

# CAPABILITIES FOR THE MISERABLE; HAPPINESS FOR THE SATISFIED

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Abstract of

## **Capabilities for the Miserable; Happiness for the Satisfied**

By

José M. Edwards and Sophie Pellé

The aim of this paper is to explain the process of diversification of normative economics by presenting the work of two authors: Tibor Scitovsky [1910-2002] and Amartya Sen [1933-]. While these two authors first contributed to traditional welfare analysis from within, they were subsequently involved in the development of two different, and even opposed, programs: the economics of happiness and the capability approach. They focused on different concepts of well-being: the “joy” of satisfied consumers for Scitovsky, and the “capabilities” of deprived individuals for Sen. In imposing new theoretical frameworks, applications, as well as new concepts of well-being, which are measureable, the capability approach and the economics of happiness represent two major attempts to renew normative economic analysis.

**Keywords:** capabilities, happiness, Tibor Scitovsky, Amartya Sen, welfare economics

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# **CAPABILITIES FOR THE MISERABLE; HAPPINESS FOR THE SATISFIED**

*It is not wonder, but rather the social enthusiasm which revolts from the sordidness of mean streets and the joylessness of withered lives, that is the beginning of economic science.*

– A. C. Pigou, *The Economics of Welfare*, 1920, p. 5.

## **INTRODUCTION**

Economics has experienced important changes during the last two decades, one of them being the diversification of the discipline with the emergence of new subfields such as neuroeconomics, experimental and behavioral economics, ecological economics and the economics of happiness (Faccarello, 2000; Colander, 2000; Davis, 2007). Besides the development of these new programs, already established disciplines, such as development economics or welfare analysis, have also faced changes in their tools and methods giving birth to new approaches to traditional subjects. The introduction of new questions, methods, and tools coming from fields such as psychology, neurology, sociology, philosophy and medicine, has had an effect in the development of these subfields and modified the boundaries of economic analysis.

Development economics, for instance, which was first structured along a relatively small number of rather technical questions and issues, split into several research axes during the 1970s, one of them being the measurement of inequality and poverty, which became prominent from the 1990s onwards (Assidon, 2000). Within the new program, the question of economic development is no longer of finding optimal strategies in terms of capital vs. labour, or agricultural vs. technological investment, as it was the case between the end of World War

II and the 1960s (Lewis, 1954; Hirschman, 1958; Rostow, 1960). Instead of analyzing theoretical principles supporting general views of economic development, scholars involved in this program have turned to the question of how to evaluate the effects of economic policies on specific measures of individual well-being and the inequality of income distributions. The first Human Development Report of the UNDP (1990), the World Bank concerns for the measurement of poverty during the last two decades, and the recent upsurge of the use of field experiments in the analysis of inequality and poverty (Duflo, 2006), are good examples of the prominence of such subjects in development economics.

Along with development economics, normative economic analysis has also experienced an interesting diversification<sup>1</sup>. While it was characterized, during the 1930s and 1940s, by the work of new welfare economists, who were critical towards the “old” foundations of Pigovian and Marshallian welfare analysis, it split into at least two different lines of research after the publication of *Social Choice and Individual Values* (Arrow, 1951): social choice theory (K. Arrow and followers), and public economics (A. Atkinson, J. Stiglitz and followers). Nowadays, it is animated by a myriad of different subfields, among which economic theories of justice (J. Roemer, M. Fleurbaey, A. Sen), economic theories of equity (D. Foley, S-C. Kolm, H. Varian), inequality measurement (A. Atkinson, A. Sen, S-C. Kolm), the capability approach (A. Sen), and the economics of happiness (R. Easterlin, R. Layard, B. Frey)<sup>2</sup>.

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<sup>1</sup> By “normative economic analysis” or “normative economics”, we refer to that part of economics that deals with judgments about what both the economy and economic policies ought to be like. This is the traditional economic interpretation. According to Hands (2009): “Economics is a discipline that has traditionally maintained (or at least insisted that it is important to maintain) a strict dichotomy between the positive and the normative; economic science tells (or should tell) us what “is” the case, while normative and ethical inquiries tell us what “ought to be” (Hands, 2009, p. 3).

<sup>2</sup> According to Mongin’s (2002) account, it is possible to distinguish four historical forms of “normative economics”: (1) the “old-style welfare economics”, (2) the “so-called *new welfare economics*, which crystallized

Together with this process there has been an interesting renewal of the theoretical tools and methods of normative analysis.

This paper explains the process of diversification of normative economics as a reaction to the new welfare economics. This reaction is synthesized along two main lines: concerning the problem of the interpersonal comparison of utilities, and the concept of well-being required for normative analysis. These two issues are intertwined with discussions about the concept of the individual which is the object of analysis. We argue that the diversification of the discipline is, partly, the outcome of a shift in this object: from the preference satisfaction of analytically conceived economic agents, to the analysis and measurement of well-being of specified individuals.

Although it deals with most of the subfields mentioned above, this paper focuses mainly on the reactions to welfare economics that gave birth to the capability approach and to the economics of happiness. A first reason for studying these two approaches is that while their origin lies in debates that arose within the subfield during the 1960s, their departures took different, and even opposite, directions by focusing on the analysis of different concepts of well-being, which also correspond to different concepts of the individual under study. The emergence of these two subfields offers thus a clear illustration of the process of diversification of normative economics. A second reason is that these two approaches have developed into fruitful research programs as evidenced in the annual reports published by the UNDP or the World Bank since 1990, for the capability approach, and the Report by the Commission on the Measurement of Economic Performance and Social Progress or “Stiglitz Report” (2009), for the economics of happiness. In imposing new theoretical frameworks,

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in the 1930s”, (3) a stage corresponding to “social choice theory”, and “public economics”, and (4) its current stage which includes non-welfarist approaches such as the “capability approach”, as well as “theories of justice” or “theories of equity” (Mongin, 2002, pp. 148-149).

applications, as well as new concepts of well-being, which are measureable, the capability approach and the economics of happiness represent two major attempts to renew economic analysis.

In order to explore the origins of these subfields, this paper focuses on the works of Tibor Scitovsky<sup>3</sup> and Amartya Sen<sup>4</sup>, which are presented within the context of their development. They first evolved within the boundaries of welfare economics, and then diverged as these two authors focused on different concepts of well-being: the “joy” of satisfied consumers for Scitovsky, and the “capabilities” of deprived individuals for Sen.

Part 1 of the paper: “The Ill-Being of Welfare Economics” begins by presenting the main debates raised by L. Robbins’ (1932, 1938) attack to the “old” welfare economics. The

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<sup>3</sup> Tibor Scitovsky [1910-2002] was born in Hungary, and studied in Budapest, Cambridge and London before enlisting in the US Army during WWII. He then worked in Stanford University (1946-1976) and is nowadays widely recognized because of his contributions to the new welfare economics (1940s-1950s). From the 1960s onwards, Scitovsky developed his work on consumer behavior and welfare in affluent contexts. The *Joyless Economy*, which stands at the end of his career (1976, the year of his retirement), reviews most of this work, which was certainly influenced by his European and cultured background. It was, however, overlooked for several decades before drawing the attention of scholars involved in the recent development of both behavioral economics and the economics of happiness.

<sup>4</sup> Amartya Sen [1933-] was born in Santiniketan in India, and studied at Presidency College in Calcutta. He often recalls the shock of the experience of the devastating famine in Bengal in 1943 as a starting point for his interest on poverty and welfare issues (Sen, 1989, 1999). In 1953, he moved to Trinity College in Cambridge to write his PhD thesis on “the choice of techniques” under the supervision of Joan Robinson. He moved back to Delhi at the beginning of the 1960’s where he devoted intensively to “social choice theory” that he discovered in reading Arrow’s (1951) book in 1953. This discovery led, eventually, to the publication of *Collective Choice and Social Welfare* (1970). During the 1980s, Sen became Professor at Harvard, and taught together with influent scholars such as John Rawls and Thomas Scanlon. At this time, he developed the capability approach as well as his philosophical research on “consequentialist” moral systems. See Klammer (1989), Atkinson (1999), and Pressman and Summerfield (2000) for biographical accounts of Sen’s life and work.

reaction to Robbins marked an important break and led to a double diversification of the discipline. The first reaction (Section 1.1) took place during the 1930s and 1940s and was formulated by welfare economists themselves against the impossibility of performing interpersonal comparisons of utility raised by Robbins. The second reaction (Section 1.2) was more varied and consisted in exploring different ways of reintroducing interpersonal comparisons. Scitovsky (1941, 1951, 1952) and Sen (1970) were among the main characters in these episodes of the history of welfare economics.

Sections 1.3 and 1.4 deal with two aspects of the critique to the concept of well-being as preference satisfaction assumed by new welfare economists. Section 1.3 presents the main criticisms to the postulate of consumer sovereignty made by economists who were interested in the analysis of consumption in affluent contexts (such as E. Mishan, 1960, 1967; T. Scitovsky, 1962, 1973; and F. Hirsch, 1977). Section 1.4 presents the criticism to the reduction of welfare analysis to that of preference satisfaction (Sen, 1979, 1985a-b; Sen and Williams, 1982). This criticism turned into proposals of a multidimensional concept of well-being.

Part 2: “Two New Forms of Welfare Analysis” is focused on the approaches initiated by Scitovsky and Sen during the 1970s and 1980s. Section 2.1 begins with the main topics put forward by Scitovsky in *The Joyless Economy* (1976), and Section 2.2 presents some of his policy recommendations, as well as his influence in the early development of the economics of happiness. Section 2.3 shows that A. Sen’s departure from the new welfare economics (i.e. the capability approach) was marked by concerns about human flourishing that he borrowed from Aristotelian philosophy. Section 2.4 claims that even if Sen conceived his capability approach as a means to evaluate well-being in different contexts, his main concern was that of enhancing the capabilities of deprived people, as it is the case of the subsequent development and applications of the capability approach.



The paper concludes that the diversification of normative economic analysis, with the emergence of different concepts and measures of well-being, can be explained as a consequence of a shift in the concept of the individual supporting these new approaches. This view is also applicable to the process of diversification of development economics, the most conspicuous case being perhaps the approach of A. Banerjee and E. Duflo (2007), which is focused not on “affluent” or “deprived” individuals, but on “extremely poor” people.

## **1. THE “ILL-BEING” OF WELFARE ECONOMICS**

It is well known that if the “old” and the “new” welfare economics were focused on improving material wealth, they diverged in regards to the status of interpersonal comparisons. After Lionel Robbins’ (1932, 1938) criticism, new welfare economists agreed with the fact that interpersonal comparisons of utility involved value judgments that sent their subfield to the field of ethics<sup>5</sup>. As a response to Robbins, economists such as N. Kaldor (1939) and J. Hicks (1939) proceeded by restraining their recommendations in order to deal exclusively with the productive efficiency of economic systems. Some other economists, such as Bergson (1938), Scitovsky (1941, 1951), Lange (1942), Samuelson (1947) and Little (1950), recognized the normative character of welfare economics and conceded that

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<sup>5</sup> It is not our purpose here to give a full account of the history of the “old” and the “new” welfare economics. See Little (1950) for a critical reflection of both fields, Mishan (1960) for a survey of the “new” welfare economics, and Pellé (2009) for a special focus on their treatment of value judgments. See R. Backhouse’s (2009) contribution to the JHET symposium on Robbins’ *Essay on The Nature and Significance of Economic Science* (Vol. 31, No. 4) for an account of Robbins’ position towards welfare economics. Scarantino’s (2009) contribution to the same symposium gives a detailed analysis of debates on the role of values in economics during the 1930s and 1940s.

interpersonal comparisons of welfare were both useful and unavoidable. With the emergence of economic theories of justice and social choice theory during the 1950s, economists such as Harsanyi (1955) and Sen (1970) started to explore different ways of reintroducing interpersonal comparisons to economic analysis. These varied reactions suggest that the radicalism of Robbins' attack contributed to the diversification of normative economic analysis. These reactions were, at their turn, intertwined with different concepts of well-being that opposed the dominant concept of well-being as preference satisfaction.

### *1.1. Interpersonal comparisons as value judgments (1930s-1950s)*

The first set of arguments for and against interpersonal comparisons of utility arose right after Robbins' criticism (1932, 1938). Especially after 1938, when economists such as Kaldor (1939) and Hicks (1939) advanced policy recommendations that were intended as "value-free" propositions. These economists presented their approach as a scientific welfare analysis that was supposed to avoid Robbins' criticism. They claimed that the scientific status of propositions concerning productive efficiency was "unquestionable":

"[in] all those propositions for increasing social welfare which relate to the increase in aggregate production [...] the economist is on sure ground; the scientific status of his prescriptions is unquestionable, provided that the basic postulate of economics, that each individual prefers more to less, a greater satisfaction to a lesser one, is granted" (Kaldor, 1939, p. 551)<sup>6</sup>.

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<sup>6</sup> Like Kaldor, Hicks (1939) thought that the new welfare economics should be focused on the analysis of the cases where it was possible to evaluate alternative settings exclusively in grounds of their productive efficiency. Any Paretian improvement was thus judged as a progress in social welfare. See Scarantino (2009) for a brief account on the relation between Robbins, Kaldor and Hicks.

This position was opposed by welfare economists such as Bergson (1938) and Scitovsky (1941), who recognized the impossibility of welfare analysis to avoid value judgments<sup>7</sup>. Scitovsky (1941) admitted that while a strictly positive analysis could not allow for value judgments, welfare economics, which was concerned with policy recommendations, necessarily involved such judgments. A decade later, in a sort of historical account of the discipline, Scitovsky (1951) showed that most welfare economists had thrown “scientific objectivity to the winds” by focusing on the (unscientific) prescription of principles of economic policy:

“Frustrated by their inability to answer the pressing questions posed by the depression, and realizing that Keynes’ General Theory provided them with the answers, or at least with some of the answers sought, many economists seemed to throw scientific objectivity to the winds in their desire to render themselves useful. The choice between prosperity and depression, between a high and a low national output seemed so obvious and so easy to make that few if any economists stopped to ask themselves whether they had made their choice on objective and purely scientific grounds” (Scitovsky, 1951, p. 305-306)<sup>8</sup>.

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<sup>7</sup> Even though Bergson (1938) was not particularly critical of Robbins’s approach, he expressed that the aim of his paper was to “state in a precise form the value judgments required for the derivation of the condition of maximum economic welfare”, particularly those advanced “in the studies of the Cambridge economists” (Bergson, 1938, p. 310). Scitovsky (1941) argued that the efficiency arguments advanced in the new welfare analyses of Kaldor (1939) and Hicks (1939) involved implicit interpersonal comparisons. In evaluating welfare in terms of productive efficiency, and despite their careful analysis, economists compared, for instance, the benefits obtained by individuals holding monopolistic positions with those of consumers. Even avowing a preference for economic prosperity, he claimed, implied giving low relative weights to the welfare of individuals with fixed incomes or accumulated savings, who could “pick up bargains” in times of depression.

<sup>8</sup> Scitovsky (1951) also claimed that admitting a preference for prosperity implied that “the gain of those millions who benefit by prosperity is in some sense greater or more important than the loss of real income suffered by those few whose money income are fixed” (Scitovsky, 1951, p. 306). He maintained that, although such an assumption is not objective and not scientific, “most people feel instinctively that it is right” (*ibid.*).

Like Scitovsky (1951), Little (1950) defended interpersonal comparisons of well-being (happiness in his own terms) by claiming that such an analysis was perhaps not strictly scientific, but, however, not senseless concerning welfare judgments:

“It has been said that there is no doubt that we do compare differences in happiness as between different people; there is also no doubt that we compare different people’s total happiness [...]. We frequently maintain that A is happier than B, and it is obvious that when we do so we are not talking nonsense” (Little, 1950, p. 55).

For these authors, whose positions opposed Robbins’ perspective, interpersonal welfare comparisons were essential elements for normative economic analysis. They were at the same time the inescapable consequence of advancing policy recommendations, and not a senseless approach either, at least concerning a few basic characteristics of human nature<sup>9</sup>.

### *1.2. From interpersonal comparisons to social choice theory (1950s-1970s)*

A second set of debates on the rejection of interpersonal comparisons arose during the 1970s. Initiated by John Harsanyi in “Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility” (1955), it was focused on the reintroduction of such comparisons to normative economic analysis. Most of these debates were reactions to K. Arrow’s *Social Choice and Individual Values* (1951). However, as demonstrated by P. Hammond (1991), the reluctance of economists to admit interpersonal comparisons of utility dominated for almost twenty years after the publication of Arrow’s (1951) volume:

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<sup>9</sup> This kind of argument was also advanced by Pigou (1951), who justified the possibility of welfare analysis to recommend transfers of income: “if we take random groups of people of the same race and brought up in the same country, we find that in many features that *are* comparable by objective tests, they are on the average pretty much alike [...]” (Pigou, 1951, p. 292, original emphasis).

“it took almost twenty years after the publication of the first editions of Arrow’s *Social Choice and Individual Values* before Sen and others started a systematic study of the implications of relaxing Arrow’s most restrictive assumption – namely, the total avoidance of all interpersonal comparisons of utility in his definition of a ‘social welfare function’” (Hammond, 1991, p. 202, references omitted).

The reaction against the exclusion of interpersonal comparisons of well-being generated an extensive set of literature, including the contributions of Harsanyi (1955), Sen (1970), Rawls (1971), Hammond (1977), Kalai (1977), and Atkinson and Stiglitz (1980)<sup>10</sup>. Sen’s *Collective Choice and Social Welfare* (1970) represents, however, the first influential attempt to reintroduce interpersonal comparisons in social choice theory. Sen’s book was formulated in the language of this theory, and provided a set of technical tools to make “careful” interpersonal comparisons of well-being. Sen’s interpersonal comparisons admitted a “continuum of possibilities”, beginning with no comparison (ordinal utility) and ending with full comparability of cardinal utilities<sup>11</sup>. Like Scitovsky (1941, 1951) or Little (1950), Sen claimed that interpersonal comparisons were necessary to recommend economic policies, especially concerning distributional issues:

“The attack of Robbins (1932) and others on interpersonal comparability does not distinguish between *some* comparability and *total* comparability of units, and the consequence has been the virtual elimination of distributional questions from the formal literature on welfare economics” (Sen, 1970, p. 99-100, original emphasis).

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<sup>10</sup> See Elster and Roemer (1991) for an extensive account of this subject.

<sup>11</sup> In the language of social choice theory, this idea was expressed as follows: “We have thus a sequence of aggregation quasi-orderings, each a subrelation of the next, starting from the Pareto quasi-ordering, which is yielded by noncomparability, and ending up with a complete ordering, which is yielded by unit comparability. In between lie all cases of partial comparability, and as the extent of partial comparability is raised, [...], the aggregation quasi-ordering gets extended (if it changes at all), without ever contradicting an earlier quasi ordering obtained for a lower extent of partial comparability” (Sen, 1970, p. 112).

Avoiding Robbins' criticism, Sen did not argue for value-free interpersonal comparisons. His strategy was at the same time less "frontal" and more subtle as he provided the possibility of reintroducing gradual comparisons allowing different degrees of cautiousness according to the preferences of each theorist. While criticizing the extreme positions of cardinal and ordinal interpretations of utility, Sen promoted an intermediate understanding of the subject in order to reintroduce the analysis of distributional justice for the design of economic policies<sup>12</sup>.

But besides the problem of interpersonal comparisons, there was a second aspect of welfare economics that led to controversies that are at the origin of the approaches under consideration in this paper: the concept of well-being as preference satisfaction and the underlying concept of the individual. These issues were strongly criticized by economists, such as Scitovsky, who examined the principle of consumer sovereignty supporting consumer choice theory and welfare economics (Section 1.3), as well as by others, such as Sen, who criticized the utilitarian underpinnings of economic theory (Section 1.4). Despite their differences, these critiques were both directed against the concept of well-being as preference satisfaction. While the attack to the postulate of consumer sovereignty was directed against the assumption of the exogeneity of consumer preferences, the attack to the utilitarian aspect of welfare economics aimed at complementing the analysis of preference satisfaction with a multidimensional conception of well-being.

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<sup>12</sup> Sen defended the analysis of the welfare effects of income distributions in the following terms: "Suppose we denounce the existing inequality in the distribution of money income, and assert that this amounts to a lower aggregate of individual welfare. Are we assuming that we can put everyone's welfare units into one-to-one correspondence? We do not have to. We may be somewhat uncertain about the precise welfare functions of the different individuals and the precise correspondence between the respective welfare units, but we could quite reasonably still assert that in every possible case within the permitted variations the sum-total is less than what could happen with a more equal distribution" (Sen, 1970, p. 98-99).

### *1.3. Consumer sovereignty, the producer society, and the interdependence of preferences in affluent contexts*

The first concerted attacks to the principle of consumer sovereignty arose in discussions about the interdependence of preferences as formalized by J. Duesenberry in *Income, Saving and the Theory of Consumer Behavior* (1949) (Mason, 2000; Drakopoulos, 2010). This subject was extensively explored during the 1950s and 1960s by economists such as Scitovsky (1954, 1962), Galbraith (1958, 1967) and Mishan (1960, 1967) who were interested in the welfare effects of affluence (Edwards, 2009). These economists and their followers claimed that economic theory, as defined by L. Robbins (i.e. as the allocation of scarce resources), had become obsolete for the analysis of consumer behavior in affluent contexts.

For Scitovsky (1954), the interdependence of consumers' satisfaction was among the main reasons explaining the "reluctance of welfare economists to make any welfare statements concerning the consumer" (Scitovsky, 1954, p. 144). This reluctance explained, in turn, their focus on the productive efficiency of alternative economic settings (as in the case of Kaldor, 1939, and Hicks, 1939). Along the same line of argument, Galbraith (1958) claimed that the economic discourse had "narrowed down to a preoccupation with productivity" (Galbraith, 1958, p. 93). He was critical of this kind of economic analysis when used as a means to understand economic phenomena in affluent contexts:

"The shortcomings of economics are not original error but uncorrected obsolescence [...]. The affluent country which conducts its affairs in accordance with rules of another and poorer age [...] forgoes opportunities. And in misunderstanding itself will, in any time of difficulty, implacably prescribe for itself the wrong remedies" (Galbraith, 1958, pp. 3-4).

Two years after, in his survey of welfare economics, Mishan (1960) brought the subject put forward by Galbraith (1958) into discussions about normative economic analysis. He

criticized the excessive formalization of the discipline, especially concerning welfare studies in affluent countries:

“[A] study of welfare which confines itself to the measurement of quantities of goods and their distribution is not only seriously limited, it is – at least in those countries where the mass of people have advanced far beyond subsistence standards – positively misleading” (Mishan, 1960, p. 256).

The main idea put forward by Scitovsky (1954), Galbraith (1958) and Mishan (1960) was that consumer preferences were not exogenous entities, as supposed in traditional welfare analysis, but that they were continuously adjusting to new standards of economic development. In Mishan’s (1960) words, preferences were influenced by elements that were absent from welfare economics:

“the single-minded pursuit of advancement, the craving for material success, may be exacting a fearful toll in terms of human happiness. But the formal elegance of welfare economics will never reveal it” (Mishan, 1960, p. 256).

The most conspicuous critiques to the concept of well-being as preference satisfaction arose from the mid-1960s to the mid-1970s. The postulate of consumer sovereignty was analyzed by economists such as Scitovsky (1962, 1972, 1973), Galbraith (1967), Mishan (1967), Easterlin (1974), and Hirsch (1977).

Scitovsky (1962) explained that the economists’ “wisdom in putting to great and exclusive a trust in consumer’s wisdom” had been questioned from many different quarters (Scitovsky, 1962, p. 262). He demonstrated that, in affluent contexts, producers had the “power to ignore some consumers and influence the preferences of others” (*ibid.*, p. 268). Along the same line of argument, both Mishan (1967) and Galbraith (1967) criticized the “myth of consumers’ sovereignty” (Mishan, 1967, p. 148). They showed that it was not pertinent to speak of the market as “acting to adapt the given resources of the economy to meet the material requirements of society”, unless consumer wants existed “*independently* of the products created” (*ibid.*, original emphasis). In Mishan’s (1967) words:



“not only do producers determine the range of market goods from which consumers must take their choice, they also seek continuously to persuade consumers to choose that which is being produced today and to ‘unchoose’ that which was being produced yesterday. Therefore to continue to regard the market, in an affluent and growing economy, as primarily a ‘want-satisfying’ mechanism is to close one’s eye to the more important fact that, that is has become a want-*creating* mechanism” (*ibid.*, pp. 148-149, original emphasis).

A few years later, Scitovsky (1973) summarized these views in his “Notes on the Producer Society”. He showed that producers were able to control consumer preferences, undermining thus their sovereignty as supposed in economic theory:

“Modern economics rests on the assumption that consumers know what they want, want what they buy, and their purchases can be trusted therefore to reflect society’s preferences. The consumer is king in the economist’s world, which is a noble conception but utterly at variance with the realities of our society. In today’s America, the consumer lacks the strength and assurance it takes to be king. He is a shy and oppressed figure, the ignorant layman lectured by experts on what is and what is not good for him, the small man squeezed between big business and big government, the defenseless target of incessant assaults by loud advertisers and aggressive salesmen [...]” (Scitovsky, 1973, p. 225).

Part 2 of this paper renews with the views on the formation of preferences advanced by Scitovsky (1976) and his early followers.

#### *1.4. From preference satisfaction to a multidimensional concept of well-being*

Another aspect of the criticism of the concept of well-being as preference satisfaction, focused on the “utilitarian” aspect of welfare economics rather than on the principle of consumer sovereignty. This happened especially in the area of political and economic philosophy after the publication of *A Theory of Justice* by John Rawls (1971). It was in this context that D. Foley (1967), S-C. Kolm (1972), H. Varian (1974), A. Sen (1979, 1980,

1985a-b), R. Nozick (1974) and R. Dworkin (1981), to name a few, developed their views on economic justice.

The theories of equity, for instance, that developed out of the “non-envy” criterion introduced by J. Tinbergen in 1946, were developed by authors such as Foley, Kolm and Varian, who tried to renew the concept of well-being. These theories defined social optima in terms of the “non envy” criterion rather than out of sum totals of satisfaction or the maximization of social orderings. They retained, however, the preference-satisfaction framework of mainstream economic analysis (i.e. welfarism) (Mongin, 2002).

During the 1970s and 1980s, Sen advanced an alternative approach in several articles and books that criticized the concept of well-being defended both by welfarists and social choice theorists in grounds of their “restricted informational basis” (Sen, 1970, 1985a)<sup>13</sup>. From *Collective Choice and Social Welfare* (1970), to the “Dewey Lectures” (1984), passing through “Rational Fools” (1977), Sen criticized welfarism because of considering utility (as preference satisfaction) as the only source of information allowed to make welfare judgments. He claimed that both welfare economics and social choice theory lacked of “normative relevance”, for they conceived well-being solely in terms of a “mental-state perspective”. Rather than focusing on the problem of the endogeneity of consumer preferences (i.e. Scitovsky’s program), Sen’s main aim was to develop a multidimensional approach to well-being by adding new elements to normative economic analysis. In other words, because

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<sup>13</sup> The “informational basis” refers to the information allowed or excluded in a moral judgment (Sen, 1985a). The Rawlsian veil of ignorance, for instance, illustrates a case of restriction of an informational basis. Sen’s position against the concept of utility and for the interpersonal comparison of well-being, can be analyzed in terms of the informational basis of judgments. Enhancing this basis entails a move from purely subjective (ordinal) information to the inclusion of interpersonal comparisons of well-being.

people's lives could not be accounted for solely in the terms of utility theory, he thought that it was necessary to enrich the concept of well-being:

“if a starving wreck, ravished by famine, buffeted by disease, is made happy through some mental conditioning (say, via the ‘opium’ of religion), the person will be seen as doing well on this mental-state perspective, but that would be quite scandalous” (Sen, 1985a, p. 188).

Sen (1985a) criticized different economic interpretations of the concept of utility: as “satisfaction”, as “desirability”, and as “revealed” by consumer choice. Through several different contributions (Sen, 1982, 1985a, 1993) he developed the concept of “agency”, which includes “moral motives”, as well as many other motivations that were excluded from the welfarist framework, such as commitments to religion, social commitments and moral beliefs<sup>14</sup>. But besides emphasizing the importance of taking moral motives into account, Sen also defended the multidimensional concept of “human advantage” which is also built against the reductionist concept of well-being as preference satisfaction (Sen, 1985a-b, 1993). He pointed out the failures of utility theory and claimed (together with B. Williams, 1982), that traditional normative economics regarded “all interests, ideals, aspirations, and desires as on the same level, and all representable as preferences, of different degrees of intensity, perhaps, but otherwise to be treated alike” (Sen and Williams, 1982, p. 8).

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<sup>14</sup> Like Scitovsky (1976), Sen also criticized consumer choice theory on psychological grounds. In “Rational Fools” (1977), he emphasized the limitations of the standard economic representation of behavior as a maximization of preference satisfaction: “A person is given *one* preference ordering, and as and when the need arises this is supposed to reflect his interests, represent his welfare, summarize his idea of what should be done, and describe his actual choices and behaviour. [...] A person thus described may be ‘rational’ in the limited sense of revealing no inconsistencies in his choice behaviour, but if he has no use for these distinctions between quite different concepts, he must be a bit of a fool. The *purely* economic man is indeed close to being a social moron” (Sen, 1977, p. 336).

For Sen and Williams (1982), it was thus possible to develop a normative theory based on a rationality principle integrating a pluralist view by recognizing “the maximization of several distinct magnitudes simultaneously” (*ibid.*, p. 17). They attempted to demonstrate that incomplete moral systems could also be rational, thus challenging the utilitarian approach and its powerful advantage of being able to “solve” all moral problems (*ibid.*, p. 16). It is well-known that this argument belongs to a more general defense of the plurality and the incompleteness of well-being measures, as well as to a vindication of the need to complement utility-based information in normative economic analysis. As noted below (Part 2), this issue is central in Sen’s writings, appearing in most of his contributions being that social choice theory, theory of justice, development economics, or economic philosophy.

## **2. TWO NEW FORMS OF WELFARE ANALYSIS**

It is quite clear that theoretical welfare economics, as presented by Scitovsky (1952), Graaf (1957), Little (1957), Mishan (1960) and Baumol (1965) declined as an economics subject, or even “disappeared”, as presented by Atkinson (2001), during the last three decades of the 20<sup>th</sup> century. As noted in the introduction of this paper, normative economic analysis has diversified and is now composed by several different subfields such as public economics, economic theories of justice, theories of equity, inequality measurement, the capability approach and the economics of happiness.

This part of the paper claims that the process of diversification of normative economics, which is parallel to the process of diversification of subfields such as development economics, can be explained by a shift in the object of analysis: from the preference satisfaction of abstract economic agents, to the analysis of specific well-being measures of particular

individuals. It presents the departures from the new welfare economics of both Scitovsky and Sen, and shows that the approaches advanced by these authors opposed the concept of well-being as preference satisfaction. They focused instead on the more specific concepts of “joy” of affluent consumers, in Scitovsky’s case, and of “capabilities” of deprived individuals in Sen’s case.

### *2.1. From preference satisfaction to enjoyment*

In 1976, Scitovsky published *The Joyless Economy*, which, together with the work of Easterlin (1974), Hirsch (1977), Layard (1980) or Frank (1989), is nowadays considered as one of the main influences in the early development of the economics of happiness (Bruni and Porta, 2007; Edwards, 2009). Scitovsky’s main objective was to show that the American consumption pattern was inconsistent with the preference satisfaction framework of consumer choice theory. He suggested that consumer preferences were shaped by “cultural, educational and economic influences” (Scitovsky, 1976, p. 283) that made the American average consumption of “stimulation”, “variety”, and “novelty”, lower than that of European affluent countries (*ibid.*).

Scitovsky’s theoretical analysis was opposed to the standard accounts of consumer behavior and welfare. Based on his earlier contributions (Part 1), he claimed that despite the affluent character of western countries, economics was “concerned almost exclusively with a world of scarcity” (*ibid.*, p. 64). Drawing on the work of experimental psychologists, he criticized the psychological foundations of consumer choice theory. He claimed that the economists’ “ideal man” kept unsatisfied margins in all of his needs and that the concept of satiation had little standing in economic analysis:

“If the economist’s ‘ideal man’ is not rich enough to fill all his needs to satiation, he will stop short of fully satisfying all of them, not just one or a few. And not only must he keep unsatisfied margins on all

his needs and desires, but he also must see to it that any extra dollar he spends on one thing yields him as much satisfaction as that extra dollar would if he spent it on any other thing. If that were not so, a little rearrangement of his spending pattern could make him better off at no extra cost” (*ibid.*, p. 65).

In the analytical part of *The Joyless Economy*, Scitovsky claimed that the economic agent did not behave according to the theories of motivation advanced by experimental psychologists, especially concerning the concept of satisfaction<sup>15</sup>. He maintained that unlike the economic discourse of behavior, the analysis of psychologists, which was based on experimental evidence, showed that complete satisfaction was usually reached in both human and animal organisms. According to these studies, the need satisfaction processes in men and animals were discontinuous and complete (i.e. reaching satiation) rather than continuous and partial:

“Men and animals have many needs, but, because they cannot attend to all of them at once, they fill most needs intermittently, one at a time [...]: people arrange to have intermittent complete satisfaction, with the moments or periods of full satiation suitably spaced over time. Other forms of compromise, however, are also possible. For example a man who is too poor to heat his home to the most agreeable temperature is much more likely to heat a part of it to that temperature rather than heat the whole of it to a suboptimal temperature” (*ibid.*, pp. 64, 67).

Scitovsky considered satiation as a point of complete satisfaction. He equated complete satisfaction with comfort and showed that full states of comfort implied the absence of

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<sup>15</sup> *The Joyless Economy* was presented as *An Inquiry into Human Satisfaction and Consumer Dissatisfaction* and was divided in two parts. The first part (The Psychology and Economics of Motivation) was analytical and focused on the analysis of subjects such as “boredom”, “novelty”, “comfort versus pleasure”, and “income and happiness”. It was based on “motivational psychology” which, in Scitovsky’s words, corresponded to “that part of the body of physiological psychology which [was] the most relevant to establishing, extending, and correcting, when necessary, the economists’ theory of consumer behavior” (Scitovsky, 1976, p. xii). The second part (The American Way of Life) was an applied analysis presenting Scitovsky’s thoughts on American consumers, including the effects of their “puritan ghost”, their “disdain for culture”, “mass production”, and specialization”.

pleasures and pains. Based on this statement, he showed that affluent consumers faced the “dilemma” of choosing between comfort and pleasure. Scitovsky’s aim was to adjust the analytical framework of economics so as to offer an account of economic behavior that was rich enough to deal with this “new” kind of choice.

It is clear that Scitovsky (1976) focused on the behavior and well-being of affluent consumers. He claimed that consumer behavior in affluent contexts was characterized by “more occasions and larger areas of satiation” (*ibid.*, p. 71) and showed that while affluence permitted “self-evident” increases in comfort, another likely consequence was “a reduction in pleasure” (*ibid.*). It is in this sense that Scitovsky proposed an economic analysis that was focused on particular kinds of individuals:

“We shall henceforth be concerned with choice, especially with choice in economically advanced and affluent societies, where the main scope for choosing between pleasure and comfort lies in the area of stimulation, because affluence crowds out for many people, the pleasures of want satisfaction. In such societies want satisfaction can be more or less equated with comfort. Most pleasures of most people come from stimulation in such a society [...]” (*ibid.*, p. 79).

Instead of analyzing choice between scarce resources (as welfarists did), Scitovsky’s (1976) purpose was to study the allocation between stimulation and comfort made by affluent consumers and to highlight the effects of novelty as a source of pleasure. His chapter on “the pursuit of novelty” showed that the condition of perfect comfort was “restful at first”, but that it soon became boring and then disturbing (Scitovsky, 1976, p. 31). For Scitovsky, the consumption of novelty provided the stimulation necessary to fight the boredom of comfort and to give pleasure to the consumer. However, based always on findings of experimental psychologists, he maintained that even if newness was frequently stimulating, it gave pleasure only up to a limited degree:

“The new and surprising is always stimulating, but it is attractive only up to a limited degree, beyond which it becomes disturbing and frightening. Attractiveness first increases, then diminishes with the degree of newness and surprisingness. That kind of relation is common in psychology [...]” (*ibid.*, p. 34).

The task of the affluent consumer was, for Scitovsky, to avoid both “full redundancy” (no newness) and “perfect originality” (too much newness) in order to maximize pleasure.

## 2.2. *From enjoyment to happiness*

It is worth noting that, in *The Joyless Economy*, Scitovsky’s overall purpose was still that of a welfare economist: to prescribe economic policies. As the environments in which consumption took place were continuously changing, Scitovsky thought consumers should continually update their “world view” by “perceiving new information, processing it, and relating it to [their] previously accumulated fund of knowledge” (*ibid.*, p. 42). In other words, he claimed that consumers should adjust their preferences in order to be able to enjoy the available stock of novelty. For Scitovsky, the consumption of novelty was skilled consumption and specific abilities were required to transform novelty into optimum levels of pleasure:

“the fact that for the maximum enjoyment it must come combined with the already familiar, implies that to enjoy [novelty] a person must first acquire related knowledge. In other words, the enjoyment of novelty requires learning; the consumption of novelty is skilled consumption” (*ibid.*, p. 58).

Scitovsky claimed that consumer choice theory failed to recognize the “need for novelty and variety” as well as the “need of consumption skills” to make possible the enjoyment of certain forms of consumption (*ibid.*, p. 150). His recommendations were neither concerned with production nor with the availability of resources, but with the formation of preferences of



American consumers. Well-being, for Scitovsky, was not a matter of resource availability, but of subjective abilities to enjoy life<sup>16</sup>.

Scitovsky's approach is characteristic of the early economic analysis of happiness, as developed also by Easterlin (1974), Hirsch (1977), Layard (1980) and Frank (1989). The work of these authors has led, eventually, to the emergence of the economics of happiness as a subfield (Edwards, 2009). The economics of happiness is currently based on the analysis of life-satisfaction data obtained from general socio-economic surveys, and has vigorously developed during the last decade (Clark *et al.*, 2008; Davoine, 2009). Such an analysis is currently applied in many countries (regardless their affluence) and has been shaped in order to fit as a complement to standard economic theory (i.e. the revealed preference approach) (Layard, 2005; Clark *et al.*, 2008). Even if the recent economics of happiness is no longer explicitly focused on the analysis of the well-being of affluent consumers, it is still built around the problem of the happiness paradox, suggesting that extra-income does not lead to greater happiness in developed countries (Easterlin, 2004).

### 2.3. *From welfare economics to the capability approach*

The capability approach was initiated by A. Sen during the early 1980s and developed alongside the economic analysis of happiness<sup>17</sup>. As noted above (Part 1), Sen moved, at the

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<sup>16</sup> Scitovsky concluded *The Joyless Economy* by stating that the American education system failed to produce consumers with such important abilities: "Until the end of the eighteen century, education was a privilege of the leisure class and consisted, appropriately enough, of training in consumption skills [...]. In the nineteenth and early twentieth centuries, education in the United States became universal, but it also became more and more a training in production skills and less and less a preparation for the enjoyment of life [...]. Ever since then, economic forces have continued to press for the progressive crowding out of a liberal, humanistic education by the requirements of science and technology" (*ibid.*, p. 229).

end of the 1970s, from an analytical conception of well-being (that he advanced as a welfare economist) to new thoughts on human flourishing and development. He set the foundations of an alternative definition of well-being based on the notions of “functionings” and “capabilities” (Sen, 1979, 1982, 1985a).

The capability approach opposes two main aspects of utility-based definitions of well-being: it is open to interpersonal comparisons of well-being and presents a multidimensional structure which allows new elements in the assessment of the “quality of life” (Sen, 1982). Sen defines the concept of functionings as the “doings and beings” people can effectively achieve. It includes all the activities and projects available to people as well as enjoyable “states of being” such as “being well-nourished”, or “being well-sheltered” (Sen, 1985a). The “capability set” of an individual refers to the different collections of functionings that can be actually achieved by a person. In other terms, it is a measure of the freedom of choice of a person to lead different types of life. In Sen’s (1993) words:

“Functionings represent parts of the state of a person – in particular the various things that he or she manages to do or to be in leading a life [...]. The capability of a person reflects the alternative combinations of functionings the person can achieve, and from which he or she can choose one collection” (Sen, 1993, p. 31).

Sen’s approach, as developed in “The Dewey Lectures” (1985a), *Commodities and Capabilities* (1985b) and “Well-being and Capability” (1993), offers a framework in which the well-being of a person and her freedom of choice can be assessed in multiple dimensions<sup>18</sup>. It sharply differs from the concept of well-being as preference satisfaction: not

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<sup>17</sup> There is a vast literature presenting and analyzing the capability approach. See Qizilbash (1996), Alkire (2002), Robeyns (2005, 2008), Bonvin and Farvaque (2008), and Comim *et al.* (2008) for extensive accounts of it.

<sup>18</sup> The multidimensionality of the measurement of functionings and capabilities is one of the most important features in the applications of the capability approach. This kind of measurement is made by means of “factor

only is the notion of well-being composed by multiple elements such as “being able to appear in society without shame”, but the very concept of capability offers the possibility of measuring the potential opportunities of people. Moreover, the capability approach is designed to allow for interpersonal comparisons, which, as noted above (Part 1) are, for Sen, essential elements in normative economic analysis:

“An approach that cannot easily accommodate interpersonal comparisons is seriously handicapped in substantiating the notion of well-being” (Sen, 1985b, p. 19).

In applying some of his findings in social choice theory about incomplete orderings, Sen claims that the comparison of capabilities can be aimed “just at determining which of two particular persons is the more advantaged”, as it is the case in comparisons of “standard of living”, or in comparisons of “real income” (Sen, 1985b, p. 66)<sup>19</sup>.

It is also clear from Sen’s arguments that the capability approach is theoretically conceived in a very general way that allows for different kinds of well-being judgments. Indeed, Sen tends to present its main concepts in a very general formulation:

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analysis”, “principal component analysis” , “stochastic dominance”, or “fuzzy sets” as, for instance, in Brandolini and D’Alesio (1998), Chiaperro-Martinetti (2000), Bourguignon and Chakravarty (2002, 2003), and Lelli (2008).

<sup>19</sup> Sen considers, for instance, the comparison of different bundles of functionings: “In some cases [...] the valuation problem may well be trivial, when the generally list of valuable functionings indicates that one bundle simply ‘vector dominates’ another. In dealing with well-being of the very deprived vis-à-vis others, such dominance relations may well hold” (Sen, 1985b, p. 30). Sen also explores the possibility of international comparisons and deplores, in 1985, the lack of international data of functionings and capabilities: “Given the limitation of reliable data, it is not easy to make extensive comparisons of the achievements of different countries in the field of extending capabilities and enhancing functionings” (Sen, 1985b, p. 73).

“The well-being achievement of a person can be seen as an evaluation of the ‘wellness’ of the person’s state of being (rather than, say, the goodness of her contribution to the country, or her success in achieving her overall goals)” (Sen, 1993, p. 36).

This feature of the capability approach is acknowledged by most of its reviewers and followers. In Alkire’s (2002) words:

“Sen emphatically defends the breadth of the capability approach and the pluralism of its information base [...]. Capabilities may relate to things near to survival (the capability to drink clean water) or those which are rather less central (the capability to visit one’s aunt) [...] The definition of capability does not delimit a certain subset of capabilities as of peculiar importance [...]” (Alkire, 2002, p. 8).

Besides this, Sen has clearly specified that his goal is not to give a precise description of well-being but, on the contrary, to insist on the fact that the concept of capability refers to a “space” in which it is possible to define it. His aim is certainly not to propose a “way of life” describing concretely and precisely what well-being is:

“The importance of capability, reflecting opportunity and choice, rather than the celebration of some particular lifestyle, irrespective of preference or choice, is central to the point at issue” (Sen, 2009, p. 238).

#### *2.4. From the capability approach to a new understanding of economic development*

Despite the generalist conception of the capability approach, the context of its development and Sen’s personal background seems to explain its focus on the well-being of individuals facing deprivations. The first occurrence of the term “capability” (in Sen’s 1979 lecture “Equality of What?”) gives, indeed, a first indication of this evidence. Sen criticized John Rawls’ *Theory of Justice* (1971), which was based on the concept of “primary goods”. Instead of relying on this concept, Sen proposed to consider “basic capabilities”, which referred to basic abilities, as, for instance, the ability to move of a handicapped person:

“It is arguable that what is missing in all this framework is some notion of ‘basic capabilities’: a person being able to do certain basic things. The ability to move is the relevant one here, but one can consider others, e.g., the ability to meet one’s nutritional requirements, the wherewithal to be clothed and sheltered, the power to participate in the social life of the community” (Sen, 1979, p. 218).

Sen developed his concept of individual capability along the same line of the Rawlsian framework by giving special attention to the worst-off: it was designed to assess inequalities between individuals, as well as to identify specific deprivations, rather than conceived as a general notion of well-being. In other words, Sen’s main aim was to develop a theoretical approach to the analysis of injustice and to identify the lack of basic elements for leading a life.

Moreover, in all subsequent presentations of the capability approach (Sen, 1979, 1985a, 1985b, 1993, 1999), Sen’s argument is presented through examples revealing his special concern for situations of critical poverty and deep inequality. Even Sen’s “complex” functionings are related to deprivations of one or another kind:

“Some functionings are very elementary, such as being adequately nourished, being in good health, etc., [...]. Others may be more complex, but still widely valued, such as achieving self-respect or being socially integrated” (Sen, 1993, p. 13).

Although Sen has never restricted the use of his concepts, the examples and applications he uses unveil his special interest in situations calling for urgent solutions<sup>20</sup>. In any case, his original aim was certainly not to assess the well-being of affluent consumers as was

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<sup>20</sup> The two applications presented in Sen’s 1985 monograph, for instance, concern situations of deprivation. The first one is an international comparison of life expectancy, education, and other variables between “southern” countries (such as India, China or Sri Lanka). The second one evaluates gender inequalities in India.

Scitovsky's objective. This particular aspect of the capability approach is also present in Martha Nussbaum's version of the approach, as well as in most of its applications <sup>21</sup>.

In his most recent book, which synthesizes 30 years of reflection on *The Idea of Justice* (2009), Sen defends a pragmatic approach to justice rather than the "transcendental institutionalist" approach of political philosophers such as Hobbes, Kant, or Rawls. This means that instead of seeking to determine what a perfectly just society is, Sen defends an approach to justice which is focused on solving situations of "intolerable injustice":

"when people agitated for the abolition of slavery in the eighteenth and nineteenth centuries, they were not laboring under the illusion that the abolition of slavery would make the world perfectly just. [...] it was the diagnosis of an intolerable injustice in slavery that made abolition an overwhelming priority, and this did not require the search for a consensus on what a perfectly just society would look like" (Sen, 2009, p. 21).

Against a theoretical, abstract, and *a priori* conception of justice, Sen's approach consists in seeking to choose "less unfair" social arrangements. Again, Sen is explicitly focused on situations of "slavery", "inequities of hunger", "poverty", "illiteracy", "torture", "racism", "female subjugation", "arbitrary incarceration", and "medical exclusion" (Sen, 2009, p. 96). Facing evident situations of poverty and inequality, Sen criticizes both the subjective concept

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<sup>21</sup> The capability approach, developed by Martha Nussbaum (1988, 1992), in response to some perceived limitations in Sen's theory, proposes specific lists of functionings and capabilities, which are also focused on basic and fundamental activities such as "being able to live to the end of a complete human life", "being able to have a good health, to be adequately nourished", or "being able to live for and with others" (Nussbaum, 1992, p. 222). The combined approach of Sen and Nussbaum offers a suitable framework to understand phenomena of deep poverty, illiteracy and deprivation, and has been vividly used, especially since 1990s, in applied studies. Most of the applications of the capability approach focus on deprivations such as extreme poverty, lack of literacy and unemployment. They use the approach as a means to analyze specific aspects of economic development. See Sen (1985b), Quizilbash (2002), Ruggeri Laderchi (1997), Schokkaert and Van Otegem (1990), and Bourguignon and Chakravarty (2002, 2003).

of utility and the abstract concept of justice. He promotes instead a more “objective” and pragmatic definition of well-being, centered on the multidimensional concept of human capabilities, which allows for interpersonal comparisons. The capability approach is thus also an attempt to assess well-being that takes external elements into account instead of relying in a purely subjective definition, as it is, for instance, the case of the economic analysis of subjective well-being data (i.e. the economics of happiness).

While both the capability approach and the economics of happiness have developed as alternatives to welfare economics, the economics of happiness, on one hand, reinforces the old utilitarian idea that happiness can be measured and should be taken into account to elaborate policy recommendations. The priority is given to the analysis of subjective aspects of well-being and the approach is opposed to the idea of satisfying given preferences by increasing resource availability. Sen and his followers, on the other hand, have escaped from traditional welfare analysis by extending the definition of well-being to a multidimensional basis, including new elements that may be relevant to it. Happiness is one of them though not the only one as the capability approach also includes the concepts of “basic needs”, “freedom of choice”, moral determinants of individual action, and many others.

## **CONCLUSION**

Beginning with the problems and using the language of welfare economics, Scitovsky and Sen developed their views on normative economic analysis and focused on both the problem of the interdiction of interpersonal comparisons of utilities and the concept of well-being as preference satisfaction. While Scitovsky condemned the postulate of consumer sovereignty and dealt with the joylessness of American affluent consumers, Sen criticized the

informational basis of welfare judgments and introduced the concept of capability. Both reactions began within mainstream welfare analysis, but took opposite directions. Sen sought to elaborate a multidimensional concept of well-being by focusing on the freedom of individuals to choose different types of life and realizations, and including “objective” elements (i.e. external to the individuals). Scitovsky, on the contrary, kept a subjective-based perspective moving from the new welfare economics formal conception of utility, to the analysis of enjoyment, and its character in affluent contexts.

While both approaches had their origins in critiques to the preference satisfaction framework of economics, their strategies led to two different types of applications. On the one hand, Sen’s capability approach acquired full autonomy, and initiated a new research program which is based on both a philosophical reflection about the list of capabilities to be included, and the measurement of individual functionings and capabilities. On the other hand, the work of Scitovsky and his followers has led to the emergence of the economics of happiness, which is focused on studies of subjective well-being data (i.e. survey data). These studies also represent a new alternative to traditional normative economic analysis. Rather than deducing well-being from resource availability (i.e. using GDP measures), they seek to empirically analyze subjective measures of well-being.

The study and measurement of functionings, capabilities and happiness have become widespread practices in economics and they are nowadays applied to the analysis of different kinds of individuals and problems in different countries. The aim of this paper has been to show that the origin of these new measures of well-being, in particular, and the diversification of normative economics, in general, lay partly on theoretical debates about the concept of well-being used in welfare analysis, as well as on different views of the concept of the individual under study. Capabilities for the miserable; happiness for the satisfied.



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