

Economic Justice: Utilitarianism

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Economic Justice

Much contemporary political debate is about how to promote prosperity, or improve our standard of living, or spur economic growth. Why do we care about these things? The most obvious answer is that they contribute to our welfare. Welfare is the central concept of Utilitarianism, whose purest form is found in Bentham.

Classical Utilitarianism

Jeremy Bentham (1748-1832)

"Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do. On the one hand the standard of right and wrong, on the other the chain of causes and effects, are fastened to their throne. They govern us in all we do, in all we say, and in all we think: every effort we can make to throw off our subjection will serve but to demonstrate and confirm it. In words a man may pretend to abjure their empire : but in reality he will remain subject to it all the while. The principle of utility recognizes this subjection, and assumes it for the foundation of that system, the object of which is to rear the fabric of felicity by the hands of reason and law. Systems which attempt to question it deal in sounds instead of sense, in caprice instead of reason, and in darkness instead of light." (Introduction to the Principles of Morals and Legislation 1789)

Classical Utilitarianism

Jeremy Bentham

Bentham was a radical thinker for the times. Not interested in religion, tradition, natural law (natural rights are "nonsense on stilts"), but only in a scientific set of principles for organizing society.

Classical Utilitarianism

Jeremy Bentham

His view is:

Naturalistic The pleasure-pain principle is essential for survival. Writing almost half a century before Darwin!

Consequentialist (also **teleological** from Greek Telos) Only consequences of our actions not our intentions count. Doctrines focussed on intentions, on processes, on procedures are **deontological** (e.g. Kant, Rawls, Nozick)

Classical Utilitarianism

- Problems:** 1) It is assumed that the utility consequences of a certain act can be calculated. But there are many dimension of utility: Intensity, duration, uncertainty (probability of occurrence), propinquity or remoteness (time discounting). Even for a single individual is this calculation feasible?
- 2) Kahneman Tversky Prospect theory: what count are not levels but changes from reference points: hedonic treadmill. Whatever we do the consequences are not here to stay... Our two masters are fickle, their guidance is temporary...
- 3) Is pleasure and pain all that matters? The experience machine (from R. Nozick). Would you like to (permanently) connect your brain to a computer giving you pleasures? Lack of free will and control: Machine is deciding.

The Role of Government

“A measure of government (which is but a particular kind of action, performed by a particular person or persons) may be said to be conformable to or dictated by the principle of utility when in like manner the tendency which it has to augment the happiness of the community is greater than any which it has to diminish it.”

(An Introduction to the Principles of Morals and Legislation)

Classical Utilitarianism

Why a government?

Conflict between individual utility and social utility creates the need for government:

“The great enemies of public peace are the selfish and dissocial passions — necessary as they are. . . Society is held together only by the sacrifices that men can be induced to make of the gratifications they demand: to obtain these sacrifices is the great difficulty, the great task of government.”

Anarchical Fallacies (1796)

https://h2o.law.harvard.edu/text_blocks/28863

Examples: public goods: security, defense, or tragedy of the commons.

Public goods: non rival, non excludable.

Classical Utilitarianism

The key principle of Benthamism as a public philosophy: the greatest happiness of the greatest number.

This self evident ideal (at least to our secularised eyes) raises many questions:

- 1) utility of individuals must be known not only to themselves but to everybody (or at least to the government)
- 2) Someone is an utility champion. Shall we give all to him?

3) Again if some people get more total utility by killing someone than the victim loses that's ok. Suppose Aryan gains from exterminating Jews exceed Jewish pains. Would Bentham agree with genocide?

4) "Maximize the greatest happiness of the greatest number," ambiguous. Is it utility of the majority?

Is it max total utility? But then the number of people count. A small society of very happy people can be worse than a big society of people for whom pain is only marginally more experienced than pleasure.

Diminishing marginal utility.

The concept of utility was around long before Bentham. The swiss mathematician Daniel Bernoulli(1700-82) proposed that when gambling people did not always try to maximize the expected monetary gain, but rather to maximize the "utility" from the gain. Bernoulli also realized that there is a direct relationship between money gained and utility, but that it diminishes as the money gained increases.

Classical Utilitarianism

Diminishing marginal utility.

Because of this principle total utility goes up more if you give more to those who have less. To increase Elon Musk's utility, you have to give him a huge amount of new money. Easier to raise total happiness by giving to the poor. Classical utilitarianism has a built-in impetus for downward redistribution. **Note:** DMU does not mean that money is less important to rich people: they just need more money to get the same additional amount of happiness. Money is addictive in this sense. This can explain greediness.

Classical Utilitarianism

Redistribution

Does then DMU imply perfect equality? Bentham avoids this radical implication by distinguishing between “absolute” and “practical” equality. In principle absolute equality would maximize happiness of the greatest number, but the rich would rebel. The pie shrinks dramatically if you redistribute too much. This is a common claim in today’s politics. If you tax too much you’ll destroy incentives to work and save.

However the claim that the rich will burn their crops before giving them to the poor might not be true. Only history can say what will happen. When have we passed the point of practical equality, to use Bentham’s terminology? Are we close to it?

Classical Utilitarianism

What about Rights?

This doctrine in itself has no room for individual rights. In fact for Bentham when we try to maximize utility in the society, individual motivation is vital.

He writes “Law does not say to man, Work and I will reward you but it says: Labour, and by stopping the hand that would take them from you, I will ensure you the fruits of your labour — its natural and sufficient reward, which without me you cannot preserve. If industry creates, it is law which preserves. If at the first we owe everything to labour; at the second, and every succeeding moment, we owe everything to law.” from Principles of the Civil Code.

Classical Utilitarianism

The state is essentially regulatory.

It's private production that creates utility so defending private property is key. However individual rights only have indirect, instrumental value. According to Elisabeth Anderson 2023, Bentham is a key representative of the conservative work ethic (based on contempt for the poor): he thought that poor laws encouraged lazyness and proposed to intern the poor in working houses. He designed a total institution, the so called Panopticon, where a single officer could control the entire population of inmates.

Classical Utilitarianism

John Stuart Mill (1806–1873)

Two key objections to the “greatest happiness” principle: 1) each individual is a distinct being whose interests must count in themselves not just as part of aggregate utility 2) not everything of value can be measured with a single scale of pleasure and pain.

Mill, one of the main exponent of classical liberalism, attempted to reconcile individual rights with the utilitarian philosophy he inherited from his father James. *On Liberty* (1859) is a classic defense of individual freedom.

No harm principle: people should be let free by society to do whatever they want, provided they do no harm to others. Over himself, over his own body and mind, the individual is sovereign.

Classical Utilitarianism

Freedom and Utility

Does Mill's principle of liberty contradict Bentham's principle of utility?

E.g. if forbidding a minority religious cult increases majority's utility should it be forbidden?

Mill says no: "I regard utility as the ultimate appeal on all ethical questions; but it must be utility in the largest sense, grounded on the permanent interests of man as a progressive being." from On Liberty

Classical Utilitarianism

Freedom and Utility

We should maximize utility, not case by case but in the long run. Over time individual liberty will lead to the greatest human happiness. In fact 1) dissenting views may turn out to be true 2) even if they are not, debating prevailing views will prevent dogma and prejudice. 3) conformity is stultifying, energy and vitality is needed for social improvement.

Is this a strong enough defense of individual rights?

It basically just denies that in practice there is a contradiction. How can we be sure? This leaves rights hostage to contingency.

Classical Utilitarianism

Freedom and Utility

Mill writes: "The human faculties of perception, judgment, discriminative feeling, mental activity, and even moral preference, are exercised only in making a choice. He who does anything because it is the custom, makes no choice. He gains no practice either in discerning or in desiring what is best . . . He who lets the world, or his own portion of it, choose his plan of life for him, has no need of any other faculty than the ape-like one of imitation. He who chooses his plan for himself, employs all his faculties". Following convention may lead a person to a satisfying life path but "One whose desires and impulses are not his own, has no character, no more than a steam engine has character."

All this appeals to moral ideals (agency, autonomy, creativity) beyond utility despite Mill's claim to the contrary.

All quotations from on Liberty

Classical Utilitarianism

Are all pleasures born equal?

Bentham writes: “The quantity of pleasure being equal, push-pin is as good as poetry.” Part of the beauty of Bentham is it takes people’s preferences as they are, without passing judgment on their moral worth. Some people like Mozart, others pop music.

But: Romans liked throwing Christians to the lions. This 1) violated the rights of the victims 2) catered to perverse pleasures.

Wouldn’t it be better to change sadistic preferences than to satisfy them? In Utilitarianism (1861) Mill argues contra Bentham that there are higher and lower pleasures.

Classical Utilitarianism

Higher and Lower Pleasures

But: How can we know which pleasures are qualitatively higher? Mill proposes a simple test: “Of two pleasures, if there be one to which all or almost all who have experience of both give a decided preference, irrespective of any feeling of moral obligation to prefer it, that is the more desirable pleasure.” .

Still: we are not preferring higher pleasures all the times. Do you prefer Rammstein or Bach? Both at different times?

Higher and Lower Grades of Existence

"A being of higher faculties requires more to make him happy, is capable probably of more acute suffering . . . than one of an inferior type; but in spite of these liabilities, he can never really wish to sink into what he feels to be a lower grade of existence".

Classical Utilitarianism

“It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied. And if the fool, or the pig, are of a different opinion, it is because they only know their own side of the question.”

But: These stated ideals are independent of our wants and desires. The higher pleasures are not higher because we prefer them; we prefer them because we recognize them as higher.

On the End of Growth

On the stationary state: "I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other heels . . . are the most desirable lot of humankind . . . It is scarcely necessary to remark that a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture and moral and social progress; as much room for improving the Art of Living, and much more likelihood of its being improved."

This anticipates J.M. Keynes "The economic possibilities our grand children", who predicted in 1930 that, thanks to technical progress, the need for work would disappear in a not so distant future, leaving space for the leisurely cultivation of our higher faculties. This has definitely not happened. Why?

Indirect Utilitarianism

Act and Rule Utilitarianism

A concept originating from Mill is Rule utilitarianism (indirect utilitarianism). Three arguments:

1) Calculating the consequences of actions on the welfare of the whole present (and future?) human (and animal?) population of the world is just impossible.

2) people may tend to take a more favorable view of the overall consequences of actions that benefit them personally.

3)there is need to coordinate individual actions.

In the end maximizing happiness may be easier if simple rules are followed: " do not steal", "tell the truth" etc.

Indirect Utilitarianism

Rule Utilitarianism

It dictates: An action is right if it conforms to a rule that leads to the greatest good.

Taken to the extreme this means that people become "unconscious" utilitarians, following rules because they are convinced they are intrinsically just even if in reality they are only instrumentally valid.

This can be the only way to insure rules are consistently followed and not used on a case to case basis (ultimately going back to standard act utilitarianism).

Indirect Utilitarianism

What Rules? Who decides?

But rules need to change overtime: Leaving grandparents out to die in the cold may have been morally permissible among those living in the harsh conditions of the Arctic. The same policy is morally impermissible in affluent societies, where it does not maximize welfare. But if there are no longer "conscious utilitarians" left, how can they use utilitarianism to decide on this change? In this way utilitarianism just disappears.

Indirect Utilitarianism

Two ways out?

Williams (in Williams, *B Ethics and the Limits of Philosophy*. Cambridge: Harvard University Press, 1985.) criticises two avenues of escape from this quandary.

A first avenue suggests that we should in everyday life follow rules, which are then occasionally revised by ourselves, following an open and possibly public discussion on their validity. This is humorously labeled by Williams "Cool Hour utilitarianism" because locates the distinction between the two spheres of morality in two different psychological states, or times of reflection, within the same individual. This alternation is problematic to say the least.

Imperialism and Utilitarianism

The second avenue is labelled by Williams "Government House Utilitarianism": an elite uses utilitarianism to decide which are the best rules and institutions, which are then imposed on citizens who are taught to consider them intrinsically valid. It gets its name for being the ideology of officers in India and other British colonies.

Government House utilitarianism is irksome: it raises concerns about elitism, potential abuse of power, and lack of accountability. Undermining democratic principles and transparency can allow those in power to justify policies that harm individual rights in the name of the "greater good."

Mill on Imperialism

Mill was employed for more than thirty years by the East India Company and believed that British rule could have a "civilizing" effect on societies that he viewed as less developed, gradually preparing colonized societies for self-rule.

In his *Principles of Political Economy* (1848) he writes "To civilize a savage, he must be inspired with new wants and desires, even if not of a very elevated kind, provided that their gratification can be a motive to steady and regular bodily and mental exertion. If the negroes of Jamaica and Demerara, after their emancipation had contented themselves, as it was predicted they would do, with the necessaries of life, and abandoned all labour beyond the little which in a tropical climate, with a thin population and abundance of the richest land, is sufficient to support existence, they would have sunk into a condition more barbarous, though less unhappy, than their previous state of slavery."

Mill on Imperialism

This idea of a "civilizing mission," clashes with Mill's principles of individual liberty and autonomy. It has been heavily criticised as paternalistic and as implicitly supporting imperial domination.

The East India Company inflicted massive sufferings on Indian people. For instance enforced monopolies of rice had led to the 1770 famine that killed a third of the population in Bengal.

Further Developments

The personal is political

Interestingly, the idea of a "civilizing mission" is based on the premise that individual views are shaped by the social environment. This hints back to the fact that the border between normative political philosophy and moral philosophy is porous, even if few would deny that a principle may raise different problems and objections when used as moral guidance for individuals than it does when used as guidance of a government.

Indeed when interpreted as a comprehensive moral philosophy utilitarianism poses a further problem: if to act morally I must maximize the utility of mankind my own projects and personal relationships should not count more in guiding my choices than those of everybody else.

For instance in choosing how to act I should not give precedence to my own friends and family's wellbeing with respect to anybody else's. But then what kind of social relationships could I build?

Utilitarianism becomes alienating because we are forced to distance ourselves from anything that gives us an identity.

Neoclassical utilitarianism

Early Neoclassical economists used the concept of utility to study price formation thus replacing the classical and marxian labour theory of value. **Vilfredo Pareto** (1848-1923) realized that one could use the concept of ordinal not of cardinal utility to build demand curves. For each individual we just need a preference ordering over all different baskets of goods (in jargon preferences have to be rational i.e. complete and transitive).

Neoclassical utilitarianism

The transition from cardinal to ordinal utility makes interpersonal comparisons of utility meaningless.

If A prefers policy a to b, and B policy b to a, we cannot choose between a and b by summing changes in the utilities of A and B in the move from a to b (as classical utilitarianism recommended). We can only say a has to be preferred if both A and B prefer it to b. This is the **Pareto Principle**.

The principle of DMU is kept (so you have downward sloping demand curves) but the impetus for redistribution is gone.

Neoclassical utilitarianism is in fact very friendly to whatever situation happens to be generated in a market system.

Neoclassical utilitarianism

Extreme status quo bias: the only policies admitted by the Pareto Principle are those that **everyone** wants (not just the absolute majority). Taxing Musk to feed a disabled who cannot work would not be a Pareto improvement.

Shapiro argues that while classical utilitarianism can be faulted for ignoring personal boundaries (the hidden assumption is that human beings are similar) neoclassical utilitarianism takes these boundaries hyper- (or absurdly?) seriously.

Satisfaction of preferences (PS)

Many economists adopt the principle of the satisfaction of preferences (PS), i.e. leave to individuals the definition of what is good for them, thus avoiding any commitment to substantive theories of welfare and the sin of paternalism.

Is PS always a good?

As the sources of pleasure can be aberrant, so can preferences: is it a good idea to satisfy the preferences of a sadist?

Is PS always a good (at least) for the preferrer?

1) Uninformed preferences. Suppose the food I choose to eat is poisonous. I then regret this choice.

2) Preferences may change over time. But if our current preferences are different from our past and presumably from our future preferences which should be satisfied and how important is it to satisfy these fickle preferences?

To deal we 1) we may use the concept of **Informed Preferences**.

This is however very vague: how do we know what people would prefer if they were informed? Nobody can be full informed on all the consequences of one's preferences. Where do we draw the line between informed and uninformed preferences?

On 2) that our preferences change over time is not something to be regretted but a constitutive human trait. We are hopefully evolving and creative beings not automata led by genes, instincts, habits etc. Arnold Gehlen (1904-76) argued that we are able to adapt to various environments (we are "world open") as contrasted with animals, which can only survive in environments which match their evolutionary specialisation. The phylogenetic basis of our indeterminacy and potentiality is neoteny, that is, the persistence of juvenile traits even in adult subjects.

One should however be careful not to build from "indeterminacy" an argument for moral relativism(anything goes). The fact stays that preferences are not fixed and immutable, as they are often taken to be in economic analysis.

Preferences may adapt in an (undesirable?) way:

Sour grapes: Some people want things precisely because they cannot have them while others spurn what is beyond their reach, like the proverbial fox in Esopus and Fedrus. To what extent is it good to accept the world as it is?

The contented slave effect. Some preferences derive from previous injustice. As Sen has pointed out, women who are systematically denied roles in public life or equal shares of consumption goods may learn not to want these things. Women who have never known freedom may not know how to value it.

Given the malleability of preferences shouldn't policies try to induce desirable changes in them? But then we need a theory to define this desirability.

Consider those who have expensive tastes. To satisfy their preferences appears to be unfair to those with more modest tastes. Should the unsatisfied preferences of those with expensive (or sadistic, racist etc.) tastes not count ?

If we believe they should not count we do not accept the view that PS constitutes well-being. To maintain that some things are not worth pursuing assumes that there is some source of value other than PS. Basically if something is valuable to people only because they want it, has their getting it any direct moral importance for others?

Are interpersonal comparisons of well being really impossible?

Policy makers could adapt an indirect strategy, ignoring the details of individual preferences and focusing on all purpose goods like liberties and resources and take them as an index of PS.

Indeed policy makers and public discourse generally do rely on a relatively objective standard of “urgency” when weighing the strength of competing claims for social provision, not on the strength of people preferences. If members of a destitute religious group prefer subsidies to build religious monuments over receiving food and shelter, their beneficent fellow human beings (whether fellow citizens or foreign donors) might still acknowledge a moral obligation only to provide food and shelter.

Are interpersonal comparisons of well being really impossible?

However problematic in theory, interpersonal comparisons seem entirely feasible in practice: people make them all the time. Indeed in animal brains there are mirror neurons that fire both when an animal acts and when the animal observes the same action performed by another. Thus, the neuron "mirrors" the behavior of the other, as though the observer were itself acting. Such neurons have been directly observed in humans, other primates and birds.

Are interpersonal comparisons of well being really impossible?

Some economists have recently adopted more sympathetic attitudes toward hedonism. For example, Kahneman and Krueger (2006) define a misery index that they call the “U-index,” which measures what proportion of their time people spend in unpleasant states. Neuroimaging techniques confirm results from this time diaries techniques. However the discrepancy between “experienced utility” and “decision utility” influenced by “remembered utility”(remember the colonoscopy experiment)is also stressed.

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

Kahneman, Daniel and Richard Thaler, 2006. “Utility Maximization and Experienced Utility.” *Journal of Economic Perspectives* 20 (2006): 221–34.

Are interpersonal comparisons of well being really impossible?

Information on determinants of well being are gathered by large-scale surveys, containing direct questions on individual subjective well-being and life satisfaction and on demographic and socio-economic variables – for example, the World Values Surveys, the German Socio Economic German Panel or the National Well Being Survey by the ONS in UK and the multipurpose survey “Aspects of Italian daily life” are available. The so called "happiness literature" uses these data to study what are the antecedents of life satisfaction, from income to personal relationships. One striking (and discussed) result is the Easterlin' paradox, the existence of a threshold in GDP per capita above which average SWB in a nation does not grow anymore. The idea that public policies should take into account findings from data on SWB inspired the Stiglitz Commission report for the OECD in 2009.

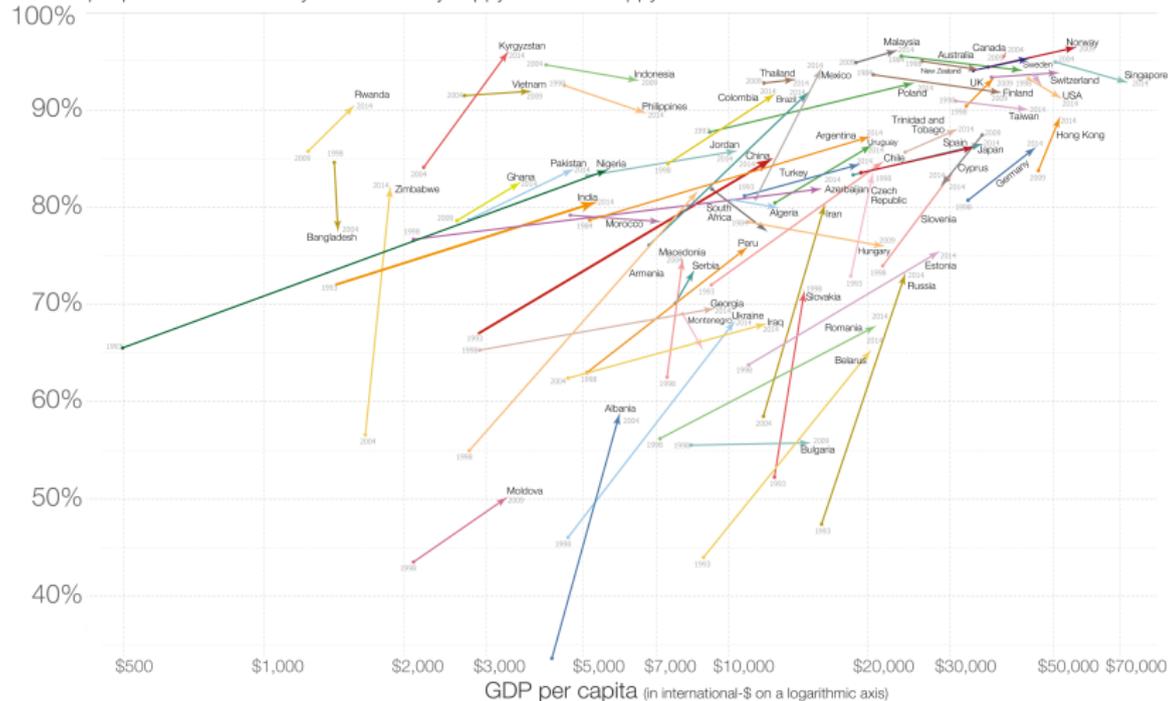
Proto, E., Rustichini A., 2013. A Reassessment of the Relationship between GDP and Life Satisfaction, PLoS ONE, 8.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3743147

Self-reported happiness vs income over time

Each arrow shows the change between the first and last available data points.

Share of people that answers they are either 'very happy' or 'rather happy'



Data sources: self-reported happiness from the World Value Survey; GDP at chained PPPs in 2011 international dollars, from the Penn World Tables. The visualization is available at [OurWorldinData.org](https://ourworldindata.org). There you find the research and more visualizations on happiness and related topics.

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Readings

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Daniel Hausman, Michael McPherson and Debra Satz chap 7 of *Economic Analysis, Moral Philosophy, and Public Policy*, Cambridge Univ. Press 2016.

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Ian Shapiro chap 2 of *The Moral Foundations of Politics* Aakar 2004.