Lecture	6. Welfare Economics
15th Dec		PART III. Comparing/Distributing Welfare	
	10½-11½	Lecture	7. Interpersonal Utility Comparisons
	11½-12½	Pres&Disc	8. Equality, Priority, Sufficiency
		————— Lunch Break —————	
	13½-15	Interactive	9. The Veil of Ignorance
		Part IV. Happiness Research	
	15-16	Pres&Disc	10. Main Results
	16-17	Pres&Disc	11. The Hedonic Treadmill
	17-18	Interactive	12. Easterlin Paradox
Sunday		Part V. GDP and Alternative Measurements	
16th Dec	10-11	Interactive	13. GDP
	11-11½	Pres&Disc	14. Alternatives to GDP
	11½-12	Pres&Disc	15. Human Development Index
		————— Lunch Break —————	
	13-15	Interactive	16. Measuring Collective Welfare
		Part VI. Implications for Theory & Practice	
	15-16	Interactive	17. Changing Economics?
	16-17	Interactive	18. Happiness-Based Politics?
	17-17½		Feedback

STUDENT PRESENTATIONS

There will be a number of student presentations throughout the course. Please note that these presentations will often not follow the standard format of simply summarising the text. Details can be found below. For all presentations, you will work closely with me before the course to ensure that your presentation has some value for your classmates.

No.	Session	Topic / Format / Length
1-3	2	<p>Theories of Welfare / Providing Overview & Answering General Questions / 5 min. presentations + 10 min. Q & A</p> <p>Each student will be tasked to acquaint themselves with one major theory of well-being (hedonism, desire satisfaction, objective list). The presentation should contain: (i) what the theory says, (ii) why the theory is appealing, (iii) one or two problems with the theory. Presentations should be brief (~5 mins.). Students must be able to answer questions from their classmates afterwards. The three presentations can also be prepared as a team.</p>
4	4	<p>Branches of Economics / Summary & Giving Critical Impulse & Leading Discussion / 5 min. presentation & 25 min. leading discussion</p> <p>Summarise the Angner text. Because the text is part of the required readings, the summary part should be short. The main task is to design some questions for discussion for the class. The presenter for this session should ideally have a strong background in economics.</p>
5-7	8	<p>Theories of Distribution / Providing Overview & Answering General Questions / 5 min. presentations & 10 min. Q & A</p> <p>These presentations are similar to #1-3, so read the description there. It is more important here that the presenting students coordinate their presentations.</p>
8-10	10	<p>Results from Happiness Research / Presenting Case Study & Answering Detailed Questions / 8 min. presentations & 12 min. expert interview</p> <p>For this presentation, students should research a topic in happiness research of their choice. For example, they could present on the effect that inequality, marriage, losing your job, ..., has on happiness. Look at the Di Tella/MacCulloch paper to find relevant literature. In particular, I expect you to present a particular study or paper. Your presentation should allow students to understand the study/paper without having read it. You should also serve as an expert, and be able to ask questions about it. Students working on this topic should coordinate so that there is no overlap in subtopics.</p>
11	11	<p>Hedonic Tread Mill / Present Main Findings / 10 min. presentation</p> <p>The two marked readings should be presented. Not all results from the readings should be shown. Instead, the presenter should pick what s/he thinks are the most interesting and most challenging results.</p>
12	14	<p>Alternatives to GDP / Give Overview / 10 min. presentation</p> <p>The main outlines of the alternatives sketched in the Fleurbaey/Blanchet text should be given. The aim is not to summarise all the detail provided in the text. Your classmates should get a general idea of how different alternatives to GDP work; the specifics will be discussed later.</p>
13	15	<p>Human Development Index / Present Details of HDI / 10 min. presentation</p> <p>You will be required to do some research on your own about how HDI is computed, and about its possible shortcomings, and present your findings to your classmates.</p>

CONTENTS

Readings marked with two stars (**) are required readings for all students. Readings marked with one star (*) are recommended readings, and required for students presenting on the given topic. Contact me for further reading suggestions.

PART I. Welfare in Philosophy

In this introductory part, you will learn major philosophical theories of well-being. You will then be asked to apply those theories to a number of puzzle cases, and to come up with your own revisions to those theories.

1. What is Welfare?

What is the difference between welfare, well-being, happiness, life satisfaction, meaningfulness etc.? What is the moral significance of well-being? What is its role in moral and political thought?

I will give a short introductory lecture, and sketch the main issues that we will discuss in the course.

*Haybron, Daniel. "What Do We Want from a Theory of Happiness?" *Metaphilosophy* 34 (2003): 305–29.

Dowding, Keith. 'What Is Welfare and How Can We Measure It?' In *The Oxford Handbook of Philosophy of Economics*, edited by Don Ross and Harold Kincaid, 511–39. Oxford University Press, 2009.

Holtug, Nils. "Welfarism – The Very Idea." *Utilitas* 15 (2003): 151–74.

2. Approaches to Welfare

What are the main philosophical approaches to understand well-being? Is the best account of well-being subjective or objective?

There will be three student presentations, each presenting one of the major theories of welfare in the philosophical literature (hedonism, preference, objective list).

**Parfit, Derek. *Reasons and Persons*. Clarendon Press, 1984. Appendix I, "What makes someone's life go best".

Scanlon, T. M. "Preference and Urgency." *Journal of Philosophy* 72 (1975): 655–69.

Kagan, Shelly. "Well-being as Enjoying the Good". *Philosophical Perspectives* 23 (2009): 253–72.

*Griffin, James. *Well-Being: Its Meaning, Measurement and Moral Importance*. Oxford University Press, 1988. (for student presenting on preference)

*Feldman, Fred. *Pleasure and the Good Life: Concerning the Nature, Varieties and Plausibility of Hedonism*. Oxford University Press, 2004. (for student presenting on hedonism)

*Adams, Robert. *Finite and Infinite Goods: A Framework for Ethics*. Oxford University Press, 2002. (for student presenting on objective list theory)

3. Developing a Theory of Welfare

There will be a student exercise in which students will look at difficult cases. They will apply different theories of well-being to those cases, exploring which theories deal with those cases best. In the course of this exercise, your task is to try to develop a theory of welfare which deals with as many cases as possible.

PART II. Welfare in Economics

In this part, we will switch to economics, and discuss how economists standardly think about welfare—in particular, how they think about when some distribution of welfare is preferable to some other distribution.

4. Branches of Economics

How do economists understand well-being (explicitly or implicitly)?

There will be one student presentation on the main text under discussion.

**Angner, Erik. 'Well-Being and Economics'. SSRN Scholarly Paper. Rochester, NY: Social Science Research Network, 15 January 2015. <https://papers.ssrn.com/abstract=2551037>.

Mongin, Philippe, and Claude d'Aspremont. 'Utility Theory and Ethics'. In *Handbook of Utility Theory, Volume 1: Principles*, edited by Salvador Barberá, Peter Hammond, and Christian Seidl, 371–481. Kluwer Dordrecht, 1998.

Hausman, Daniel M. *Preference, Value, Choice, and Welfare*. Cambridge University Press, 2011.

5. Utility and Preferences

What is utility? How does utility relate to preferences? What are adaptive preferences? How do they pose a problem for standard moral theories? Should uninformed and morally repugnant preferences count?

There will be a student exercise on how we should judge the welfare of people with adaptive preferences, and what policy responses those might require.

Broome, John. "Utility." *Economics and Philosophy* 7 (1991): 1–12.

Elster, Jon. *Sour Grapes: Studies in the Subversion of Rationality*. Cambridge University Press, 1985. Chapter 3, "Sour Grapes".

*Nussbaum, Martha. 'Adaptive Preferences and Women's Options'. *Economics and Philosophy* 17 (2001): 67–88.

6. Welfare Economics

What is welfare economics? How do economists generally tend to think about welfare? Is that approach problematic from a philosophical perspective? Is the Pareto criterion a convincing account of making welfare comparisons? Is economic efficiency a desirable aim for policy, if understood in a Pareto sense?

I will give an interactive lecture on some of these questions. The aim is to understand the limits of the Pareto criterion.

- **Hausman, Daniel and M. McPherson. "The Philosophical Foundations of Mainstream Normative Economics", in D. Hausman (ed.), *The Philosophy of Economics: An Anthology*, 226-250. Routledge, 2008.
- Kaldor, Nicholas. "Welfare Propositions of Economics and Interpersonal Comparisons of Utility." *Economic Journal* 49 (1939): 549–52.
- Sarch, Alexander. "Hausman and McPherson on Welfare Economics and Preference Satisfaction Theories of Welfare: A Critical Notice." *Economics & Philosophy* 31 (2015): 141–59.
- Blaug, Mark. "The Fundamental Theorems of Modern Welfare Economics, Historically Contemplated." *History of Political Economy* 39 (2007): 185–207.

PART III. Distributing Welfare

If we ignore two extremes of aggregating welfare—the relatively powerless Pareto principle on the one hand, and the simple but radical utilitarian sum-ranking on the other—we must face the complicated question how a social welfare function is to be constructed. In this part of the course, we will talk about how welfare across people can be compared (if it can), and what a plausible moral way would be to think about the distribution of well-being across people.

7. Interpersonal Utility Comparisons

Are comparisons of welfare across people possible? If not, why not? If they are, how do we compare welfare across people? Why are economists generally sceptical of interpersonal comparisons?

- *Hausman, Daniel. 'The Impossibility of Interpersonal Utility Comparisons'. *Mind* 104 (1995): 473–90.
- Cooter, Robert, and Peter Rappoport. "Were the Ordinalists Wrong about Welfare Economics?" *Journal of Economic Literature* 22 (1984): 507–530.
- List, Christian. "Are Interpersonal Comparisons of Utility Indeterminate?" *Erkenntnis* 58 (2003): 229–60.
- Adler, Matthew. "Extended Preferences and Interpersonal Comparisons: A New Account." *Economics and Philosophy* 30 (2014): 123–162.
- Hammond, Peter. "Interpersonal Comparisons of Utility: Why and How They Are and Should Be Made." In *Interpersonal Comparisons of Well-Being*, edited by Jon Elster, 200–254. Cambridge University Press, 1991.

8. Priority, Equality, Sufficiency

Does the welfare of the less well-off count more, morally, than the welfare of the better-off? How can this idea be motivated? Does it deliver intuitively plausible results? Does inequality in welfare matter, morally speaking? If so, how does it matter?

There will be three brief student presentations on each of the main views concerning the distribution of welfare (egalitarianism, priority views, suf-

iciency views). We will discuss how these views might be mathematically modelled, and potential shortcomings.

*Parfit, Derek. 'Equality and Priority'. *Ratio* 10 (1997): 202-221. (for the student on the priority view)

*Frankfurt, Harry. "Equality as a Moral Ideal." *Ethics* 98 (1987): 21-43. (for the student presenting on the sufficiency view)

*Tamkin, Larry. "Egalitarianism Defended." *Ethics* 113 (2003): 764-782. (for the student presenting egalitarianism)

Crisp, Roger. 'Equality, Priority, and Compassion'. *Ethics* 113 (2003): 745-763.

9. The Veil of Ignorance

What form of social redistribution would be chosen under a veil of ignorance?

There will be a student exercise on what type of social welfare function students would choose if they did not know their social position in society, and how their views would adjust if progressively more information would be introduced.

Buchak, Lara. "Taking Risks behind the Veil of Ignorance." *Ethics* 127 (2017): 610-644.

Frohlich, Norman, Joe Oppenheimer, and Cheryl Eavey. "Choices of Principles of Distributive Justice in Experimental Groups." *American Journal of Political Science* 31 (1987): 606.

Harsanyi, John. "Can the Maximin Principle Serve as a Basis for Morality? A Critique of John Rawls's Theory." *American Political Science Review* 69 (1975): 594-606.

Konow, James. "Which Is the Fairest One of All? A Positive Analysis of Justice Theories." *Journal of Economic Literature* 41 (2003): 1188-1239.

Rawls, John. *A Theory of Justice*. Revised Edition. Cambridge: Belknap Press of Harvard University Press, 1999. Chapter 3, "The Original Position."

PART IV. Happiness Research

In this section, we will look at happiness research, an interdisciplinary field at the intersection of psychology, economics, and philosophy. Happiness research supports some intuitive judgments about when people are happy, but also delivers some counterintuitive results. We will discuss how we should interpret such results, as well as whether (and how) they should change our moral and political views.

10. Main Results

What are some of the main results from happiness research? How should these results affect our philosophical or economic thinking about welfare?

There will be three student discussions in which students should present findings from happiness research of their choice. The presentations will follow an "expert interview" model.

**Di Tella, Rafael, and Robert MacCulloch. "Some Uses of Happiness Data in Economics." *Journal of Economic Perspectives* 20 (2006): 25–46.

Kahneman, Daniel, and Alan B. Krueger. "Developments in the Measurement of Subjective Well-Being." *Journal of Economic Perspectives* 20 (2006): 3–24.

Dolan, Paul, Tessa Peasgood, and Mathew White. "Do We Really Know What Makes Us Happy? A Review of the Economic Literature on the Factors Associated with Subjective Well-Being." *Journal of Economic Psychology* 29 (2008): 94–122.

Weimann, Joachim, Andreas Knabe, and Ronnie Schöb. *Measuring Happiness*. MIT Press, 2015.

11. The Hedonic Treadmill

What is the hedonic treadmill? Is there a natural point of happiness to which we tend to return? What implications would this have for public policy?

There will be a student exercise on the shortcomings of relying on empirical data from happiness research. We will also return to some of the cases from day 1.

*Brickman, P., D. Coates, and R. Janoff-Bulman. 'Lottery Winners and Accident Victims: Is Happiness Relative?' *Journal of Personality and Social Psychology* 36 (1978): 917–27.

Sheldon, Kennon, and Sonja Lyubomirsky. 'Achieving Sustainable Gains in Happiness: Change Your Actions, Not Your Circumstances'. *Journal of Happiness Studies* 7 (2006): 55–86.

*Lykken, David, and Auke Tellegen. 'Happiness Is a Stochastic Phenomenon'. *Psychological Science* 7 (1996): 186–89.

Oswald, Andrew, and Nattavudh Powdthavee. 'Does Happiness Adapt? A Longitudinal Study of Disability with Implications for Economists and Judges'. *Journal of Public Economics* 92 (2008): 1061–77.

12. The Easterlin Paradox

What is the Easterlin Paradox? What is the most plausible explanation for it? Has the Easterlin Paradox been refuted? If it is real, what, if any, implications does it have for economic policy?

There will be a group work exercise on how different economists, politicians and civic groups with different political and scientific backgrounds might react to the Easterlin paradox.

**Easterlin, Richard. "Will Raising the Incomes of All Increase the Happiness of All?" *Journal of Economic Behavior & Organization* 27 (1995): 35–47.

Inglehart, Ronald, Roberto Foa, Christopher Peterson, and Christian Welzel. "Development, Freedom, and Rising Happiness: A Global Perspective (1981–2007)." *Perspectives on Psychological Science* 3 (2008): 264–285.

Stevenson, Betsey, and Justin Wolfers. 'Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox'. Working Paper. National Bureau of Economic Research, August 2008.

Graham, Carol. *Happiness Around the World: The Paradox of Happy Peasants and Miserable Millionaires*. Oxford University Press, 2012.

PART V. GDP and Its Alternatives

In this part of the course, we will discuss whether GDP is a good aim to politically assess the welfare of a country. In the first three sessions, GDP and its main alternatives will be outlined and discussed. In the final session, students will team up to defend one of the indicators before a “philosophical Supreme Court”.

13. GDP

How is GDP measured? What are the main criticisms of GDP? Is GDP a more useful measure of welfare than its reputation suggests? Should we adjust GDP for inequality?

There will be a student exercise on how GDP is computed, particularly, what gets included and what does not. This will lead into a discussion of shortcomings of GDP.

**Reader on GDP (provided via Dropbox)

Coyle, Diane. *GDP: A Brief but Affectionate History*. Princeton University Press, 2014.

van den Bergh, Jeroen. ‘The GDP Paradox’. *Journal of Economic Psychology* 30 (2009): 117–35.

14. Other Alternatives

What are alternatives to GDP? What are strengths and weaknesses of these alternatives?

There will be a student discussion presenting the Fleurbaey/Blanchet chapter.

*Fleurbaey, Marc, and Didier Blanchet. *Beyond GDP: Measuring Welfare and Assessing Sustainability*. Oxford University Press, 2013. Chapter 1.

Krueger, Alan. *Measuring the Subjective Well-Being of Nations: National Accounts of Time Use and Well-Being*. University of Chicago Press, 2009.

Rodenhäuser, Dorothee, Benjamin Held and Hans Diefenbacher. “NWI 2018 – Konsum treibt die Entwicklung des nationalen Wohlfahrtsindex an”. IMK Policy Brief, July 2018. https://www.boeckler.de/pdf/p_imk_pb_6_2018.pdf. See also <http://www.fest-nwi.de/index.php/de/index>

15. Human Development Index

What is included in the Human Development Index (HDI)? What philosophical assumptions underlie the HDI? Is the HDI a plausible alternative to GDP? Is it useful outside a development context?

There will be a student presentation presenting how the HDI works. We will also go into the details of how HDI is measured and computed.

Ravallion, Martin. ‘Troubling Tradeoffs in the Human Development Index’.

*Anand, Paul, Graham Hunter, Ian Carter, Keith Dowding, Francesco Guala, and Martin Van Hees “The Development of Capability Indicators,” *Journal of Human Development and Capabilities* 10 (2009): 125–52.

16. Measuring Collective Welfare

Given GDP, HDI, and other alternatives, which measure is most promising? Or should we go for a pluralistic approach?

There will be a discussion before a “philosophical Supreme court”. Different groups of students will advocate for different ways of measuring welfare. Groups will be given about an hour to prepare.

PART VI. Implications for Theory & Practice

17. Changing Economics?

Do results from happiness research show that economics needs to change? Does moral philosophy show that economics needs to change?

Students will be encouraged to bring materials from previous courses they took on economics. We will discuss whether and how students would modify these materials in light of the course.

*Layard, Richard. ‘Happiness and Public Policy: A Challenge to the Profession’. *Economic Journal* 116 (2006): C24–33.

18. Happiness-Based Politics?

Does policy-making need to be more focussed on happiness, rather than economic indicators? What implications do results from moral philosophy, economics, and happiness research have?

There will be a “marketplace of ideas” on which students develop ideas about the implications of what they learned in the course for real-world policy making.

Frey, Bruno. *Happiness: A Revolution in Economics*. MIT Press, 2008. Chapter 13, “Happiness Policies”.

**Diener, Ed, and Martin Seligman. ‘Beyond Money: Toward an Economy of Well-Being’. *Psychological Science in the Public Interest* 5 (2004): 1–31.

Feedback

Students will be given the opportunity to evaluate what they have learned, as well as the course overall, including my own performance.