

OPMERKINGEN EN AANTEKENINGEN – COMMUNICATIONS

MOVING IN CIRCLES: BLAUG ONCE AGAIN ON THE NATURE OF PARETIAN WELFARE ECONOMICS

1 A DODGED DISCUSSION

Ipse dixit. Now at last we should know it for good and all: there is no such thing as positive welfare economics, whatever proof to the contrary may be submitted. These contestations are best airily dismissed. Such is the tenor of Professor Blaug's rejoinder to my critical account of his often expressed view on the inherently normative character of Paretian welfare economics (Blaug, 1993, Hennisman, 1992).

We agree that it matters whether this subject is regarded as positive or normative and that this issue is partly a question of words but basically a question of substance. For the rest we remain, as Blaug's reply illustrates, separated by an apparently unbridgeable chasm. It need not, by itself, cause surprise that Blaug upholds his central thesis. The manner in which he does so is, however, rather peculiar in what purports to be a scientific discourse. In the main he merely reaffirms, in an apodictic tone, his position, though, as will presently be considered, with a tacit but notable shift in the terms of the debate. He fails to address the objections I raised to his arguments and ignores the ample evidence I presented that the allegedly non-existent positive theory enjoys a flourishing life. Nor does he pay any attention to other authors I mentioned who share my opinion. He also persists, from the very start ('the Paretian criterion is normative because it is based on several value judgments'), in the tautological or circular style of reasoning I censured in my paper, and which made much of his former writings on the subject unpersuasive.

From his new contribution, if it may be called that, it is all too clear that Blaug has made no attempt to free himself from his old preconceptions and to look at the problem afresh. It appears that even now he has not fully grasped the meaning of a value-free allocation theory. Hence, after his meagre response, the readers are none the wiser. The question why, of all economic subjects, welfare economics alone cannot be positive, still lacks a satisfactory answer.

So, what might have been a fruitful exchange, like that with Mishan referred to in my paper, ends in deadlock. But our readers, particularly the most qualified, will not regard this outcome as a draw. They may speculate whether Blaug is unable or unwilling to engage in a genuine discussion. Fobbed off with a string of questionable dogmatic assertions they are likely to feel that he does not take them altogether seriously.

2 QUASI-NORMATIVE

In his brief compass Blaug manages to confound the issues involved still further than he had done before, which may lead the unwary astray in a slippery field. A most troublesome feature in this respect are some new linguistic twists.

In the introductory semantic paragraphs (in which Blaug does not waste a word on the hapless verbal 'proofs' for the normative nature of the subject) he writes as if I do not know what value judgments are. He states that 'to imagine that value judgments can be shown to be true or false is to commit a category-mistake.' The intriguing question raised by his presenting this truism is why Blaug believes that I (and presumably other defenders of the positive approach) need this elementary lesson. The only reason I can think of is that adopting as an unassailable axiom that welfare economics is based on value judgments, he concludes that this can only be denied by perversely interpreting these judgments as if they were positive propositions. The difficulty of this explanation is that it exposes Blaug as guilty of a blatant *petitio principii* and gravely misrepresenting his opponents' view. If this sounds offensive and hardly credible, one can only wonder what the point of his instruction might be.

Blaug's assumed teacher's role appears in a curious light when one looks at his own use of language. He tries to fault me for not expressing my opinion on his definition of positive and normative economics and the difference between value judgments and methodological judgments. In fact, it is clear from my paper that no disagreement about these notions existed between us, with the exception that I objected (like others have done) to his extension of the concept 'normative' to untestable statements not expressing an ethical appraisal. In this sense 'normative' becomes a homonym of the word as it is commonly understood. This pair corresponds with the double meaning of 'positive.' While 'normative' in the usual parlance is the opposite of 'positive' in the sense of 'value-free,' in Blaug's additional interpretation it is the counterpart of 'positive' in the sense of empirically testable. The first couple of opposites is generally used, also by Blaug, in the dispute about the nature of welfare economics; the second one is of limited significance to this issue.

Whereas in my critical review this terminological question is a minor point, in Blaug's new treatment it is a major one. He first defines, in accordance with normal usage, normative as 'involving ethical propositions.' Confusingly, he contrasts this to 'positive economics,' defined as involving 'propositions that are either true or false.' It remains, however, unclear whether he uses 'positive' consistently in this way, especially when he denies the possibility of positive welfare economics. In this context the term must necessarily denote 'value-free,' on penalty of getting ensnared in a conceptual tangle (see about the dual meaning of 'positive' Hennipman, 1992, p. 427).

Of course the two notions of 'normative' must be just as strictly distinguished, which Blaug fails to do. In spite of his initial definition, in the following paragraphs the alternative meaning of 'normative' (and by implication that of 'value judgments') has a prominent place. This semantic novelty comes in particular to the fore in Blaug's discussion of the first Paretian postulate. Here he contends that this is a value judgment and therefore belongs to normative economics because the belief that individuals know what is best for them ('consumer sovereignty') cannot be refuted by an appeal to facts. He claims that this insight suffices 'to vindicate my position.'

He crowns victory too soon. All he has done is to redefine for the occasion the terms 'value judgment' and 'normative' to suit his purpose. For demonstrating that welfare

economics is normative in the sense of being concerned with 'ought statements,' 'appraising judgments' (Blaug, 1980, pp. 130, 132) or 'ethical assessments' (Blaug, 1993, p. 127) this device is evidently worthless. The introduction of his pseudo-value judgments is not merely a verbal matter; by side-tracking the debate onto an irrelevant line he evades the problem the whole controversy is about, *i.e.* the ethical commitment of welfare economics.

Untestability recurs in connection with Blaug's third postulate as a characteristic of interpersonal comparisons of utility, but here it is handled quite differently. Despite the similarity in this regard to the first postulate, he rejects the view that these comparisons are value judgments, calling them instead 'untestable statements of facts.' On account of this property he qualifies their Paretian exclusion as a sound methodological judgment. Then he argues that because such judgments also cannot be disproved by facts, they 'are just as normative as value judgments.' He considers this conclusion as one more reason why 'Paretian welfare economics belongs to normative economics.'¹

This is a dazzling solution indeed, with the staggering implication that, since methodological judgments are indispensable for all science (Blaug, 1980, p. 132), this is with one stroke of the pen declared to be, in its entirety, normative. It is only a pity that his argument does not support the claim that the Pareto criterion is normative because it is based on value judgments. Obviously, this verbal juggling has nothing whatsoever to do with the view that welfare economics provides ethical judgments.

The question presents itself whether Blaug's retreat into his quasi-normative constructions signifies that he has relinquished all hope of substantiating this thesis, the real issue in dispute, remaining only intent on saving by any means the label 'normative.' Or might this move reflect a confused state of mind?

3 MORE MISREPRESENTATIONS

In his defence Blaug shows himself adept at putting words into my mouth I never voiced or which I explicitly opposed and at turning a deaf ear to the sensible things I actually said. The example given in the preceding section is not the only one. Another case in point is his statement that 'everyone agrees' that the Paretian theory assumes that 'every individual is the best judge of his or her welfare.' It is very odd that he still has not noticed that the neutral version of this theory does not make this supposition. Thus the question whether or not consumer sovereignty in this sense is a value judgment has no bearing on positive allocation theory. Here is a second reason why his proclaimed victory is a sham.

That I do not accept Blaug's definition also entails the answer to this pertinent question how I could possibly deny that 'the premise of consumer sovereignty is a value judgment.' One feels impelled to ask in return how Blaug can possibly deny that consumer sovereignty may be conceived as a situation or state of things related to the fulfilment of preferences, without at once attaching a value judgment to it. One finds

1 As reported in my article (1992, p. 416) Blaug previously regarded the postulate itself as a value judgment. I suggested that it might better be seen as a methodological judgment. Now he does so too, but he continues to designate it as normative by changing the meaning of this word. So much for my not paying enough attention to 'the critical distinction between "value judgments" and "methodological judgments."'

that he has a ready answer: it is a value judgment because, in fact, consumer sovereignty is not put into practice without restrictions. Apparently he now switches to the ethical meaning of 'value judgment'; untestability as a sufficient condition for this qualification has no place in the argument which only points to an incontestable fact. Though he calls its attribution here 'a question of logic,' he is logically mistaken. What he really shows is something patently distinct, namely that consumer sovereignty is subject to value judgments, which no one in his senses would deny. Consumer sovereignty, as an existing situation or as an idea, has this property in common with practically all phenomena economics and the other social sciences are concerned with: human actions, beliefs, institutions and their consequences, like competition, democracy, war and peace or whatever. If for this reason the related concepts were to be seen as value judgments, precious little would remain of positive (non-normative) social science.

This misjudgment displays the same unwillingness to separate in welfare economics theoretical analysis and evaluation or advocacy which fundamentally vitiates Blaug's position on the subject as a whole. In line with this tendency he misconstrues, in further obscure comments on consumer sovereignty, my view on the first postulate. He argues that it is wrong to interpret it not as a value judgment but in a value-free sense on the ground that the individuals' preferences are taken as given. 'We are told,' he writes, that value judgments 'are the sort of propositions we take for granted and do not criticise.' He castigates this reasoning as 'indeed a strange use of language,' to prove, he means to say, that the postulate is not a value judgment. This it truly is, but the tale itself is sheer fabrication. Taking preferences as given is an established convention, *e.g.* in the theory of consumer behaviour. I simply followed this procedure. No one, myself included, has ever maintained that this formula implies that preferences are exempt from criticism.

Blaug might have done better to note that the possible disapproval of preferences and the ensuing disagreement with the first Paretian value judgment is a crucial topic in my article and one of the main reasons for rejecting the prescriptive function of welfare economics.² Blaug's rebuke is all the more bizarre as he turns the real relationship upside down. It is not the neutral but the normative version which, by means of the 'best judge' clause, condones all preferences. Accordingly, I cannot make head or tail of how his talk about acting without question on the belief in the taboo of cannibalism could serve to illustrate my reasoning. At my best guess it is a wholly misplaced triumphal *reductio at absurdum* of the neutral postulate as he misunderstands it.

Blaug's grumbling at the neutral version of the second postulate also springs from a misinterpretation. He calls it extraordinary that I do not regard the concept of social welfare, defined, as is usual in Paretian welfare economics, 'solely in terms of the welfare of individuals', as necessarily a value judgment. Despite my clear explanation he continues to believe that this view entails a denial of wider community interests and 'the organic theory of the state.' With this objection Blaug reappears as a captive of his normative presuppositions. It would be justified if the kind of welfare economics I propose would propagate, as he seems to presume, social welfare in this sense as an overriding policy goal, excluding other concerns. This, as Blaug could know, by definition it does not; it considers this aim as a conceivably desired one among other, possibly

2 It is also rather ironic that I mentioned 'infractions of consumer sovereignty' as an example Blaug might have given for his view that the Paretian value judgments are not generally accepted (Hennipman, 1992, p. 438).

conflicting, objectives. So it is just as well that he has resisted 'the temptation to rail against' this utterly harmless notion.

4 A DISMAL EPILOGUE

In his final paragraph Blaug launches a fierce attack on positive welfare economics, beginning with the indictment that I am 'wrong in logic as well as in language' – a bit thick, some may think. He blames the neutral interpretation for its arrogance because it pretends that economics can 'without ever invoking a single value judgment' deliver 'pronouncements in favour of, say, competition and free trade.' The old charge of self-deception is duly repeated.

Rectifying Blaug's misperceptions is annoyingly repetitive. His indignant posturing exhibits in an extreme form his ingrained prejudices, profound misapprehension and tendentious debating style. It is one of the principal themes in my essay that positive allocation theory does not make pronouncements like those Blaug has in view and that it modestly confines itself to instrumental advice with regard to policy problems. On the other hand, it fully recognises the legitimacy and actual importance of the normative applications such as Blaug indicates, stressing that these are based on value judgments.

It is distressing to be confronted, as the climax of a series of warped allegations, with this egregious distortion. Such an obdurate bias is the more amazing as basically it is all, however Blaug obfuscates it, not a matter of arcane subtleties but of very simple distinctions which, with little effort, a layman could understand. One must take for granted that this offence is not deliberate. The mildest excuse for this misstep would be that Blaug has not read my paper with the care one might expect, something one suspected all along. But in all likelihood the decisive factor is that he is so strongly wedded to his *idée fixe* about the undeniably normative character of welfare economics that even the most thorough elucidation cannot shake his conviction. So I am aware that a second attempt to make him see the light is a thankless task. The best one can say is that even a great scholar may have his foibles and blind spots.

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