

**Fifth European Congress for Analytic Philosophy, ECAP 5**  
**Faculdade de Letras, Universidade de Lisboa, 27-31 August 2005**

**Special Workshop on Philosophy, Economics and Public Policy**

**Organized by Luc Bovens (LSE and editor, Economics & Philosophy), Geoffrey Brennan (ANU and editor, Economics & Philosophy), and Alex Voorhoeve (LSE).**

**Invited Speakers:** Sven Ove Hansson (Royal Institute of Technology, Stockholm) and Jonathan Wolff (UCL, London)

The workshop focuses on techniques and ideas from moral and political philosophy and from economic theory that bear on the analysis of issues in public policy. Some of the topics that may be addressed in the workshop are environmental regulation, health policy, the welfare state, voting theory,...

**Venue:** Anfiteatro IV (First Floor)

**August 28<sup>th</sup>, 2005**

**Morning session**

- 9:30-10:25 Alex Voorhoeve (LSE, Philosophy, Logic and Scientific Method)  
'Interpersonal Comparisons of Welfare and Neutrality'
- 10:30-11:25 Pierluigi Barrotta (University of Pisa, Philosophy)  
'Why Economists Should Be Unhappy with the Economics of Happiness'
- 11:30-12:25 Erik Angner (University of Pittsburgh, History and Philosophy of Science & Economics)  
'The Measurement-Theoretic Argument Against Subjective Measures of Well-Being'

**Afternoon session**

- 16:30-17:25 Christian List (LSE, Government)  
'Republican Freedom and the Rule of Law'
- 17:30-18:25 Fabienne Peter (University of Warwick, Philosophy)  
'The Political Egalitarian's Dilemma'
- 18:30-19:25 Claus Beisbart (University of Konstanz, *Philosophy, Probability and Modeling* Group) Luc Bovens (LSE, Philosophy, Logic and Scientific Method and University of Konstanz, *Philosophy, Probability and Modeling* Group)  
'Degressive Proportionality? An Argument from Cartel Formation'

**August 29<sup>th</sup>, 2005**

**Morning session**

- 9:30-10:25 Jonathan Wolff (UCL, Philosophy)  
'Common Interests, Market Failure, and the Titanic Puzzle'
- 10:30-11:25 Matthias Risse (Harvard University, Kennedy School of Government)  
'Fairness in Trade and the Pauper-Labor Argument'

11:30-12:25 Geoffrey Brennan (ANU, Research School of the Social Sciences and Duke University)  
'Discounting the Future'

#### **Afternoon session**

16:30-17:25 Sven Ove Hansson (Royal Institute of Technology, Stockholm)  
'Philosophical problems in risk-benefit analysis'

17:30-18:25 Till Gruene-Yanoff (Royal Institute of Technology, Stockholm)  
'Value of Statistical Life—Conceptual Problems of the VSL Measure'

18:30-19:25 Martin Peterson (Lulea University of Technology)  
'De Minimis Risk – A Risk So Minimal That It Is Not Worth Considering?'

#### **Abstracts**

##### **E. Angner, *The Measurement Theoretic Argument Against Subjective Measures Of Well-Being***

**Abstract:** In this paper I examine what may be the most common argument against subjective measures of well-being. The argument relies on the claim that the degree to which people are happy or satisfied cannot be measured. As an argument against subjective measures, this one is particularly hard to assess, since most of its central assumptions remain suppressed. Thus, the aim of this chapter is twofold: first, to identify the central assumptions on which the argument rests; second, to assess how convincing it is. I argue that the argument is best understood as based on the following premisses: (a) measurement requires the existence of an observable ordering; (b) the choices of economic agents constitute such an ordering; and (c) no analogous observable ordering exists in the case of happiness or satisfaction. If this is a correct analysis of the argument, it relies on an empirical assumption – viz. that agents' choices satisfy the axioms of rational choice theory – which is increasingly difficult to defend in light of recent empirical developments in behavioral economics. As a result, I claim, the argument as it stands is unconvincing. Nevertheless, many serious questions regarding the subjective measures remain.

##### **P. Barrotta, *Why Economists Should Be Unhappy With The Economics Of Happiness: A Philosophical assessment***

**Abstract:** The idea of happiness is rather elusive, but is clearly connected with the concept of welfare. Indeed, happiness was once at the centre of economic research. However, things changed dramatically with the evolution of welfare economics. For instance, Arthur Cecil Pigou warned economists not to be so ambitious. In his view, economists should only focus on those dimensions of welfare that can in principle be measured through the rod of money. Consequently, investigations on happiness were foregone in the name of science, which requires objective measurements. From Pigou on, happiness became a more and more negligible notion. In the so-called Paretian welfare economics, every link with happiness was severed. Since the seventies things changed once more. Happiness has not gained a central position in welfare economics, but an increasing number of economists are interested in it. Furthermore, moral philosophers have never ceased to be interested in happiness, and more recently, with a trend similar to that of economists, psychologists too have carried out intensive research on happiness. As a result, happiness is at the moment at the core of a thorough research program which involves not only economists, but also philosophers, psychologists and

social scientists in general. The paper sets out to analyse the economics of happiness from an epistemological viewpoint. The economics of happiness is basically characterised by two approaches. The first is given by the method of surveys. The second follows the method used by neurophysiologists. In my paper I shall argue that both approaches are unsatisfactory and their results far from convergent. In the first part of the paper, I shall deal with the neurophysiologic foundation of the economics of happiness. In the second, I shall move more directly to the use of surveys. My basic claim is that happiness is a multidimensional concept, and that the economists of happiness mistakenly focus on a single dimension of it. Finally, I shall argue that the study of the philosophical foundations of the economics of happiness leads us to narrow the scope of the political implications based on this research program.

**C. Beisbart and L. Bovens, *Degressive Proportionality? An Argument from Cartel Formation***

**Abstract:** Consider a federation of countries with a decision-making council in which each country casts a block vote. On degressively proportional weightings smaller countries receive greater weights and larger countries receive lesser weights than proportionality would warrant. We argue that degressive proportionality equalizes the expected utility of a proposal across countries, considering that larger countries can be thought of as cartels of smaller social units that have resolved to vote in block.

**G. Brennan, *Discounting the Future***

**Abstract:** Much of the literature on the discount rate is, I believe, confused and confusing because it fails to observe several distinctions of significance -- that between feasibility and desirability; that between inter-temporal and inter-generational effects; and that between 'prices' and 'quantities'. The basic object of evaluation is the distribution of quantities (whether goods or utilities or 'flourishings') between present and future (generations/periods): in that sense, the discount rate plays only an instrumental role. When attention is focused on inter-temporal/generational distributions, one has to worry whether the extensive literature on discounting the future is addressed to a non-problem.

**T. Gruene-Yanoff, *The Value of Statistical Life***

**Abstract:** The value of a statistical life (VSL) is an important tool for cost-benefit analysis of regulatory policies that concern fatality risks. Its proponents claim that it allows measuring important aspects of people's risk preferences, and thus that policies employing VSL are a tool of vicarious governance. This paper gives a brief outline of the concept of VSL, its measurement and the justification for its employment. It first reviews some of the existing criticism of VSL, and then develops a new criticism that focuses on the aggregation procedures implicit in the VSL measure. The analysis shows that VSL is conceptually unsound, and that it does not live up to the promises that are made concerning its applicability in policy evaluation.

**S. O. Hansson, *Philosophical problems in risk-benefit analysis***

**Abstract:** In the interdisciplinary area of risk analysis, economic approaches have become more and more influential. Economic criteria for risk acceptance, derived from different variants of risk-benefit analysis, are used to guide decisions with large impact on health and safety policies. However, there are many philosophical problems in this new application area for economic analysis, and the normative force of its results is not beyond doubt. In addition to the obvious value-related problems (such as setting a price

on human life, distributive issues etc.), the uncertainties associated with the use of counterfactuals in economic analysis are particularly severe in this area. This contribution provides an overview of philosophical problems in the economic analysis of risk.

### **C. List, *Republican Freedom and the Rule of Law***

**Abstract:** Republican thought, on Philip Pettit's account, emphasizes a distinct conception of freedom: freedom as non-domination as opposed to freedom as non-interference in the liberal sense. In this paper, I revisit the distinction between liberal and republican freedom and argue that republican freedom incorporates a particular rule-of-law requirement, whereas liberal freedom does not. (Liberals may also endorse such a requirement, but not as part of their conception of freedom.) I offer a formal analysis of this rule-of-law requirement and compare liberal and republican freedom on its basis. I agree with Pettit that the implications of republican freedom are much more far-reaching than those of liberal freedom, but argue that republican freedom may be so demanding as to conflict with other desiderata such as Pareto efficiency.

### **F. Peter, *The Political Egalitarian's Dilemma***

**Abstract:** This paper examines political egalitarianism. Political egalitarianism is at the core of most conceptions of democratic legitimacy. It finds its minimal expression in the "one man one vote" formula. In the literature on deliberative democracy, political equality is typically interpreted in a more demanding sense, but many different interpretations of what political equality requires can be identified. I shall discuss two interpretations of political equality: one based on Rawlsian primary goods and the other based on Amartya Sen's capability approach. Bringing some insights from the "equality of what" debate to bear on the topic of political egalitarianism, I shall argue that the two informational frameworks have complementary strengths and weaknesses. My principal aim in this paper is to show that the attempt to answer the "political equality of what?" question leads into a dilemma. A conception of political equality that builds on the informationally less demanding primary goods approach may fail to ensure democratic legitimacy because it neglects differences in people's abilities to make use of their political liberties. The capability approach lends itself to correct for this. It can be used to specify a requirement of equal effective possibilities to participate in the political process. This alternative brings about the second horn of the dilemma, however. The problem is that if a comprehensive interpretation of the demands for political equality is imposed on the democratic process, too many substantive judgments may be exempted from public deliberation and thus lack democratic legitimacy. In other words, the political egalitarian's dilemma reveals a clash between an attempt to ensure equal possibilities to participate in the democratic process and the requirement of subjecting substantive judgments to deliberative evaluation.

### **M. Peterson, *De Minimis Risk - A Risk So Minimal That It Is Not Worth Considering?***

**Abstract:** By declaring a risk to be *de minimis* it is usually implied that the risk is so small that it should be neglected. Examples of risks that have been suggested to be *de minimis* are doses of radiation smaller than 1% of the natural background level, increases of PbB levels below 10ug/dl, and the 1-in-19 billion lifetime risk of getting cancer from certain colour additives in food. In this talk I defend the *de minimis* principle against some common criticism, and discuss how the concept of a 'negligible risk' should be explicated. I argue that the *de minimis* principle is, contrary to what is often believed, not inconsistent with the principle of maximising expected utility. I also

argue that the concept of 'negligible risk' is vague, i.e. that there is no sharp line to be drawn between negligible and non-negligible risks.

**A. Voorhoeve, *Interpersonal Comparisons of Welfare and Neutrality***

**Abstract:** The degree of preference satisfaction conception of welfare is often defended on the grounds that it is the only conception of welfare that always respects each person's considered views of her own good. This is said to make it ideally suited to be a neutral standard of welfare. This paper argues that the degree of preference satisfaction conception cannot always fully respect each individual's view of what is of value to her, because it cannot adequately represent each individual's interest in shaping her future preferences. It also argues that because it cannot adequately represent this interest, we should reject the degree of preference satisfaction measure. As an alternative, it proposes that we adopt a more substantive measure of welfare based on a list of goods and conditions that are recognised as valuable by people with different values. It also describes how such a measure can be made consistent with the requirements of neutrality

**Wolff, J. , *Common Interests, Market Failure, and the Titanic Puzzle***

**Abstract:** One important argument for the free market is that of the 'invisible hand' or 'private vices, public virtues'. That is, individual profit-seeking behaviour by suppliers will lead to better quality, lower priced goods than could be achieved by other means. Where this is so the market may be to the benefit of all, including the worst off. However, reflection on a range of cases including what is here called the Titanic Puzzle, introduced by Thomas Schelling - shows that this is not always so. There are important market failures which may not be correctable within the market, and so the goal of helping the worst off and vulnerable may be best served by either by a high degree of market regulation or common provision of a range of goods. Such goods are those where consumption of the good is a lengthy or deferred process, 'escape costs' are high, and the quality of the good may vary over the life of the exchange, with the supplier able to exert significant influence. Many long term financial products, and other goods such as education, plausibly fall within this category.