

Distributive Justice

Lecture 2: Welfarism

Hilde Bojer
www.folk.uio.no/hbojer
hbojer@econ.uio.no

January 25, 2013

Reading

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- ▶ Bojer chapter 4
- ▶ Kymlicka chapter 2
- ▶ John Stuart Mill, p 166 in Solomon and Murphy

Welfarism

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Individual welfare/happiness the only good of society,
and the only goal of distributional and other policies

Obvious??

Do we want everyone to be happy?

Three kinds of welfarism:

- ▶ Utilitarianism
- ▶ Economic welfare theory
- ▶ Welfare egalitarianism

Note: Kymlicka writes about utilitarianism only,
not economic welfare theory.

But most of his text applies equally to both

Utilitarianism

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- ▶ Jeremy Bentham 1748 – 1832
- ▶ John Stuart Mill 1806 – 1873

Contemporary?

Mainly economists, but they are influential

Utilitarianism

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- = The greatest possible happiness for the greatest possible number
- Mathematically impossible
- Implications for distributional policy ?
- Happiness is not distributable
- Cannot be handed out by the government –
or anyone else
- Cannot be transferred from one person to another
is not an economic good.

Utilitarianism cont.

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In order to implement utilitarian policy:
we must know

- ▶ What is meant by happiness
- ▶ How to measure happiness
- ▶ Which factors determine happiness

What is happiness?

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What is meant by happiness?

Happiness = welfare = utility

Utility

utilitarianism

Strictly : what is useful

The individual herself decides whether she is happy, and how happy

Preference utilitarianism

The opposite would be **paternalism**

Preferences: what the individual prefers

a term describing what choices an person would make in various circumstances

her tastes

How to measure happiness

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In my textbook: not possible

But I seem to have been wrong

There is a rich literature on the subject

Please see the two websites I have posted

Layard is not the most recent, but still influential and representative

There are various national surveys, in Norway and other countries

These seem to show that

aggregate happiness increases with national income up to a certain level

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Above this level: income does not increase happiness

In cross section

surveys

happiness usually increases with income

Conclusion?

Happiness depends (perhaps) on relative, not absolute, income
in rich countries

But there is no consensus on this point

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There are various proposal that Gross National Happiness should be measured instead of Gross National Product

The idea has been upheld by the British Prime Minister Cameron is apparently practised in Bhutan

Not the same as individual happiness being the goal of distributional policies

What determines happiness?

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Reasonable assumption, borne out by empirical studies:

Income is one factor, if not the only one.

We will discuss as if income is the only factor

OK if the effect of income can be separated from other factors and discussed separately

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I shall drop the term happiness

and substitute utility

and/or

individual welfare

Economists use the term utility exclusively

Welfare, or individual welfare, is mostly used by philosophers

Individual welfare is distinct from social welfare

Two important concepts

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Utility function

Describes how utility varies with income

We assume that the higher the income, the more utility you derive from it

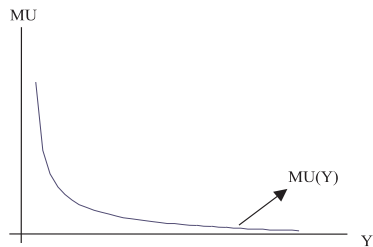
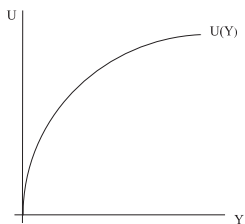
Marginal utility

MU is the increase in utility from 1 unit increase in income

We assume that the higher the income, the smaller MU also seems consistent with empirical research

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Figure 4.1 in textbook



Utilitarianism

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Greatest happiness of the greatest number:

means more precisely

Distribute a given income so that the sum of utilities is as great as possible

For two persons, Anne and Peter:

Maximise utility of Peter + utility of Anne

When Peter's income + Anne's income is a constant (given)

Given size of the cake

Maximising sum of utilities

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More generally

Maximise $U_1 + U_2 + \dots + U_n$

subject to a given total income

Utilitarian distribution

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Policy implications of utilitarianism

For a give amount of income:

(A given size of the cake)

Distribute it so that all marginal utilities are equal.

Utilitarian distribution

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Why?

An example:

Assume that

Anne's marginal utility = 5

Peter's marginal utility = 2

We take 1 krone from Peter and give to Anne

Total utility decreases with 2 units lost by Peter

But increases with 5 units gained by Anne

Total utility increases with $5 - 2 = 3$.

Utilitarian distribution

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If the MU's are different, it will always be possible to increase total utility

by redistributing from a person with low MU
to a person with high MU

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Remember: The higher the income, the lower the MU

So: redistributing from a low MU

to a higher MU

will imply

taking from a higher income and giving to a lower

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Provided

All utility functions are equal

If all people have the same utility functions
utilitarianism implies that all incomes should be equal.
and is therefore regarded as an egalitarian theory

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Do all people have equal utility functions?

What if they are not equal?

Then utilitarianism implies neither equality of welfare
nor equality of income

Utilitarian distribution

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Technical break!

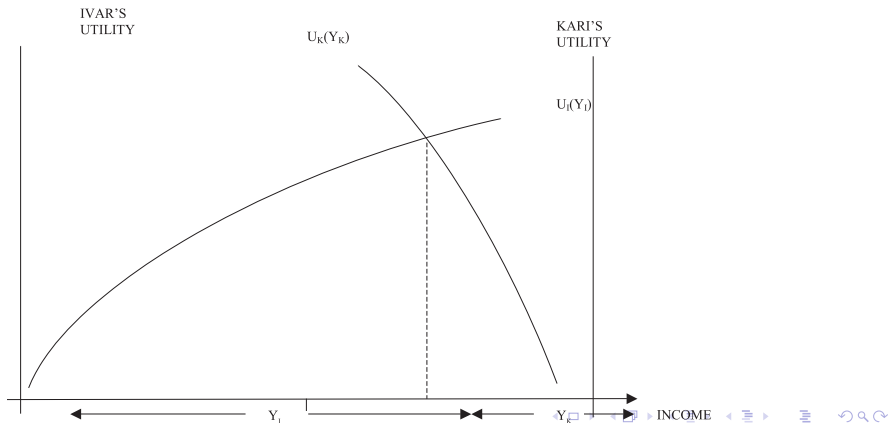
graph to be drawn by hand

Bojer: fig 4.3

Welfare-egalitarian distribution

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Compare: Equality of welfare, not the utilitarian equality of MUs



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What are the reasons for different utility functions?

Different preferences?

Expensive preferences

Utility and preferences

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Utility: happiness?

Utility: preference satisfaction?

Is there a difference?

(cf Kymlicka on this)

Your preferences may not be centered on ensuring your own happiness

Ethical properties of utilitarianism

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1. Ethical equality
2. Ethical individualism
3. Humanism
4. Respect for preferences
5. Consequentialism

Ethical properties of utilitarianism cont

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Comments:

1. Ethical equality: All individuals count equally

No discrimination

2. Ethical individualism

- ▶ No group rights (or wrongs)
- ▶ No common good

alternative: Communitarianism