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## A review of Adler's "Measuring social Welfare"

Antoinette Baujard

### Abstract:

This paper is a book review of Matthew Adler's book "Measuring Social Welfare: An Introduction", published at OUP in 2019. The book is an introduction to the social welfare function approach, meant to assess social welfare and help public decision making, as a comprehensive and welcome alternative to cost-benefit analysis. The review first provides a number of references to situate the contribution of the book in the literature. Secondly, it insists on the fact that the social welfare approach is able to express transparently normative criteria, by contrast with CBA. Thirdly, it highlights that, after the focus on efficiency, the book well illustrates how to incorporate wider distributive criteria; it also enables to encompass different kinds of public policies beyond fiscal redistribution. Fourthly, it regrets that the book does not yet illustrate how to cope with the diversity of values and relevant information beyond utility and income, however introduced as theoretically possible.

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Welfare economics, social welfare function, social welfare approach, efficiency, distribution

### JEL codes:

D63, I30

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By Antoinette Baujard<sup>2</sup>

Abstract. This paper is a book review of Matthew Adler's book "Measuring Social Welfare: An Introduction", published at OUP in 2019. The book is an introduction to the social welfare function approach, meant to assess social welfare and help public decision making, as a comprehensive and welcome alternative to cost-benefit analysis. The review first provides a number of references to situate the contribution of the book in the literature. Secondly, it insists on the fact that the social welfare approach is able to express transparently normative criteria, by contrast with CBA. Thirdly, it highlights that, after the focus on efficiency, the book well illustrates how to incorporate wider distributive criteria; it also enables to encompass different kinds of public policies beyond fiscal redistribution. Fourthly, it regrets that the book does not yet illustrate how to cope with the diversity of values and relevant information beyond utility and income, however introduced as theoretically possible.

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*Measuring Social Welfare: An Introduction*. Oxford: Oxford University Press, 2019, by Matthew D. Adler. + 336 pages. ISBN-13: 978-0190643034.

The measurement of social welfare is of significant interest, since the methodological principles one adopts at the outset will structure the way evaluators think about states of affairs and, in turn, influence the guidance they give to policy makers. At the same time as they enable us to measure and thus to balance gains and losses of well-being, our measurement choices also affect the perceptions of social states, the ensuing recommendations, and potentially the choice of public policies themselves. For citizens, therefore, whether social welfare is being measured in a satisfactory way should be a matter of burning concern. Matthew Adler is one of the few authors who are seeking to renew our standard modes of thinking about welfare economics.

The evaluation framework most widely used in the United States, and also widespread elsewhere, is Cost–Benefit Analysis (CBA). Although there is less than universal satisfaction with the CBA approach, it is fair to say that some common criticisms directed at it are unjustified: health, social, and environmental impacts, for instance, *are* incorporated in the

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CBA evaluations, at least under certain conditions. But other concerns are harder to circumvent, and Adler gives these serious consideration. It is indeed a problem, for example, that economic evaluations should be concerned with efficiency only, since they thereby neglect the intrinsic importance of distribution issues. Even more worryingly, as Adler observes, CBA quantifies policy impacts in monetary terms and therefore—unlike utilitarianism which is impartial between individuals (34–35)—is potentially biased towards the rich. Those who agree that such an uncontrolled bias towards the well-off is problematic, and that distribution is one of the most important issues at stake in policy formation, will find much to interest them in Adler’s book.

*Measuring Social Welfare: An Introduction* aims to provide an accessible yet rigorous overview of the social welfare function approach (SWF), seeking to inform policy-makers and students. The book adopts an interdisciplinary approach encompassing economics, philosophy, and policy studies: this is apt, since the framework originates in welfare economics as well as in philosophical scholarship on individual well-being, ethics, and distributive justice. Although in this review I highlight a few specific points, my aim above all is to defend the social welfare function approach set out in this book, which I believe is worth being pursued and widely communicated, and to describe Adler’s laudable and novel contribution to making the approach work.

The subject is very broad, such that a complete presentation of the SWF is long and highly technical, with newcomers doubtless finding it misleading or downright unconvincing. Standard economists, heterodox scholars, students, public decision-makers, and informed citizens thus needed something else: hence, this introduction, which fits into just 336 pages, written with crystal clarity. Those with no mathematical training may read it with pleasure; others may benefit from the extensive mathematical appendix. It is organized in seven chapters, including an overview of the approach (Chapter 1), measuring well-being (Chapter 2), a presentation of the different social welfare functions (Chapter 3) and how to choose among them (Chapter 4), a case study on their implementation (Chapter 5), and an inquiry into the institutional role of the SWF (Chapter 6). The final chapter explores research frontiers (Chapter 7), in particular as regards population ethics and the difficult issue of responsibility.

The book’s subtitle is well chosen: this is not a systematic presentation nor an organized defense of the SWF approach; it rather aims to give a quick summary of the field, focusing on its stakes (including, in passing, the rejection of non-consequentialism), and its advantages in contrast with other existing tools. Those who wish to deepen their understanding of the subject might want to read Adler’s *Well-being and Fair Distribution: Beyond CBA* (Oxford University Press, 2012), the more technical *A Theory of Fairness and Social Welfare* by Fleurbaey and Maniquet (Cambridge University Press, 2011), or browse the *Oxford Handbook of Well-being and Public Policy*, edited by Adler and Fleurbaey (Oxford University Press), or indeed review any of the sources identified by Adler at the end of each chapter of his book. Those who want to investigate the foundations of interpersonal comparisons of utility which lie at the basis of his proposal should read Fleurbaey and Hammond’s chapter in the *Handbook of Utility Theory* (Kluwer). In the same vein, d’Aspremont and Gevers’s famous 2002 analysis will be of interest to those who wish to confirm that Adler’s proposal is ultimately a social welfare functional approach (SWFL) rather than a social welfare function approach (SWF).

Adler proposes to go beyond CBA, positioning the SWF approach as a comprehensive alternative. By contrast with CBA, which employs the monetized evaluation of willingness-to-pay-or-to-accept, the SWF approach uses a measure of well-being, which allows the policy-

maker to consider both efficiency (total well-being) and equity (the distribution of well-being). It thereby includes three major components. First, the well-being measure translates each of the possible policy outcomes into an array of interpersonally comparable cardinal well-being numbers, quantifying how well off each person in the population would be in that outcome (while other measurability assumptions are considered in the appendix). Second, a rule for ranking these outcomes on the basis of well-being information is provided, which takes the form of either an aggregation or a distributive rule. Third, an uncertainty module provides an ordering of policies, understood as probability distributions over outcomes. In the end, the SWF approach is close to CBA in its simplicity and its ability to be used in actual policy-making; yet it remains utterly distinct from it in so far as it promotes the explicit inclusion of the distributive stakes of any public decision. This allows policy-makers to avoid the perils of the exclusive focus on efficiency. The SWF approach also avoids the pretense of axiological neutrality potentially conveyed by CBA, insofar as it allows for a plurality of possible value judgements, and insists on transparency as regards their stakes (Baujard 2023). This contrasts with the belief that economics is exclusively concerned with providing unique, undebatable, and efficient solutions: the plurality feature offers the scope for choice, while the transparency feature allows public deliberation over the ethical values that will be the basis for deciding which policy should be chosen.

Nevertheless, in the SWF approach that Adler promotes, the way social welfare is considered is restricted: welfarism requires that only the welfare of individuals should have ethical importance—just as in CBA. When defending this approach’s exclusive focus on the individuals concerned such that no other source of normativity matters, Adler claims that ecosystems may have “aesthetic values, but they do not have any intrinsic ethical values outstripping the welfare of the beings that ecosystems sustain” (29–30). I am personally not convinced that the welfare of individuals constitutes sufficient information to subsume the reasons why the quality of the environment is important, for instance for humanity. To say the least, this view is debated. Those who claim, for example, that rivers should have the same legal rights as humans, have challenged the view that only the welfare of human beings has ethical significance. When considering applied cases, most environmental economists—including Ronald Coase—have ultimately come to the view that, rather than just individual welfare, the environment should be assigned intrinsic value in welfare economics (Medema 2021). A consequence of this is that the standard welfarist framework no longer holds when practical issues are at stake (Backhouse et al. 2021). Thus even in an introductory text, we need a stronger argument in favor of welfarism than simple personal conviction, or the usual story that “this is the way we do it in welfare theories.”

Adler calls this restriction of focus “welfare consequentialism”. Although welfarism requires that social welfare depends only on individual welfares, we do not need to demand that individual welfare is only interpreted as individual utility. Adler’s characterization distinguishes between the study of well-being and the study of social welfare: this framing implies that what public policies ultimately pursue is the improvement of social welfare, where social welfare is some particular aggregation or distribution of the concerned individuals’ well-beings. One important virtue of Chapters 2 and 3 is their explicit recognition that there may exist different theories of justice, varying either by the choice of a given informational basis for justice, or by the choice of the aggregative device. As a consequence, this approach is not *that* restrictive, and could be consistent with a wide range of theories of justice.

Adler specifies in particular that the SWF approach is not committed to the preference satisfaction account of well-being (68). Rather, the consideration of individual welfare could take into account many other values or sources of information, including fulfilment, opportunities, rights and freedom of choice, primary goods, capabilities, etc. The book often highlights the fact that the SWF approach gives us space to address matters of distribution, and this is indeed a welcome contribution compared with the flaws of CBA; but it could be made much clearer that, even beyond distributive issues, the SWF is able to tackle other values apart from efficiency, utility, and equality. There is certainly no space in a book of this size to explore the latter possibility, and indeed this is an issue that has rarely been addressed in the theoretical and applied literature so far. But let us insist, nevertheless, that the SWF approach ultimately opens the doors to this wide diversity.

For a number of decades, the normative focus of welfare economics has been on redistribution, resulting in the persisting impression that normative issues can only be tackled and solved by proper fiscal policy (162). It must be pointed out that one of the most impressive accomplishments of this book is its major contribution at pulling the SWF approach out of the optimal taxation theory black hole to which in recent decades it has been confined, and showing how issues of distribution can now be a central concern of any economic or social policy. By incorporating the broad-ranging developments in equity theories, it enables us to widen our thinking on justice issues. The SWF approach now integrates concerns about the stages of application of the approach (outcome description, prediction, valuation), and enables us to think about how this approach might be used in the context of public action. Adler illustrates the use of the SWF methodology to inform government policies through a detailed case study of risk regulation. Adler compares the evaluation of a risk-regulation policy according to three different perspectives, that of a utilitarian function (with diminishing marginal utility), of a continuous prioritarian function (à la Atkinson), and the view of CBA. He describes the three steps of the methodology for each case, finding that CBA is dramatically biased in favor of the rich compared to the utilitarian approach, which is itself more biased in favor of the rich than the prioritarian view.

The SWF approach enhances our ability to assess complex social situations, simultaneously taking into account efficiency and equity, and provides a toolkit that increases our ability to assess options, trade-offs, and fairness. This approach corresponds to the “moral science” whose birth Atkinson hoped to witness: “it is a legitimate exercise of economic analysis to examine the consequences of different ethical positions. [...] We cannot talk about the welfare consequences: there are several welfare criteria that could be applied in evaluating a change or a policy proposal. People can legitimately reach different conclusions because they apply different theories of justice” (Atkinson 2009: 791, 803).

Welfare theories and social choice theories certainly existed before Matthew Adler was born, but he is among the first to provide the means to bring this theoretical knowledge in welfare economics to a generalist audience, and to build bridges with the policy arena. Let us hope that this book transpires to be a crucial step in disseminating the social welfare approach.

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