THE EVIDENTIAL SOLUTION?

Discussing the debate between Hausman & McPherson and Sarch about the saviour of welfare economics.

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Table of Contents

Part 1 – Introduction

Rotterdam is one of the biggest cities in The Netherlands and just like any other big city it has to deal with traffic problems. Rotterdam is split by the Maas river, dividing the city in a north and a south side. The few ways to get past the river are busy every day and the city of Rotterdam wants to construct a new crossing, be it a tunnel or a bridge, to spread out traffic during rush hour. There are multiple possible locations for this project, and each has its own advantages and disadvantages. How could the government of Rotterdam decide what the "best" option is?

Questions of this kind are the topic of normative economics. This is the part of economics that deals with questions about "what should be?". Positive economics is the part of economics that deals with the opposite question of "what is?" and is assumed to be objective. To illustrate, a positive economist might have done statistical research and concludes: "employee productivity increases as time stuck in traffic decreases". A normative economist could use this objective relation to make the following statement: "time stuck in traffic should be minimised because this would increase productivity". In the second statement the economist makes the subjective evaluation that increased productivity is something good and therefore advices to reduce time stuck in traffic.

Normative economics makes use of subjective evaluations and is often used in policy evaluation. The most predominant approach to normative economics is *welfare economics*. This approach assumes that policies must be evaluated on the basis of the consequences a policy has for the well-being of the individuals that the policy affects. Welfare economics has become almost a synonym for normative economics and throughout this piece I will use welfare economics to refer to the branch of normative economics that bases decisions as to what should be done on considerations of well-being only.[1] Welfare economists try to find the alternative or policy that is best for the people concerned in terms of well-being. Well-being is the essential notion in the predominant approach to normative economics and it is presupposed by one of its most used evaluation methods: *Cost-Benefit Analysis* (CBA), to be discussed later on. What then is well-being?

Everyone has some intuitive idea about what it is that we call well-being. When we talk about well-being, we talk about how well one thinks their life is going for themselves. What makes life go well for someone will depend on their character, their wealth, their tastes, etcetera. There is as little agreement on what it is that makes life go well in philosophy as there is in everyday conversation. Within moral philosophy there are three major currents in thinking about that what constitutes well-being: hedonism, objective list theories and preference satisfaction theory. Many philosophers have argued that mental states constitute well-being. This hedonistic approach to well-being is one of the oldest and well-being would for instance be defined as happiness.[2] However, when Daniel and Alex both feel happy because they believe that they are in good health, but Alex has an illness that is unbeknownst to him, then Daniel seems better off. The example shows that well-being seems to be in part objective. Some philosophers have tried to develop objective lists of things that make up a person's well-being. However, to come up with a list that is complete and universal seems an impossible task and this view is little defended.[3]

Mental states require a cardinal measurement scale, that is, a scale that captures the intensity of the feeling. Mental states and their intensities are very hard to measure as they are deep within

[1] Well-being and welfare can be used synonymously, but in this piece, I will stick with well-being as this word is more common in philosophical writing whereas welfare is more commonly used in economics.
[2] John Stuard Mill, *Utilitarianism* (Oxford: Oxford University Press, 1861).
[3] Roger Crisp, "Well-Being," The Stanford Encyclopedia of Philosophy. Last modified September 6, 2017. Edited by Edward N. Zalta. https://plato.stanford.edu/archives/fall2017/entries/well-being/.

someone's mind. For welfare economists, who want to base their decision on the well-being criteria things get complicated when adopting hedonistic views of well-being. With systematic criticism to cardinal hedonistic theory in the beginning of the 20th century came the rise of a third theory of well-being: preference satisfaction theory. It was, for instance, Pareto who argued that there was no accurate measure for the cardinal hedonistic conception of well-being. Therefore, he argued to stick with ordinal measurement (i.e. a mere ranking of different alternatives based on one's preferences).

This shift to ordinal well-being turned preferences to become predominant in the field of welfare economics as they determine the position of alternatives within the ordinal ranking.[4] The preference satisfaction theory of well-being maintains that well-being is the satisfaction of one's preferences. For example, Daniel prefers a bridge over a tunnel and a bridge is built: his preference for the bridge is satisfied and preference satisfaction theory tells us that Daniel is better off (or his well-being is increased). It is important to mention that the satisfaction of preference is not to be mistaken with the feeling of satisfaction.[5] In preference satisfaction theory a preference is satisfied when the world is as a person prefers, whether one knows about the satisfaction of one's preference or what one feels about this matter of fact is not of importance.

With the use of preference satisfaction theory, welfare economists can provide the answer to the question from the first paragraph. In theory, the best option is the alternative that is best capable of satisfying preferences. To determine which alternative this is in practice, a common method used by welfare economists is CBA. The principle of CBA is fairly simple: policy *A* should be executed "if the benefits exceed those of the next best alternative course of action, and not otherwise."[6] This ensures that the policy with greatest benefits shall be executed. The benefits of the next best alternative are defined as the costs of policy *A*. Net benefit of a policy is the sum of benefits minus the costs and CBA aims at identifying the policy with highest net benefit. For CBA to work, and for net benefit to represent well-being within the preference satisfaction framework two conditions must hold: (a) welfare economists must be able to measure benefits and costs and (b) net benefit must measure the capacity of a policy to satisfy preferences.[7] The possibility and problems concerning (a) are well discussed in literature[8] and condition (b) is well established, although for instance Adler[9] tried to establish CBA apart from preference satisfaction.

Measuring net benefit requires representation of benefits and costs in the same dimension. To make this possible, welfare economists typically use *willingness-to-pay*. Willingness-to-pay is used to capture preferences and is defined as the amount of money one is willing to spend for the world to become as one prefers. The more one is willing to pay for an alternative, the more one prefers this alternative (the use of willingness-to-pay in CBA to represent preferences requires certain assumptions about preferences that will be discussed in part 2). Welfare economists take the amount proponents of an alternative are willing to pay for their preferred alternative to be executed. They deduct the amount people whose preference is not this alternative require as compensation for agreeing. What is left is taken to be the net benefit of an alternative. Because willingness-to-pay captures preferences the net benefit measures the capacity of a policy to satisfy preferences. The best

[4] Sven Ove Hansson and Till Grüne-Yanoff, "Preferences," The Stanford Encyclopedia of Philosophy. Last modified November 14, 2017. Edited by Edward N. Zalta. https://plato.stanford.edu/archives/sum2018/entries/preferences/.
[5] Daniel M. Hausman, "*The Impossibility of Interpersonal Utility Comparisons*," *Mind* 104, no. 415 (July 1995): 473.
[6] Stephen Glaister and Richard Layard, *Cost-Benefit Analysis* (Cambridge: Cambridge University Press, 1994), 1.
[7] Daniel M. Hausman and Michael S. McPherson, "Preference Satisfaction and Welfare Economics," *Economics and Philosophy* 25, no. 1 (2009): 20.
[8] See for instance: Glaister and Layard, *Cost-Benefit Analysis.*
[9] Matthew D. Adler and Eric A. Posner, "Rethinking Cost-Benefit Analysis," *Yale Law Journal* 109, no. 2 (1999): 165-248.

alternative when one accepts cost-benefit analysis, is the alternative that yields highest net benefit as this option is best at satisfying preferences, therefore leading to maximum well-being according to preference satisfaction theory.

The promise of CBA to identify the policy with overall maximum well-being is no utilitarian promise: Adler points out: with CBA "we are not committing ourselves to the truth of utilitarianism". Utilitarianism holds that overall well-being should be decisive, but CBA is only a procedure to come to policy decisions. When making the policy decisions other considerations besides CBA matter as well, for instance distributive considerations. Therefore, CBA only commits to a much weaker statement: "that overall well-being is morally *relevant*".[10]

The most prominent decision-making procedure in welfare economics, CBA, uses willingness-to-pay and therefore relies deeply on preferences. Because net benefit captures a policy's capacity to satisfy preferences, CBA outcomes can only be taken say something of well-being when one accepts preference satisfaction theory of well-being. There is, however, lots of critique on the preference satisfaction theory of well-being. Many people argue against the idea that well-being is the satisfaction of preference. This poses a big problem for the theoretical foundations of CBA in welfare economics and for how we make policy decisions. Would preference satisfaction theory prove to be wrong; the whole practice of welfare economics would be based on wrong assumptions.

Hausman and McPherson provide a solution for welfare economics when preference satisfaction theory proves wrong.[11] They defend the use of CBA in welfare economics. They argue that preferences provide the best evidence for well-being and their use is justified even when refuting preference satisfaction theory of well-being. In what follows I will discuss their criticism of preference satisfaction theory and I will discuss their proposed saviour of welfare economics. I will consider a critical reaction to this solution from Alexander Sarch, who argues that the project of Hausman and McPherson is not complete yet because the conditions they pose on preferences are ambiguous. I will conclude with a summary of the debate and reflect on it with an argument on alternative measures of well-being besides preferences. But first, I will discuss some important considerations concerning the assumptions CBA makes on preferences and measurement to provide some background to the discussion.

Part 2 – Background

Utility and Social Choice

Suppose, Daniel reads about the plans the government of Rotterdam has for a new crossing across the Maas, he considers the different options and forms a preference for one of the alternatives. The government would like to find out about Daniel's preference, and those of all other citizen of Rotterdam, to ground their decision. There are different methods to measure and represent preferences, each makes different assumptions about the information of preferences that is accounted for. I will discuss the most important here. I will also cover how these different assumptions affect preference satisfaction theory and cost-benefit analysis.

Consider the following statement: Daniel prefers bridge A over bridge B over bridge C. Daniel ranks different alternatives on the basis of his preferences, and so does every other citizen in Rotterdam. A ranking of alternatives as above is known as an ordinal preference ranking. The ranking

[10] Adler and Posner, "Rethinking Cost-Benefit Analysis," 196.
[11] Hausman and McPherson, "Welfare Economics," 1-25.

tells us what is preferred over what and this is valuable information for the government of Rotterdam. The question is: how do we find all preference rankings and combine them to make our decision on the bridge's location?

The government of Rotterdam could send a survey to their citizens where they can fill in their top three locations. What we obtain is a set of individual preference rankings. We however want to obtain a preference ranking of society on basis of which the socially most preferred option could be chosen. We could try and find a function that represents all of these individual orderings into a collective ordering that we take as society's preference ordering. A function that ranks different social states from desirable to less desirable is referred to as a social welfare function. The social welfare function maps individual preference rankings into one societal ranking. It should give an alternative a higher rank when it is the socially preferred option. For instance, if every single citizen in Rotterdam prefers location *A* over *B*, then the social welfare function should place *A* above *B*.

Ordinal preference theory assumes that preference orderings satisfy four conditions: they are complete, transitive, context independent and the choices of an agent must be driven by his preference.[12] The assumption of completeness requires a preference ranking to include all relevant options. Every alternative has a place somewhere on the ranking. The assumption of transitivity holds that when Daniel prefers *A* over *B* over *C*, he must also prefer *A* over *C*. There can be no case where his is preferences are *A* over *B* over *C* and yet he prefers *C* over *A*. Context independence requires that the ranking between bridge *A*, *B* and *C* depends only on his preferences among *A*, *B* and *C* and not on what other alternatives are available. Finally, the fourth condition requires that when Daniel prefers *A* over *B,* he would also choose *A* if he had the chance. The social preference ranking should conform to these same conditions as the individual ordinal rankings.

One of the most intuitive ways to approach a social preference ordering is the majority rule. The majority rule states that we use a function that ranks the alternative preferred by the majority of citizen on the highest place. The majority rule, however, does not satisfy all of the required conditions. Condorcet showed that majority preferences can violate transitivity even though individual preferences do not.[13] When one third of a group prefers *A* over *B* over *C*, one third *B* over *C* over *A* and another third prefers *C* over *A* over *B*. Then there exists majority of two third for *A* over *B*, for *B* over *C* and for *C* over *A*: a cycle violating transitivity.

When we cannot decide on the basis of a majority rule, how then do we come to a social decision? Arrow argued that when three reasonable conditions hold: *weak pareto*, *no dictator* and *independence of irrelevant alternatives,*[14] there exists no possibility of obtaining a social welfare function based on individual ordinal preference rankings.[15]

Amartya Sen took Arrows theorem as evidence that only taking ordinal preferences into account is not sufficient for making social decisions. He argues that more information about preferences needs to be incorporated in the ordering.[16] Besides a mere ranking of alternatives, more

[12] Hausman and McPherson, "Welfare Economics," 4-5.

[13] Nicolas de Condorcet, *Essay sur l'Application* (Paris, 1785).

[14] The condition of weak pareto requires that when everyone prefers A over B, the social ordering must place A over B as well. No dictatorship ensures that the social ordering is not entirely overruled by the preferences of one person. That is, there is no person whose strict preference for an alternative always make it that the society prefers this as well. The independence of irrelevant alternatives condition requires that the social ranking is based only on relevant preferences concerning the different alternatives. That means that the ranking of A and B must only be determined by the preferences for A and B and not by preferences concerning alternative C.

[15] Michael Morreau, "Arrow's Theorem," The Stanford Encyclopedia of Philosophy. Last modified November 26, 2019. Edited by Edward N. Zalta. https://plato.stanford.edu/archives/win2019/entries/arrows-theorem/.

[16] Amartya Sen, *Choice, Welfare and Measurement* (Oxford: Blackwell, 1982).

information is contained in preferences. For instance, strength of preference can be incorporated to say more about the ranking. If we allow for this cardinal information in our preference ranking, we can make statements like: Daniel prefers option A twice as much over option B as he prefers option B over option C. We could even incorporate strength of preference between individuals to make interpersonal comparisons possible. This gives us statements in the form of: Daniel prefers option A twice as much to B as Alex prefers option A to option B. Whether interpersonal comparison is possible, however, is highly debated in the field of social choice theory and, in their essay, Hausman and McPherson restrict themselves to noncomparable ordinal preferences. They do so by maintaining that net benefit captures capacity to satisfy preferences and not actual levels preference satisfaction.

Allowing for cardinal information to be contained in preferences gives room for other methods for measuring preferences like willingness-to-pay, as a higher amount of willingness-to-pay indicates a stronger preference. We can then come to a social decision by aggregating willingness-to-pay and base our decision on cost-benefit analysis. These wider interpretations of preferences are more common in welfare economics relevant for practice and Hausman and McPherson their criticism applies here as well as the assumptions of ordinal preference theory are weaker than the assumptions of cardinal representation.

Preference Representation

We saw that the limited information contained in ordinal preferences does not allow for satisfactory social decision making. Cardinal information on preferences is used in CBA and welfare economics. How do we represent these cardinal preferences?

In welfare economics, preference relations are commonly represented in utility functions. A utility function maps the different alternatives on one's preference ranking in order to give a higher utility to more preferred options. A higher utility outcome thus implies that a higher preference is satisfied. Utility functions provide a nice tool to maximise preference satisfaction under constrains. The representation of ordinal preferences and cardinal preferences in utility functions differs, as the information that is contained in them differs.

Any utility function that assigns a higher output to the more preferred alternative is able to map ordinal preferences. For instance, $U(a) = 12$, $U(b) = 6$ and $U(c) = 3$ would do the trick. However, because the only criteria for the ordinal utility function is that it assigns a higher utility to a more preferred option, these utility functions tell us nothing about how strong someone's preference is. We could rewrite the functions above as $U'(a) = 120$, $U'(b) = 12$ and $U'(c) = 1$ and still represent the same preference ranking. We see that $U'(a) = 10 \times U(a)$ while $U'(c) = 1/3 \times U(c)$, so we cannot compare different levels of utility. The levels of U are meaningless, and as we saw with ordinal preferences, we cannot simply add them together for each different alternative to obtain a social welfare function.

For representing cardinal preferences, any transformations we would do on utility functions needs to keep the ratio, as well as the interval scale, the same between individuals. We could for instance multiply with the same number for all people. When we assume cardinal representation, the total level of utility becomes meaningful as we can compare among individuals. This is what happens when using CBA.

Within the practice of welfare economics willingness-to-pay is used as a proxy for preferences to represents them in a cardinal way to do cost-benefit analysis. For CBA to be meaningful for well-being then, it has to hold that well-being is the satisfaction of preferences. If preference satisfaction theory of well-being where to be proven wrong, CBA would have nothing to say about well-being and therefore become meaningless in its use in welfare economics. Hausman and McPherson argue that preference satisfaction theory is mistaken, but they provide a solution for the problem this poses for welfare economics' use of CBA.

Part 3 – Hausman and McPherson Preference Satisfaction and Welfare Economics.

The main influence of normative economics in public policy decisions is via cost-benefit analysis. I already discussed the use of willingness-to-pay to indicate preferences in cost-benefit analysis. Welfare economists use the satisfaction of preferences as evidence for well-being. However, this theory of well-being is criticised a lot and refuting this theory would require massive reformations within the field of welfare economics. In the ongoing debate about the justification of the use of preference satisfaction within the field of welfare economics, an important contribution has been made by Daniel Hausman and Michael McPherson.[17] Their objective has two parts: for one, they argue against the preference satisfaction theory of well-being. Second, they provide an elegant defence of welfare economics' reliance on preferences as indicative for well-being. Their argument against preference satisfaction theory argues against both actual preference satisfaction as well as 'laundered' preference satisfaction theory. I will refer to preference satisfaction theory using actual preferences as standard preference satisfaction theory and to the use of laundered preferences as laundered preference satisfaction theory.

In this part I will look into their project and outline their contribution in *Preference Satisfaction and Welfare Economics*. I divided this part into five sections. The first and second section will cover criticism to standard and laundered preference satisfaction. The third section then presents Hausman and McPherson's argument that there is something fundamentally wrong with the link between preference and well-being. After explaining how Hausman and McPherson argue to do away with preference satisfaction theory completely, the fourth section presents their proposed solution they call the 'evidential view', that should save the practice in welfare economics. The fifth section will summarise the most important arguments of Hausman and McPherson, before I will present a critical reaction to their thoughts by Alexander Sarch in part four.

Criticism to Standard Preference Satisfaction Theory

People tend to choose things that make their life better in some way, there seems to be a natural link between choices and well-being. Within the tradition of welfare economics, preferences are thought to be the key for explaining choice: people choose what they prefer. Given that choices depend on preference and the natural link between choice and well-being it seems reasonable to assume that preferences, via choice, amount to well-being. In this way, welfare economists typically take well-being to be the satisfaction of preferences. Although the link between preference satisfaction and well-being seems natural, how well does it stand? Is the satisfaction of preference always a good measure for well-being?

Suppose Daniel, first year economics student living in Groningen, meets an old lady on the train. The lady is talking to Daniel about her preference for a bridge across the Maas because she would like walking across with a beautiful view. Although Daniel never visits Rotterdam, convinced by

[17] Hausman and McPherson, "Welfare Economics," 1-25.

the old lady, he forms the preference that the bridge is built instead of a tunnel. Some years later the bridge in Rotterdam is finished. The old lady is very pleased with this, but Daniel never finds out that the bridge is built instead of the tunnel. Still his preference for the bridge is satisfied and preference satisfaction theory would suggest Daniel is better off because of this. Is there any ground to say that Daniel's well-being is increased by the satisfaction of his preference? This example is a variation on the cured stranger example from Derek Parfit who would argue that there is no such ground.[18] The example illustrates one of the main critiques on standard preference satisfaction theory: it is very hard to hold that the satisfaction of a preference that is not about oneself improves well-being. We could add a condition on preferences, so that we only consider self-interested preferences.

Suppose one is entirely self-interested and makes sacrifices in their life in the name of religion. One comes to this self-interested preference of making sacrifices based on the belief that sacrifices in this life make him better off in a next live. However, would the promises of religion prove to be false, supposing there is no afterlife, then all these sacrifices are useless. Fulfilling these preferences for sacrifice will unlikely make one better off, as they are founded on a mistaken belief.[19] So it seems that imposing a condition of self-interestedness on preferences does not make it the case that the satisfaction of preferences promotes well-being. The problems with non-self-interested preferences and preferences based on mistaken beliefs are the main two objections posed by Daniel Hausman and Michael McPherson against the notion that well-being is the satisfaction of actual preferences.[20] There are however more points of criticism.

What should we do when preferences change over time? Suppose that Daniel prefers a bridge on location A to all other alternatives at the time the government announces that there is an extra crossing to be made. Two years pass and Daniel has moved to another place in the city of Rotterdam and would prefer a bridge on location B now. Because he has moved his preference is changed. When the bridge is built on location A this does not seem to increase Daniels well-being, for the bridge will be on the other side of town. But why would we prioritize present preferences over past preferences? A reasonable argument to prioritize his present preference would be that Daniel knows more about himself now than he did two years ago. His present preference is more likely to represent what would make his life go better. This argument, however, suggests that there is something other than mere preference that is of importance for well-being, and thus is troublesome for the standard preference satisfaction view. People changing preferences over time, due to new information about themselves, seems a natural thing. The theory of preference satisfaction has no clear way of dealing with this. Besides a theoretical problem, changing preference also raise questions for the practice of welfare economics and cost-benefit analysis. For instance, should one account for people's willingness-to-pay before or after the implementation of a certain policy?

There are also cases where preferences seem to contradict one another. The assumptions of standard preference satisfaction theory allow for no such conflicts among preferences. In real-life however, there are many cases where we feel internal struggle because of conflicting preferences. These are conflicts between "first order" and "second order" preferences.[21] For instance: quite often I find myself shopping while I'm hungry, buying a package of biscuits to satisfy my first order preference, that is, to satisfy my appetite. But then when I get home, I don't eat them because of my second order preference to eat healthy. Sometimes I do eat the whole package of biscuits and feel

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[18] Derek Parfit, *Reasons and Persons* (Oxford: Oxford University Press, 1984)
[19] Hausman and McPherson, "Welfare Economics," 6.
[20] Ibid, 6-8.
[21] Ibid, 7.

guilt afterwards. I have two conflicting preferences. If I have more than one preference ranking of preference *x* (satisfying hunger) and *y* (eating healthy) which conflict with one another, it seems there is no way in which standard preference satisfaction view of well-being can tell whether eating the pack of cookies will make me better off. This situation of conflicts between different preference rankings is theoretical as a practical problem. Should a policy steer toward satisfying first order preference or towards second order preference? Preference satisfaction theory does not have the answer.

Another important point of criticism to standard preference satisfaction theory is in the following thought experiment by Quinn.[22] Suppose a situation in which a subject is equipped with a machine that has 1000 settings. With every setting up, the machine inflicts an almost unnoticeable amount of additional pain to the subject. The subject can choose each week whether he wants to stay put or increase one setting with the reward of €10.000. Quinn argues that it is very likely that the subject reaches a setting where he is in so much pain, that he would be happy to return all his money to go back to setting 0. When the subject chooses the money over the little increase of pain over staying at his current setting (money > extra pain > stay put), standard preference satisfaction theory would say that this must hold till the 1000th setting because the money amount and the little increase of pain stay the same with every setting. The subject's well-being would therefore be increased with every step up. However, given the situation described in the experiment and the argument Quinn gives, this seems very unlikely.

Welfare economics is concerned with social policy and as we have seen there are several theoretical and practical problems with the standard preference satisfaction view of well-being. When economists use standard preference satisfaction theory for social policy decisions concerning the amount or distribution of well-being their evaluation should also conform to our moral and societal rules. Using preference satisfaction theory would lead to moral problems as well. When welfare economists have to choose a policy that increases well-being, they would have to consider people whose preferences are anti-social or racist, or preference for very expensive things. Standard preference satisfaction theory makes no assumptions about the origin of preferences. Suppose Daniel and Alex have the same income to satisfy their needs. When Daniel prefers very expensive whisky while Alex prefers simple tap water, then Daniel has a much harder time satisfying his preferences and on standard preference satisfaction theory basis, he is worse off. Should policy be aiming to level their capability to satisfy their preferences, as standard preference satisfaction theory would suggest? This means policy should be purely focussed on the amount of well-being and not whether a policy provides fair distribution. Similar problems arise when considering anti-social preferences like racist preferences. Should social policy be concerned with satisfying racist preferences? This seems wrong because of the harm these do to others.

If one refuses to take expensive or anti-social preferences into account, one does away with standard preference satisfaction theory of well-being. Suggesting that the type of preferences is of importance for social policy decisions. Imagine a situation in which a person's preferences are formed by years of manipulation or oppression, or a situation where someone has mental problems, and problematic psychological mechanisms are the reason for some of their preferences. An example of this might be the observation that some people always want what they can't have. These deformed preferences might not be in a person's best interest. Considering preferences of oppressed people, it would make sense that the welfare economist considers whether these preferences derive from their oppression or are in their genuine interest. Because when people's preferences would derive from

[22] Warren S. Quinn, "The Puzzle of the Self-Torturer," *Philosophical Studies* 59 (1990).

their oppression one cannot measure their well-being by simply looking at the satisfaction of these preferences. It seems that, as well as the type of preference, their origin is of importance for those who are concerned with well-being.[23]

Considering all the above, it seems hard to argue that well-being is the satisfaction of actual preferences. Hausman and McPherson briefly discuss several defences of the standard preference satisfaction theory of well-being, but they argue that all fail.[24] Nevertheless, many economists believe that well-being constitutes in the satisfaction of preferences.[25] However, most do not support standard preference satisfaction theory, but a variation that I will discuss next.

The Laundered Preferences Approximation

Laundered preference satisfaction theory assumes that preferences are 'laundered' or corrected to solve some of the problems discussed in the previous section. Justification for this filtering of preferences can be found in everyday experience where it becomes clear that certain preferences are more important in determining well-being than other preferences.

Laundering preferences should result in a person's ideally considered rational preferences: "My ideally considered preferences are those I would have if I were to engage in thoroughgoing deliberation about my preferences with full pertinent information, in a calm mood, while thinking clearly and making no reasoning errors."[26] It seems more reasonable to identify well-being with the satisfaction of these filtered preferences, as they are free of non-self-interested, not fully informed and morally problematic preferences. If well-being is the satisfaction of these laundered preferences, then the identification of well-being with actual preferences would be reasonable to the extent that actual preferences approximate the filtered preferences. This view is labelled ''the approximation view" by Hausman and McPherson. [27] It potentially solves many of the problems faced in the previous section.

First, the approximation view makes sure that only self-interested preferences are considered. Second, this view does not count the satisfaction of preferences based on cognitive defects or ignorance towards well-being. Third, changes in actual preferences and conflicts among actual preferences, are no issue if laundered preferences stay the same. Fourth, laundering preferences potentially solves some transitivity problems as in the Quinn example: if one would be fully informed and would contemplate thoroughly over the pain, reached with the 1000th setting on the torture machine, one would not prefer this. So, the satisfaction of the preference to go up every week would not count towards well-being. Fifth, the satisfaction of preferences that were formed by coercion or manipulation, and that one would not have had if not coerced, would not contribute to well-being. And finally, laundering preferences could also be a solution to antisocial or racist preferences as one could argue that these kinds of preferences are not rational or well-informed.

The approximation view thus eludes most of the problems faced by the traditional preference satisfaction theory. The welfare economist, however, gets a more difficult job when assessing well-being based on preference satisfaction. Accepting the laundered preference view he must determine

[23] Hausman and McPherson, "Welfare Economics," 8.
[24] See for discussion of these defences Hausman and McPherson, "Welfare Economics," 9-10.
[25] Roger Crisp, "Well-Being."
[26] Richard J. Arneson, "Equality and Equal Opportunity," *Philosophical Studies* 56 (1989): 77-93; Richard B. Brandt, *Theory of the Good and the Right* (Oxford: Oxford University Press, 1979); and Connie S. Rosati, "Relational Good and the Multiplicity Problem," *Philosophical Issues* 19, no. 1 (2009): 205–34.
[27] Hausman and McPherson, "Welfare Economics," 11.

not only what people prefer, but also decide to what extent these preferences fit laundered preferences. Besides the practical aspect Hausman and McPherson argue that there is a bigger problem going on. They question whether the satisfaction of preferences, be they actual or laundered preferences, is at all capable of constituting well-being.

The Fundamental Mistake

To answer this question, they need to look at whether preference has a direct connection with well-being. Well-being was defined as that what makes someone's life go better. The question is how the "preference ranking by itself make the fact that *x* obtains good"?[28] Say Daniel prefers a bridge to a tunnel, then the fact that he prefers the bridge, does not make it the fact that the bridge is better for him. His preference does not mean that what he prefers is better. For example, when Daniel prefers to harm himself, then satisfying this preference will make him worse off by definition. In this way Hausman and McPherson argue that the condition that is needed for preference satisfaction to work, is that we should distinguish between preferences that are directed towards promoting well-being and those that are not. This distinction, however, is not possible when well-being is satisfaction of preferences. The problem with preference satisfaction is that the satisfaction of preference has in fact nothing to do with well-being according to Hausman and McPherson.[29]

When preference in itself has nothing to do with well-being, why then does it seem so natural to say if Daniel preferers a bridge to a tunnel, is better of when the bridge is built? One argument could be that he finds out that the bridge is built, and he is pleased with this. But in that case, he is not better off, because his preference is satisfied only because he is pleased with the bridge. Suppose that Daniel fiends out that the bridge is built, and he feels indifferent about it, it does not have any influence on his mental state. Then, even though his preference is satisfied, there seems to be no reason to conclude that he is better off.

Hausman and McPherson question themselves whether there are a wrong sort of preferences (non-self-interested or irrational) that we should try and filter out of the equation with the use of laundered preferences, or that we should recognise instead that the fact that a state of affairs satisfies one's preferences does not by itself contribute to well-being. Hausman and McPherson argue for the latter and therefore conclude that both standard as well as laundered preference satisfaction theory of well-being, are false.[30] This conclusion has some serious consequence for the practice of welfare economics, for its practice relies deeply on preference satisfaction theory. When we refute preference satisfaction theory the use of willingness-to-pay and cost-benefit analysis would tell us nothing about well-being and the whole field of welfare economics needs a new way to make policy decisions in favour of well-being.

Evidential Connection

At the beginning of this essay we saw that welfare economists use cost-benefit analysis and willingness-to-pay as proxy for preference partly because of its practicability. But what should be done when there seems no justification to keep relying on preferences for making well-being decisions?

[28] Hausman and McPherson, "Welfare Economics," 13.
[29] Ibid, 14.
[30] Ibid, 14.

Because we ruled out the other theories of well-being for the practice of welfare economics, we either need to think of a completely new way of defining well-being or we should find a way in which we could still use preferences for CBA in some way.

Hausman and McPherson argue that there is an evidential connection between preferences and well-being that can justify the use of preferences in welfare economics although preference satisfaction is mistaken. They argue that in general people prefer what they believe is better for them. Satisfying these preferences won't make them better off, but these preferences might offer a guide to what people themselves think is better for them. A guide that welfare economists can use to make inferences about well-being. Hausman and McPherson propose that when an individual is (a) reasonably self-interested and is (b) a good judge of what is in their own benefit concerning a certain policy, preferences are evidence concerning what the individual thinks makes him or her better off.[31] Preferences may be the best guide, although error-prone, to what makes an individual better off. Hausman and McPherson offer two arguments for their claim: best information and unsystematic mistakes. The best information argument proposes that Daniel is probably self-interested and well-informed enough it is likely that the government's judgements about what is better for him will be worse than his own. His own preferences are probably a more reliable guide to what makes him better off. Besides, Daniel himself probably has more inclination towards his own well-being and is likely to be better informed about his circumstances than the government would be. The unsystematic mistakes argument proposes that it is safer to rely on Daniels preferences, because the mistakes he makes in determining what is better for him, will likely be more unsystematic than when the legislator would take on this task.

The conditions of self-interestedness and good judgements do not offer an argument in favour of preference satisfaction theory we just rejected. What Hausman and McPherson offer is an "identification of the considerations that determine whether it is more or less reasonable to take preferences as indicating welfare".[32] It is up to the welfare economist to determine whether the conditions (a) and (b) hold, and thus to decide whether it is reasonable to use preference as evidence for well-being.

In some contexts, these conditions will be more reasonable than in others and they are not always justified. Take for instance cost-benefit analysis concerning climate change. In this case preference are probably not the right measure for benefit or well-being, as the self-interested preference to counter climate change is likely to be outweighed by the preference for eating meat, flying to exotic locations or driving a car. Besides, most people are no climate experts so the second condition of well-informedness about consequences will probably not hold. However, most people will have other – non-self-interested – reasons to prefer climate change to stop. One could also think of similar examples like the preferences concerning the 'plastic soup' or saving endangered species. In these cases, using preference would likely provide a poor indicator for what makes people better off, and their use as indicator for well-being is unjustified.

The "evidential view" of well-being as proposed by Hausman and McPherson provides normative economists with an option to deny any philosophical theory of well-being and use satisfaction of preferences as the best indicator for well-being under certain conditions. The task now faced by welfare economists is to assess whether the conditions of the evidential view are reasonable. Although not in need of a theory of well-being, welfare economists need some idea of what is good

[31] Hausman and McPherson, "Welfare Economics," 16.
[32] Ibid, 17.

for people. The evidential view might solve the preference-satisfaction problem faced by welfare economics, but it has created a new one. In Hausman and McPherson's own words: "It might appear that we've given economists a way of jumping out of an uncomfortably warm preference-satisfaction frying pan directly into the fierce philosophical fire that heats it."[33] They however propose that economists do not need a perfectly justified theory of well-being to make judgements about what makes life good or worse. They assume that people are generally pretty capable of judging what is good for them, and economists therefore should be capable of this as well. This argument from platitude plays an important part in their project. When we reject this argument, their solution would collapse completely as economists would then not be able to assess whether the two conditions are reasonable.

The Normative Economists Task

The evidential view argues that welfare economics does not need any theory of well-being to make sense of the evidential relation between preference satisfaction and well-being. They can use the relation, so that if one prefers state of affairs *A* over state of affairs *B* then, according to the evidential link, this means that this is good evidence that one has higher well-being in *A* than in *B*. The link only holds under the assumption that both the condition of self-interestedness and well-informedness hold.

As discussed in the introduction welfare economics uses cost-benefit analysis to influence policy making. We saw that for CBA to be used for policy evaluations the following assumptions must hold: first, economists must be able to measure net benefit. Second, net benefit must measure the capacity to satisfy preferences. In their defence of welfare economics Hausman and McPherson have proposed two extra assumptions which are needed to continue the use of cost-benefit analysis when the preference satisfaction theory of well-being is refuted: (a) preferences concerning the policy must be self-interested and (b) people must be well-informed about the policy.

Although Hausman and McPherson refuted the theory of preference satisfaction they gave welfare economists a way to keep using preferences in their practices. The evidential view has two big benefits for welfare economics: it allows economists to take no part in the philosophical debate on preference satisfaction, because even when there are inconsistencies with preference satisfaction theory, welfare economists can still use preferences as a guide. Also, when preferences are the best guide to well-being, economists do not need to define what well-being is, this is left to the individual. Welfare economists trust in preferences is justified regardless of what theory of well-being proves to be correct. Adopting the evidential view, welfare economists face three tasks: First, they must determine whether people's preferences are self-interested. Second, they must establish whether these preferences are formed with the best of information about the policy and its consequences. And at last the economists must correct for mistakes and biases that cause preferences to be a fallible guide to well-being.

Part 4 – Alexander Sarch's response to the proposed defence

We see that Hausman and McPherson offer a seemingly elegant solution to the problematic link between welfare economics and preference satisfaction theory. Their solution would justify for

[33] Hausman and McPherson, "Welfare Economics," 18.

welfare economists to continue using preferences as indication for well-being. They argue that this practice is only justified when preferences are deemed self-interested and well-informed.

In their defence Hausman and McPherson offer no clear-cut definition of self-interestedness or of the condition of well-informedness. This leaves the concepts open for different interpretations. Especially the most important condition of self-interestedness allows for multiple interpretations. This is of significant influence on the success of their proposed solution. Alexander Sarch discusses multiple interpretations of the condition of self-interestedness and their implications for the defence of welfare economics.[34] With this discussion he provides an identification of where the solution of Hausman and McPherson is lacking and needs more research.[35]

Sarch' main argument points out that the condition of self-interestedness is ambiguous. Hausman and McPherson use 'self-interestedness' throughout their essay without really specifying what it means. On page 18 they give their interpretation of self-interestedness in the light of their evidential solution, self-interestedness as preferences being "directed toward … own well-being".[36] Alexander Sarch identifies three ways in which we can interpret the condition of self-interestedness, amongst which the interpretation by Hausman and McPherson, and gives arguments for the reason why these are all problematic. Sarch presents two very natural interpretations of self-interested preferences and one that is more in line with the interpretation of Hausman and McPherson. I will discuss them one by one in this part and explain how Sarch argues that all three interpretations pose problems for the evidential view.

Self-Interested as Self-Regarding Preferences

When we think of self-interestedness probably the first that comes to mind is that one is concerned with oneself or that one is acting in one's own interest. Sarch defines this interpretation self-interest as self-regarding.[37] Self-interested preferences in this sense are preferences that are concerned with oneself. With this interpretation, the self-interested condition would only be satisfied when one's preferences are about oneself and are thus self-regarding. Hausman and McPherson already discuss this view when arguing against preference satisfaction theory. It is very hard to distinguish between self-regarding and other-regarding preferences. Often choices or preferences are based on a mix of self-, and other-regarding concerns. For instance, preference for one of the alternative crossings across the Maas may be based partly on self-regarding interests, like one's preference to use the car or bike or because one of the locations suits one's daily commute better. However, probably other regarding preferences are in the mix as well. Like preferences concerning social costs of construction, damage to nature and animals. Or maybe one has an elder parent living in another part of town and preference for the location is based on what is convenient for him. Also, as Hausman and McPherson showed, even self-regarding preferences might not be capable of enhancing well-being, as the satisfaction of preference in itself has nothing to do with well-being when there is no positive effect of some sort.[38] This interpretation is thus discarded quickly as it is problematic for the evidential view

[34] Alexander F. Sarch, "Hausman and McPherson on Welfare Economics and Preference Satisfaction Theories of Welfare: A Critical Note," *Economics and Philosophy* 31, no. 1 (2015): 141-159.
[35] Sarch, "A Critical Note," 142.
[36] Hausman and McPherson, "Welfare Economics," 18.
[37] Sarch, "A Critical Note," 145.
[38] Hausman and McPherson, "Welfare Economics," 14.

and it seems unlikely that Hausman and McPherson meant the self-interestedness condition as preferences being self-regarding.

Self-Interested Preferences as That What Is Really Good

Another way we can think about a self-interested person is that Daniel does what is good for himself. Other than self-regarding, this interpretation of the self-interested preference condition holds that one prefers that what is really good for oneself. This means that if Daniel would prefer state A over B and he would really have higher well-being in A, then the self-interestedness condition would hold, and preferences would offer a reliable guide for his well-being. Interpreting self-interestedness this way was already anticipated by Hausman and McPherson, they pose the question of how the economist could decide whether one has really higher well-being in state A than in state B without relying on any theory of well-being.[39] Their answer relies on the 'platitude' of well-being: economists have a conception of well-being on which they can base their judgements. In simple cases this might be true, but in more difficult cases like with morally troublesome preferences, their intuitive views are probably insufficient. Sarch states that it is too early to assume that economists have these intuitive views about well-being.[40] Without these intuitive views economists cannot decide whether one is really better off in state A than in state B, and thus whether the self-interested condition holds and preferences are a good guide for well-being. This interpretation therefore does not suit Hausman and McPherson's solution neither.

Self-interested as Reflecting Own Judgements

The third interpretation of the self-interestedness condition offered by Alexander Sarch seems to be more in line with what Hausman and McPherson had in mind. This solution avoids the philosophical problem with the 'really good for' interpretation and avoids the practical problem of the 'self-regarding' interpretation of self-interestedness. This interpretation defines self-interested preferences as preferences that reflect our own judgements about different states: "P's preferences among states of affairs reflect her judgements about what would be good for her. That is, she prefers A to B if and only if (and because) she judges that her welfare is higher in A than in B."[41] In Hausman and McPherson this interpretation also appears as they state self-interestedness as someone being a "good judge of what will benefit them".[42] This interpretation thus seems to fit their objective very well. However, in this interpretation there is little room left for preferences, they are replaced by judgements. But preferences are the cornerstones of welfare economics, so it seems that this interpretation would not be so much of a defence of common practice of welfare economists, but rather argue for a completely new way of doing welfare economics.

Self-interested preferences then are preferences that reflect one's judgements about what will be in one's own interest. And when preferences track these judgements well, the condition is satisfied, and economists can use preferences as reliable guide for well-being. This interpretation does not fall for the same objections as the previous more natural interpretations of the condition, but still raises serious questions about whether welfare economists are able to judge whether the condition

[39] Ibid, 18.
[40] Sarch, "A Critical Note," 146.
[41] Ibid, 147.
[42] Hausman and McPherson, "Welfare Economics," 16.

holds. Sarch provides three main objections to this interpretation of the self-interestedness condition. He first argues that judgements will fail in the same way as preferences do for tracking well-being and the condition thus cannot hold. Second, he argues that preferences are unlikely to be the best available evidence we have for well-being, and that more argumentation is needed from Hausman and McPherson to establish this if they would be. His third argument states that the self-interestedness condition is in some way dependent on which theory of well-being proves to be true. This would conflict with Hausman and McPherson's goal to make welfare economics free of any theory of well-being.

To start off judgements are likely to fail tracking well-being in the same cases as preferences fail. Hausman and McPherson propose a solution for the practice of welfare economics when preference satisfaction fails. Their evidential view relies on the condition that preferences are self-interested. When judgements tracking these preferences fail to track well-being in the same cases as preferences do, it is impossible to determine whether the condition of self-interestedness holds, and it is therefore not justified to use preferences as evidence for well-being as Hausman and McPherson propose.

In the case where one has, for instance, pointless, anti-social or coerced preferences, it is very likely that one will also judge it to be better for him that these preferences will be satisfied.[43] Take for instance anti-social racist preferences, a member of a white supremacist group who has the problematic preference for not having any non-white people in his neighbourhood. He then will probably also judge that having no non-white people in his neighbourhood is better for him. It will still be a problematic situation as to which these judgements will add to well-being. Some problems with preference satisfaction theory are solved with this interpretation. The self-interestedness condition does solve cases of 'defective' preferences for instance, if one has the preference to harm oneself one will probably still judge this to not improve well-being. Thus, the question is how much the evidential view with this interpretation of self-interestedness differs from the preference satisfaction theory it tries to replace?

A possible answer of Hausman and McPherson could be that the second condition of well-informedness solves many of these problems. When one is very well-informed, judgements about different states of affairs and well-being can almost not be wrong. However, Sarch responds, when there are conflicting conceptions of what well-being consists of, there can be well-informed judgements that still fail because one's conception of well-being turns out to be not the true one. Whatever theory of well-being proves to be true, many people will not believe it, causing judgements to be misguided, and to give no reliable evidence for well-being. In how far these problems affect the practice of welfare economics is questionable, but there is no way to tell this. More is needed to determine whether the mentioned considerations pose problems or not for the practice of welfare economics.[44]

Thus, there seems to be just as little justification to use judgements to track well-being as there is for the use of preference satisfaction theory. Hausman and McPherson are not able to establish whether well-informed well-being judgements are reliable enough to solve the problem with the self-interested condition. However, when preferences tracking judgements are our best available

[43] Sarch, "A Critical Note," 150.
[44] Ibid, 151-153.

evidence for well-being, as Hausman and McPherson suggest, then their defence can still be regarded successful because it seems justified to rely on whatever gives us the best evidence for well-being.

Hausman and McPherson argue that when the two conditions are met, preferences will be our best, most reliable guide for well-being.[45] Even under the limited circumstances presented by the conditions of Hausman and McPherson, there will be ways of acquiring much more good and detailed information about an individual's well-being than what is given by preferences. For instance, depth interviews or psychological evaluation could be used to determine what well-being for people. Preferences alone are very unlikely the best indication for well-being in a sense of reliability.[46] Of course the alternative evaluation methods might be much more time consuming than using willingness-to-pay and therefore might not be very practical. Therefore preferences might provide 'the most desirable balance between reliability and practice'.[47] The 'best' evidence of well-being probably concerns other things than mere reliability, and it could be that Hausman and McPherson meant this sense of best evidence when they state that preferences are the best 'indicator' of well-being.[48] However, they do not discuss the notion of 'best evidence' beyond reliability, and following the objections to this notion offered by Sarch, Hausman and McPherson would have to offer a great deal more arguments to establish that preferences are the, in fact, best evidence for well-being.

An argument to establish that preferences are our best evidence for well-being would require them to sketch the different alternatives of acquiring well-being information and weighing those on practicality and reliability. Sarch believes that a strategy as such is the way in which welfare economics reliance on preferences has to be justified, but he argues that Hausman and McPherson did not provide this strategy. More work is needed to show that preferences used in CBA are our 'best' evidence of well-being.[49]

Even if preferences would be our best evidence for well-being, there is a third problem with the main condition of the evidential view. Hausman and McPherson claim that their defence is independent of any theory of well-being and that welfare economists are justified in using preferences regardless of which theory of well-being turns out to be true, as long as the two conditions are met. Sarch however argues that whether the self-interestedness condition is met depends on which theory of well-being turns out to be true. And welfare economists therefore cannot distance themselves completely from any theory of well-being. For example, when most people form their judgements based on how they feel, thus in a hedonistic manner, these judgements are unlikely to track well-being according to objective list theories of well-being. What follows is that Hausman and McPherson's claim that judgements about well-being and the preferences that track these provide reliable evidence for well-being, depends on which theory of well-being turns out to be correct. Sarch summarises this problem as follows: whether Hausman and McPherson succeed in their defence is partially dependant on which theory of well-being is true, because the facts of how we form our judgements about well-being and what theory of well-being turns out to be true need to match.[50]

Concluding Sarch

[45] Hausman and McPherson, "Welfare Economics," 18.
[46] Sarch, "A Critical Note," 154.
[47] Ibid. 155.
[48] Hausman and McPherson, "Welfare Economics," 18.
[49] Sarch, "A Critical Note," 155.
[50] Ibid. 156.

In *A Critical Note* Sarch critiques the most important condition of Hausman and McPherson's defence of welfare economics. He shows that we should interpret the self-interestedness condition as preferences tracking our judgements about well-being. He then criticises this interpretation in three ways: first by showing how judgements will likely just as well fail to track well-being as preferences will. Second, he argues that judgements and preferences are probably not the most reliable evidence for well-being and more research is needed to establish whether they might. Third, he argues that the success of the defence by Hausman and McPherson, although claimed to be theory independent, partly depends on which theory of well-being turns out to be true.

Part 5 – Reflection

Hausman and McPherson as well as Sarch maintain that welfare economics' reliance on preferences has to be defended. Sarch argues that the evidential solution is not complete, and the use of preferences should be justified with a weighing of reliability and practicability. Why relying on preferences, when there are so many complications?

Cost-benefit analysis is only a procedure to make policy decisions. There are other ways to advice on policy that do not rely on preferences. For instance, subjective well-being measures[51] that are aimed at determining an individual's subjective experience of how well their life is going. There are many objective measures that can be relevant for assessing well-being as well: life expectancy, crime rates, literacy rates or access to health care to name a few. It seems reasonable to incorporate these in our evaluation besides preferences.

The defence of welfare economics by Hausman and McPherson relies on the supposed platitude concerning well-being. This platitude is argued to justify the use of preferences in welfare economics. However, it can justify other measures of well-being just as well. Gil Hersch argues that this platitude does not justify the use of preferences more than it would justify any other measure of well-being.[52] The platitude can also hold for other assumptions than the two posed by Hausman and McPherson. Therefore, according to Hersch, their evidential view justifies relying on any measure as evidence for well-being as long as the assumptions of this measure hold. When platitude confirms the assumption that someone is a good evaluator of how well his life is going, then relying on subjective well-being measures would be justified. Without accepting one theory of well-being, policy makers would be justified in relying on a well-being measurement as long as the assumptions that support them hold. This is an important remark made by Hersch. This would provide welfare economists more options in choosing well-being measurements to use in CBA. One could, for instance, use willingness-to-pay not as proxy for preference but as quantification of life satisfaction, and still use CBA to make statements concerning well-being while not relying on preferences.

Another way to deal with Sarch's criticism would be to propose that welfare economics should step away from the idea of making claims about well-being. Some economists even suggest a new form of hedonism, such as Daniel Kahneman.[53] They maintain that the goal of policy should be the promotion of happiness, not well-being. However, according to Hausman, economists are better off

[51] See for instance Ed Diener, "Subjective Well-Being," in *The Science of Well-Being*, ed. Ed Diener (Dordrecht: Springer, 2009), 11-58.

[52] Gil Hersch, "Can an evidential account justify relying on preferences for well-being policy?," *Journal of Economic Methodology* 22 no. 3 (2015): 280-291.

[53] D. Kahneman, "Objective happiness," in *Well-being: Foundations of Hedonic Psychology*, ed. D. Kahneman, E. Diener and N. Schwarz (New York: Russell Sage Foundation, 1999): 3–27.

working with preferences.[54] The use of CBA is wide-spread and it will probably stay so, Hausman and McPherson their solution is arguably not complete, but it offers way for new measurements of well-being and it opens the discussion on the practice of CBA in welfare economics and its reliance on preferences.

Part 6 – Conclusion

We have discussed the reliance of welfare economics on preferences. The use of cost-benefit analysis that uses willingness-to-pay as a proxy for preference is the main influence of welfare economics in policy decisions, and preference satisfaction theory makes it that welfare economists can use this method to make statements about well-being.

Hausman and McPherson defend welfare economics' use of preferences as a measure for well-being even though standard and laundered preference satisfaction theory are deemed false. Although well-being is not the satisfaction of preferences, they maintain that preferences are the best evidence we have for well-being. Their argument relies on the platitude concerning well-being. Whatever theory of well-being would be true, economists can use preferences as indication for well-being when a person is reasonably self-interested and a good judge of his own benefit concerning different policies.

Alexander Sarch criticizes the self-interested condition, stating that whatever interpretation one uses it poses problems. Interpreting self-interestedness as tracking one's own judgement about well-being has several problems that are similar to the problems faced by preference satisfaction theory. Judgements are likely to fail to track well-being in the same cases as preferences do. Also, preferences are unlikely to be the most reliable guide to well-being as there are far more advanced ways to obtain information about well-being in practice. Even if these theoretical problems are accounted for, for instance by the second condition of well-informedness, the solution of Hausman and McPherson likely depends on what theory of well-being is true. The idea about well-being on which our well-informed judgements are based needs to be in line with what actually constitutes well-being, thus which theory of well-being is correct is of importance for the success of Hausman and McPherson their defence.

If the evidential view succeeds, it can justify other measures as evidence for well-being as well, like subjective well-being measures. These could provide an alternative to cost-benefit analysis or justify the use of other measures of preference in practice. The debate shows that there is much to say about the theoretical foundations of welfare economics. Maybe there are social values that are important for making policy decisions, but that we cannot capture in a theory on how to make social policy decisions based on well-being criteria. Hausman provides a good example of costs of illiteracy to a person who cannot read.[55] These costs might be captured by unsatisfied preferences, unhappiness or poor life-satisfaction score, but they don't have to. This person might not even want an education. Then, does this illiteracy not pose costs on this person that we have to account for in CBA? One could maintain that we need better economic theories to capture these values, or one could conclude that well-being is not all that matters. I think the discussion between Hausman and McPherson and Sarch tells us that welfare economics must broaden its scope beyond only well-being criteria. Well-being is an intricate concept and there might not be one measurement or theory possible to capture it.

[54] Daniel M. Hausman, "Hedonism and Welfare Economics," *Economics and Philosophy* 26, no. 3 (2010): 321-344.
[55] Hausman, "Hedonism and Welfare Economics," 321-344.

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