

ERASMUS SCHOOL OF PHILOSOPHY

Bachelor Thesis

**Hausman's Evidential View of Preferences: Why Platitudes Do  
Not Replace a Philosophical Theory of Well-Being**

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Word Count: 8435

Main Study: International Bachelor Economics & Business Economics

Date of Completion: 4<sup>th</sup> July 2019

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## I. Introduction

The concept of well-being or welfare<sup>1</sup> is at the heart of nearly all social sciences. It matters greatly for sociology and psychology, for political sciences, and not least for economics and philosophy. We all have an intuition of what well-being means - it indicates how satisfied we are with our lives, how happy we are, how good we are off in comparison with our peers, how healthy we are, how safe we feel etc. Philosophically speaking, well-being is that which is “ultimately good for a person” (Reiss, 2013). Yet, this “ultimate goodness” is as far as the consensus about well-being goes. The precise definition of well-being is in fact a difficult and highly disputed one within and between disciplines, with the most prominent views being hedonism, preference satisfaction and objective-list accounts of well-being. Hedonism and objective-list accounts are commonly categorised as *substantive theories*, in the sense that they prescribe what exactly is intrinsically good for people, such as happiness or bodily health. Preference satisfaction, on the contrary, is usually referred to as a *formal theory*, in the sense that it refrains from giving a judgement of what is intrinsically good for individuals. Instead, formal theories of well-being offer an account of how to *determine* which things are intrinsically good for people. For example, by observing people’s preferences, we can find out what is good for them (Hausman, McPherson, & Satz, 2017).

As integral part of the social sciences, welfare and policy economics have well-being as one of their central topics. One could even go as far and say that promoting well-being is the ultimate goal of these practices. From a practical point of view, it is the task of welfare and policy economists to design policies that make people better off and improve their standards of living, or to advise policymakers and politicians about the welfare implications of policies already in place. The importance of the concept “well-being” for these disciplines and for the social sciences at large is thus virtually undeniable. However, well-being, no matter which theory thereof one subscribes to, is an inherently normative concept, and many economists advocate a dichotomy of facts and values in economics. Modern economics has traditionally understood itself as a purely positive science, in the sense that it is (and should be) value-free, entirely fact-based and objective. Since normative considerations necessarily involve a judgement about “What is good?”, thus value judgements, many economists do not see room for them within their own practice and are reluctant to engage in normative discussions (Reiss, 2013). Thus, in addition to the conceptual disagreement surrounding welfare economics, it has an intricate standing within its field due to a certain tension between normative caution,

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<sup>1</sup> The terms “well-being” and “welfare” will be used interchangeably.

characteristic to economics as a science, and the necessity to face questions such as “What is good?”. In an attempt to stay away from philosophical controversy or even philosophical commitment, standard economic theory has traditionally adhered to formal theories of well-being and identified well-being with the satisfaction of preferences. Related to that, preference satisfaction is believed to be less prone to paternalistic impositions of values, which is another reason why economists tend to prefer formal theories of well-being over their substantive alternatives (Hausman, McPherson, & Satz, 2017).

Yet, despite its alleged philosophical modesty, the view that well-being is equivalent to the satisfaction of preferences has been criticised by economists and philosophers alike, one of which is Daniel M. Hausman, whose approach to preference satisfaction as well-being will be the focal point of this thesis. As will be explained in greater detail in what is to follow, Hausman rejects the idea that preferences constitute well-being, since this implies that all types of preferences contribute to an individual’s well-being - even if they are masochistic, antisocial, wasteful or based on false beliefs. Furthermore, Hausman criticises the standard notion of preference satisfaction as well-being for not allowing preferences to change or conflict with each other (Hausman, McPherson, & Satz, 2017). However, Hausman does not render preferences entirely futile in the determination of well-being. Instead, he suggests that preferences can be a good indicator of an individual’s well-being, if only these preferences are “self-interested, well-informed, and undistorted” (Hausman, 2012). In other words, according to Hausman, preferences can never be *constitutive* of well-being, but might be *evidential* in certain cases.

For Hausman, regarding preferences as solely evidential for well-being is a way out of committing to a philosophical theory of well-being. With his evidential view, Hausman accommodates economists in their philosophical reluctance because he maintains that in treating the “right” preferences merely as evidential for well-being, this presupposes no theory of welfare at all. This is a convenient solution for economists, and arguably makes the job of welfare and policy economists a lot easier. It gives them a justification not to think conceptually about how to define well-being, but endorses their usual procedure of approaching well-being and the evaluation of welfare policies through the measurement of preferences. What Hausman promises himself from the evidential view is avoiding philosophical controversy, while at the same time not forfeiting any precision for purposes of welfare-economic policymaking. From a philosophical point of view, however, Hausman’s strategy is problematic in that it avoids or circumvents addressing the question of what well-being *is* altogether. But can welfare economists, and especially philosophers of economics as Hausman, afford to be agnostic to

what well-being is? Can they be agnostic to conceptual considerations of what is good? The main point of criticism I aim to pursue in this thesis is that Hausman problematically raises the impression that economists can sidestep philosophical considerations when talking about welfare. I claim that the evidential view is not a valid replacement for a constitutive theory of well-being and, as a consequence, does not necessarily guide welfare and policy economics to better policies. The central claim I will defend in this thesis is therefore the following:

**Hausman’s evidential view does not free economists from thinking philosophically about what well-being is.**

Against Hausman’s argumentation I will contend that even if preferences are evidential for well-being, that is if they are self-interested and undistorted, welfare economics always falls back to the need to define welfare. Stripping welfare economics of its conceptually philosophical components therefore does not contribute to economics in an unambiguous way and does not add to its precision as a science.

In order to make this point, this thesis will proceed in the following way: Section IIa outlines Hausman’s approach to well-being and preference satisfaction, and lays out why Hausman claims that welfare cannot be identified with the satisfaction of preferences, mainly referring to Hausman’s 2012 book *Preference, Value, Choice, and Welfare*. Section IIb sheds light on Hausman’s evidential view and criticises that the assumptions on which the evidential view is based are too ambiguous to give economists clear guidance to well-being. Section IIc deals with Hausman’s argument that, based on the evidential view, economists do not need to endorse a particular theory of well-being, and criticises that the evidential view does not sufficiently absolve economists from committing to any such theory. Subsequently, section III examines the implications for the practical work of welfare economists, in particular cost-benefit analysis, which result from the limitations of the evidential view, before section IV comes to concluding remarks.

## **IIa. Hausman on Preferences in Economics: Why Welfare Cannot Be Preference Satisfaction**

Hausman’s main aim with respect to his book *Preference, Value, Choice, and Welfare* (2012) is to do away with the misconceptions that he perceives to surround the role of preferences in welfare economics, the most serious of them being the conception that well-being consists in the satisfaction of whatever kind of preferences, defined as *total subjective evaluations or rankings of all alternatives and consequences considered* (Hausman, 2012).

The most notorious reason for Hausman to reject the notion that preference satisfaction

constitutes well-being is that people make mistakes, they make bad choices. He claims that it is far from uncommon that people choose what might harm them: They prefer smoking over not-smoking, junk food over greens<sup>2</sup>. Hausman therefore argues that simply because an individual prefers one alternative over another, this does not necessarily mean that the preferred alternative is in fact better for her. Put differently, just because someone's preferences are satisfied does not mean that their well-being improves. Preference satisfaction cannot easily be equated with well-being (Hausman, 2012). In spite of this rejection, Hausman still favours a general approach to well-being and the question of what is intrinsically good for people by means of preferences, and he mentions numerous advantages of preference satisfaction over alternative approaches (that is mental state theories and objective-list theories).

With mental state theories of well-being, there is hardly any unanimity about which mental states or "feelings" are really, intrinsically good. Moreover, mental state theories are problematic for the low reliability of their measure. People differ widely in the estimation of their emotions, which makes any comparison difficult. Therefore, Hausman explains, many philosophers and economists alike refrain from defining welfare in terms of mental states (Hausman, 2012).

Likewise, Hausman argues that objective-list theories are problematic for the determination of well-being. Objective lists contain things and values that are objectively judged to be good for individuals. Martha Nussbaum (2000) for example mentions, among others, life, bodily health and integrity, emotions, affiliation, play and control over one's environment as objectively good things. The most intractable criticism against objective list theories is, however, that it is unclear who is to judge which values make such an exhaustive list and which ones do not. As Hausman points out, just as individuals differ in many respects across cultures, so may their lists of objectively good things (Hausman, 2012). Objective-list notions of well-being therefore involve a high degree of paternalism, which many economists have their difficulties with. Apart from concerns about the involuntary imposition of values on people, objective-list theories seem to require further theories - most likely philosophical or moral ones - about what is good and why some items are included in certain lists, while others are not (Hausman, 2012).

For Hausman then, the mentioned issues regarding mental state and objective-list theories of well-being preponderate their advantages. Therefore, for reasons of philosophical

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<sup>2</sup> Ignoring, as it is, meta-preferences, i.e. preferences over preferences. See for example David George (1984).

modesty and in an attempt to avoid paternalism, Hausman has reason to argue that it is safest to rely on people's own judgements and preferences when determining what makes their lives go well, under the presupposition that each and every one is the best judge of their own well-being (Hausman, 2012). Of course, also this approach has its perils. As mentioned before, Hausman brings forth the argument that people often prefer what is bad for them, even if it is only for false beliefs or misinformation. For this reason, economic theory typically makes idealisations to filter these types of preferences, a process called "laundering" (Reiss, 2013). As a result, the line of reasoning shifts towards "self-interested", "well-informed", "rational", "laundered" or "undistorted" preferences whose satisfaction translates into well-being. For, when people care only for their own well-being, they will prefer alternative X over Y only if X is really better for themselves than Y is. If they are equipped with complete and perfect information, they will furthermore be right in this estimation, so X will in fact be better than Y and it will enhance their welfare most. In other words, if individuals' preferences are self-interested, well-informed, and rational (transitive<sup>3</sup>, continuous<sup>4</sup>, and complete<sup>5</sup>), then they will prefer what is good for them and satisfying their preferences will make them better off (Reiss, 2013). For economists, the logical conclusion is therefore that well-being is the satisfaction of these "right" preferences.

Hausman, however, deems this conclusion preposterous and misconceived. He rightly points out that people hardly act according to the assumptions of self-interest, full information and rationality: First, Hausman mentions that full information is practically unachievable. People are often misinformed or unable to oversee the consequences of their choices. For instance, when they borrow money from dubious creditors at seemingly good conditions and end up being trapped in expensive contracts. Would such individuals have preferred the fishy loan over one from their local bank had they realised what they were getting into? Probably not. Poverty and the lack of education are factors that prevent many individuals from making informed decisions (Hausman, McPherson, & Satz, 2017). Second, people are not exclusively self-interested. Some of their preferences concern others, in the sense that people can have altruistic or malevolent preferences. Hausman interposes that satisfying these other-concerning preferences may not make the preferring agent in question any better off: Preferring that more girls worldwide attend primary school and learning that their number has steadily been increasing does indeed satisfy *my preferences* but has no direct bearing on *my own life or well-*

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<sup>3</sup> If an individual prefers A over B, and B over C, she prefers A over C.

<sup>4</sup> People's preferences do not jump.

<sup>5</sup> People can rank all alternatives.

*being* (Hausman, 2012). Third, preferences might change and contradict each other over time because of new information or simply an unexplained update of tastes and personality traits. Hausman brings forth the example of his son who, as a child, preferred to become a gravel-truck driver over any other profession, but has since then changed his career prospects. Such changes in preferences, however, complicate matters for policymakers because it is not obvious which preferences to satisfy, when the aim is to maximise well-being (Hausman, 2012). Fourth, the existence of wasteful preferences, e.g. expensive tastes, and antisocial preferences, e.g. racist or sadist preferences, invalidate the conception that preference satisfaction is well-being. These types of preferences involve a cost for the preferences and the well-being of other individuals, which makes their satisfaction highly problematic for overall welfare considerations (Hausman, 2012).

As these objections exemplify, only because an individual's preferences are satisfied does not imply that her well-being increases. Preference satisfaction as such cannot easily be equated with well-being. According to Hausman, this underlying issue is also not solved if preferences are laundered, which is the stance and apparent "escape route" that economists usually take. Laundered preferences only circumvent the problem surrounding preference satisfaction as well-being because they shift the focus from what people *actually* prefer to what they *should* prefer. In other words, the laundered-preferences view leans towards substantive theories of well-being, such as objective-list theories, prescribing people what they ought to prefer, which economists explicitly try not to do (Hausman, 2012).

Thus, it is not about suitably purifying preferences. Even purified preferences do not make it the case that simply because an individual prefers X over Y, X is necessarily better for her than Y. For Hausman, the key conceptual mistake that economists fall for in this respect is that they *equate* the satisfaction of preferences with well-being. Hausman's main claim is that well-being can never *be* the satisfaction of preferences, no matter how purified. Preference satisfaction per se does not increase welfare. He does not deny that there is a connection between preferences, their satisfaction and well-being. But rather than constituting welfare, preference satisfaction merely *contributes* to well-being. Apart from the argument that preference satisfaction can never be identical to well-being, this is therefore the second main claim that Hausman makes concerning the relationship between preference satisfaction and well-being (Hausman, 2012).



### **IIIb. Hausman's Evidential View and Why It Is Not So Evidential When It Holds**

Hausman's dismissal of preference satisfaction for the determination of well-being in the traditional economic sense might leave the impression that Hausman condemns the entire practice of welfare economics altogether, and that welfare economics is built on an indefensible theory of well-being. However, Hausman is not of that opinion. He is taking an unexpected turn when he maintains that "welfare economics does not rely on a mistaken theory of welfare. [...] [W]elfare economics presupposes no theory of welfare at all. Rather than constituting well-being, preference satisfaction can serve as evidence of well-being, regardless of what theory of welfare one accepts" (Hausman, 2012, p. 88).

Although simply preferring X to Y does not make X automatically better for an individual, Hausman argues that in certain cases, an individual's preferences can contain information about what is good for her, her preferences can be *evidential* for her well-being: If an individual is self-interested, she will prefer and subsequently choose what she believes is good for her. If she is correct in her belief or, put differently, if she is a good judge of what is good for her, then her preference (and her choice) are an indicator for what enhances her well-being. In other words, economists can work backwards from an individual's choice to infer what benefits her (Hausman, 2012).

And even if an individual's preferences are "flawed", that is not entirely self-interested or perfectly informed, they are still the best available guide to their well-being, according to Hausman. As a rule of thumb, most people exhibit a considerable degree of self-interest, which in Hausman's opinion sufficiently justifies relying on preferences as evidence for well-being in most cases (Hausman, 2012).

It does not take much awareness for philosophical matters to follow this line of thought, which is exactly what Hausman offers as major benefit of his own theory. He accommodates the reluctance characteristic to economists to engage in philosophical discussions by putting forward the opinion that preferences indicate well-being, no matter which philosophical theory of welfare (or if at all) economists subscribe to. Economists, according to Hausman, "do not have to wait for a satisfactory philosophical theory of welfare before they can say anything about what makes people's lives go better or worse" (Hausman, 2012, p. 92). What exactly well-being is economists do not need to know, as long as they can rely on preferences to provide evidence for well-being. Even though economists might not need a sophisticated theory of welfare, this of course nonetheless implies that they need a rough, intuitive idea of what is good and bad for people, and which preferences are evidential for well-being and which ones are not. Here Hausman appeals to "common sense", or platitudes, that give economists

an idea of what benefits people's welfare and what does not, and when people are sufficiently good at judging what benefits them. Since Hausman assumes that all of us have such platitudes, including policymakers and economists, these platitudes are just enough for economists to determine what increases well-being and how to make use of the evidential view.

As tempting as Hausman's evidential view may seem to economists as a reassurance for relying on preferences in the discussion of well-being at least in some way, there is a number of doubts that make it questionable whether the evidential view is likely to hold and guide economics to better policies. The first major objection addressed in this section therefore concerns Hausman's methodological approach and how he justifies under which conditions the evidential view is a reliable indicator of well-being. All in all, however, let me stress that I agree with Hausman in his rejection that preference satisfaction constitutes welfare. The satisfaction of preferences per se cannot *be* well-being, first of all because not all preferences are self-interested, but also because they may be masochistic or sadistic, in which case they are clearly directed *against* any form of well-being. Consequently, I also agree with him that it is not the task of welfare economists to satisfy preferences per se, exactly because preference satisfaction is not welfare, only potentially indicative thereof. It seems, however, that Hausman's argumentation supporting this very view is not entirely waterproof. He remains rather inexplicit and vague in his specification when the assumptions of the evidential view hold, namely the assumptions of self-interest, undistortion and information.

Hausman's evidential view relies on preferences being self-interested. If they are not, the satisfaction of a preference - just as with a constitutive approach of preference satisfaction as well-being - does not affect the individual in question, but someone else and is therefore strictly speaking not welfare-promoting or welfare-indicative for the respective person. This also only works if preferences are undistorted. If they are not and people's expectations of an available alternative are incorrect, then them preferring an option will not be evidence for what is really good for them (Hausman, 2012).

However, Hausman fails to provide a clear explanation as to when preferences fulfil the criteria of self-interestedness and undistortion. Instead, he backs his evidential view with a mere rule-of-thumb explanation, stating that people *usually* prefer what is good for them: "When people prefer X to Y, it is often the case that X is better for them than Y. [...] The reason for this correlation is that self-interest is common, and people are often better judges of what serves their interest than are others. There is no other stronger connection between preferences, welfare, and self-interest" (Hausman, 2012, p. 91). Whether it is sufficient to base questions about well-being, and beyond that the decision for or against certain policies, on the fact that

self-interest is “common”, however, is doubtful. It seems hardly plausible that this condition offers a more solid base for welfare economics than the standard preference satisfaction view that Hausman rejected earlier.

Alexander F. Sarch (2015) has extended on this very aspect of the evidential view and criticises that the notion of self-interested preferences alone is too ambiguous and involves too many difficulties to serve as a dependable guide to welfare. For example, self-interested preferences could be interpreted as self-regarding, in the sense that they concern one’s own life. However, Sarch points out that the distinction between self-regarding and other-regarding preferences is more difficult to draw than it might seem initially: For instance, is a preference for the well-behaviour and well-doing of one’s children, such as the preference that they be healthy and have a good job, self-regarding? Different answers to this question are conceivable. Another possible interpretation of self-interestedness, as put forth by Sarch, is self-interestedness as reflecting “what really is good for one” (Sarch, 2015, p. 146). In order to use such a preference as evidence for well-being, however, this notion requires a theory of what is in fact good, which Hausman explicitly claims is not necessary in order to make use of the evidential view.

In his book *Preference, Value, Choice, and Welfare* (2012), Hausman shows himself aware of both of these issues surrounding self-interested preferences, but offers no real plausible way out of this dilemma. Just like Sarch, he rejects the interpretation of self-interestedness as self-regard, not only because the distinction between self-regarding and other-regarding preferences is difficult. He also denies it because even though preferences may be self-regarding, they might still not be aimed at well-being and therefore cannot serve as evidence for well-being, as with masochistic preferences for example. Hurting oneself is self-regarding, but certainly not welfare-enhancing (Hausman, 2012). As for self-interestedness as reflecting what is intrinsically good for one, Hausman adheres to his view that committing to a philosophical or otherwise precise theory of welfare is not necessary for economists. Instead, what he offers as a way out of this dilemma is that he claims that mere *platitudes*, or common sense, are sufficient to determine not only when preferences are self-interested, but also what sorts of things are inherently good for people, along the lines that “economists know enough about the things that make lives good or bad that they can make sense of the evidential view of the relationship between preference satisfaction and welfare” (Hausman, 2012, p. 93).

As hinted at earlier, I doubt that this is a valid relief of the problem at hand, and it seems that this approach lacks consistency with respect to Hausman’s earlier argumentation that preferences, no matter how purified, constitute well-being: Whereas Hausman evinces

precision and rigor in separating preferences (even laundered ones) from a definition of welfare on the one hand, a mere and vague notion of platitudes suffices in establishing when preferences are evidential for well-being on the other hand. But when the intuition of economists about what a good life entails is already enough, it seems unnecessary to regard people's preferences in the first place to make a statement about their well-being. Why ask people for their preferences, why observe their choices in order to find out what is good for them, when economists or social scientists, equipped with platitudes, already know what benefits people? There is a number of arguments that speak for the fact that Hausman's line of reasoning is not entirely convincing at this point.

One problem with Hausman's argument for platitudes is that it contradicts his former reassurance that preference satisfaction, regardless of the fact that it cannot constitute well-being, is still the best way to approach the question of well-being, surpassing both hedonism and objective-list theories (Hausman, McPherson, & Satz, 2017). As asserted by Hausman, the major advantage of preference satisfaction over said other theories, especially with respect to economics, lies in the fact that it leaves people in control of their well-being by regarding their preferences and in this way paying respect to them and their judgements, instead of imposing paternalism. Hausman's call for platitudes concerning well-being stands in sharp contrast to this. Platitudes imply inconsistencies because people may differ in their judgements, according to their culture, personal experiences, or outlooks on life. Accordingly, with platitudes it is entirely up to the value system of the economist in charge to judge what is good and bad. Thus, instead of providing a reliable basis for policy evaluation, folk psychology might lead to an arbitrary, unstable imposition of values. In other words, relying on platitudes to make a statement about well-being brings us not only back to a form of paternalism, but in a sense also back to the realm of objective-list theories, where without an underlying philosophical theory about intrinsic goodness it is arbitrary which values the economist in charge deems desirable for well-being and which ones not. Hausman's flight to platitudes therefore not only refutes his original aim to avoid paternalism in the determination of well-being, it also counters his entire previous argumentation in favour of preferences in a circular way: in order to avoid a theory of well-being, he advocates preferences over alternative approaches of well-being, such as an objective-list approach, but relies on platitudes to justify the use of these preferences. However, platitudes require some idea of well-being in turn, a notion thereof or even a theory of well-being, otherwise they are simply arbitrary value collections of the person in charge. Thus, Hausman's argument keeps orbiting the need to define what welfare entails, his argumentation always vaults us back to our original position.

On a similar note, Gil Hersch (2015) argues that Hausman's evidential view (and especially his proposed use of platitudes to determine when the evidential view holds) does not justify relying on a preference satisfaction measure more than on other measures of well-being. Put differently, under Hausman's argumentation platitudes are meant to tell us when the assumptions hold that justify relying on preferences as evidence for well-being, but equally there may be platitudes that tell us when the assumptions hold that make hedonistic or objective-list measures of well-being plausible. Platitudes are not uniquely relevant or advocative for preference satisfaction as evidential for welfare. Hersch points out that the fact that there is no sufficient link between the evidential view and preference satisfaction measures of well-being can become problematic in certain cases. For instance, it can be the case that platitudes tell us that some assumptions hold, making one measure (let's say preference satisfaction) evidential for well-being, whereas they tell us that other assumptions do not hold, making other measures (such as objective-list items) not evidential for well-being. Platitudes can therefore lead to contradicting results for policy and well-being propositions. To give an example of this point, Hersch refers to the assumption that people are good judges of their own well-being. Platitudes tell us that this is a plausible assumption in most cases. Most people would agree that they know what harms and what benefits them. However, there are cases in which our platitudes tell us that this assumption does not hold: Amartya Sen famously refers to examples of mental adaptation, in which suppressed housewives or happy slaves judge their lives to go well (see Sen, 1987). In this case, our platitudes tell us that the housewife and the slave in question are not competent judges of their own well-being, which leads us to reject this assumption. Now, is a policy aimed at relying on the choices and judgements of these people welfare-enhancing or welfare-deteriorating? Hersch's criticism entails that under the evidential view and use of platitudes, as defended by Hausman, it might not be clear which policies to promote. Similarly, this approach might leave policymakers in doubt about which measure to treat as the best evidence for well-being: preference satisfaction, or rather another measure of well-being (Hersch, 2015).

A further difficulty with Hausman's evidential view is that he justifies the validity of platitudes in the determination of well-being by referring to rather black-and-white cases. Rather obviously, he mentions for example pleasures, friendship, health or accomplishments as items where platitudes suffice to tell us that they add to well-being. He also claims that "[e]conomists do not need to elicit preferences to know that policies that lower infant mortality, that lessen workplace injuries, or that provide safe drinking water are, other things being equal, good for people" (Hausman, 2012, p. 101). Even though in these cases the common sense of

economists probably guides them to the right policies, it is unlikely that platitudes will help them in more subtle questions. Or, as Sarch (2015, p. 147) puts it: “Would welfare in fact be enhanced by the satisfaction of, say, morally troubling preferences (e.g. the desire to engage in repulsive or morally reprehensible activities) [...] or altruistic preferences (e.g. the desire to forego one’s own flourishing for the sake of others) [...]? Would welfare be enhanced by the satisfaction of preferences that one used to hold but has now abandoned?” As these harder cases show, sometimes platitudes cannot give an unambiguous account of when preferences are self-interested and undistorted. Thus, I disagree with Hausman when he claims that platitudes are sufficient to determine when preferences fulfil these criteria, or when the evidential view is viable. Platitudes are too ambiguous and too easy a solution to guide economists to welfare-enhancing policy recommendations. Platitudes do not offer a sufficient account to replace thinking conceptually about what makes preferences self-interested and undistorted.

### **IIc. Why the Evidential View Does Not Replace a Philosophical Theory of Well-Being**

Apart from the fact that Hausman’s evidential view might possibly not be a reliable guide to well-being due to the ambiguity of its assumptions, a second major objection with regards to the evidential view will be discussed in this section: Namely, that the evidential view, and Hausman’s approach through platitudes, does not solve, or if so only insufficiently, the issues it means to resolve, particularly absolving economists from committing to a certain theory of well-being.

Platitudes not only serve Hausman in determining when preferences are likely to be self-interested and undistorted, but they also serve him in his justification that the evidential view allows economists to refrain from committing to any particular theory of welfare. He holds that “[t]he evidential view [...] has few implications for philosophical theories of welfare. It claims that, regardless of what philosophical theory of human well-being one accepts (other than an actual preference satisfaction view), preferences indicate well-being” (Hausman, 2012, p. 92). Moreover, he believes that “[e]conomists and everyday folk do not have to wait for a satisfactory philosophical theory of welfare before they can say anything about what makes people’s lives better or worse. Welfare economists, like the rest of us, have many beliefs about what makes people better off, although their philosophical modesty makes them reticent about trumpeting those beliefs” (Hausman, 2012, p. 92).

Again, for welfare economists, this is a convenient solution and accommodates them in their reluctance to engage in potentially tedious philosophical discussions. Again, using

platitudes as a safe haven when matters become difficult is not likely to be a successful solution. As will be explained in what is to follow, platitudes might be an easy solution, but the underlying problem of not having established an account of what well-being entails is bound to come around sooner or later. Ignoring the normative component in welfare economics and avoiding a precise definition of welfare altogether is unlikely to contribute to making economics (or, for that matter, philosophy) better or more precise sciences. To clarify this point, Hausman's evidential view and his approach through platitudes may be a successful guide to well-being in the narrow scope of preferences being self-interested and undistorted. As discussed in the previous section, however, it is highly difficult to provide a satisfying account of when this is met, and there are likely to be many complex cases in which this prerequisite does not hold.

But for the sake of the argument, let us for now suppose that Hausman is correct and assume that platitudes are enough to determine when people's preferences are sufficiently self-interested and undistorted to serve as evidence for welfare. Then this approach will be useful if preferences are in fact undistorted and self-interested. But what do economists do if by the help of platitudes they come to the conclusion that preferences are not self-interested, or that they are framed in some way? From everyday experience we know that it is not at all unlikely that we prefer the "wrong" things and that some of our preferences therefore might not be eligible as a guide to our well-being. Do economists then have to throw in the towel? Which course of action should they take in order to make statements about well-being?

Hausman argues that one option of ensuring that preferences are self-interested and undistorted is counteracting existing distortions, providing better information and correcting mistaken beliefs, thus, providing the groundwork for people to make the right choices themselves. However, some preferences may be persistently difficult to chasten and elude any better knowledge, such as addictions, overconfidence, myopia, confirmation bias or ideology-justified preferences (Hausman, 2012). Thus, this option promises only limited success. Economists, however, can still make an effort to purify people's preferences from their distortions and align them with self-interest, without directly influencing their preference formation or limiting their freedom, namely by means of nudging. Nudging involves designing policies that nudge people towards making the right choices by altering the choice architecture in which their choices are made, but without explicitly limiting the number of available options or increasing the respective costs of these options. Even though people continue to have the option to choose as they prefer, nudging strategically places the most beneficial, or self-interested option so as to facilitate that this option is chosen (Reiss, 2013). The most prominent

example of nudging is certainly the design of school cafeterias in which healthy food options, such as fruits or vegetables, are strategically placed on eye level in order to encourage students to choose these instead of sweets, for instance. Another example are shopping malls, in which footprints on the floor lead people to the staircase and in this way nudge them to use the stairs instead of taking the elevator (see for instance Thaler & Sunstein, 2003). Even though one prerequisite of nudging is that the choice architecture remains intact and the decision-making power with the individual in question, one common criticism of nudging is that it is to a great extent paternalistic, the implications of which contradict the declared aim of Hausman and economists in general, as has been addressed extensively in the previous section.

Apart from paternalism, however, nudging poses an even greater difficulty when it comes to dealing with preferences that cannot be assumed to be self-interested: In order to nudge people into the right direction, economists need to know *what the right direction is*. In other words, for nudging to work, economists need some sort of knowledge about what promotes well-being or in other words what is intrinsically good for people, which brings us back to the initial problem surrounding welfare economics. Again it seems as if we have reached a dead end and fall back to the need to define what well-being means intrinsically. At this instant, Hausman refers to Thaler and Sunstein who argued that retrospective judgements should guide economists to the right nudge, thus a judgement “that will make choosers better off, *as judged by themselves*” (Hausman, 2012, p. 101). However, as before, whether these retrospective judgements are undistorted can in turn not be determined easily. All in all, therefore, the entire endeavour of nudging is on shaky ground due to the fact that economists do not know what well-being intrinsically means. Not defining welfare in the first place and being apprehensive of committing to a philosophical theory of well-being is not without consequences for the accuracy of economic policymaking. Or, to stick to the previous choice of words: Ignoring this problem at an earlier stage, it is bound to come around sooner or later.

However, also in this case Hausman holds that “[p]latitudes may help” in guiding economists to choose the right nudge, that common sense is sufficient to make these kinds of decisions (Hausman, 2012, p. 101). And even though it is possible that platitudes might help economists also in the case of nudging to ascertain which nudge enhances well-being, Hausman presents only the most clear-cut examples, such as nudging people to save more for their retirement, or to nudge factory workers into taking preventive measures to avoid workplace injuries (Hausman, 2012). To reach back to the argument brought forth by Sarch (2015), however, also in this case platitudes will not likely be sufficient if it comes to morally and economically more difficult and controversial situations: Hausman’s reliance on platitudes



might be a convenient solution for economists at first sight, but it will not be a lasting acquittal from dealing with the meaning of well-being at some point. More precisely, Sarch points out that approaching well-being through platitudes does in fact not absolve economists from advocating a certain theory of welfare, but rather suggests that economists *already have* a sufficient intuition and idea of what well-being means (Sarch, 2015). Sarch therefore criticises that this approach does not really make matters easier for economists nor helps them proceed in their endeavour to design meaningful policies.

This criticism and fastidious approach to platitudes and well-being, however, is not shared by all philosophers of economics. Van der Deijl (2017) for instance cites Alexandrova the following way: “Perhaps it is too much to expect that scientists take a stand on the nature of well-being. How could a resolution of an ancient philosophical debate be a precondition for a scientific project?” (van der Deijl, 2017, p. 214). Van der Deijl himself follows Alexandrova in this argument, and one might argue that he also supports Hausman in his general attempt of finding an access to well-being that does not depend on a construct of well-being as controversial as philosophical theories of well-being. He maintains that there is much more agreement about the nature of well-being between different theories of welfare than it might seem initially, which also proves advantageous to empirical practice and policy making at large. In particular, he claims that different philosophical theories of well-being might contrast or contradict each other in their essence, but that they may share what he calls “intuitions”, or central features, that each of these theories tries to portray (van der Deijl, 2017). These intuitions are, according to van der Deijl, “basic beliefs, or dispositions to belief. In the context of well-being, intuitions are basic judgements about what kind of things matter to a person’s well-being” (van der Deijl, 2017, p. 216). In a way similar to Hausman when he employs the notion of platitudes, van der Deijl claims that “[e]ven if there is no single theory of well-being that can be used to evaluate the conceptual adequacy of well-being constructs, we can still assess whether well-being constructs are compatible with a shared body of philosophical intuitions” (van der Deijl, 2017, p. 215). On basis of this shared body of intuitions, van der Deijl argues, social scientists can define criteria that help conceptualise well-being constructs for scientific or policy purposes that do not contradict with any philosophical theory of well-being, but also do not commit to any one of them. As an example of such shared intuitions he mentions the intuition that achievements add to welfare. This intuition is present in hedonism, preference satisfaction theories and objective-list theories, without there being a consensus between these theories about what well-being is conceptually. The advantage about these shared intuitions is that because they are so broadly formulated, they are able to capture the

agreement that exists between different theories of well-being and thereby narrows down what social scientists can use as an approximation of well-being (van der Deijl, 2017).

At first sight, what van der Deijl (2017) calls intuitions seems to be identical or very similar to Hausman's platitudes. Nonetheless, van der Deijl does regard his approach different from Hausman's approach through platitudes. Moreover, he indicates his conviction that shared intuitions can solve some of the issues that platitudes cannot sufficiently address. According to van der Deijl, the major advantage of his approach is that it focuses on agreement between philosophers about the nature of well-being, rather than merely talking about indicators or determinants thereof. With platitudes, on the contrary, one cannot distinguish whether they capture the conceptual nature of well-being or also indicators and determinants of well-being (van der Deijl, 2017). This observation is in line with the point made earlier that platitudes are too ambiguous to provide a clear-cut and practically applicable guidance as to what enhances well-being. Platitudes pick up too many of the determinants of well-being and are therefore not direct enough to tailor the needs of economists to design policies in different contexts and situations. Shared intuitions, as proposed by van der Deijl, might not be the perfect solution for this issue either, but they do provide a more direct and contextual perspective on economic policymaking, with the advantage that "[s]uch a contextual perspective [...] does not require a particular theory of well-being to be universally correct, or the philosophical debate to be resolved, in order for the conceptual frameworks to be put into practice" (van der Deijl, 2017, p. 228).

This is a valid improvement, of course. However, one setback of making well-being propositions more context-specific is losing sight of the big picture. Different contexts, in which different contextual ideas of welfare are applied, may become incomparable among each other, with the result that there is no overall idea of who benefits from what. To be more specific, van der Deijl (2017) mentions the well-being comparison between developing and developed countries: "If well-being in the development context is something significantly different from well-being in developed countries, comparing well-being in poor and wealthy countries may be conceptually impossible, while well-being researchers have explicitly posed questions about the comparison of well-being between rich and poorer nations" (van der Deijl, 2017, pp. 228-229).

Overall then, even though I agree that it is impossible that social scientists wait for philosophical clarity in the realm of theories of well-being, relying on platitudes or intuitions is still highly problematic. With no commitment to any one theory of well-being, welfare economists run the risk of losing their endeavour in arbitrariness and moral relativism with

respect to their policymaking. If the absence of a satisfactory philosophical theory of well-being results in misguided policy recommendations, this is problematic. Again, this is more likely to affect the marginal and more difficult policy questions. But giving bad advice, based on too shaky grounds, is no solution either.

### **III. Limitations of the Evidential View and Its Implications for Cost-Benefit Analysis**

When we come to the realisation that preferences, even if they are self-interested and undistorted as per Hausman's definition, are not unambiguously evidential for well-being, this not only has consequences for the conception and notion of well-being, but also for the sheer practical use of preferences for welfare and policy economic purposes. As pointed out earlier, the primary practical application of preferences in the economic sciences is the assessment of potential policies. With the identified limitations of the evidential view, the issue that presents itself here is that these limitations extend to what Hausman refers to as economists' preferred method of evaluating policies: cost-benefit analysis (CBA) (Hausman, 2012). Even though CBA does not rely on the evidential view to hold, it is nonetheless undeniably dependent on a preference satisfaction approach to well-being. In order to decide whether a policy is desirable, CBA measures its "net benefit": the difference between how much those who benefit from a policy are willing to pay to see the policy implemented and how much those who are disadvantaged by this policy are willing to accept as compensation for the implementation of the policy. Here willingness to pay is seen as an expression of individual preferences. If a policy has a positive net benefit, it is said to be desirable, and among alternative policies with positive net benefits the one with the highest value is usually chosen. To explain it from the perspective of Hausman's evidential view, this means that the alternative with the highest net benefit has the "greatest capacity to satisfy preferences" (Hausman, 2012, p. 94). If preferences are evidential for welfare, then the option with the greatest net benefit therefore has the greatest capacity to increase the well-being of a majority of people.

Hausman therefore points out that, when economists can assume that preferences are self-interested and undistorted, CBA can possibly guide economists to well-being<sup>6</sup> (Hausman, 2012). However, if preferences cannot be said to be evidential for well-being, that is, if people cannot be assumed to be good judges of what benefits them and if their preferences are not self-interested and distorted, the measurement of such preferences through willingness to pay

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<sup>6</sup> Ignoring, as it is, other difficulties surrounding CBA as a measure of well-being, i.e. its ignorance towards concerns of equity and its overweighting of wealthy individuals (see Hausman, 2012).

does not give a correct indication of what enhances well-being. In this case then, CBA is unreliable as an instrument to measure well-being, because it does not actually depict well-being. Thinking about these questions before applying CBA mindlessly is important, according to Hausman, in order to correctly interpret policy propositions. As the previous sections have shown, however, there is not sufficient ground to believe that preferences are undistorted and that the evidential view is unambiguous enough to guide economists to a satisfactory notion of well-being. In *Preference, Value, Choice, and Welfare* (2012), Hausman in fact suggests that economists should refrain from CBA if they come to believe that people's preferences are so flawed that they do not give good evidence of what makes people better off. As Hausman puts it: "Bad advice is not always better than no advice" (Hausman, 2012, p. 103).

Of course, there are alternatives to CBA, especially originating from the field of psychology. Alexandrova (2017), for example, refers to construct validation as an alternative measure of well-being. Going into detail with other measures of well-being, however, will go beyond the scope and constraints of this thesis. Yet, it should be noted that simply because preferences are not always self-interested and undistorted and CBA does not always provide an accurate measure of well-being, this is not the end of the road for welfare economics. There are alternatives and different approaches to well-being and preferences that are worth noticing and analysing.

#### **IV. Concluding Remarks**

The main aim of the previous sections was to critically reflect on Hausman's evidential view of preference satisfaction in well-being. As we have seen, Hausman's point of departure is that preference satisfaction cannot be seen as identical to well-being, because in many cases preferences are distorted and actually not directed towards well-being. Therefore, Hausman comes to the conclusion that preferences may not constitute well-being, but serve as evidence for well-being, if these preferences are self-interested and undistorted. Armed with this evidential approach to well-being, Hausman believes that it is not necessary for economists to commit to any particular theory of well-being, because viewing the right preferences merely as indicative of well-being circles the definition of what well-being is but circumvents defining this very concept.

I tried to argue that the evidential view of preference satisfaction is not sufficiently grounded or elaborated in order to absolve economists from thinking conceptually about well-being, and that Hausman's sidestepping of philosophical consideration in the field of well-being over-hastily lulls economists into a false sense of security when they use preferences in

their policy proposals. This is on the one hand due to the fact that the assumptions under which the evidential view is said to hold - self-interested and undistorted preferences - are too ambiguous to reliably guide economists to well-being. Hausman believes that referring merely to platitudes is enough to determine when these assumptions hold. On the other hand, also because of Hausman's arguably problematic reliance on platitudes, the evidential view fails to lastingly absolve economists from the need to commit to a certain theory of well-being. Not having established a notion of what well-being is will at least prove difficult when economists come to the conclusion that preferences cannot be said to be self-interested and undistorted, in other words when they cannot be said to be evidential for well-being. For in this case, in order to nudge people towards preferring and choosing what is good for them, economists need a sufficient idea of what is actually good for them.

All in all then, Hausman's evidential view and approach through platitudes are not likely to suffice to significantly improve welfare economics or philosophy of economics. Of course, as has been pointed out, it is not very useful or expedient for welfare economists to wait for philosophers to settle their dispute about what well-being really consist of. They need to know now and not later, which policies are likely to promote well-being and which ones are not. Therefore, maybe a middle ground should be called for: Instead of solely waiting for a full-fledged philosophical theory of well-being and instead of only regarding economists' common sense or platitudes as sufficient to determine what enhances well-being, we should try to combine these components. Yet, I hope that the previous argumentation has sufficiently shown the following: that the impression should not be raised that economists can simply sidestep and ignore philosophy in their considerations of well-being.

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