UTILITARIANISM TODAY

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INTRODUCTION

The philosopher Leibniz believed that it would be possible to discover a kind of generalized mathematics by means of which all thinking could be replaced by calculation. He expected that such a discovery would make moral and political questions as uncontroversial as accountancy. In this he was not the only unworldly person to underestimate the ingenuity of accountants. Leibniz did succeed in inventing the infinitesimal calculus, but insofar as he is not remembered as the last thinker, his attempts to reduce thought to arithmetic must be deemed to have failed. Nevertheless, the idea of moral and political accounting lived on and, as I shall try to show, lives on.

The utilitarians of the nineteenth century made strenuous efforts to develop a moral and political arithmetic based on the pursuit of pleasure and the avoidance of pain as together forming the sole end of human action. For these thinkers the questions "Should it be done?" or "Is it right?" were replaceable by the question "What will be the sum total of effects on human happiness?" And this naturally involved them in conceiving of human happiness as a calculable thing. This might seem a fantastic idea to us now, but, on the other hand, it is generally accepted that the way to judge a policy or course of action is in terms of its likely consequences, and not by trying to fit it into some set of ready-made categories of what should or should not be done. As one commentator has remarked:

POLITICAL THEORY, Vol. 4 No. 2, May 1976

> We are living in odd times when a Cardinal is against sin not because it is sinful, but because it may do social damage.[1]

Whether or not this should be seen as an oddity of the times, it is certainly a clear testimony to the thorough permeation of the idea that if we want to pronouce on actions and policies, we have to focus on their consequences. And, following this line of thought, if we want our pronouncements to carry weight, we have to have some idea of the "sum total" of their consequences. This seems to mean that we have to calculate *something,* if not human happiness. So we fall back finally on more colorless and elastic terms like "benefits" and "costs," which may be deployed in such a way as to leave open the question of what things are to count as benefits and costs and how they are to be measured. These open questions have been the object of considerable attention in twentieth-century welfare economics and provide a very direct link with the "old" utilitarians.

It is my contention, however, that the connections between the utilitarians and modern economics go deeper than that. That this needs to be established is due to the fact that modern economics is presented in a way that camouflages its links with the past, and this can obscure the essential continuity of economic thought. In particular, the urge to be scientifically respectable has led to vigorous attempts to purge the style and vocabulary of economic theory of its speculative, metaphysical, and moralizing associations. In this way, its debt to utilitarian thought and sentiments can be easily overlooked.

The central problem for the "old" utilitarians was the reconciliation of two principles:

(i) Each individual, as a matter of fact, pursues his own happiness.

(ii) Individuals ought to pursue the general happiness.

The first principle is a psychological one; the second principle is an ethical one and encapsulates the doctrine of utilitarianism. By the reconciliation of these two principles I do not mean a logical problem but rather a program for action: for political reform and human improvement. The means by which this reconciliation of psychology and ethics was to be brought about were, broadly, education and the rational design of institutions. As a result of the moral growth that was taken to be the concomitant of education, individuals would come to take pleasure in contributing to the general happiness; and with the transcending of prejudice and tradition, institutions could be created in which the individual and the general happiness are harmonized.

The utilitarians's psychological principle is a combination of egoism (each individual pursues his own interests) and hedonism (the interest of each individual is coextensive with his happiness). The utilitarians's ethical principle, on the other hand, is a combination of consequentialism (it is the nature of the consequences of actions that alone determines whether they are right) and hedonism (it is the happiness of individuals that alone determines the nature of the consequences). Thus the utilitarians had a hedonistic psychology as well as a hedonistic ethics, and this enabled them to make easy and unheralded transitions between "is" and "ought." For the utilitarians, then, pleasure and the absence of pain were together the key both to how people act *and* to how they ought to act.

The hedonistic associations of economics have been greatly weakened during this century, and vigorous attempts have been made to purge the subject of them altogether. But, I would contend, the (psychological) egoism and the (ethical) consequentialism with which the hedonism was intermingled live on as healthily as ever, so that the problems faced have much the same form today as they did for the utilitarians. The difference is that with the rise of the feeling that hedonism is scientifically embarrassing, the creation of a serviceable link between the psychological "is" and the ethical "ought" has become a far more furtive activity, and the ensuing links have become far more elusive and nebulous than "pleasure and the absence of pain."

Modern economics, nevertheless, has provided a concept which has served, within this discipline, as a link between the "is" and the "ought." That concept is what we understand by the term "utility" within modern economics. The etymological connection with utilitarianism is unfortunate since it immediately suggests hedonism as the common thread—which, of course, is a mistake. But it is also a mistake, for the reasons I have put forward, to believe that by breaking with the hedonistic legacy one has severed the connection with utilitarian thought.

My concern here will be to discuss the modern version of utilitarian thought: to discuss how the concept of utility can serve as the key both to how individuals do behave and how they (or their policy-making or institution-modifying representative) should behave. The first of these two contexts in which utility serves as a central idea is microeconomics, where it could be said that the logic of egoistic psychology has been worked out and considerably refined. The other context in which utility serves is welfare economics, where different procedures for relating a criterion of social good to individual utilities have been intensively studied. Accordingly, the discussion will consist of, first, an account of how the concept of utility serves in microeconomics and, second, an account of how it serves in welfare economics. This will allow us to go some way toward seeing how "utility" serves as an "is"/"ought" link.

UTILITY AS THE KEY TO WHAT WE DO

Modern microeconomic theory could be seen as the refinement and elaboration of an egoistic psychology in an economic context. It provides a picture of individuals, each acting in what he takes to be his own interests in the circumstances in which he finds himself; but the economic "circumstances" of each individual are the product of self-interested actions of other individuals and, conversely, the actions of any individual contribute to determining the economic circumstances in which the remainder find themselves. So we see the way is clearly open for the investigation of a schematized form of economic interdependence, but to make any headway with this investigation we need to say something more about the "interests" that each individual is taken to be pursuing. And this is where the modern concept of utility makes its entrance.

As we have already seen, this concept of utility is not to be identified with happiness as a compound of pleasures and the absences of pain. In severing the links with hedonism, economic theory leaves itself in need of an alternative account of what the interests of individuals consist in. This alternative has indeed been forthcoming and has been constructed on the basis of the notion of preferences. This appears, on the face of it, to sidestep neatly the hedonistic associations, for the existence in an individual of a preference leaves it a quite open (and separate) question whether the preference is based solely on pleasure-gaining and pain-avoiding considerations, or on wider, or quite different, considerations. This sidestepping is neat in the sense that it divides the problem in a way that avoids having to take a view about anything more than one really needs to for the purpose of economic schematization. This is a good example of the way the subject may develop not by providing new answers but by formulating new (and less ambitious) questions.

The organizing idea on which the scheme of economic interdependence is to be based is, therefore, at its most rudimentary, "Individuals act in accordance with their preferences." The question that then concerns us is how this idea can serve such a purpose.

Clearly, when we come to construct a scheme of interdependence it will be necessary to be quite definite about the sorts of things between which individuals are supposed to have preferences. If this is allowed to become too broad or too general, the scheme becomes quite intractable, as the following considerations illustrate.

On the face of it, the operation of individual preferences could easily undermine the very presupposition of egoism to which it is harnessed. For we might wish to allow, in the interests of generality, that individuals have preferences that relate not only to themselves but to others as well. That is to say, an individual's preferences may exhibit benevolence or malevolence. If this were allowed within the scheme, it would mean that there would be a form of *direct* interdependence between individuals, over and above the indirect interdependence arising from the processes of production and exchange. And this would make the scheme intractable in that there would be nothing *definite* one could say about the workings of such comprehensive interdependence. (In fact it is possible to analyze isolated cases of the "direct interdependence" phenomenon under the heading "external effects in consumption.") The reasons for abstracting from such complications, then, is not that economists are unaware of, or unwilling to acknowledge, the existence of such things as benevolence and malevolence, but rather that they realize that they would be unable to say anything definite about their effects within the very general scheme being constructed. Accordingly, the notion of preferences is not allowed to undermine the egoistic basis of the construction.

In this way, the notion of "acting in accordance with one's preferences" serves not so much as an idea as a receptacle for ideas: it may be given more substance as we stipulate further restrictions on the form that preferences are allowed to take within the scheme. To take another example, further stipulations are evidently called for in regard to the preferences of entrepreneurs if their actions are to be directed exclusively toward the realization of profit, as is invariably supposed in such schemes of economic interdependence.

The conventional construction supposes that the preferences of consumers are concerned exclusively with quantities of goods, the general idea being that more goods are preferred to less (this could be taken as a definition of a good rather than as a restriction on preferences). The force of this supposition concerns what it rules out. For example, a consumer who has a preference for *routine* purchasing behavior as such might "fail" to respond to changing price (or income) incentives, just as a consumer who had a preference for *variety* as such might change his purchasing patterns in the absence of any price (or income) incentives. The thrust of these examples is that we should be cautious about pronouncing particular economic actions "irrational."

The question of just what are the objects of consumers' preferences has recently been brought to the fore by Kelvin Lancaster's suggestion that certain difficulties in the theory of the consumer may be overcome if we regard consumers as having preferences not for the goods themselves but for the characteristics or qualities which various goods possess (in common, and in varying proportions).[2] This reformulation greatly helps in accommodating the appearance of new goods into the scheme of interdependence: a new good may be presented simply as a new combination of characteristics or qualities among which the consumers already have comprehensive preferences.

The account which bases utility on preferences rather than on pleasure can therefore be seen to be somewhat open-ended, controlling the substance in accordance with the requirements of the theoretical construction. In fact, modern utility theory derives its substance from the idea that individual action is directed at *something;* it is really the *directedness* rather than the particular target that is essential. If the preferences underlying utility theory were spoken of in terms of "objectives," "ends," or "goals," exactly the same substance could be embodied. Again, we can best see the substance of the account by contrasting it with what it rules out. By supposing that action is directed at something, we rule out the possibilities that it is habitual, instinctive, spontaneous, or a matter of (automatic or conditioned) reflex. And even here the line is hard to draw, for as we have seen one may postulate a preference for routine, so that what looks like a case of habit could be really the product of conscious, directed choice. This fuzziness notwithstanding, the essence of utility theory appears to be that the actions of economic agents are *deliberate:* the result of conscious choice. A notorious way in which the substance of the theory can be divided still further is by supposing only that economic agents behave *as if* their actions are deliberate.[3]

As far as the scheme of economic interdependence is concerned then, utility is simply a vehicle for expressing the ends toward which individuals, in their economic behavior, deliberately direct their actions; it is a manageable substitute for our understanding of actual individuals in all their idiosyncratic diversity. As such, it would simply involve a misunderstanding if we were to appraise the utility idea for its "realism," or criticize it for its failure to take account of this or that facet of human nature. Since the utility idea is an element of a larger construction, it cannot properly be appraised in isolation, but only in the context of the contribution it makes to that construction, and in terms of the intellectual tasks to which that construction is addressed.

The fact, however, that the utility idea may serve its purpose within schemes of interdependence does not guarantee that it has any interpretive or explanatory value when brought to bear on particular individuals. The question is: when we interpret the actions of an individual as being governed by utility (or in pursuit of his preferences) are we thereby contributing to the explanation of the actions or are we merely *re-describing* them? The answer depends on whether we can know anything about the individual's preferences *independently* of the action we wish to explain. For it would be merely circular to "explain" an action as directed toward (preference-based) utility *and* to take action as the pointer to what the individual takes his preferences to be. This does not mean that all such explanations *must* be viciously circular. We may have some independent basis for making inferences about the individual's preferences—perhaps on the basis of his previous behavior, or on the grounds of his own statements, or even, more informally, on the basis of our knowledge of his character. But the provision of a convincing explanation along any of these lines is a far from routine matter, and demands much more than the postulation of a set of preferences. Indeed, the explanations are precarious whatever method is adopted to obtain independent access to preferences. If we infer preferences on the basis of past behavior and then use these purportedly to explain a current action, the explanation would appear effectively to take the form "he acted as he usually does," in which no mention of preferences appears necessary. If, on the other hand, we infer preferences on the basis of what the individual says about what his actions are directed toward, the explanation would appear effectively to take the form "he acted as he said he would," in which, again, no mention of preferences appears necessary. And so it would be whatever channel of access to preferences one focuses on that does the explaining: what is transmitted down the channel, rather than the preferences that are supposed to be at the other end.

It is for precisely these reasons that a purely behavioristic account of the utility idea seems appealing. For such an account would renounce any attempt at explanation and present utility as a device for describing the regularities of behavior. In such a context, appraisal of the idea of utility would be a purely pragmatic exercise in deciding whether it is a convenient device for organizing our suppositions about the regularities of behavior.

The questions of whether individuals really do have (consistent and comprehensive) preferences, and whether they really do act exclusively in pursuit of them, simply do not arise. This tendency to resort to a behavioristic account of utility finds its most forthright expression in Samuelson's theory of "revealed preference."[4] But there is something decidedly odd about this tendency. For if one decides to adopt a behaviorist perspective, it would seem to be a doctrinal lapse to talk about utility or preferences at all. Behavior is behavior. The only thing it can reveal in itself is a regularity; it cannot reveal that which is not within itself, and it certainly cannot reveal preferences. Indeed, it would only suggest the existence of preferences to someone already predisposed to think in such (nonbehavioristic) terms. The fact that behavior does not of itself reveal preferences is easily seen from the fact that we can engage in behavior designed to conceal our preferences. So Samuelson's theory might be better labelled as the theory of consistent purchasing patterns (although it is hard to see why one would be interested in consistency except in relation to some idea of a stable "underlying" system of preferences).

In the light of this discussion, we return to the central idea of this section. Is utility the key to what we do? The tempting answer would be: only to the extent that what we do is the key to utility. Utility is not so much the key to what we do as the key to what we do deliberately in pursuit of something–indeed, utility is the vessel into which we put our ideas about what that something, at its most general, might be. What we finish up with is the belief that the economic behavior of individuals is not aimless.

UTILITY AS THE KEY TO WHAT WE SHOULD DO

We have seen that the old utilitarians held that individuals ought to pursue the *general* happiness, understood as a summation of individual amounts of pleasure and the absence of pain. They held this doctrine in association with the belief that each individual, in fact, pursues not the general happiness but his own. What this amounts to is the doctrine that each individual ought to pursue the sum total of that which every individual in fact pursues. This way of putting it, which makes no mention of "pleasure," "pain," or "happiness," provides the clue to how the modern descendant of utilitarian ethics, disconnected from its hedonistic associations, may be formulated. It is evident, however, that if sum totals of happiness (no matter how broadly understood) are disallowed as ethical objectives, one must produce some alternative. And as has already been remarked, modern welfare economics has involved attempts to construct various sorts of "sum totals," or surrogates for sum totals, based on the concept of utility that we have been discussing. Insofar as these constructions work, they clearly retain the *form* of utilitarian ethics—that each individual ought to pursue the *generality* of that which every individual in fact pursues, whilst abandoning its hedonistic associations.

The first, and most obvious, difficulty of such a program is that preference-based utility is not a very promising candidate for summation. Of course, we do have stronger and weaker preferences, and it could be argued that this provides as much basis for talking about sum totals as there was in the case of pleasure and pain. Indeed, one of the developments in modern economics has been the attempt to refine and strengthen the concept of preference until it takes on quantitative properties. The theory of "cardinal utility" is precisely a move in this direction. It should be noticed, however, that the provision of a preference scale for each individual does not, of itself, solve the problem of whether (or how) these quantitative properties are summable as between different individuals. This problem has become known as the problem of "inter-personal comparability" of utilities, and the awareness of this problem has exerted an overwhelming influence on the development of modern welfare economics. The various strands in the development of modern welfare economics may, indeed, be seen as responses to the difficulties presented by this problem.

What has come to be the orthodox view of this problem is that any basis that can be provided for making comparisons between—and, *a fortiori*, for adding together—the utilities of different individuals is inherently controversial. That is, it does not involve matters which are in principle resolvable by an appeal to evidence or observation, but it does involve matters of value, opinion, or ideology, about which men are free to differ, and for the resolution of which economists are regarded neither as having any special professional competence nor as occupying any sort of privileged position.

Not all economists accept this orthodox view. Some would argue that the making of inter-personal comparisons of utility is simply inescapable if anything interesting is to be said about important questions, and this suggests that one might as well make them openly as tacitly. In any case, it is not entirely clear what exactly is made taboo by the stricture against "making" inter-personal comparisons in one's professional capacity, for it is quite possible to analyze and display the consequences of particular (value-laden) summation or aggregation procedures without *subscribing* to the values implicit in them. The fact that economists could not (professionally) *authorize* such procedures would not mean that they should not (professionally) *study* them.

With all this in mind, we may return now to the problem of constructing some sort of general interest out of the raw material of preference-based utilities. It is evident that the strictures (however interpreted) on inter-personal comparisons seriously undermine the idea of a straightforward process of *summation* of utilities. The various strands in welfare economics may be seen as diverse responses to this problem. There are three such broad strands within the subject, and these may be characterized as attempts to refocus, to by-pass, and to abandon the summation process. These three programs may be identified with the names of Pigou, Arrow, and Pareto, respectively, although it should not be thought that these writers conceived of what they were doing in the same terms as those we use to present it here. We shall discuss the three programs briefly in turn.

(i) *Summation Refocused.* The idea here is that if utilities are troublesome things to add together, one may seek something which, while reflecting these utilities, is a more promising candidate for summation. The obvious candidate for this role, despite the fact that it reflects other things beside utility, is market price. In this way, sum totals of money values may be arrived at, and, subject to important qualifications, these may be taken as indices of, or as proxies for, the sums of utility that have been allowed to go out of focus. The qualifications that surround such a procedure, and the conditions favorable to it, have been extensively investigated and form the conceptual foundation for the technique of cost-benefit analysis. The task is to investigate the manner in which market prices may give an accurate or an undistorted reflection of the associated preferences. Of course, this refocusing of the "general interest" summation does not avoid making inter-personal comparisons; such comparisons will be implicit in any summation procedure with which utilities are involved directly or indirectly. But the procedure does have one advantage over rival programs: it finishes up with actual numbers, no matter how contentious the interpretation of these numbers may be. Of course, the link between preferences and market prices is money, and, concerning the use of this as a common yardstick, it is fitting that we should refer to Bentham:

> I beg a truce here of our man of sentiment and feeling while from necessity, and it is only from necessity, I speak and prompt mankind to speak a mercenary language. The Thermometer is the instrument for measuring the heat of the weather: the Barometer the instrument for measuring the pressure of the Air. Those who are not satisfied with the accuracy of these instruments must find out others that shall be more accurate, or bid adieu to Natural Philosophy. Money is the instrument of measuring the quantity of pain or pleasure. Those who are not satisfied with the accuracy of this instrument must find out some other that shall be more accurate or bid adieu to politics and morals.[5]

(ii) *Summation By-Passed.* The central point of Arrow's work was to show that the measurability of preferences or any kind of utility is not at all necessary for the construction of the general interest out of individual interests.[6] Rather, Arrow presents this construction as a relationship between a "social" *ordering* on the one hand, and a collection of individual orderings on the other. He shows that one can consider the problems of combining or "mapping" the collection of individual orderings into a single "social" ordering quite independently of whether the individual orderings are characterized by something with quantitative properties; it is quite enough that the elements of the ordering should be sequentially labelled. Such a notion of combining individual orderings is far more general than summation, and it is in this sense that the summation procedure has been by-passed. It follows from this that one can investigate the properties of procedures for constructing a "general interest" whether or not the individual interests involved are measurable, and regardless of the senses they may be measurable in. In fact, Arrow was concerned to find out whether there are *any* combination procedures that would satisfy a certain set of requirements that one might expect any acceptable procedure to satisfy. His demonstration that there are not shows that in considering alternative procedures we have a choice as to which requirement to violate, but that we cannot avoid violating one of them at least. It should be evident that this type of very abstract, formal investigation is addressed to quite different sorts of questions from those to which the procedures previously discussed under the heading "Summation Refocused" addressed themselves. Accordingly, it would make no sense to compare them from the point of view of which is the more promising line of development. They are simply about different things.

(iii) *Summation Abandoned.* This third strand of thought in the development of welfare economics arises from taking the stricture against inter-personal comparisons as entailing that we should refrain, *qua* economists, from making or dealing with them at all. Obviously this restricts rather drastically the sorts of things one could say about the general interest. In fact, however, there are circumstances in which we could regard some course of action as promoting the general interest without having recourse to interpersonal comparisons, and these circumstances are those where some individuals' interests are promoted but no individual's interest is harmed. Such uncontroversial courses of action have come to be called "Pareto improvements," and this notion leads to the related idea of a "Pareto optimum" as a situation in which no further Pareto improvements are possible. The trouble with this idea is that there will in general be indefinitely many "Pareto optima" which could be reached from a given starting point, and by the nature of the restrictions that have been imposed on the type of judgments we are allowed to make, we have no way of discriminating among them from the point of view of the general interest. If we were to move from one "Pareto optimum" to another, some individuals' interests would be promoted, whilst others' would be harmed. In other words, the criterion of Pareto improvement does not provide a complete, but only a partial, ordering. Attempts have been made to render comparable those states of affairs that are not initially comparable by the criterion of Pareto improvement, by introducing the idea of hypothetical compensation. Roughly, the idea is that a course of action would constitute a Pareto improvement if those whose interests are promoted by it could more than compensate those whose interests have been harmed. In effect, this would mean extending the criterion to saying that a course of action promotes the general interest if it is potentially (and hypothetically) transformable, via compensation, into a situation which would be a Pareto improvement. The compensation idea, however, rapidly gets into technical difficulties, which it is not our purpose here to pursue. What is worth noting, though, is that compensations are aggregate (money) values and so reintroduce the previously discussed "Pigovian" approach to welfare, with the inter-personal comparisons unavoidably latent in it.

It should be emphasized that, in all this, "individual interests" are to be identified with preference-based utilities.

CONCLUSION

As we have seen, utility theory in economics is not so much a theory as a program for theorizing; its commitment is to conceiving of actions as deliberately directed, with utility as the conceptual device for denoting at what the actions are directed. As such, modern utility theory has been not so much *purged* of hedonistic associations as allowed to function independently of whether it has hedonistic associations or not. Utility has become a vessel into which substance may be put or from which substance may be removed. On the one hand, utility is not *identified* with happiness or with pleasure and the absence of pain; on the other hand, there is nothing precluding such an identification. The great virtue of utility is that it allows us to beg the unanswerable question of what people really want. Rather than engage in fruitless speculation and controversy about this, we can simply call it "utility" and get on with our theorizing. Of course, there may be a rude awakening when the time comes (*if* it comes) when we have to give substance to what we are doing. But at least we have been able, by the delaying tactic of a question-begging concept, to tackle one question at a time. And what further justification for a concept does one need other than that it enables us to pose a tractable problem by holding at bay the intractable ones with which it is intermingled?

Indeed, it seems evident that it was in this conveniently open-ended and largely question-begging sense that Bentham understood the term when he wrote, for example:

> By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good or happiness (all this in the present case comes to the same thing) or (what comes again to the same thing) to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered.[7]

What could be more comprehensive, and question-begging, than that?

NOTES

1. I. Robinson, *The Survival of English* (New York: Cambridge University Press, 1973), p. 162.
2. K. Lancaster, "A New Approach to Consumer Theory," *Journal of Political Economy* 74 (1966), 132-157.
3. M. Friedman, "The Methodology of Positive Economics," in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953).
4. P. A. Samuelson, "Consumption Theorems in Terms of Overcompensation Rather than Indifference Comparisons," *Economica* 20 (1953), 1-9.
5. J. Bentham, *Economic Writings*, ed. W. Stark, (London: George Allen and Unwin, 1952), vol. 1, p. 117.

6. K. J. Arrow, *Social Choice and Individual Values* (New York: John Wiley, 1963).
7. Bentham, *Economic Writings,* pp. 101-102.

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