

REFERENCES

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THE NATURE OF WELFARE ECONOMICS: A FINAL NOTE

As discussions go, the exchange of views I had the honour of conducting with Professor Mishan has been, I believe, more than usually fruitful. His preceding note shows that we are now indeed, as he says, much closer to agreement than when we started. This result is largely due to his open-mindedness and readiness to reconsider his position, which I cannot fail to appreciate.

Like him, I think there is no need to continue at some length the debate on the remaining differences of opinion. Though I am still not convinced that the consensus principle can serve as a key to a renewed normative welfare economics, I leave it to the reader to form his own judgment in the light of the arguments on both sides.

On another issue a few brief comments may be in order. Professor Mishan is right in his belief concerning our agreement that in normative welfare economics statements about collective or social welfare entail a value judgment. Nonetheless I am afraid I cannot subscribe entirely to his elaboration of this point. The reason is that I retain my doubts on his distinction between 'objective' and neutral welfare economics. It seems to me to rest upon a contestable interpretation of Pigou. He described the link between 'general' or 'total' and economic welfare not only as considerably weaker than Mishan suggests, but, more decisively, the former concept does not occupy an essential place in his great treatise, in which he expressly confined himself to the analysis of economic welfare. His preliminary reflections on its relation to general welfare are therefore too slender a base for regarding his system as a special methodological type of welfare economics. In addition, it may be remarked that it appears to me equally unwarranted to ascribe to Kaldor, as Mishan does, a concern with 'social welfare in its ordinary sense.' In the renowned article Mishan apparently has in mind he does not speak at all of this notion, but only of 'aggregate real income,' a purely economic concept.

I can reassure Professor Mishan that his eventual adoption of 'neutrality in its purest form' would by no means perturb me. The 'zeal' he would profess does not look to me particularly extremist. In one respect his formulation might give rise to a misunderstanding. It is, of course, true that definitions as such do not 'carry any social significance or offer us any "insights".' This does not mean, however, that a neutral allocation theory is devoid of these qualities. Mishan recognises this when he observes that positive statements about allocation may be 'immediately relevant,' which implies that they 'offer insights' and have 'social significance.' It is in my opinion not incompatible with the neutral position 'in its purest form' to point out this simple factual truth (even though strictly speaking it does not form a part of the theory), provided it is done in such a way that the 'surreptitious influence' Mishan justly warns against is avoided. I suppose even Mishan's fervour as a novice would not censure a methodologically innocuous proposition of this kind as a deviation from 'true-blue' neutralism.

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