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REPLY TO PUTNAM AND WALSH

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Social thinkers frequently remind us that people differ on what constitutes personal well-being, but that even when they don't differ, they disagree over the extent to which one person's well-being can be permitted to be traded off against another's. They tell us that political differences are to be traced to differences in people's conceptions of personal and social well-being. We are given to understand, in other words, that people's *ethics* differ.

This reading of matters may be generally true, but I have come to believe increasingly that it isn't all that true among working economists. By offering an account of the development of the economics of development, I tried to show in an article, "What do economists analyze and why: values or facts?" (*Economics and Philosophy* 2005, 21(2): 221–78) – henceforth Dasgupta (2005) – that in professional discussions on social policy, contemporary economists speak or write *as though* they agree on (ethical) values but disagree on their reading of facts. I chose development economics as my illustration, in part because I think I know the literature there pretty well, but partly also because if there is a branch of economics that should spring from overt ethical concerns, it is the economics of development. So, if working development economists don't discuss the ethical motivation behind their work, there must be a reason.

Prominent ethicists have also been struck by an absence of normative discourse among contemporary economists. Sen (1987), Putnam (2003) and Nussbaum (2003) have castigated economists in general, and development economists in particular, for keeping ethics out of economics. As a working economist, their charge appeared misplaced to me. For over 30 years I have been under the impression that the foundations of modern welfare economics were laid by (Bergson) Burk (1938) and Samuelson (1947), and

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that economists have built on those foundations to construct a language in which alternative systems of social ethics can be discussed and put to work for deriving policy. In Part I of Dasgupta (2005) I offered an account of the post-War literature on theoretical welfare economics, beginning with the Bergson–Samuelson formulation of the subject. In Part II of the article I presented a case study, involving five decades of discussion on the problems of economic development in poor countries. The case study was designed to illustrate my thesis, that professional debates among contemporary economists on even such ethically driven concerns as poverty and distributive justice have been mostly about facts, not values. I argued that development economists haven't banged on about morality in part because they share the moral concerns Nussbaum, Putnam, and Sen want us to display; but in part also because it has been enormously difficult to fathom the socio-economic pathways that shape rural life in the world's poorest regions. Which is why explorations of those pathways have been our main activity. Expressions of differences in opinion among development economists on the right means to a set of shared aims have dominated the literature; researchers have rarely quarrelled over the ends of economic policy – at least not in their writings. I suggested that any reasoned critique of development economics would focus on omissions of facts (e.g., the neglect of local ecology in studies of rural poverty), not insensitivity to values. As illustration I offered an account of how our assessment of the progress and regress of nations would be altered if we took Nature seriously into account in economic activities.

Professors Hilary Putnam and Vivian Walsh will have none of this. In a response to my article (Putnam and Walsh, 2007) – henceforth PW – they say I deeply misunderstand what Bergson and Samuelson achieved, and that my travesty of the Bergson–Samuelson argument is a major reason why I have completely misread Putnam's position (not to mention Quine's) on the entanglement of fact, theory, and value.

Their response is in two parts. I reply to them sequentially and borrow their section headings.

WHAT BERGSON AND SAMUELSON ACTUALLY DID

Actually, PW don't even attempt to show what Bergson and Samuelson "actually did." Instead they recall discussions taking place in the late 1940s and early 1950s at the London School of Economics on welfare economics. They say that Paul Samuelson was well aware of the influence of logical positivism on the economics profession at the time and explicitly endorsed the view in his book that "ethical value judgments have no place in scientific analysis." PW go on to say that Samuelson would have been horrified at my suggestion that he and Bergson had helped to provide economics with broad ethical foundations.

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I wasn't interested in what Professor Samuelson may have meant by his methodological remarks; rather, in Part I of my article I was concerned to show what he achieved in the section of his book that discusses the concept of social welfare functions. Because modern welfare economics has been built directly on Samuelson (1947) – economists have even followed his mathematical notation – I summarize his formulation here.

Consider an N-person society. By a *social state*, I mean a complete history of the world, extending from the known past to the indefinite future – as complete, that is, as current powers of discrimination will allow. *All* ethical theories evaluate social states. Where the theories differ is in what is regarded by them to be ethically significant in social states. The ethics that Samuelson put to work in his book for the person evaluating social states (I shall refer to him as a "social evaluator" – Samuelson referred to him as an "ethical observer") identifies *individual utilities* as the ethically significant features of social states. Denoting the utility of person i in social state x as $U_i(x)$, the function $U_i(x)$ was assumed by Samuelson to be unique up to increasing monotone transformations: Samuelson confined his discussion to ordinal utilities.

The social evaluator could be a citizen (thinking about things before casting his vote on political candidates), she could be an ethicist hired to offer guidance to the government, she could be a government decision maker, and so on. We are to understand that the social evaluator ranks social states in terms of a numerical aggregate of individual utilities. That aggregator is called a *social welfare function*, which we write as W. Formally, social welfare in x is

(1) $W(U_1(x), \ldots, U_i(x), \ldots, U_N(x))$.

Samuelson made it an ethical requirement that W be ordinal and increasing in U_i for all i (i.e., W is *Paretian*). He noted that in order to construct W, interpersonal comparisons of utilities would have to be invoked. But he didn't investigate the precise nature of those comparisons. That investigation was to be made later, by other economists. Nevertheless, formula (1) has been the starting point of subsequent writings on welfare economics. Which is why economists refer to W as the *Bergson–Samuelson social welfare function*. (Graaff, 1962, offered a definitive account of the theory. Atkinson and Stiglitz, 1980, and Myles, 1995, are applications to theoretical public economics.)

Thus far, the general formulation. When applying (1) to hypothetical resource allocation problems, however, Samuelson made further assumptions on the Us, so as to explore whether an economy with a complete set of competitive markets has any virtue. The famous first and second fundamental theorems of welfare economics, beloved of all subsequent textbooks on microeconomics (e.g., Mas-Colell *et al.*, 1995), were implications of this theory.

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In view of all this, Samuelson's formulation of social welfare seems pretty *foundational* to me. He had narrowed the domain on which normative questions could be discussed in such a precise way, that not only were we able to derive conclusions on the design of social institutions, but experts were able to criticize it, extend it, and also narrow it down further so as to apply it to theoretical and empirical problems. It wasn't vacuous of Sen (1985) to dub an ethics based directly on the Bergson–Samuelson social welfare function "welfarism". But welfare economists had moved beyond Samuelson's version of welfarism a lot earlier. In a classic work on public finance, Musgrave (1959) argued that the aggregator reflecting social welfare ought to be defined not only on the *U*s, but also on those characteristics of social states that possess ethical relevance over and above their relevance as determinants of the *U*s. He called such characteristics *merit goods*. (Democracy and civil liberties would be merit goods in Musgrave's terminology.) Others explored the idea that those non-utility features of social states can be incorporated directly into welfare economics once we regard social welfare to be a numerical function, not of utilities, but of individual *well-beings* (themselves scalars), which reflect a wider notion than utilities. (Well-being has also been given a number of interpretations in the literature.) Thus, if $V_i(x)$ is i's well-being in social state x, then the counterpart of formula (1) is a social welfare function, W, where

(2) $W(V_1(x), \ldots, V_i(x), \ldots, V_N(x))$.

Economists have explored alternative structures of W when the Vs are cardinal. Of particular interest is the case where W is additive in the Vs, because the additive form is enormously useful in both theoretical and empirical applications. Welfare economists discovered that the additive form of W is harboured by a variety of ethical theories. If the Vs are interpreted as "happiness" or "satisfaction" and the views of an "ideally rational and impartial spectator" (Rawls 1972: 184) are sought, the additive form of W would represent classical utilitarianism. However, the form isn't restricted to teleological theories, it can also be reached from intuitionist, even contractual considerations. Koopmans (1972) and Maskin (1978) identified ethical axioms, which, when imposed on formula (2), require that W is additive. In an earlier work, Harsanyi (1955) had arrived at the additive form from an exercise that Rawls subsequently called a hypothetical choice behind the "veil of ignorance". In contrast to Rawls, Harsanyi had postulated that when evaluating a social state, the chooser would assign an equal probability of being in any person's situation.

It may be that by "foundations" PW mean something different from the sense in which I used the term in my article. I doubt it though. I imagine they would regard Sen (1985) as having laid the foundations of an ethics

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grounded on human "capabilities". Capabilities have been taken by Sen to be the alternative combinations of functionings that are feasible for a person to achieve. Unlike formula (2), social states are to be judged in this theory in terms of the *N*-tuple of capability sets in them. But Sen has offered no account of how our social evaluator is to value capability sets vis-à-vis one another, even what those sets would be in practical exercises (beyond such basic ones as education and nutritional status). In an interview in *Feminist Economics* (2004, 10(3): 77–88), for example, Sen made it quite clear that it would be improper to build a "grand mausoleum" to a list of capabilities that ought to be protected and promoted. It seems to me capability theory, in the form in which Sen developed it, is even more open ended than the welfare economics of Samuelson. As pretty much the whole of modern public economics (involving exercises in optimum taxation, public investment, pensions, environmental regulations, and so forth) takes off from variants of the Bergson–Samuelson social welfare function, I fail to see why it is a travesty to regard Bergson and Samuelson as having laid the ethical foundations of modern economics.

THE ENTANGLEMENT OF FACT, THEORY, AND VALUE

In Dasgupta (2005) I quoted a single passage from Putnam's writings on the entanglement of fact, theory, and value. The passage was: "It is all well and good to describe hypothetical cases in which two people "agree on the facts and disagree about values", but . . . (w)hen and where did a Nazi and an anti-Nazi, a communist and a social democrat, a fundamentalist and a liberal . . . agree on the facts?" (Putnam 1993: 146).

I quoted it because the passage seemed to me to offer an antidote to a widely held view among economists that disagreements among them are mainly over ethical values. (See Dasgupta, 2005, footnote 1, for citations.) I now wish I hadn't done so. I don't doubt PW when they say I have no grasp of Putnam's position on the "fact-theory-value entanglement". But the thesis I was advancing in my article doesn't depend on whether I understand Putnam. (I realize that in PW's opinion the previous sentence alone shows that I have no grasp of Putnam's position!) That said, I did acknowledge Putnam's position as sketched by PW. Here is what I wrote immediately after presenting a synopsis of the thesis I was advancing:

"It may . . . be that deep down, those who, say, worry about the way Humanity treats Nature and those who regard markets and politics to work well enough to protect and promote Nature *do* hold different values, but filter their perceptions of the way the world works [that's the "theory" in the entanglement] through their distinctive ethical receptors; perhaps too, their private interests. But even if they cloak their ethical differences or private interests by arguing about facts, it is the factual character of the issues they argue about, and is the point I am making here. (Footnote:

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Ehrlich and Ehrlich (1996) offer an illuminating account of how expert scientific findings are willfully ignored, even distorted, when they prove awkward to private interests. The authors cite contemporary debates on global warming (in particular, its anthropogenic causes) and the depletion of biological diversity as examples)." Dasgupta (2005: 223).

In Part II of my article I gave an account of a series of debates among development economists, where the underlying assumption seems to me to have involved shared ethical values. My account was divided into sections with the titles, "development as economic growth", "the quality of economic growth: investment in what?", "growth vs. distribution", "female education and fertility", "freedom and development", and so on. I showed that the debates among economists on these matters have been over their reading of economic pathways, that economists haven't pressed charges against one another for holding wrong ethical values. That said, the entanglement between fact, theory, and value can lead to misunderstandings. Someone who is concerned specifically about the factual aspects of a phenomenon could be thought by others to be making or promoting strong assumptions about value. That's why it is possible to overlook that even when values determine – or play a major role in determining – the questions someone is interested in, the answers they arrive at don't necessarily involve value judgments, nor that resolutions of factual questions necessarily settle those normative questions with which they are entangled.

Which is why nothing that I wrote in my article is at variance with what PW write in their section on the "entanglement". PW remind us that the construction of any model "involves evaluations of what is *important* and what is not". They use the example of the drawing of maps (where the purpose to which the map is to be put influences what is included in it) to argue that it would be wrong to regard even maps as being value-free. If I had been trying to establish that the literature on the economics of development is "value-free", I would understand the relevance of PW's exposition here of the "entanglement". As I wasn't trying to do that, I don't understand the point of their discussion on this.

Still, let me try. What PW may be telling us is that it isn't *possible* for people to disagree on facts but agree on the ethical values with which those facts are entangled. By symmetry I imagine they believe it isn't possible for people to disagree on ethical values but agree on the facts with which those values are entangled.

As I am a practising economist, not a philosopher, I'm unable to judge how sound that view is; but here is a reason why economists could justifiably be unconcerned about PW's strictures even if the view *is* sound: *economic data are most often so coarse, that researchers can profitably debate and refine their understanding of the factual aspects of a social phenomenon even without having to refine the ultimate ends that motivate their work*. Since PW

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weren't persuaded by the account I offered in Dasgupta (2005), let me illustrate my thesis in two different ways with another example.

Case and Deaton (1999) analysed South African data to see whether the pupil–teacher ratio affects the educational attainment of Black children. (They found that it does, adversely.) But they spent no time explaining *why* they were interested in children's school grades, nor why the reader should be interested in them. I think they took it for granted that when a child's learning improves, *it is a good thing*. Now I have no idea why Case and Deaton regard it a good thing. It may be that Case is a utilitarian and has reached her view from standard utilitarian considerations, and it may be that Deaton is a card-carrying capabilitarian. The reader can't tell though, nor does the reader care. As theirs was a joint paper, Case and Deaton probably agreed on their reading of facts. But it could be that they disagreed over the ultimate motivation underlying their decision to work on the project. It may even be that they never bothered to check whether they disagreed.

More generally, there has been much discussion in South Africa on the relative importance of the variables that contribute to a child's education performance (e.g., Barbarin and Richter 2001). For example, food-energy intake per household member is another possible determinant, as are the parents' educational attainments. Experts disagree on the issue, but their disagreements have been over the quality of the various sets of data being analysed, their statistical biases, the tests that are appropriate for studying the data, and so forth. So far as I can tell, all the investigators think that an improvement in children's education performance is a good thing. PW would no doubt say that when applied economists disagree over the quality of their data sets or over the statistical tests that would be appropriate to apply to them, they reveal differences in the values they hold. They seem to be saying that what others call "informed judgment" or "research experience" or "trying out an idea or technique for size" – or, indeed, plain "curiosity" – are "values". If *that* is what PW intend to mean when they talk of the "entanglement of fact, theory, and value", theirs is as bland a claim as that "everything is connected to everything else in this universe". It may be true, but it's a pretty useless observation nonetheless. In my article I was concerned to show that development economists write as though they share *ethical* values even while disagreeing over the nature of the pathways that shape people's lives. Nothing PW say in their response shows that I was wrong.

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